Marks Electrical Group plc

# Beyond delivery


Annual Report and Accounts 2024

# THE ME WAY

As a nationwide retailer, we pride ourselves on delivering high-quality products at competitive prices, in the world of Major Domestic Appliances ("MDA") and consumer electronics. Providing good value and a premium service to our customers is at the core of our mission.

What sets us apart is our unique business model, designed to ensure both customer satisfaction and operational excellence. We firmly believe that success should always align with ethics and responsibility. Therefore, we hold ourselves to the highest standards of corporate conduct, relentlessly striving to make a positive impact for our stakeholders.

**See our Group website to learn more**


## Simple approach

**Our strategy**

Our customers are at the heart of everything we do

p14

## Unique model

**Our business model**

A vertically integrated business model that revolves around its central location

p22


## Sustainable business

**Sustainability**

Proven sustainable business over 35 years

p26

# HIGHLIGHTS

## Statutory measures

| Revenue | Dividends per share |
|---|---|
| **£114.3m** (2023: £97.8m) | **0.96p** (2023: 0.96p) |

| Statutory earnings per share | Profit before tax |
|---|---|
| **0.41p** (2023: 4.91p) | **£616k** (2023: £6,423k) |

## Non-statutory measures

| Adjusted EBITDA[1] | Adjusted earning per share[1] |
|---|---|
| **£5.0m** (2023: £7.5m) | **2.45p** (2023: 4.82p) |

## Operational measures

| No. of stock-keeping units ("SKUs") | No. of brands |
|---|---|
| **4,500+** (2023: 4,500+) | **50+** (2023: 50+) |

| Employees | Vehicles |
|---|---|
| **250+** (2023: 200+) | **60+** (2023: 50+) |

## ESG measures

| Emissions | Contributed to communities |
|---|---|
| **Carbon neutral** (2023: Carbon neutral) | **£50k+** (2023: £45k) |

## Qualitative achievements

- Achieved and maintained a 4.8 star (2023: 4.8 star) Trustpilot rating by providing the best-in-class customer experience in the MDA and CE industry
- Implemented the Marks Electrical Academy for driver and installer training
- Performed over 20,000 (2023: 8,000) gas, electrical, integrated and TV installations
- Significant upgrades to warehouse and offices to support growth
- Modernisation of the fleet

1 Adjusted EBITDA, operating cash conversion, return on capital employed and adjusted earnings per share are alternative performance measures, definitions of which are set out on page 119.

CHAIR'S STATEMENT

# Beyond a market-leading experience

As we reflect on another year of strategic progress and growth, I am pleased to share with you the highlights and achievements we made in the financial year ended 31 March 2024 ("FY24"). Despite a challenging trading environment, we continued to make progress on our long-term strategic goal of becoming the UK's premium electrical retailer and significantly improved our service offering, whilst reaching more customers than ever before.

### Dear shareholder,

During the year, the business model remained robust, despite profitability challenges, allowing us to continue to invest in our future growth and maintain our market leading customer service. We have made some major strategic changes, with the most significant being our decision to leave the Euronics UK buying group.

What Mark and the team have achieved since joining the buying group in 1997 is highly commendable, and we now exit at the end of March 2024 as the largest independent retailer in Euronics UK by some significant margin. The decision to leave was not taken lightly by the Board and the reception we have received from brand partners has been tremendous, demonstrating their support for our long-term growth ambitions. We look forward to working even closer with our brand partners than ever before, to drive and improve our service offering to customers. On behalf of the Board I would like to take this opportunity to thank Euronics UK for their professionalism and candour in handling our departure and we wish them every future success as we head our separate ways.

### Our purpose and mission

Our purpose is simple and clear, to be the electrical retailer that delivers, and our mission is to become the UK's premium electrical retailer.

We do this by operating with a customer mindset and delivering a market leading premium delivery and installation experience. It is also critically important that we deliver for all stakeholders, including our employees, shareholders, suppliers, local communities, and the environment.

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



### Financial performance

Our objective during FY24 was to ensure continued revenue growth through the expansion of service offerings and increased brand awareness, whilst maintaining profitability and enabling our free cash flow to be deployed on value-enhancing capital developments and the replacement of our legacy Enterprise Resource Planning ("ERP") software.

Despite the best efforts of our colleagues, we several market forces impacting our profitability to a greater degree than originally expected at the start of the year. Namely, a lower average order value driven by the cost-of-living crisis and consumers trading-down, as well as increased operational costs driven by higher-than-expected pay-rate increases to maintain market competitiveness for attraction and retention.

Whilst our profitability was not what we set out to achieve at the start of the year, we delivered strong revenue growth of 16.9% and we have continued to control overheads and discretionary spend in order to achieve an adjusted* EBITDA of £5.0m (2023: £7.5m) at 4.4% (2023: 7.7%) margin against a tough consumer backdrop. Furthermore, our focus on cash conversion and working capital management has helped us achieve an adjusted* cash inflow from operating activities of £4.5m (2023: £9.9m) which allowed us to invest £2.2m on fleet and warehouse upgrades, £2.7m on our new ERP implementation project and return £1.0m to shareholders through our annual dividend.

### Our people and culture

Our objective at Marks Electrical is to keep the simplicity of our business model core to our purpose and ensure that we invest our resources in delivering for customers. As such, during the year we developed the Marks Electrical Academy ("ME academy"), a market-leading facility for training freestanding and integrated domestic appliance installers to the highest industry standards. This also included a training classroom for wider educational purposes across the business.

Seeing this newly created facility in action and used by our teams on a daily basis was a pleasure to witness and the knock-on impact of improving the level of training and service has enabled us to maintain an excellent rating of 4.8 on Trustpilot; a feat that we are incredibly proud of and a testament to the care and attention that each one of our colleagues puts into the customer experience on a daily basis.

> **"Whilst profitability was lower than we originally set-out to achieve, our revenue growth, cash generation and excellent customer service standards continued to prevail, demonstrating the strength of our business model and long-term strategy."**

### Sustainability and community

Our focus on sustainability has continued in FY24. Recycled 2,936 tonnes of used appliances and 523 tonnes of packaging, to ensure the careful and productive disposal of waste for customers.

Throughout the local Leicestershire area we have continued to invest in multiple community support projects in schools, sports facilities, and for the first time in the Bradgate Park in Charnwood Forest where we supported the restoration of a major local landmark.

We continue to do the right thing sustainably and look forward to building on our activities both strategically and financially 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, underpinning the delivery of our long-term strategy. The Board continues to constructively challenge and support executive management as it executes the strategy whilst paying close attention to business performance and wider stakeholder engagement.

As we continue to evolve our governance framework, the appointment of PricewaterhouseCoopers LLP ("PwC") during the year was a significant decision for the Board, which we expect to further enhance our approach to risk management and wider governance. We have valued their input in the first year audit and look forward to continue working with PwC in the future.

### Looking ahead

Whilst profitability was lower than we originally set-out to achieve, our revenue growth, cash generation and excellent customer service standards continued to prevail, demonstrating the strength of our business model and long-term strategy.

As we look ahead, our focus on maintaining our market leading customer proposition remains paramount and the Board's objective is to continue to foster a strong governance environment that allows us to grow rapidly but profitably, by gaining market share through the quality of our customer service delivery.

As we now depart from the Euronics UK buying group, we are excited about the challenges and opportunities ahead and look forward to working closely with our brand partners to deliver an excellent customer service proposition for consumers.

**Marnie Millard OBE**
Independent Non-Executive Chair

* Adjusted EBITDA and adjusted cash flow from operating activities are alternative performance measures, definitions of which are set out on page 119.

CHIEF EXECUTIVE OFFICER'S REVIEW

# A challenging but rewarding year

Despite our lower profitability, our revenue growth and strategic progress has been excellent, allowing us to continue to gain market share against a tough consumer backdrop.

We have faced a challenging but rewarding year in FY24:

- Our revenue continued to grow, surpassing £100m for the first time in our history as a business, reaching £114.3m with 16.9% revenue growth year on year;
- Our industry leading customer focus has helped us to maintain an excellent Trustpilot score of 4.8;
- We continued investing in our long-term strategy through additional developments in our warehouse, expansion of our vehicle fleet and began the implementation of a new ERS system to fuel our future growth; and
- We grew market share growth in both Major Domestic Appliances ("MDA") and Consumer Electronics ("CE") segments leaving us well positioned for future market recovery.

Whilst I am personally frustrated about our margin progression in FY24, I remain confident about our long-term growth prospects and continue to be impressed by our ability to deliver market share gains profitably, against a fiercely competitive backdrop, whilst maintaining the highest levels of customer service standards in the industry.

In the current trading environment consumers remain highly price-conscious, which given our premium focus, continues to have an impact on our average order value, resulting in customer order volumes growing faster than revenue. This impact has limited our ability for margin expansion which we expect to continue in the short term, when taking into account the relatively fixed cost of delivery. As we work tirelessly as a team to enhance our margin into the financial year ending 31 March 2025 ("FY25"), I know from 37 years of trading that margin fluctuations are inevitable, they present us with an opportunity to learn, and will ultimately enable the Group to deliver long-term value creation and position us as the UK's leading premium electrical retailer.



Furthermore, during the year, we made further strides in our strategic plans and as we focus on positioning our business to deliver long-term growth and value creation, we made the decision to exit the Euronics buying group, which we believe represents the next logical step in our journey. This enables us to further build on the direct relationships we have with our brand partners, which we anticipate will lead to revenue and margin upside in the medium term and in addition, improved flexibility as a national account.

### Market share – a small share of a big opportunity

We are predominantly focused on the MDA market but have also been rapidly expanding our footprint in the CE market, primarily in the television category.

During our financial year, the MDA market declined by 1.3%, with the CE market declining by 3.9%. Despite this, we were able to increase our market share to 2.8% in MDA (2023: 2.5%) and 0.5% in CE (2023: 0.3%). Our consistent gains in market share are driven by our relentless focus on market-leading customer service.

The continued market share growth we have seen, regardless of such a challenging backdrop is the fuel that encourages us to work hard every day, delivering for customers and taking comfort in the fact that we have such a small share of an enormous market with significant scope for future market share gains.

### Our strategy for growth

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

**Customer proposition**

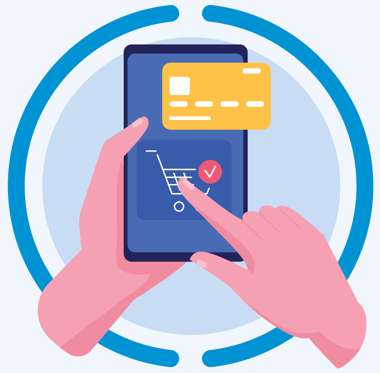
**Operational capacity**

**Brand awareness**

**Financial performance**

## Why invest in Marks Electrical?

A simple, highly focused, vertically integrated business model which offer market-leading revenue growth, robust profitability and strong cash generation.



### Fast growing and scalable pure play ecommerce platform

- 16.9% sales growth in FY24
- 35+ years of retail expertise
- Highly cash generative

### Differentiated business model

- Significant investments in proprietary technology
- Market-leading customer service
- Scalable, vertically integrated delivery model

### Multiple levers to accelerate growth

- Strengthening digital marketing expertise
- Investing in brand awareness
- Enhanced focus on underserved and new product lines

# CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

**"Throughout the year we have strengthened our brand relationships in order to deliver the best quality products to customers and furthermore we expect these relationships to grow even deeper as we establish direct trading across all our brands."**

## Customer proposition

Our operating model continues to be unique across the MDA sector in that we consistently offer free next-day delivery for in-stock items over set values, throughout our wide range of products, to over 90% of the UK population. In addition, our expanded installation service offering now provides customers with the ability to add integrated, gas, electric and television installation services to their order, which can be carried out within a rapid time frame.

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

During the period we have made further advancements in developing our customer proposition, including:

- Developing the ME academy, our leading in-house product installation facility for driver, installer and customer service training;
- Introducing alternate customer communications, improving the speed and efficiency at which our customer services team can resolve problems for customers;
- Further developing our website to continually improve the customer journey; and
- Maintaining our excellent Trustpilot score of 4.8.

Throughout the year we strengthened our brand relationships in order to deliver the best quality products to customers and furthermore we expect these relationships to grow even deeper having exited the Euronics buying group as we establish direct trading across all our brands.

## Brand awareness

A key to our success is to grow our brand awareness.

During the year we carried out continued brand awareness activities focused on brand building across digital, television, out-of-home, radio and social media channels, helping us to improve our reach and visibility across the UK.

This activity and continued customer focus resulted in elevated order growth in key geographical locations. Whilst we are proud of the progress we have made, we also recognise that there is significant opportunity for further brand awareness growth, as more people across the UK come into contact with our brand for the first time.

During the year we also spent time developing our relationships with our brand partners' marketing teams, in order to offer them innovative opportunities to advertise with us. Our agile and creative approach has proved highly complementary during the year and we look forward to building on these relationships in the years ahead, ensuring that the activities that we carry out are mutually beneficial for us and our brand partners.

## Operational capacity

Across the four pillars of our strategy, operational capacity is one that was in significant focus in FY24. We made sizeable investments across our distribution centre and vehicle fleet, including but not limited to:

- Two automated dock-leveller loading bays;
- A very narrow aisle forklift system;
- Multiple racking and layout improvements and additional fork lift trucks; and
- Increased fleet capacity with a range of different vehicle types.

By making these investments, we increased our efficiency and capacity, allowing us to minimise additional headcount, improve throughput and scale further in our current facility, without requiring additional warehousing. It also remains important for us to continue to modernise our fleet in order to increase capacity and minimise operational downtime.

We continue to believe that 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

We continued to deliver strong revenue growth in FY24 whilst gaining new customers and increasing market share. This was, however, at lower profitability levels than in the prior year, as a result of lower gross product margin and higher distribution costs. We held advertising and marketing expenses flat as a percentage of sales and kept a sharp focus on other operating expenses to mitigate some of the external profitability challenges but were frustrated by the outcome of our bottom line margin, despite all the hard work across our teams throughout the year.

Despite this, we have been able to continue to demonstrate that gaining market share can be done so profitably and with good cash generation to invest in our future growth prospects.

We made continued progress on working capital management, reducing inventory days from 74 to 56 and improving terms with suppliers, however some commercial arrangements with suppliers led to higher year end rebate balances weakening our operational cash conversion year on year. We continue to expect that in the long term, our operating cash conversion should consistently be in the range of 90-110%.

The strong focus on cash allowed us to recommend a final dividend of 0.66p per share, invest £2.2m in selected capital projects to underpin our growth, and a further £2.1m in the replacement of our legacy enterprise resource planning system.

We believe this combination of profitable market share growth, high return on capital and dividend income provides a compelling proposition to drive attractive long-term shareholder returns and despite lower profitability in the current year, we are focused on driving improvements in FY25 and have already taken multiple steps to do so.

## Outlook – focused on delivering profitable market share growth

We believe that our current share of the UK MDA market of 2.8% (2023: 2.5%) and online share of 5.3% (2023: 4.7%), with an even smaller share in CE, 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 the majority of items, 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 increases, our focus on operational excellence and cash flow generation, combined with our 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**

**"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 and despite lower profitability in the current year, we are focused on driving improvements in FY25 and have already taken multiple steps to do so."**

## CUSTOMER CENTRIC APPROACH

**“Tumble dryer died yesterday. Online choice too big. Decided to buy off the first company where I could talk to a human, not a bot! Wesley gave me excellent advice and the dryer was delivered next day by delightful lads. This is proper customer service.**

**PS I read the owner is a Leicester City supporter. If they get promoted instead of Leeds, I’m changing the review to one star”**

Daniel

Leeds

**“We try really hard to make everything as easy and friendly as possible for our customers, Daniel. Whether they’re phoning us, looking online or meeting our drivers in person.**

PS Sadly, we can’t help with the football!”

Charlotte Chapman

Customer services

## DELIVERY AND INSTALLATION

**"The delivery service was absolutely fantastic from AM and Stefan. The challenge was to get the fridge freezer around the side of my house, down our neighbour's drive, over the fence and up the step to double doors. True professionals – they did it with ease."**

CM

**"We employ our own teams, CM, who are expertly trained to complete mission impossible for all our customers and get their products to the right destination on time and intact."**

Mohammed Arfan
Customer services

## OUR STRATEGY IN ACTION

**Great service from the staff, easy to order, absolutely fantastic price for the Rangemaster cooker and free next-day delivery – absolutely brilliant from start to finish! Recommended by my brother. Will definitely be my go-to company in future.”**

Ann

**That’s wonderful to hear, Ann, and ticks all the right boxes for us: a recommendation, a great experience for you and customer loyalty earned.”**

Paige
Customer services

## OUR STRATEGY IN ACTION

# Our customers are at the heart of everything we do

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


## Customer proposition

Maintain and continue to develop a market-leading customer proposition.

### FY24 progress

- The continued refinement and improvement of our installation and delivery services, and our customer service support resulted in maintaining an excellent Trustpilot score of 4.8.
- Expanded upon the groundwork laid for our installation service now offering next-day installation services for gas, electric, integrated appliances and TVs.
- Launched WhatsApp for business for swift and convenient customer communication.
- Rolled out pay-monthly warranty options for a wide array of products, offering customers accessible ways to safeguard their purchases.
- Implemented substantial enhancements to our help centre, giving customers easily accessible information to address queries and issues independently, including real-time order updates.

### FY25 priorities

- Maintain a minimum Trustpilot score of 4.8 and try to reachieve a score of 4.9.
- Introducing AI-powered technical support via WhatsApp for enhanced customer assistance.
- Enhancing our help centre to provide customers with additional self-support advice.
- Upholding and enhancing our current service offerings, including next-day delivery and installation.
- Improving the website and streamlining the checkout process to make purchases more convenient.
- Expanding our range of products and ensuring greater availability of SKUs.
- Introducing more affordable credit options to make purchases accessible for customers.

### Future outlook

The Group remains committed to achieving excellence in customer service and product offerings. Alongside our existing next-day delivery service, we now provide next-day installation services for gas, electrical and integrated appliances, and TV installations, subject to location. The combination of our delivery and installation services, coupled with our industry-leading customer service, distinguishes Marks Electrical from competitors. Our ongoing priority is to uphold these standards and enhance them wherever possible, maintaining our position as the benchmark in our field.

**Case study**

### Summarising our customer proposition through a single customer review

I had never heard of Marks Electrical until I found them online whilst comparing prices for a new fridge freezer.

I read the overwhelming positive feedback for them on Trustpilot and decided to give them a go as they by far had the best price for the fridge freezer I wanted, beating both AO.com and Currys as well as being far more competitive on delivery, installation and recycling than both the above two companies (free for all three as part of a limited time offer).

The online experience on their website was easy to follow and informative and they were transparent about delivery times.

Delivery day went smoothly and the delivery drivers were professional, friendly and took care to install my fridge freezer despite space being tight all within the delivery time slot informed to me via a text the evening prior to delivery day as promised.

Follow-up communication from Marks Electrical was excellent as well with them sending me a link with my invoice to claim a free 3 year extended warranty from the manufacturer without me having to ask or enquire with them!!

**"I would thoroughly recommend Marks Electrical to anyone looking for a smooth, competitively priced and easy to use electrical goods supplier. 10/10**

**Thank you Marks Electrical!"**

# OUR STRATEGY IN ACTION CONTINUED

## Operational capacity

### Maximise operational capacity, whilst remaining efficient.

### FY24 progress

- Installation of VNA systems in the warehouse augmented capacity and enhanced manoeuvrability within the space.
- The fleet expanded with the addition of more heavy goods vehicles to maximise capacity and optimise efficiency on delivery routes.
- Installation of dock levellers at the warehouse significantly improved inbound delivery unloading times and provided two extra bays for loading outbound vans, thereby increasing throughput.
- New office space was constructed to support the expansion of internal teams.
- Significant progress was made in the implementation of the new ERP system.

### FY25 priorities

- Expansion of office facilities dedicated to the transport team.
- Optimising the current site's capacity to prolong its lifespan and boost profitability.
- Controlling operational expenses while maximising leverage over the existing foundation.
- Successful completion of the implementation of the ERP system.

### Future outlook

Throughout the year, the Group directed investments towards its existing premises, aiming to optimise site capacity and efficiency for the purpose of extending its longevity and enhancing the Group's profitability in the future. With ongoing modifications and enhancements, the Group anticipates potential revenue generation of approximately £200 million from the current site. This presents a substantial opportunity to leverage the property cost base, with the primary focus being on realising this revenue potential in the foreseeable future.

Case study

### Strategic upgrades to boost performance

In response to the growing demands of our warehouse operations, we recently implemented a new dock leveller system. Prior to the installation of the new dock leveller, our warehouse faced challenges related to unloading lorries efficiently. The process was time-consuming and often bottlenecked, leading to delays in processing inbound deliveries. Recognising the need for improvement, we invested in upgrading our infrastructure to enhance operational efficiency.

After careful evaluation of various options, we selected a state-of-the-art dock leveller system that aligned with our requirements. The installation process was planned and executed to minimise disruption to ongoing warehouse activities. Since completing the installation we have:

1. **Reduced unloading time:** The new dock leveller facilitates smoother and faster unloading of lorries. Its design enables seamless alignment with incoming vehicles, allowing easy access for clamp trucks. This has reduced unloading time by up to 70%.

2. **Enhanced safety:** The upgraded dock leveller incorporates safety mechanisms, reducing the risk of accidents during the unloading process. This has contributed to creating a safer working environment for our warehouse staff.

3. **Increased throughput:** With the efficiency gained from the new dock leveller, our warehouse has experienced a notable increase in throughput. The accelerated unloading process allows us to handle a higher volume of inbound deliveries within the same timeframe and through the night provides additional bays to load our outbound vans.

4. **Improved productivity:** By eliminating delays associated with lorry unloading, our workforce can allocate time and resources more effectively. This has led to improvements in overall productivity and operational performance.

The installation of the new dock leveller has proven to be a game-changer for our warehouse. Looking ahead, we remain committed to leveraging innovative solutions to further optimise our logistics operations and drive continued growth and success.

Ben Martin
**Operations Director**



## Brand awareness

### Continue to build brand awareness and drive sales.

### FY24 progress

- Continued allocation of resources towards out-of-home opportunities in London and ongoing investment in TV advertising, aimed at specific demographics.
- Initiated fresh campaigns in strategically chosen areas, both geographically and demographically, to expand awareness within targeted groups.
- Development of the MRK 1 brand mascot to appeal to a wider audience.

### FY25 priorities

- Continue enhancing our brand identity geographically across the UK.
- Ensure ongoing presence across essential out-of-home channels to boost awareness.
- Leverage our superior customer service offering and loyal customer database to foster word-of-mouth awareness, while also expanding our database for repeat purchases.

### Future outlook

A major corner stone of the growth journey for Marks Electrical is brand awareness. Mark Smithson, our founder and CEO, has always believed that we are the best kept secret in the MDA and CE sectors. He asserts that once customers become acquainted with Marks Electrical, they're inclined to buy from us due to our market-leading customer service, delivery, installation, and service options. As the Group's brand awareness grows, it continues to gain market share and our excellent Trustpilot score demonstrates that customers continue to be impressed with the service and offering. Despite facing challenges in the consumer environment, the Group has continued to grow and is positioned to thrive with economic improvement. The key focus is to continue to build brand awareness so the Group can capitalise when market conditions allow.

Case study

### Growth in London

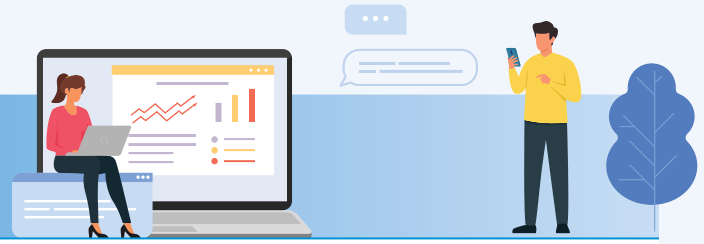
Identifying the synergy between our operational structure, our premium customer proposition and the London demographic, we continue to drive our brand awareness efforts into the Capital and have seen elevated sales growth within London up 24.9% in FY24. This gives the Group encouragement that our out-of-home activities are effective and provides a platform for future campaigns in other key locations, where we are currently underrepresented.

Our current out-of-home activities include, radio station advertising, branded creatives across Transport for London locations and National Rail, as well as billboards and the rebranding of our fleet. This is all supported by a regular TV advertising presence in the City and additional campaign bursts at London airports.

It's not just brand awareness that is growing. Revenue growth in London for the financial year was 25% with our strongest average order values. We intend to continue this strategic focus and implement our brand awareness strategy in other key locations.

Ryan Burgess
**Marketing Manager**

MARKET REVIEW



## Financial performance

### Deliver sustainable, profitable and cash generative growth.

**FY25 priorities**

- Maintain close control of the overhead base, to ensure leverage can be achieved with sales growth.
- Develop efficiencies in distribution and installation to save costs and drive profitability.
- Continue to grow profitably by sustaining gross margin whilst combating increased competitive pressures.
- Successful implementation of the ERP system to enhance future financial insights and efficiencies.

**FY24 progress**

- The Group achieved strong revenue growth during the year, up 16.9% against an overall declining market of 1.2%.
- Successful management of overheads and marketing spend, coming in at 6% and 5% respectively in line with the financial year ended 31 March 2023 ("FY23") despite strong growth and additional operating activities.
- Left the buying group, Euronics, on 31 March 2024, creating a step change in our operations and opportunities.
- Tight focus on working capital with inventory efficiency improving from 74 days in FY23 to 56 days in FY24.

**Future outlook**

Throughout the year, the Group faced significant competitive pressures amidst a market decline of 1.2%. Despite these challenges, the Group achieved revenue growth of 16.9%, albeit with squeezed margins resulting in a lower overall EBITDA. Despite the persistently challenging economic conditions, we have successfully expanded our market share from 2.5% to 2.8% and doubled revenue since listing on AIM on 5 November 2021. Our strategic focus has always been clear: to establish strong foundations for growth through enhancing customer proposition, brand recognition, and operational capabilities. Progress has been made in all these areas over the year, and management remains confident that improved profitability will be restored alongside a recovery in consumer confidence.

Case study

### Disciplined cost control amidst strategic growth initiatives and technological change

Throughout the fiscal year, as presented in the financial review on page 38, our organisation successfully reduced overhead costs to 6.0% of sales, a testament to our commitment to financial prudence and operational efficiency. This achievement is particularly noteworthy considering the array of strategic initiatives and transformative projects undertaken during this period.

- Our operational capabilities were significantly bolstered to better position ourselves for sustainable growth and improved service delivery. This involved investments in infrastructure, technology, and personnel. A key milestone during the year was beginning the implementation of a new ERP system, set to go live in FY25.
- Additionally, we made strategic investments in our people to nurture talent, enhance employee engagement, and support organisational development initiatives. This included the establishment of new teams dedicated to managing marketplaces and expanding the expertise within our buying teams.
- In recognition of the challenging times faced by our employees, we implemented company-wide pay rises in July 2023 to provide financial improvements and demonstrate our commitment to their well-being.
- Our commitment to enhancing customer experience remained, with investment in new technologies within our customer interface and website upgrades. Our outstanding Trustpilot score of 4.8 underpins these efforts.

**Mike Copson**
Head of Financial Reporting



MARKET REVIEW

# Capturing opportunities

In an ever-changing market, our operating model enables us to remain agile and make the most of the opportunities that arise to continue to grow the business and increase our market share.

## Market characteristics

### Mixed fortunes in our key markets

Continuing high energy prices were still a major concern for household budgets with many delaying the purchase of new appliances. On the flipside, some consumers took this as an opportunity to investigate more energy-efficient, premium-priced appliances. Furthermore, the prospect of increased mortgage rates has depressed the housing market, particularly for first-time buyers, and this has taken a toll on the MDA sector.

### Increasing our market share

During 2023, over 15 million MDA and 60 million CE products were sold in the UK, which equates to around £7 billion in total market revenue. By expanding its operations, increasing its premium service offering and a concerted brand awareness campaign, Marks Electrical has continued to increase its share in these two key markets. In FY24, we had 2.8% market share of the £4.2 billion MDA market and 0.5% of the £2.8 billion CE market.

### Major Domestic Appliances

UK market value

**£4.2bn[1]**

Marks Electrical market share MDA

**2.8%**

(2023: 2.5%)

### Consumer Electronics

UK market value

**£2.8bn[1]**

Marks Electrical market share CE

**0.5%**

(2023: 0.3%)

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

# MARKET REVIEW CONTINUED

## Online shopping and competition


### Market challenges

While online purchases dipped in 2023 to 53.4% of the market, this is seen as a blip only and predicted to return to an upward trend in 2024 and rise to 58.4% by 2025. What is more evident is the substantial proportion of mobile purchasing through smartphones, which accounted for circa 65% of online retail for household appliances.

Although purchasing activity declined across all categories, encouragingly, over half of MDAs were bought online. Pure online players continue to challenge the overall market, although bricks-and-mortar specialists maintain strong high-street positions.

### How we are responding

ME

#### Pricing

Product pricing is crucial in this fiercely competitive market, where consumers remain cost-conscious. We use a bespoke pricing tool, which enables our team of expert buyers to monitor prices throughout the day. This software is integrated with the retail website, adjusting prices automatically to ensure that the Group remains competitive.

#### Services

Providing additional services to make our customers' lives easier has become a vital component in enhancing the overall consumer experience and raising the quality of our offering. Customers can choose several add-ons to their order, such as our unwrap service – the removal and recycling of packaging, collection and recycling of old appliances, extended warranties and installation services.

#### Online platform

As a pure online player, we understand how important it is that our customers have an exceptional online shopping experience. We have a vested interest in continuously improving our website and upgrading the user interface. In FY24, we deployed a new basket and refreshed the look and feel of the website.

## Cost inflation

### Market challenges

The headline measure of UK inflation (the Consumer Price Index) is moving in the right direction – rising by 3.2% in the year to March 2024, the lowest rate since September 2021. However, it remains above the Bank of England's 2% target and interest rates are expected to be higher for longer.

The ongoing Russian/Ukraine conflict and turbulent situation in the Middle East, together with more demand coming from China, all contributed to fluctuating oil and gas prices during the year. And, although energy prices are falling, they are still substantially higher than pre the Russia Ukraine war.

The shortage of drivers continues with businesses needing to offer higher wages and increased bonuses to attract the most talented employees.

### How we are responding

ME

#### Manufacturer relationships

We have developed and maintain strong relationships with manufacturers, which enable us to acquire stock at the best possible prices and retain a competitive edge. By monitoring pricing daily, we are able to maximise the opportunities of acquiring inventory at attractive prices.

#### Market analysis

We keep abreast of market trends and consumer demands in order to adjust inventory holdings.

#### People

We offer competitive remuneration packages for drivers, mindful of the need to both attract and retain skilled employees in this area. Labour cost inflation remained a key factor in FY24 and we remained competitive through continuous benchmarking.

#### Disciplined cost control

The Group maintains a disciplined approach to cost control, with overheads coming in at 6.0% of revenue vs 6.7% in FY23, as disclosed in the Financial Review on page 38.

## Sustainability and climate change

### Market challenges

Responding to climate change is no longer just a topic for discussion: many people are now actively thinking about changing how they live and consume. Consumers are developing new attitudes about how much they are willing to pay for sustainability, which will also have a major influence on their purchasing choices, how closely they scrutinise brands and the companies they trust.

It's easy to make the assumption that the majority of the focus to achieve a sustainable future will come from younger generations. It would appear, however, that there are differing behaviour patterns emerging: older consumers are leading the way with reduced use of plastic and more recycling; whilst their younger counterparts are looking to buy better quality products with good environmental credentials. What is also true is that the combination of the energy crisis and desire for sustainability are together driving the demand for more energy-efficient products – and consumers are prepared to pay more them.

### How we are responding

ME

#### Business model

We operate a one-site (centrally based), ecommerce model, which we consider is less carbon intensive than that of brick-and-mortar stores or hub-and-spoke delivery networks. We undertake fewer journeys within our supply chain and the trunking of stock between warehouses on heavy goods vehicles does not occur.

#### Recycling

We provide packaging recycling for our customers with our unwrap service and safe disposal of appliances, in line with WEEE regulations.

#### Carbon offsetting

While our long-term objective is to be carbon net-zero, until electric or alternative fuel vehicles become a viable option, we will continue to invest in carbon offsetting projects to reduce our carbon footprint.

→ Sustainability report see pages 26 to 35

## Buy-now-pay-later (BNPL)

### Market challenges

The BNPL proposition has been available to consumers for over a decade, offering an interest-free option to credit cards, providing staged payments are made on time. It has increased in popularity in recent years, quadrupling in size since 2020 with BNPL transactions in 2024 expected to reach a record total of £30 billion.

Deferring payments in this way increases the affordability of premium products for consumers and has proved particularly attractive with younger generations. Since this demographic will command the greatest purchasing power in the future, BNPL is likely to grow exponentially. Some concerns have been raised by campaigners and MPs about the rapid rise in this type of debt and the need for regulation. Most companies in this sector have eligibility checks and safeguards in place and the industry itself is not against legislation, believing that if consumers are properly protected, BNPL is a valuable and lower-cost alternative to high-interest credit cards.

### How we are responding

ME

#### New offerings

We were the first nationwide MDA retailer to offer our customers a BNPL offering by partnering with Klarna in the UK. We regularly monitor and adapt our BNPL offering as new options arise in the market and currently also provide customers the choice of other deferred payment providers: PayPal Credit, Clearpay, V12 Retail Finance.

#### Interest-free

During FY24, we initiated a number of interest-free credit campaigns, which proved popular with our customers.

While this is a cost to the business, it increases the affordability of products and gives more confidence to consumers when making purchasing decisions.

#### Supplier relationships

We regularly collaborate with BNPL and finance providers by promoting payment methods on our retail website. In supporting a variety of payment options, we enhance the customer proposition, drive sales and share mutual growth with our payment partners.

**References**

Mintel UK Major Domestic Appliances Market Report 2023
Euromonitor International: Consumer Appliances in the UK - Nov 2023
Office for National Statistics: Consumer price inflation Feb 2024 (latest version)
RAC Fuel Watch data
Chartered Institute of Procurement & Supply
EY Future Consumer Index
The Observer 6 April 2024

BUSINESS MODEL

# Beyond delivery to create value

## What we do

Our purpose: We are the electrical retailer that delivers

### We operate with a customer-first mindset

Market-leading delivery


Market-leading installation


Our central focus: allows us to maximise profit, efficiency and the control of resources

- User-friendly website
- Competitive prices
- Premium products

### Aiming for a best-in-class customer experience

- Customer-centric service
- Next-day delivery
- Rapid installation

## Our competitive advantages

**Market-leading customer service**
We make every stage of purchasing and support easy for our customers with our seven-day-a-week online and telephone customer service and our custom-built website.

**Investment in technology**
We use the latest technology throughout our operating systems to maximise efficiency and minimise overheads.

**A proven distribution network**
We operate our own vehicle fleet and employ teams of highly trained drivers and installers, supported by a vehicle maintenance facility and on-site fuel depot.

**Scalable, vertically integrated delivery model**
We offer next-day delivery of in-stock items to over 90% of the UK population through our vertically integrated delivery model and in-house fleet of vehicles and drivers.

**Understanding our market**
Strong partnerships with premium brands combined with a focus on high-end products and services underpin our ambition to grow and increase our market share.

**In-house installation team**
Our in-house installation offering provides us with complete control over the distribution process and offers our customers significantly shorter wait times.

**Recognisable and trusted brand**
Building awareness not only of the brand itself but of our proposition and promise to customers is crucial to unlocking our growth potential.

**Strong colleague culture**
By fostering talent, hard work and dedication across the business, we have maintained a winning culture among our colleagues with a commitment to a shared set of beliefs:

- Try your hardest.
- Think like a customer.
- Move at pace.
- Be honest. Always.

## Delivering value for...

**Our customers**
Award-winning and recognised by Google for the excellent shopping experience we provide, our reliable on-time delivery and our excellent customer service.

**Our employees**
We promote diversity, equality and inclusion for our employees, offer highly competitive salary packages and invest in professional growth and development.

**Our shareholders**
We are committed to tight financial discipline to help us grow the profitability of the business and generate sustainable returns for our shareholders.

**Our suppliers**
We build long-term and mutually beneficial relationships with manufacturers through frequent contact and by developing an in-depth understanding of their products.

**Our communities**
We engender a sense of belonging and make a positive impact on our local communities through our funding of professional and grassroots sporting activities.

## Our business model is underpinned by...

### ...our strategy

- Customer proposition
- Brand awareness
- Operational capacity
- Financial performance

→ Our strategy see page 12

### ...our commitment to sustainability

**Our sustainability focus areas:**

- Our people
- Community
- Health and safety
- Environmental management

→ Sustainability report see page 26

### ...strong governance

We are committed to maintaining a strong ethical corporate culture, aligned with our strategic objectives.

→ Governance see page 57

## OPERATING MODEL

# Customers first and foremost

## How we do it:
## Our scalable, vertically integrated operating model


### 1 An exceptional customer experience

Putting our customers first and delivering market-leading customer services:

- Simple, clear and intuitive website developed in-house.
- Frictionless online shopping experience and great prices.
- Staff incentivised to offer superior customer service.
- Knowledgeable staff given regular product training from manufacturers.
- Dedicated UK call centre.
- Minimal-to-no-hold time and 'one call resolution' ethos.
- In-house fleet of vehicles and drivers.
- Friendly and expertly trained delivery and installation teams.
- Old appliances collected and recycled as part of delivery.
- Seamless returns process for any faulty goods.
- Repeat business from happy customer.

### 2 Technology-driven operating model

We use the latest technology throughout our operating systems to maximise efficiency and minimise overheads:

- Our highly **bespoke operating platform** enables seamless and frictionless process control from order placement to delivery.
- **Logistics management** software helps us to optimise routing and ensure cost- and time-efficient deliveries for our customers and our drivers.
- The **customer interface** is essential for keeping our customers updated throughout every phase of the delivery process.

### 3 Stocking the right products at the right time

With industry knowledge built over 30+ years and an in-depth understanding of our customer base, we are able to meet changing market demands and trends:

- We have **50 brand partners** and stock a wide range of **premium brands**.
- The **Top 10 brands** accounted for 57% of sales in FY24.
- We have a **low concentration risk** with no single brand accounting for more than 13% of sales in FY24.

### 4 Simple and proven distribution network

Our single, national distribution centre caters for next-day delivery to 90% of the UK's population:

- We are centrally positioned close to the M1 giving **fast and easy access** to the majority of the UK.
- This, in turn, enables **cost- and time-effective delivery** to our customers.
- Orders placed on in-stock items before 6.00pm are eligible for **next-day delivery** to > 90% of the UK population.
- This **simple operating model** ensures we maintain reduced overheads and **optimal profitability**.

### 5 Delivering direct to our customers

We operate our own fleet and teams of specialists to deliver and install new products and to remove old appliances for recycling:

- We employ and train our own **skilled drivers and expert installation teams**.
- We **own and manage our own fleet** of 60+ Mercedes delivery vehicles.
- We have **invested in 20 installation vehicles** based on the Mercedes LXB Sprinter.
- Our **on-site mechanics and refuelling depot** enable vehicles to be fuelled and repaired overnight.
- **Over 85% of orders** are delivered by our own delivery teams with the remaining 15% being delivered by third party courier partners.
- Our **customised vehicles** reinforce our brand offering and increase reach.
- New product packaging is processed at our **own recycling plant**.
- Old appliances are removed and processed through **official WEEE recycling** plants.

# Sustainability report

Welcome to the annual sustainability report of Marks Electrical, where we present our commitment to sustainable practices and the progress we've made in fostering positive impact across various areas.




# Keeping things local

This report covers our environmental footprint, the well-being of our people, the promotion of health and safety, and our active engagement with the communities we serve.

## People and Well-being

In this report, we highlight our efforts to create a workplace culture that prioritises diversity, equity, and inclusion, ensuring that every member of our team feels valued, respected, and empowered. From investing in training and professional development opportunities to promoting mental health support, we are committed to nurturing a workforce that is healthy, engaged, and equipped for success.

## Community Engagement

As a local employer and long-standing business in Leicester, we recognise the importance of actively engaging with and contributing to the communities in which we operate, through partnerships and community outreach efforts, we are committed to making a positive impact for local communities. In this report, we highlight our community engagement activities from the restoration of historic landmarks to grassroots sports.

Moving forward, we remain committed to driving positive change and collaborating with stakeholders to build a more sustainable future.

## Environmental Sustainability

Within this report, we disclose our carbon footprint, recycling initiatives and carbon offsets we have acquired in the year.


## Health and Safety

At Marks Electrical, the safety and well-being of our employees and stakeholders are paramount. In this report, we provide insight into our health and safety programs, which are designed to encourage a culture of prevention, accountability, and continuous improvement. Through rigorous risk assessments, robust safety training initiatives, and proactive measures to mitigate workplace hazards, we are dedicated to ensuring that every individual returns home safely at the end of each day.

# SUSTAINABILITY REPORT CONTINUED

## People and Well-being

Our people are our biggest asset, they are the driving force behind our business performance. We believe that investing in our colleagues is the catalyst to the ultimate success of the organisation. Not only do we reward and praise hard work when it happens, we inspire our teams from the very beginning.

### Key topics

- Our people
- Diversity and inclusion
- Training and development
- Talent attraction and retention
- Pay and benefits
- Ethical and reliant supply chains

### Policies and statements

- Ethical Trading Policy
- Modern Slavery and Human Trafficking Statement
- Privacy Policy

### 2024 key achievements

- Introduction of on-site training academy
- Stabilising employee turnover in key departments
- Implementing driver and installer training programmes
- Internal promotions

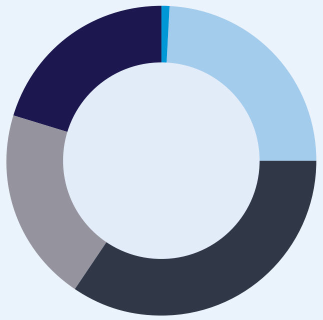
### Our people

Our people are the heart of our business and play an integral part of the Group's success. We are committed to promoting an inclusive and diverse workforce and provide our employees with a safe and healthy working environment. Our culture and behaviours are advocated by a committed and dedicated team of people, who are all aligned in delivering an exceptional customer service experience, which in turn drives repeat custom and our ultimate financial success.

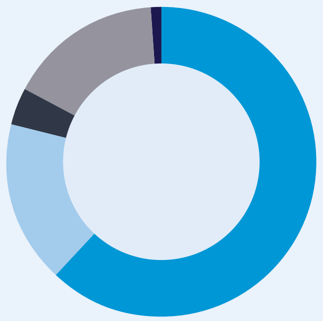
### Diversity and inclusion

Marks Electrical is committed to promoting diversity, inclusivity and diversity in the workplace. We treat all of our employees respectfully and with dignity. We provide equal opportunities for all, regardless of age, race, religion, sexual orientation or any other personal characteristic.

**Age split (%)**




**Ethnicity (%)**




**Case study**

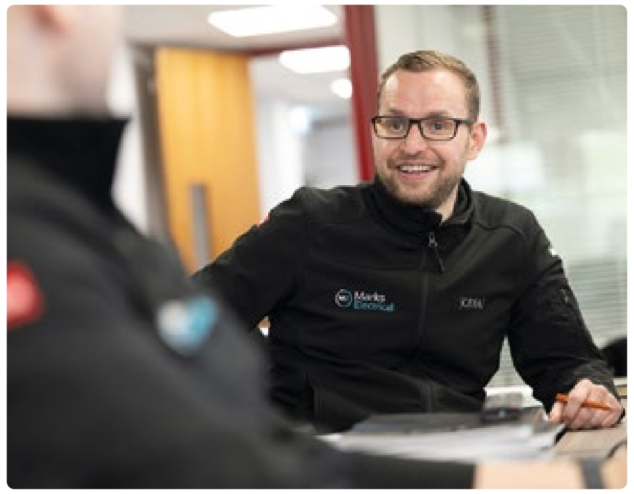
### In it for the long haul

Andy Swann joined Marks Electrical in 2004 as a Sales Assistant, working on the shop floor. He progressed into a Sales Manager role, and more recently was promoted to Marketplaces Manager. Andy has gained a wealth of knowledge about the business over the last 20 years and has said the following about his experience with the Group:

**"Well, 20 years have flown by, and it has been an incredible journey! I have been fortunate enough to be part of a growing company that continues to go from strength to strength. I thoroughly enjoy being part of Marks Electrical, I feel valued and appreciated. I hope to be part of the Company for many more happy years."**

Radu Rosu joined Marks Electrical when we introduced our home installations service offering in August 2022. He joined as a Domestic Appliance Installer and has since progressed into the Installations Manager role. This is what Radu had to say about his experience with us:

**"Joining Marks Electrical was the best career move for me. I have been given the chance to progress through my employment and become the Installations Manager, a role that is both challenging and rewarding. I lead a team of expert engineers who ensure our customers' satisfaction by providing high-quality installation services, timely delivery, and friendly communication."**



# SUSTAINABILITY REPORT CONTINUED

## People and Well-being continued

### Training and development

Marks Electrical is committed to investing in its employees' professional growth and development. We strive to invest in our colleague's future career by encouraging internal promotions and learning opportunities, which in turn promotes cultural and business goal alignment and fosters a positive workplace culture.

We have invested in an in-house training facility "ME Academy", our market leading driver and installer training facility. We provide Class C training to our B Class drivers and offer them the opportunity to train to become qualified domestic appliance installers. We have upskilled and provided our Warehouse Operators with VNA training and clamp truck training.

As part of our dedication to constantly improve our customer experience, we provide our Sales team with extensive product training and our Customer Service Advisors are provided with ongoing coaching to improve customer support and customer satisfaction.

We offer internal and external training opportunities across the business by providing in-house training and actively seeking opportunities to promote and support our people to achieve their ambitions.

### Talent attraction and retention

Marks Electrical understands the criticality of attracting and retaining talent and strives to create a working environment that promotes innovation, growth and professional development. Due to our investment in training, internal development and promotions, during the year, our Customer Service turnover reduced by 22%.

### Pay and benefits

Marks Electrical has always taken pride in offering highly competitive compensation packages across the business, ensuring that the pay structure is aligned with the business strategy. Regular benchmarking exercises are conducted to ensure that our pay and benefits remain competitive and up to date with continuous evolution of market trends. We value every employee and believe that everyone plays a role in the success of the business; therefore, we ensure that every employee is well-compensated for their hard work.

As part of working towards improving our pay and benefits structure, we have increased employee pension contributions by moving from qualifying earnings to total earnings.

### Ethical and reliant supply chains

Marks Electrical is committed to ethical trading and aims to ensure the use of appropriate labour standards and compliance of legislation throughout our supply chain. Prior to any business engagement, suppliers are required to acknowledge our Ethical Trading Policy and Modern Slavery Policy. The Group promotes the abidance of recognised labour laws and standards and wants to ensure that the working conditions of employees in our supply chain meet or exceed these standards.

### FY24 key achievements

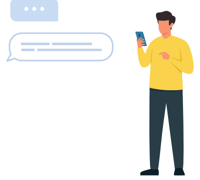
FY24 was an exciting year for the Group, with our main focus being training and upskilling. Our key achievements included investing in an in-house training centre. To date, we have provided bespoke free-standing and integrated appliance training, as well as customer service training to over 80% of our transport and installations team through the ME Academy. Our 4.8 Trustpilot customer review score has demonstrated that this investment has been a great success. The Group has some phenomenal people, and we will continue to invest in their development and talent.

### 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.

## Community engagement

Coming from humble beginnings and as a local business, we pride ourselves on giving back. The Group is committed to supporting the local community by driving action that makes a meaningful difference in the local communities that we serve.

Since the business was founded in 1987, we have supported our local communities because we have strong ties with the area and feel strongly about contributing meaningfully.

Marks Electrical is a proud sponsor of numerous local football, rugby and tennis clubs as well as a supporter of a number of local charities.

**Case study**

### Local golf

Another donation, we made during the year, was to Kirby Muxloe Golf Club. The club is an integral part of local society and we wanted to continue contributing towards improvements to their facilities as well as upgrading their equipment. This has helped to keep their junior set-up running strong, to which we are very excited to be a part of.

**Case study**

### Grassroots football

Our most notable sponsorship is Leicester Football Club, where we are official community partners, and our largest grassroots sponsorship goes to Aylestone Park Football Club, which runs over 50 teams from under 4's through to adults first team. We believe that it is a great cause to bring everyone together and provide access to football regardless of age, gender, race, religion or physical ability.

We also sponsor Anstey Nomads Football Club, a club local to our head office, to ensure that they can continue to provide sports facilities to the local community.

**Case study**

### Old John Tower

As well as sports sponsorships, this year the Group sponsored one of the most iconic landmarks in Leicestershire, Old John Tower, through Bradgate Park Trust's repairs appeal. Marks Electrical donated £20,000 to save the landmark tower from ruin as significant structural damage was identified. Old John is a large part of Leicestershire's history and attracts many tourists and locals. The business was proud to donate towards the repair as the primary sponsor, so that the tower can continue to stand tall, overlooking the Leicestershire skyline and providing memorable moments for generations to come.

## SUSTAINABILITY REPORT CONTINUED

# Health and safety

**Safety is the first agenda point of every operations meeting. Our culture focuses on every employee asking themselves 'Is this safe?' before every decision, at all levels of the business. We recognise that this is an area where the task is never complete and we work tirelessly to improve our results and ensure our teams feel safe at all times**

### Key topics
- Our focused action plan
- Health and Safety Committee
- Management-specific training
- Health and safety metrics

### Policies and statements
- Health & Safety Policy
- Health and Safety Statement

### 2024 key achievements
- Investment in vehicle telematics in 100% of the fleet
- Optafleet installed across our Forklift Truck fleet
- Operative training levels maintained at 100% completion
- Reduction in manual handling requirement across the Warehouse function

Working with our long-term health and safety partners we have maintained an ongoing audit-focused approach to ensure we leverage a continuous improvement mindset. We recognise our behaviours at all levels of the business and set the tone for our safety culture and operate a "Challenge Anyone" philosophy across the business.

Communication is the key to progress in the area and as we move forward as a business, we invest more time in listening to our team members' feedback and ideas for improvement. Our aim is not to just satisfy our regulatory requirements but to operate as best in class for our industry niche.

### Our focused action plan
Near-miss reporting and preventative action is reducing the number of more serious safety incidents within our facilities; we've implemented a simple system for reporting near misses. This allows all our team members to report near misses and hazards quickly through the medium of images and text messaging that is then logged in our system.

Risk assessment and safe systems of work allow us to train all colleagues in the associated risks of their role and the means with which they can mitigate them. Complemented by our training matrix, we're able to continuously focus on this area.

Technological investment was a big part of FY24, with telematics added to both our on-road vehicles and warehouse equipment. The insights we gain through this software allow us to proactively coach our team members on their performance and safety.

In order to continuously improve our driving standards during the year we engaged an external driver training provider to deliver a defensive driving techniques course improving team members' awareness of on-road hazards and how to avoid them.

> **Our vehicle telematics system has given me a whole new insight into how our vehicles are utilised. The daily process of scheduling maintenance and reporting of accidents is far more efficient now."**
>
> Mick Rowland
> **Transport Manager**

### Health and Safety Committee
We recognise that the best ideas and observations come from our team members directly. Establishing a committee of varying backgrounds gives us the insight we need and ensures that our decisions are properly developed prior to implementation.

Our employee voice is especially important when we try to develop ways of ensuring we care for each other in the workplace.

### Management-specific training
Aligned to our long-term commitment to employee development we do not only focus on acquiring the tools with which to manage, but also to invest in the training required to get the best out of those resources.

Within our transport function, we have invested in compliance and vehicle telematics training, to strengthen our knowledge of road risk management.

Our warehouse team have further developed their in-house training plans, with particular emphasis on manual handling.

### Health and safety metrics
Working with our external consultants, we are developing KPIs to better understand our performance standards.

We are also looking to the industry for better benchmarking data to ensure that we are not just improving our own metrics but also reflect on those within our competitive landscape.

### Long term goals
As we move into our next financial year, our health and safety focus will continue to be around the ongoing reduction of road risk.

Key to this is fully developing our coaching and training strategies aligned to our investment in technology and driving data.

Collisions per million miles will be introduced as a regularly reviewed KPI to better understand our vehicle accident frequency rates.

**Case study**

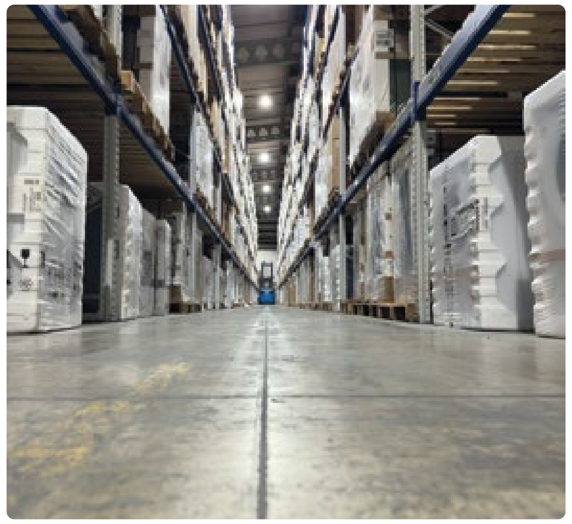
## OptaFleet

During the year, we implemented a telematics control system across our mechanical handling equipment.

Every forklift truck within our warehouse operation now features a user specific key-fob-enabled ID system. This allows us to track:
- If the operator is licensed and trained in the type of vehicle they are trying to use
- Daily condition checks
- Vehicle utilisation time
- Repairs and maintenance

As we move into the next financial year, this software will provide us with more insight and aid the decision-making on equipment for the future.

> **The new system gives me peace of mind that only trained and licensed operators can use any of our mechanical handling equipment. It's been interesting to see how often it is utilised and helps me plan more efficiently."**
>
> Andrew Potter
> **Warehouse Operations Manager**



# SUSTAINABILITY REPORT CONTINUED

## Environmental management

Environmental management is a pivotal aspect of modern business operations, reflecting a growing recognition of the importance of sustainability in corporate strategy. This section covers how our business effectively manages its environmental impacts while maintaining profitability and competitiveness.

### 2024 key achievements

- Recycled 40% more packaging waste
- Recycled over 50,000 WEEE products
- Purchased 12 new EURO 6 compliant vehicles
- Offset 3,446 tonnes of carbon dioxide

### WEEE recycling

As part of our customer offering, we facilitate the collection and recycling of old appliances, stressing the importance of their proper disposal. Each month our site collects over 4,400 (2023: 2,500) appliances, which are then disposed of by specialised recycling businesses in accordance with the Waste Electrical and Electronic Equipment ("WEEE") regulations. In the past year we managed the disposal of 2,936 tonnes of major domestic appliances, compared to 2,321 tonnes in FY23.

### Packaging waste

Our unwrap service is offered with every delivery, encompassing the unwrapping and removal of packaging materials. We operate an on-site recycling facility where we process various types of packaging, such as cardboard, polystyrene, low-density polythene ("LDPE"), wood, and metal. Cardboard, polystyrene, and LDPE are compacted into large bales, which are then sold to third-party vendors who repurpose the materials for reuse, with wood and metal being segregated and sold separately.

**Tonnes of cardboard recycled**

110

(FY23: 94 tonnes)

**Tonnes of LDPE recycled**

12

(FY23: 6 tonnes)

**Tonnes of polystyrene recycled**

61

(FY23: 31 tonnes)

### Streamlined Energy Carbon and Reporting

The Group adopts the operational control boundary definition to delineate its carbon footprint boundary. The reporting period for compliance spans from 1 April 2023 to 31 March 2024. Encompassed within this boundary are scope 1, 2, and 3 emissions. Scope 1 accounts for direct greenhouse gas ("GHG") emissions generated by the Group, such as fuel consumption for our vehicle fleet. Scope 2 represents the Group's indirect emissions stemming from electricity usage in warehouses and offices. Scope 3 encompasses all other emissions for which the Group holds indirect responsibility throughout its value chain. Currently, comprehensive reporting on scope 3 emissions is not undertaken.

During the year ended 31 March 2024, Marks Electrical recorded total energy usage and gross GHG emissions totalling 3,446 tonnes of $CO_2e$. The Group has selected "Tonnes of $CO_2e$ per millions turnover" and "Tonnes of $CO_2e$ per FTE" (full-time equivalent employees) as suitable metrics. Marks Electrical will continue to utilise these metrics to track its performance over time, enabling a comparative analysis of its environmental impact.

| | | 31 March 2024 | | | 31 March 2023 | | |
|---|---|---|---|---|---|---|---|
| **Emission Type** | **Activity** | **kWh** | **$tCO_2e$** | **% of Total** | **kWh** | **$tCO_2e$** | **% of Total** |
| Direct (Scope 1) | Company Fleet | 8,113 | 2,501 | 73% | 7,060 | 2,182 | 74% |
| Indirect (Scope 2) | Electricity | 483 | 149 | 4% | 438 | 115 | 4% |
| Indirect Other (Scope 3) | Fuel and energy not in scope 1 & 2 | 2,131 | 657 | 19% | 1,838 | 561 | 19% |
| Biomass | Biomass | 451 | 139 | 4% | 307 | 95 | 3% |
| Total energy use emissions | | 11,178 | 3,446 | 100% | 9,643 | 2,952 | |
| Tonnes of Gross $CO_2e$ per £m of revenue | | 98 | 30 | | 99 | 30 | |
| Tonnes of Gross $CO_2e$ per FTE | | 38 | 12 | | 44 | 14 | |

### Carbon Offsetting

Marks Electrical is dedicated to reducing its carbon footprint and lessening the environmental impact of its operations. We understand the importance of carbon offsetting in compensating for our residual emissions and backing projects aimed at reducing greenhouse gas emissions and fostering sustainable development. We have chosen carbon offset projects that align with our values and objectives. Our carbon offset portfolio comprises various projects, including renewable energy generation and forest conservation, which help mitigate our operations' environmental impact. During the year we offset 100% of our total carbon footprint and we are proud to say that we are carbon neutral. The carbon offset during the year is shown below:

**Forest Preservation Projects:**

In total, the Group has offset 235 $tCO_2e$ (2023: 295) through two forestation projects. One project focuses on protecting the Brazilian Amazon rainforest, estimated to avoid 9.4 million $tCO_2e$ emissions in its entirety, while the other aids in preserving the Keo Seima forest, covering over 290,000 hectares in Cambodia.

**Cookstoves:**

During the year, the Group offset 352 $tCO_2e$ (2023: 443) by funding the manufacturing and distribution of efficient cookstoves. These cookstoves will be donated to local communities in Nigeria to reduce emissions from traditional over-fire cooking methods.

**Hydroelectric Power:**

Hydroelectric power harnesses the natural energy of flowing water. Throughout the year, the Group offset 1,771 $tCO_2e$ (2023: 2,214) by supporting the Asahan 1 hydroelectric power plant, which utilises run-of-river technology to generate renewable energy while preserving the surrounding habitat.

**Wind farm project:**

During the year, the Group offset 1,088 $tCO_2e$ (2023: nil) by supporting the Mersin Wind farm project in Turkey. The project has 14 turbines with total electricity production of the project estimated to be 133.704 MWh/year.

FINANCIAL REVIEW

# Another strong year of growth

**Market share growth can continue to be achieved whilst delivering profit and cash flow.”**

Josh Egan
Chief Financial Officer

The Group continued its trajectory of profitable market share growth in a challenging market backdrop resulting from the cost of living crisis. While profitability was lower than the prior year due to lower gross product margin and higher distribution costs, we maintained a tight control on advertising and marketing expenses and other operating expenses. This demonstrates that market share growth can continue to be achieved whilst delivering profit and cash flow improvements, allowing us to further invest in our growth.

We maintained a tight control on working capital, improving inventory days and credit terms, however this was offset by an increase in trade receivables at the year end. Working capital decreased to 1.3% of revenue from 1.7% in FY23 and the cash flow we generated was invested in selected capital investment opportunities for our warehouse and fleet, as well as the development of the Group's new ERP software, Microsoft Dynamics 365, where there has been a cash outflow of £2.1m to-date, with an additional £0.6m accrued of this multi-year project. Further cash outflows, in addition to the £0.6m accrual are expected in FY25.

Despite the lower profitability, our focus on selective capex investments to fuel our future growth and tight cash flow control resulted in a closing net cash position of £7.8m and a return on capital employed of 21%.

| | 2024 £'000 | 2023 *restated £'000 | Change %/bps |
|---|---|---|---|
| **Statutory** | | | |
| Revenue | 114,262 | 97,754 | 16.9% |
| Gross profit* | 29,032 | 26,692 | 8.8% |
| Gross profit margin | 25.4% | 27.3% | (190)bps |
| Operating profit* | 488 | 6,419 | (92.4)% |
| Operating profit margin | 0.4% | 6.6% | (620)bps |
| Profit before tax | 616 | 6,423 | (90.4)% |
| Profit before tax margin | 0.5% | 6.6% | (610)bps |
| Profit after tax | 427 | 5,157 | (91.7)% |
| Profit after tax margin | 0.4% | 5.3% | (490)bps |
| **Non-Statutory**** | | | |
| Adjusted EBITDA | 5,007 | 7,549 | (33.7)% |
| Adjusted EBITDA margin | 4.4% | 7.7% | (330)bps |
| Adjusted EBIT | 3,220 | 6,242 | (48.4)% |
| Adjusted EBIT margin | 2.8% | 6.4% | (360)bps |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of comprehensive income for the year ended 31 March 2023. Refer to Note 26 for further details.

** Adjusted EBIT, adjusted EBITDA, operating cash conversion, return on capital employed and adjusted earnings per share are alternative performance measures, definitions of which are set out on page 119.

The Group's statutory revenue for the year was £114.3m, up 16.9% from £97.8m in 2023. Gross profit for the year was £29.0m, up 8.8% from £26.7m in 2023, with a gross margin of 25.4%, down 190 bps from 2023. The key driver of the fall in gross margin was a trade-down into less premium products where our rebate structures were not as a favourable.

Statutory operating profit was to £0.5m down from £6.4m in 2023. The primary reason for the decrease in operating profit was lower trading profitability as well as the impact of the costs incurred to replace our legacy enterprise resourcing planning system with Microsoft Dynamics 365.

Statutory profit before tax was £0.6m driven by the exceptional costs referenced above, as well as the weaker trading profitability.

## Revenue and gross product margin

The Group continued to grow, achieving revenue of £114.3m which represents a growth rate of 16.9% against FY23 (2023: £97.8m). This result was achieved against a declining MDA market and a declining CE market. The continuation of customer acquisition, brand awareness improvements and order volume growth demonstrates the sustainability of the strategic approach to customer service being of paramount importance to the Group.

Growth in the first two quarters of the year was particularly strong at 24.8%, followed by 17.9% in the third quarter and a lower growth rate of 2.0% in the final quarter of the year. The final quarter saw much higher volume growth but this was at a lower average order value, therefore not reciprocating in revenue growth rates. This is believed to be a result of the higher interest rates and inflationary environment impacting consumers' propensity to spend on premium products.

Our definition of gross margin has changed in order to improve comparability and understanding of the financial results. Presented below we are now showing gross product profit, which represents the profit made on products and services, less transaction fees. This now excludes the cost of distribution which is presented separately below.

During the year, we saw a decline in our gross product margin to 25.4% (2023: 27.3%) as a result of lower rebate levels due to sales mix. Unfortunately during the year, we saw a trade-down to less premium products where our rebate structures were not as a favourable from the outset of the financial year.

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Revenue | 114,262 | 97,754 | 16.9% |
| Cost of sales | (85,230) | (71,062) | 19.9% |
| Gross product profit* | 29,032 | 26,692 | 8.8% |
| Gross product margin | 25.4% | 27.3% | (190)bps |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified fair value gains to buying rebates receivable into gross product margin.

## Distribution costs

For improved clarity we have now separated distribution costs from gross product margin and will be reporting this way moving forward. During the year we saw a significant increase in our distribution costs, as a result of three primary elements:

- Decreased average order value leading to the requirement to deliver more for less revenue per order;
- Increase in driver pay and reward to remain competitive in the current inflationary environment; and
- Full year of in-house installation services which provides added value to customers with significantly shorter waiting times and improved service delivery, but comes at a higher cost of fulfilment.

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Revenue | 114,262 | 97,754 | 16.9% |
| Distribution costs | (11,089) | (7,249) | 53.0% |
| Distribution costs as % of revenue | 9.7% | 7.4% | 230bps |

## Advertising and marketing costs

During the year the Group continued to utilise its marketing spend to acquire new customers and promote the Marks Electrical brand. Total advertising costs were £5.8m (2023: £4.9m) and advertising as a percentage of revenue was maintained at 5.0% (2023: 5.0%).

The Group focuses on both online marketing and offline brand building activities, with each playing an important role in driving the topline growth during FY24.

Online marketing spend was focused on search engine optimisation, strategic pay-per-click activities, affiliate programmes and marketplace fees. We continued to improve our online presence across our SKUs and improved our search result rankings whilst also benefiting from improved sales on marketplaces.

We continued our out-of-home campaigns during the year with investments made in specific geographies to drive improved brand awareness, which resulted in faster sales growth in those locations. We carried out a range of non-digital activities, including static visual campaigns across multiple locations, television, and radio.

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Revenue | 114,262 | 97,754 | 16.9% |
| Advertising and marketing costs | (5,754) | (4,906) | 17.3% |
| Advertising and marketing costs as % of revenue | 5.0% | 5.0% | 0bps |

# FINANCIAL REVIEW CONTINUED

## Other operating expenses

Given the impact of lower product margin and higher distribution costs, it was imperative that other operating expenses were tightly controlled. This laser focus on overhead expenses resulted in a modest increase of 4.9% year on year to £6.8m, despite revenue growth reaching 16.9%, thereby reducing the operating expenses as a percentage of revenue to 6.0% (2023: 6.7%).

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

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Revenue | 114,262 | 97,754 | 16.9% |
| Other operating expenses (excluding depreciation) | (6,827) | (6,507) | 4.9% |
| Other operating expenses as % of revenue | 6.0% | 6.7% | (70)bps |

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

The Group achieved adjusted EBITDA in the year of £5.0m (2023: £7.5m). Margin decreased by 330bps to 4.4% from FY23 due to the following reasons:

- 190bps decline in gross product margin as a result of lower rebate levels due to sales mix;
- 230bps decline as a result of higher distribution costs as outlined above; and
- Offset by a 70bps improvement in operating expenses due to tight operating cost control.

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Statutory profit after tax | 427 | 5,157 | (91.7)% |
| Add back: | | | |
| ERP costs net of tax | 2,045 | – | 100% |
| Underlying profit after tax | 2,472 | 5,157 | (52.1)% |
| Add back: | | | |
| Underlying tax charge | 871 | 1,266 | (31.2)% |
| Underlying profit before tax | 3,343 | 6,423 | (48.0)% |
| Add back: | | | |
| Finance costs | 39 | 67 | (41.8)% |
| Finance income | (167) | (71) | 135.2% |
| Share based payment | 362 | 304 | 19.1% |
| Buying group rebates* | (357) | (481) | (25.8)% |
| Adj EBIT | 3,220 | 6,242 | (48.4)% |
| Depreciation and amortisation | 1,787 | 1,307 | 36.7% |
| Adj EBITDA | 5,007 | 7,549 | (33.7)% |
| Adj EBITDA margin | 4.4% | 7.7% | (330)bps |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified fair value gains to buying rebates receivable.

## Statutory profit after tax

Statutory profit after tax in the year was £0.4m (2023: £5.2m). The decrease year on year is due to the lower trading profitability as well as the impact of the cost incurred to replace our legacy enterprise resourcing planning system with Microsoft Dynamics 365.

## Share-based payments

The Group issued further awards under its long-term incentive plan during the year to senior and junior management. This, combined with the FY23 long-term incentive plan ("LTIP") and the market value options and free shares awarded in FY22 resulted in a P&L charge of £0.4m (2023: £0.3m). This charge and related professional fees are removed from adjusted financial performance measures.

## Depreciation and amortisation

Depreciation and amortisation increased by £0.5m to £1.8m during the year (2023: £1.3m), primarily due to the addition of various warehouse equipment and new vehicles, as detailed in the cash flow review below.

## Taxation

The tax charge for FY24 was £0.9m with an effective underlying tax rate of 26.1%, 1.1% higher than the statutory corporation tax rate. The current tax asset held on balance sheet at the year end was £0.5m (2023: liability of £0.3m) with a deferred tax liability of £1.0m (2023: £0.8m).

## 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, was 0.41p per share (2023: 4.91p per share).

Adjusted EPS was 2.45p per share (2023: 4.82p per share), with the material reduction year on year being driven by lower gross product margin and higher distribution costs. The table below shows the reconciliation between statutory and adjusted earnings per share. See Note 3 to the financial statements for further details.

| | 2024 £'000 | 2023 £'000 | Change %/bps |
|---|---|---|---|
| Profit for financial year | 427 | 5,157 | (91.7)% |
| Statutory EPS | 0.41p | 4.91p | (91.7)% |
| Add back: | | | |
| ERP costs net of tax | 2,045 | – | 100% |
| Underlying profit for the year | 2,472 | 5,157 | (52.1)% |
| Charges relating to share-based payments net of tax | 365 | 271 | 34.7% |
| Buying group rebate net of tax* | (268) | (361) | (25.8)% |
| Adjusted profit for earnings per share | 2,569 | 5,067 | (49.3)% |
| Fully diluted number of ordinary shares | 104,949 | 105,034 | (0.1)% |
| Adjusted EPS | 2.45 | 4.82 | (49.2)% |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified fair value gains to buying rebates receivable.

## Cash flow and statement of financial position

During the year the Group achieved an adjusted cash flow from operating activities of £4.5m (2023: £9.9m) with an adjusted operating cash flow for conversion of £3.6m (2023: £8.9m) at 71% (2023: 118%) and free cash flow of £0.9m (2023: £7.1m), resulting in a closing net cash position of £7.8m (2023: £10.0m).

The Group invested £1.0m in its warehouse equipment, including two automated dock-leveller loading bays, a VNA forklift system, multiple racking and layout improvements and additional fork lift trucks. The benefits of these upgrades have already come to fruition with significantly improved unloading and loading efficiency, whilst further improving safety.

A further £0.1m was invested in creating the ME Academy, the Group's training facility for all employees, as well as the addition of existing office space for our expanding IT team.

Investments were made into the fleet during the year, with the addition of 30 new vehicles. 18 vehicles were purchased directly with cash, with a further 12 vehicles purchased using finance lease agreements.

A significant cash outflow during the year was for the development and implementation of the Group's new ERP software, where there has been a cash outflow of £2.1m to-date, with an additional £0.6m accrued, on the implementation of this multi-year project. Further cash outflows are expected in FY25.

During the year the Group saw a working capital outflow of (£0.5)m (2023: £2.3m inflow), as despite improvements in inventory days and payable days, the Group receivables balances for rebates and commercial contracts increased against the prior year. The exceptional working capital adjustments relate to the timing impact of payments to the Group's ERP implementation provider.

The Group finished the year in a net cash position of £7.8m (2023: £10.0m) with no debt or long-term lending facilities outside of its finance leases.

| | 2024 £'000 | 2023 *restated £'000 | Change %/bps |
|---|---|---|---|
| Underlying profit before tax | 3,343 | 6,423 | (48.0)% |
| Add back: | | | |
| Finance costs | 39 | 67 | (41.8)% |
| Finance income | (167) | (71) | 135.2% |
| Loss/(profit) on disposal of fixed assets | 71 | (41) | (273.2)% |
| Depreciation and amortisation | 1,716 | 1,347 | 27.4% |
| LTIP costs | 362 | 304 | 19.1% |
| Buying group rebates* | (357) | (481) | (25.8)% |
| Decrease in inventories | 1,185 | 189 | 527.0% |
| (Increase) in receivables | (3,535) | (1,826) | 93.6% |
| Increase in payables | 2,101 | 3,461 | (39.3)% |
| Exceptional WC adjustments* | (248) | 481 | (151.6)% |

| | 2024 £'000 | 2023 *restated £'000 | Change %/bps |
|---|---|---|---|
| Adjusted cash flow from operating activities | 4,510 | 9,853 | (54.2)% |
| Less: | | | |
| Outflows for principal lease payments | (948) | (967) | (2.0)% |
| Operating cash flow for conversion | 3,562 | 8,886 | (59.9)% |
| Operating cash conversion | 71% | 118% | (4,000)bps |
| Investing activities | (1,925) | (918) | 109.7% |
| Tax paid | (743) | (784) | (5.2)% |
| Interest paid | (42) | (67) | (37.3)% |
| Underlying free cash flow | 852 | 7,117 | (88.0)% |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of financial position, impacting movements within the cash flow for the year ended 31 March 2023. Refer to Note 26 for further details.

## Events after the reporting period

Following the reporting period end on 31 March 2024, we have successfully exited the buying group, Euronics. This exit will enable the Group to establish closer, direct relationships with its manufacturer partners, which will provide further opportunity to drive growth and margin in the future, and is the next natural step in our growth ambitions.

## Current trading and outlook

Despite the continuing pressures on customers trading-down we are very pleased with the growth in our order volumes and new customer acquisitions and the double digit growth we saw in the first three months of FY25, giving us confidence that our fundamental strategy of continued profitable market share gains and excellent customer service will support us in delivering further growth.

## Dividend

We delivered an adjusted EPS of 2.45p during the year and are recommending a final dividend of 0.66p per share, whilst this represents a higher payout ratio than our stated 20% objective, we see this as a signal of confidence in the future prospects of the Group and our current net cash position. The final dividend will be paid (subject to shareholder approval at the AGM) on 15 August 2024 to shareholders who are on the register at the close of business on 12 July 2024, and shares will be marked ex-dividend on 11 July 2024. For further information on dividends, see Note 12 to the financial statements.

Josh Egan

**Chief Financial Officer**

KEY PERFORMANCE INDICATORS

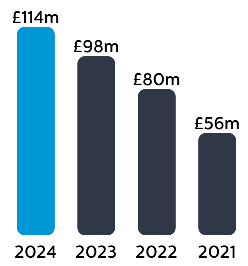
# Measuring our performance

**"We measure performance through a defined set of financial and operational KPIs, to keep us focused on the most important metrics."**

Josh Egan
Chief Financial Officer

## 1. Revenue

**£114.3m**




**Result**

The Group enjoyed another record year for revenue, delivering growth of 16.9% to £114.3m. Revenue is generated through the Group's website and telesales team, split 75% (2023: 75%) and 25% (2023: 25%)respectively.

**Definition**

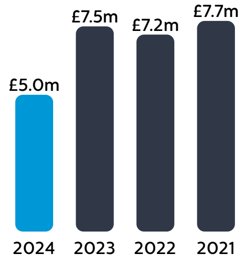
The Group generates revenue through the sale of major domestic appliances and consumer electronics direct to consumers and to trade customers in the UK. Revenue is recognised on delivery to the customer.

**Relevant risks[1]**

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

## 2. Adjusted EBITDA[2]

**£5.0m**




**Result**

The Group delivered an adjusted EBITDA of £5.0m at 4.4% margin.

Margin fell YoY primarily due to product margin and distribution cost pressures.

**Definition**

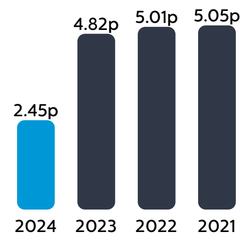
Adjusted EBITDA is a non-statutory measure defined as earnings before interest, tax, depreciation, and amortisation and adjusted for exceptional items, share-based payment charges and buying group rebates.

**Relevant risks[1]**

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

## 3. Adjusted earnings per share

**2.45p**




**Result**

The Group achieved an adjusted earnings per share of 2.45p. This is a decrease YoY, driven by margin and distribution pressures plus an increase in the effective tax rule.

**Definition**

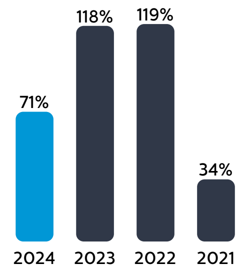
Adjusted earnings per share is a non-statutory measure of profit after tax adjusted for exceptional items, share-based payment charges and revaluation of investments, over the total diluted number of ordinary shares in issue.

**Relevant risks[1]**

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

## 4. Operating cash conversion

**71%**




**Result**

The Group achieved an operating cash conversion of 71%. This was primarily achieved through EBITDA performance and disciplined capital allocation.

**Definition**

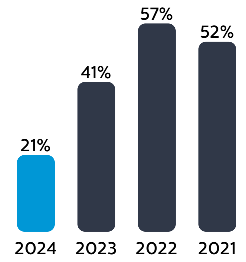
Operating cash conversion is defined as cash generated from operations less outflows for lease payments and exceptional items, divided by adjusted EBITDA.

**Relevant risks[1]**

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

## 5. Return on capital employed

**21%**




**Result**

The Group achieved a return on capital employed ("ROCE") of 21%.

The key driver for the fall in ROCE YoY was the increase in debtors and fall in EBIT.

**Definition**

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

**Relevant risks[1]**

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

1 Relevant risks are disclosed on pages 44 to 50.

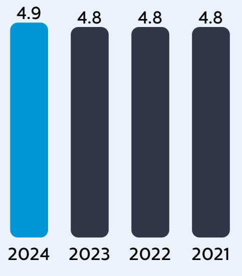
2 Adjusted EBITDA, operating cash conversion, return on capital employed and adjusted earnings per share are alternative performance measures, definitions of which are set out on page 119.

# KEY PERFORMANCE INDICATORS CONTINUED

> **Our key operational metrics go to the heart of customer satisfaction.”**
>
> Josh Egan
> Chief Financial Officer

## 1. Customer satisfaction: Trustpilot

4.8




**Result**

The Group maintained an "Excellent" Trustpilot score of 4.8 during the year.

**Definition**

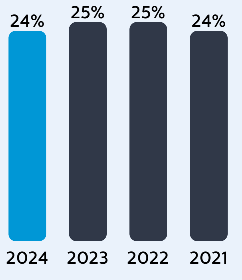
Our star rating achieved on Trustpilot.

**Relevant risks**[1]

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

## 2. Returning customers

24%




**Result**

Returning customers remained relatively flat during the year at 24%, demonstrating our continued focus on customer retention and market leading customer service.

**Definition**

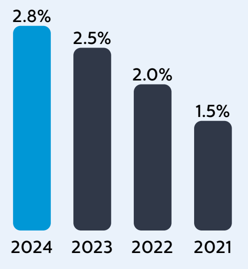
Returning customers are defined as the percentage of customers in the last 12 months who have returned to Marks Electrical to complete a repeat purchase.

**Relevant risks**[1]

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

## 3. MDA market share [2]

2.8%




**Result**

During the year the Group's share of the MDA market increased from 2.5% to 2.8%, reflecting our focus on brand awareness, product availability and excellent customer service.

**Definition**

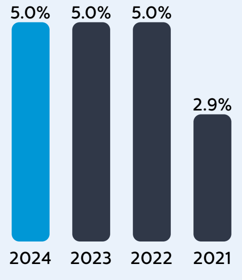
Our share of the UK Major Domestic Appliances market, our primary sector.

**Relevant risks**[1]

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

## 4. Advertising as % of revenue

5.0%




**Result**

During the year the Group recorded advertising expenses at 5.0% (2023: 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**

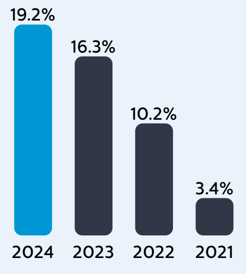
Total spend on advertising and marketing net of any marketing rebates received, as a percentage of total revenue.

**Relevant risks**[1]

- Competitive pressures
- Supply chain disruption
- Ecommerce platform disruption
- Laws and regulations

## 5. Finance penetration

19.2%




**Result**

Finance penetration increased from 16.3% to 19.2% 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 risks**[1]

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

1 Relevant risks are disclosed on pages 44 to 50.

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%.

PRINCIPAL RISKS AND UNCERTAINTIES

# A measured approach to risk

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.

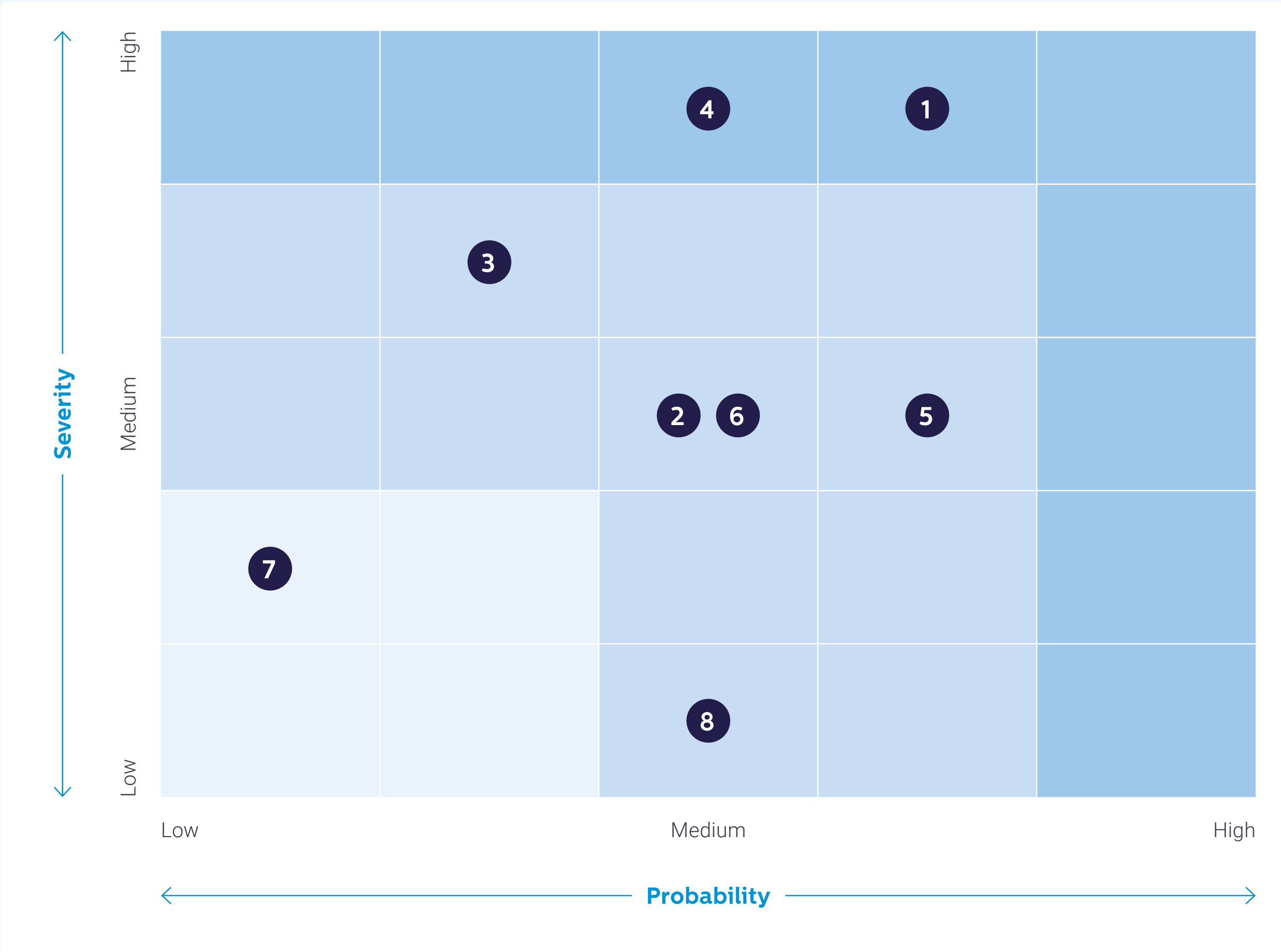
Principal risks and uncertainties that could affect the Group's business model and future performance have been highlighted and discussed in the tables below, including the management and mitigation of the risks.

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.

As an ecommerce retailer, cyber security is a key risk for the Group and is addressed in various risks detailed on the following pages.

## Degrees of risk

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






## 1 Business interruption

**FY24 risk rating** L M H **Trend** ↑

### Risk

**One operative site**

The occurrence of a disastrous event at Marks Electrical's sole distribution centre could disrupt operations and have adverse effects on the Group's financials and customer satisfaction. At a broader level, the risk of business interruption has decreased year-on-year with the impacts of COVID-19 having now dissipated.

**ERP**

The Group currently relies on a legacy ERP system with limited capabilities, particularly concerning its ability to support a rapidly growing business. There is a risk that the Group's expansion may be hindered by backend systems unable to keep pace with the demand generated by front-end sales.

There is a risk the implementation of the new ERP system may not be successful, which could cause short-term business interruption, increasing the risk factor this year.

### Mitigation

**One operative site**

The Group collaborates closely with its insurance brokers to ensure that its policies are current and offer sufficient coverage to mitigate the risk of inventory loss and associated gross profit during any trading downtime.

During the year management developed and implemented a new business continuity plan incorporating all aspects of the business. The comprehensive disaster recovery and business continuity plan has been established to mitigate the impact of any catastrophic event that could disrupt business performance. This plan includes proactive measures to ensure swift recovery and minimal disruption in such circumstances.

**ERP**

Currently, management is in the process of implementing the new ERP system to support the Group's sustained growth and is expected to go live mid-FY25.

The current ERP system is maintained by an in-house team of developers and undergoes multiple daily backups, minimising the likelihood of failure. There are no existing data limitations or indications of imminent or foreseeable system failures. However, the replacement of the system will yield improved controls, enhanced reporting capabilities, greater accessibility, streamlined operational practices, and eliminate the risk of transactional overload. Rigorous testing of the new system and practice 'go lives' will occur before deploying the new system to minimise risk of failure. If go live is delayed the Group will not deploy during peak trading.

**Risk rating**
L Low
M Medium
H High

**Change in risk level**
↓ Decrease risk
↔ No change
↑ Increase risk

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## 2 Competitive pressures

FY24 risk rating L M H Trend ↔

### Risk

Marks Electrical is dedicated to providing contemporary, innovative products to its UK-based customers, while strategically procuring items and staying attuned to consumer preferences honed over three decades in the MDA and CE markets. Despite its long-standing expertise, the Company contends with strong competition from various retailers, many of whom are leveraging emergent ecommerce technologies.

The ecommerce landscape continues to evolve. While the online MDA and CE sectors experienced rapid growth during the COVID-19 lockdowns, the past 18 months have seen a decline in both markets. Nevertheless, they still outperform pre-pandemic levels. Numerous macroeconomic factors, notably the cost-of-living crisis, exert influence on ecommerce, mirroring the adverse impact observed in traditional retail sales.

During FY24 the Group grappled with heightened margin pressures, which is a reflection of customers searching for the lowest price items, and higher delivery costs. To this end, failing to maintain relevance amidst competition due to inadequate online presence, stagnation in product offerings, or misalignment with consumer demands could result in diminished customer acquisition and decreased revenues.

### Mitigation

Management continuously monitors consumer purchasing preferences and adapts procurement strategies accordingly. Throughout the year, the Group restructured its buying team to ensure that the expanding product range and categories remains both relevant and competitively priced, aligning with the Company's growth strategy.

In addition to strategic buying, fostering brand awareness plays a pivotal role in unlocking growth opportunities for Marks Electrical. Despite operating in a market that is currently declining, the Company achieved accelerated growth and gained market share. The Group's small market share provides an element of protection from the shrinkage in the market and instead offers opportunity. Significant investments in out-of-home marketing increased order density in key geographical locations.

Being primarily an ecommerce business, Marks Electrical enjoys a natural competitive edge over traditional retailers burdened by legacy real estate. Moreover, its single-site location affords a leaner cost structure compared to competitors utilising hub-and-spoke models. These inherent advantages, coupled with an intensified focus on under-served markets and new product lines, contribute to the Company's resilience against competitive pressures.

The Group has continued to enhance its competitive positioning with enhanced customer offerings, our next-day installation offering in particular, differentiates Marks Electrical and also mitigate risks associated with intensifying competitive pressures.

The Group left the buying group, Combined Independent (Holdings) Limited ("CIH"), on 1 April 2024 and this will enable us to further build on the direct relationships we have with our brand partners, which we anticipate will lead to revenue and margin upside in the medium-term and in addition, improved flexibility as a national account.

**Risk rating**
L Low M Medium H High

**Change in risk level**
↓ Decrease risk ↔ No change ↑ Increase risk

## 3 Supply chain disruption

FY24 risk rating L M H Trend ↔

### Risk

Given the extensive range of brands and products offered by Marks Electrical, the likelihood of supply chain disruption across all products remains minimal. Nonetheless, the potential ramifications for the business could be substantial. With reliance on over 50 brand partners, the Company is susceptible to various scenarios. In the event of key suppliers halting operations, experiencing temporary shortages, or discontinuing supply due to disputes, there could be a significant impact on the Group's revenue and profitability.

The Group has been part of CIH for over 20 years. Although the Group deals directly with manufacturers for ordering and logistics, all billing has historically gone through the buying group, with all brands combined under one credit limit. Now the Group has departed the buying group, there is a risk that the Group may not obtain accounts with all major brands or that credit limits may have been too small impacting cash flow. However, the Group has successfully navigated this change and has secured accounts with all relevant brands.

Being part of CIH also gave the Group access to limited models ("agency") that it cannot access outside of the buying group, conversely there is a significant number of products we could not access, whilst within the buying group that we now have access to. There is risk that revenue and profitability could be damaged by losing access to agency products and the gains from the new products we have access to do not offset this loss.

### Mitigation

The Group's restructure and the addition of key personnel in our buying team ensures the correct focus and aids already robust relationships with our brand partners. These strengthened ties enable swift resolution of any disputes and position the Group favourably when vying for limited stock. Suppliers acknowledge our growth trajectory, and we are fostering deeper business connections and a mutual desire to develop partnerships further.

The industry has witnessed shortages of specific products due to component supplies; however, there has been nothing out of the ordinary that could materially impact sales. The Group prioritises fair trading practices to safeguard enduring partnerships over pursuing aggressive negotiations for short-term gains. Currently, the Group maintains a warehouse inventory equivalent to over 45 days' worth of stock, mitigating the risk of short-term shortages. Continuous investment in teams and technologies enhances our already market-leading delivery service, ensuring a sustained competitive edge.

Upon deciding to leave the buying group, discussions with all major brands were held to ensure the Group would not lose any important brand partnerships by leaving CIH. The response to us leaving was overwhelmingly positive by our brand partners, cementing our views on the prospect of the growth opportunities ahead. The Group has secured appropriate trading terms and credit limits with all key brands and looks forward to unlocking and expanding product ranges.

**Risk rating**
L Low M Medium H High

**Change in risk level**
↓ Decrease risk ↔ No change ↑ Increase risk

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## 4 Ecommerce platform disruption

FY24 risk rating L M H Trend

### Risk

Over 75% of all orders are processed through the Group's website, while the remaining orders are received via phone and through the click-and-collect showroom. The Group utilises third-party data centres and IT solutions, primarily Amazon Web Services ("AWS") to host the website, with such a significant volume channelled through the online platform, there is a substantial dependency on these third-party providers.

Any disruption to platform availability or compromise in integrity would yield short-term ramifications on commercial performance, potentially damaging customer confidence in the business. Such loss of goodwill could entail enduring consequences for customer trust in the Marks Electrical brand, particularly during this growth phase of the business lifecycle.

Given the extensive reliance on its web platform, the threat of a cyber-attack remains prominent. The Group operates within an increasingly sophisticated cyber threat landscape, characterised by the prevalence of ransomware, data breaches, and targeted advanced cyber-attacks.

### Mitigation

The web platform is hosted on AWS and there is a notable reliance on its web application firewall, known as WAF Shield. This firewall offers protection against various types of attacks and presents multiple options for whitelisting. Additionally, AWS operates numerous data centres globally, which serve as a safeguard against data loss in the event of a compromise at one centre. Both AWS data centres and WAF Shield are regarded as leading-edge solutions, equipped with the latest defences against cyber and data-related threats.

Throughout the year, the Group made further progress in enhancing controls frameworks and internal control processes. These enhancements, coupled with a heightened focus on controls testing, serve as proactive measures against both known and unforeseen threats. Furthermore, investments have been directed towards hardware and software improvements, including upgrades to internal servers and adoption of cloud-based solutions.

Cyber risk is a recurring item on the agendas of the Board and Audit and Risk Committee, underscoring its importance. Management continually assesses the performance of IT infrastructure to ensure ongoing efficacy in mitigating cyber threats.

## 5 Laws and regulations

FY24 risk rating L M H Trend

### Risk

Due to the rapid expansion of employee numbers and operational activities, there is a heightened risk of non-compliance across various areas of the business, including health and safety, environmental law, road transport law, employment law, tax law, and accounting legislation.

Although the Group collaborates with external advisors and in-house specialists and has established policies, processes, and controls to mitigate the risk of non-compliance, there remains an elevated risk of falling short in maintaining compliance within a swiftly evolving business environment.

### Mitigation

The Group maintains close collaboration with advisors and specialists to ensure that its policies, processes, and controls remain current, thereby mitigating the risk of potential non-compliance. During the year, the Group expanded its transport offices as well as grew the operations team, in number and expertise.

**Risk rating**
L Low | M Medium | H High

**Change in risk level**
Decrease risk | No change | Increase risk

## 6 People-related risks

FY24 risk rating L M H Trend

### Risk

As the business progresses, it depends on key individuals across its operations, whether at the executive level or in roles requiring specialised skills or managing significant volumes. In this phase of expansion, recruiting and retaining talent are pivotal to executing the overall strategy effectively. The departure of key personnel or difficulties in acquiring necessary talent could potentially hinder the realisation of growth objectives.

### Mitigation

Throughout the year, significant efforts were dedicated to enhancing the HR operating model, resulting in the implementation of several new policies, new training programmes and employee satisfaction initiatives.

Of particular importance was the role of CEO Mark Smithson, who previously oversaw all supplier relationships and procurement activities. Now, an experienced buying team reports to Mark, who retains responsibility for daily supplier management and purchasing. Each member of this team specialises in their respective product categories and maintains strong relationships with the associated brands. As teams grow and the business controls frameworks expand, reliance on key personnel reduces.

Additionally, employment packages and benefits underwent a review as part of continuous improvements. The Group is committed to fostering a supportive workplace environment for all colleagues, aiming to attract and retain top talent. Enhancing the employer brand will play a significant role in both attracting candidates and retaining colleagues.

## 7 Climate change

FY24 risk rating L M H Trend

### Risk

The Group is conscious of climate change, albeit in a limited capacity with minimal impact on current operations. However, the ongoing transition away from petrol and diesel vehicles poses potential challenges to the existing operating model, particularly due to the reliance on a diesel fleet. As clean air zones expand both in number and coverage, there is a looming risk of stricter minimum emission standards, potentially rendering diesel vehicles ineligible for entry into these areas. Given the slow progress in developing alternative-fuel freight vehicles, our capacity to deliver to clean air zones may be compromised.

### Mitigation

The Group consistently renews and upgrades its fleet to ensure that vehicles incorporate the latest technology and comply with current emission standards, presently meeting Euro 6 specifications. The Group introduced new vehicle tracking software in the year to drive better behaviours and therefore reducing vehicle emissions.

Whilst management perceives the risk of fossil-fuelled vehicles becoming obsolete before viable alternatives emerge as low, the Group remains vigilant and prepared for regulatory changes.

Furthermore, the Group maintains regular communication with its vehicle suppliers and stands ready to experiment with alternative-fuel vehicles once they offer the necessary carrying capacity and range to accommodate typical delivery routes.

**Risk rating**
L Low | M Medium | H High

**Change in risk level**
Decrease risk | No change | Increase risk

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

### 8 Cost-of-living crisis

FY24 risk rating L M H Trend ↔

#### Risk

**Customers**

The prevailing economic downturn in the UK has precipitated a cost-of-living crisis, impacting the disposable income of households nationwide. This raises concerns that diminished disposable income could potentially deter consumers from investing in high-value items like MDA and CE products. Consequently, the Group faces the risk of reduced sales, which may impede its growth trajectory. Furthermore, the Group experienced margin pressure throughout the year due to heightened competition and increasing operational costs, exacerbating the challenges posed by the economic downturn.

**People**

Similarly to customers, the cost-of-living crisis affects the Group's employees and their capacity to sustain their accustomed living standards. This presents financial and personnel risks to the Group. There is a possibility that individuals may seek employment opportunities elsewhere in pursuit of higher income, resulting in a flight risk and potential loss of key roles and responsibilities within the organisation. Moreover, there is a concern that in order to align remuneration with the rising cost of living, the Group may encounter accelerated wage inflation, thereby impacting profitability.

#### Mitigation

**Customers**

Given that many of our products are considered "distressed purchases" (essential household appliances such as ovens and fridges), economic downturns tend to have less impact compared to other retail sectors where goods are more discretionary in nature. This characteristic provides Marks Electrical with a degree of insulation from decreased consumer spending.

During FY24 Marks Electrical demonstrated its resilience by achieving a 16.9% increase in sales despite operating in a market that is currently declining. The Group is committed to growing its brand awareness and market share, with ongoing investments in brand-building initiatives and the delivery of market leading customer experiences. This presents opportunities for substantial business growth, even amidst challenging market conditions.

**People**

Following the recent rise in the cost-of-living, the Group conducted a comprehensive review of all salaries and wages on a departmental basis. The majority of employees received a pay increase, with a few exceptions in cases where new pay levels and structures had been recently implemented. On average, employees experienced a pay uplift of 10% throughout the year. Pay levels are regularly reassessed to ensure that employees are fairly compensated for their roles, with adjustments made on an ongoing basis.

**Risk rating**
L Low M Medium H High

**Change in risk level**
↓ Decrease risk ↔ No change ↑ Increase risk



## SECTION 172 STATEMENT

# Engaging with our stakeholders

The Group leverages diverse resources and connections, recognising that effective engagement with stakeholders is vital for realising sustainable goals and strategic objectives.

To achieve this, the Group must understand stakeholders' perspectives, establish and sustain favourable relationships, and integrate their input into management, Board, Committee discussions and decision-making procedures. The examples shared demonstrate the Group's commitment to adherence of 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 Group's success continues to hinge on its capacity to understand customer needs. This comprehension facilitates the enhancement of customer offerings and the attraction of increased sales, which will ultimately lead to heightened profitability. Moreover, this understanding enables the Group to direct resources towards the development of new capabilities and the pursuit of emerging opportunities.

### Responsible person

Head of Sales and Marketing

### Stakeholder Interests

- Ensuring superior customer service
- Maintaining competitive pricing
- Offering a diverse product range
- Offering a diverse service range
- Upholding data protection and compliance standards

### How Marks Electrical Engages

- Demonstrating a commitment to exceptional customer service, Marks Electrical has established a specialised team of responsive representatives who leverage various digital communication channels, including AI-driven responses, to promptly address inquiries. By streamlining the handling of routine queries, the customer service team can allocate more resources to resolving complex issues, thereby optimising operational efficiency and profitability without compromising quality.
- Regularly tracking and analysing metrics and feedback related to customer satisfaction enables the Group to establish an ongoing process of monitoring and improvement planning, ensuring that services consistently align with customer needs and expectations.
- Integration of our installation team to offer customers a market-leading service offering, with the Group being able to offer a customer a next-day installation, through our Gas Safe and Electrical engineers.

# SECTION 172 STATEMENT CONTINUED

## People

Marks Electrical attributes much of its success to a business model that fosters a sense of belonging among its employees. This approach cultivates an environment where teams can perform optimally and consistently deliver exceptional results to their peers, colleagues, and customers.

### Responsible person

Head of HR

### Stakeholder Interests

- Cultivating a positive workplace culture
- Providing competitive rewards and benefits
- Offering opportunities for career advancement and development
- Ensuring employee well-being, health, and safety

### How Marks Electrical Engages

- Emphasising talent management: The Group prioritises retaining existing employees and promoting from within the organisation.
- Strengthening the HR team: Recognising the significance of employee well-being, Marks Electrical has expanded its HR support network to better address colleagues' queries and concerns as the team grows.
- Implementing a comprehensive set of policies, procedures, and a code of conduct outlined in the employee handbook.
- Enhancing the rewards and benefits package, which includes provisions such as death in service benefits, private health insurance, and share options.
- Developed an in-house training centre the ME Academy, to ensure we can provide the highest levels of training to our drivers, warehouse and installation teams.
- Committing to promoting diversity and fostering inclusion within Marks Electrical.
- Actively developing health and well-being initiatives to better support employees' physical and mental health needs.

## Suppliers and Partners

The Group places considerable emphasis on fostering strong relationships with suppliers and partners, acknowledging their pivotal role in overall performance. It firmly believes that cultivating enduring, mutually beneficial partnerships with suppliers yields the most advantageous outcomes for all involved. Consequently, the Group collaborates closely with suppliers to ensure that shared standards and expectations of business conduct are consistently met and maintained.

### Responsible persons

Buying team

### Stakeholder Interests

- Cultivating enduring, mutually supportive, and collaborative relationships.
- Exploring opportunities for expansion and development.

### How Marks Electrical Engages

- Facilitating scheduled meetings with manufacturers to exchange perspectives on strategic planning and goal setting.
- Undertaking collaborative advertising initiatives involving suppliers and financial partners to stimulate shared growth.
- Expanding the buying and marketing teams to facilitate more frequent and productive interactions with suppliers.



## Community

Over the years, Marks Electrical has maintained a prominent presence in local communities. The Group prioritises considering the social and ecological impacts of its activities and is dedicated to engaging in responsible retail practices.

### Responsible persons

Senior Leadership Team

### Stakeholder Interests

- Strengthening community support and investment
- Maintaining a positive health and safety record
- Implementing sustainability initiatives and improving environmental performance

### How Marks Electrical Engages

- Continued support for local grassroots sports teams, which serve as vital social outlets for children and young people, fostering a sense of community belonging and pride.
- Investment into local community projects.
- Implementing thorough risk assessments and safe work systems to identify potential hazards and implement necessary measures to mitigate risks.
- Conducting scheduled monthly site audits to regularly assess and enhance health and safety protocols.
- Encouraging and facilitating package recycling and WEEE disposal of old appliances for customers.

## Shareholders

The Group is committed to providing shareholders and analysts with impartial, equitable, and understandable information concerning strategy, business model, culture, performance, and governance.

### Responsible persons

Board

### Stakeholder Interests

- Achieving strong financial performance
- Ensuring satisfactory shareholder returns
- Delivering accurate and timely operational and financial updates
- Identifying growth opportunities and articulating strategic ambitions
- Upholding robust governance frameworks

### How Marks Electrical Engages

- Maintaining regular communication with shareholders through diverse channels, including email updates, newsletters, timely presentations of financial results, and comprehensive annual reports.
- Strengthening investor outreach efforts through roadshows and meetings.
- Offering clear and concise information on the Company's strategy, financial performance, and risk management practices.
- Responsively addressing inquiries and feedback, promptly attending to shareholder concerns and suggestions.
- Demonstrating commitment to good corporate governance practices and ethical behaviour, fostering trust and confidence among shareholders.

# SECTION 172 STATEMENT CONTINUED

## Principal decisions taken in the year

### Leaving the buying group

During the year the Group took the decision to leave CIH. The Group has been a member of the buying group for over 25 years, which has enabled the growth of Marks Electrical into the business that it is today. Historically, being part of CIH benefited the Group, giving us access to larger brands and exclusive SKUs, however with the growth the Group has achieved, it is now possible to open direct accounts with the brands we work with by becoming a national account, and in doing so gives us greater access to SKUs and more flexibility towards trading terms.

#### How the Board's engagement with stakeholders impacted the decision

**Customers**
Through leaving the buying group Marks Electrical have been working closer than ever with its suppliers; this move will give the Group access to a wider range of SKUs therefore enabling the Group to provide a wider offering to its customers.

**Suppliers and partners**
A key driver in the decision to leave the buying group was the general consensus amongst our suppliers and partners, that we could drive a more prosperous future for the Group and suppliers alike by having direct relationships with them. The Group considered all possible outcomes of leaving CIH and the likelihood of achieving direct accounts with our suppliers and we have been delighted to open accounts with all our major suppliers.

**Shareholders**
The shift away from the buying group should unlock more profitability within the Group and enable us to trade more freely without the constraints of being a part of a buying group structure. Although there is no guarantee of increased profitability and there was a risk of not achieving all direct accounts, management believed and do believe that leaving the buying group, lays out the strongest runway for future success.

### Deploying the Marks Electrical academy

During the year the Group envisaged the creation of a custom training centre, a space where all our operational teams could be trained on the handling, delivery and installation of MDA and CE, as well as driving and general continuing professional development courses. The Marks Electrical Academy was launched midway through the year and has been a success with all current and new drivers now attending regular training and updates to ensure they provide the best service in the safest manner whilst out on the roads, at customers properties and when around the warehouse and on site.

#### How the Board's engagement with stakeholders impacted the decision

**Customers**
Ultimately enhanced training facilities and enhanced training for our operatives that handle customer products and face customers on the job, will enhance the customer experience. The customer experience is paramount to the Group who pride themselves on providing a best in class service.

**People**
The Marks Electrical Academy is centred around its people, their opportunities and their wellbeing at work. The training centre was implemented to enable employees to be upskilled in their roles and progress their careers within the Group.

**Suppliers**
The increased capabilities of the teams on the ground handling, delivering and installing products enable suppliers to offer unique promotions with the Group and the provision of better services leads to an overall better impression of the products and brands themselves. With better executed handling of products, less damage occurs leading to less returns, less repairs and increased customer satisfaction with the brands.

**Community**
Many of the Groups employees are employed from the local communities in and around our central hub. The growth of Marks Electrical has offered many job opportunities to the local area and the Academy now offers role progression, increasing prosperity within local communities.

**Shareholders**
The implementation of the training centre, provides a sustainable solution for maintaining a skilled workforce and therefore enabling the provision of additional services, leading to increased growth and profitability.

# SECTION 172 STATEMENT CONTINUED

## Telematics deployed across the entire fleet

During the year the Group invested in new telematics tracking software for the entire road-going fleet. The software allows the Group to reliably monitor driver performance to implement safer, more efficient and more economical driving practices.

### How the Board's engagement with stakeholders impacted the decision

**Customers**
By enabling management to monitor and view driving practices closely, the Group can implement relevant training programs to the workforce ensuring customers goods arrive in a timely manner and in good condition following appropriate transport.

**People**
Specific training can be given to relevant employees to improve their driving techniques. Along with identifying training requirements, the Group can monitor driving times closely to ensure that drivers take appropriate rest times, improving the safety of the drivers and the general public.

**Community**
Improvements in driving standards improve safety, which in turn improves the safety of the general public using the highways. This is paramount to the Group. As well as safety improvements, the Group hopes to achieve better emissions by utilising the driving data to reward economical driving.

**Shareholders**
Improvements in driving behaviours should reduce damages and improve miles per gallon, reducing costs to the business and leading to higher profitability. The telematics also enables the Group to implement a higher degree of control and governance over driving practices, reducing business risks.

## Significant investments in warehouse and office

During the year the Group decided to invest significantly in the warehouse and office spaces. VNA systems have been installed in the warehouse, this increases capacity and improves manoeuvrability within the warehouse space. Another significant investment included the installation of two new dock levellers, that significantly reduce the amount of time it takes to unload inbound deliveries and offers additional bays for loading outbound vehicles.

### How the Board's engagement with stakeholders impacted the decision

**People**
The introduction of new dock levellers and VNA racking enables employees to operate more safely and efficiently and provides opportunity for additional training and upskilling on new equipment. New office spaces have been developed to ensure a healthy working environment for employees and providing space for growing teams.

**Suppliers and partners**
Inbound deliveries that can utilise the dock levellers have significant time savings, saving haulage costs, whilst reducing the risk of damage. The VNA racking replaces stacking storage areas and requires less manual handling of products, typically only being handled on delivery and sale, once again reducing potential damages of products.

**Shareholders**
The improvements to the warehouse and office spaces provide longevity in the current site. This longevity will provide higher returns for shareholders in the medium-term by avoiding the higher costs of running a larger site. The Group maintains that it could achieve revenue of £200m+ from the current site.

This strategic report was approved by the Board of Directors on 25 June 2024.

For and on behalf of the Board

Josh Egan
**Chief Financial Officer**

## CHAIR'S INTRODUCTION TO GOVERNANCE

# Governance

**The Board believes that the Group's success is supported by a robust corporate governance framework."**

Marnie Millard OBE

**Independent Non-Executive Chair**

Marks Electrical Group plc is committed to upholding high standards of corporate governance and has elected to adhere to the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). The fundamental principles of the QCA Code are integrated into the corporate governance framework that the Group adheres to.

Recognising the significance of maintaining high corporate governance standards, the Board believes that the Group's success is supported by a robust corporate governance framework.

The Group's Corporate Governance Statement, encompassing reports and disclosures from pages 57 to 80, explains the Group's compliance with the QCA Code. The 10 principles are elaborated on our corporate website **group.markselectrical.co.uk/governance**.

The Board is dedicated to nurturing a robust ethical corporate culture in alignment with the Group's strategic objectives. This culture is fostered through our core values and by promoting consistent behaviours from top-level management downward. Throughout the year, the Board undertook various initiatives to enhance employee engagement, including:

- Actively fostering diversity, inclusion, and equal opportunities for all employees;
- Continuing to introduce apprenticeships and provide learning and development opportunities;
- Demonstrating numerous internal promotions, illustrating viable career paths for all employees;
- Improving induction processes for all employees, elucidating our culture and behavioural expectations; and
- Implementing across-the-board pay increases to acknowledge the hard work of employees and mitigate increased cost of living pressures.

A positive work culture and engaged workforce are imperative for achieving our strategic objectives outlined in the strategic report on pages 2 to 56.

### Governance Structure

While the Board is collectively responsible for the Group's overall success, it also bears the responsibility for defining corporate governance arrangements, with the Chair ultimately accountable for corporate governance. The Group's governance structures have been evaluated by the Board and are deemed suitable for the Company's size, complexity, and risk profile. Moreover, the Board deems the QCA Code as the fittingly recognised UK corporate governance code for the Group to adhere to. This is subject to continuous review by the Board to ensure that governance arrangements remain pertinent as the Group evolves over time.

The Board aims to convene at least four times annually, with both the Board and its Committees receiving pertinent and timely information ahead of each meeting. The Company Secretary collaborates with the Board and Committees to devise annual agenda cycles, ensuring that adequate time and focus are allocated to pertinent matters. Meeting proceedings are recorded by the Company Secretary, with any ensuing specific actions documented, responsibilities assigned, and follow-ups conducted at subsequent meetings until resolutions are achieved. A formal schedule of matters reserved for Board decisions is outlined on page 60.

BOARD OF DIRECTORS

# Balanced composition of skills

The Board deems its current size and composition to be appropriate, possessing a well-rounded mix of sector-specific, financial, and public market expertise, alongside a balanced array of personal attributes and capabilities.

## Marnie Millard OBE

**Independent Non-Executive Chair**

N A

**Appointed**
5 November 2021

**Relevant skills**

**Experience**

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 2012 to 2020. Marnie is also currently a Non-Executive Director of Applied Nutrition Limited and is Non-Executive Chair of both MyPura Group Limited and University Academy 92 Limited.

Marnie chairs the Nomination Committee and is a member of the Audit and Risk Committee. Marnie was also appointed as a member of the Remuneration Committee in April 2024.

## Mark Smithson

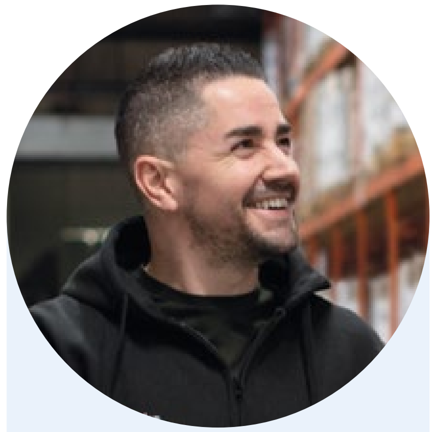
**Chief Executive Officer and founder**

**Appointed**
14 July 2021

**Relevant skills**

**Experience**

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

**Relevant skills**

**Experience**

Josh joined as Chief Financial Officer in April 2021 and was appointed to the Board in October 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.

## Alyson Fadil

**Independent Non-Executive Director**

R N

**Appointed**
5 November 2021

**Relevant skills**

**Experience**

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 Matalan, a role she has held since February 2024. Alyson has 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.

## David Wilkinson

**Independent Non-Executive Director**

A R

**Appointed**
5 November 2021

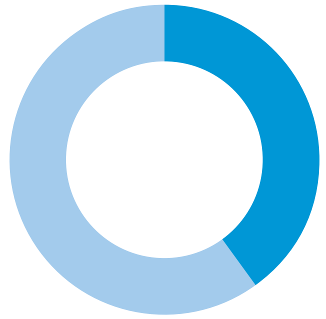
**Relevant skills**

**Experience**

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 Audit Committee Chair at RBG Holdings plc.

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

**Gender (%)**

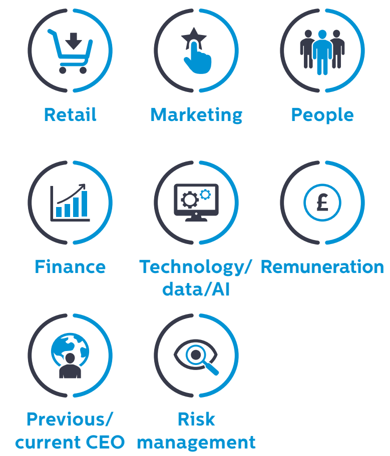


| | |
|---|---|
| Female | 40% |
| Male | 60% |

**Age (%)**

| | |
|---|---|
| 50+ | 60% |
| 41–50 | 20% |
| 31-40 | 20% |

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



HOW THE BOARD OPERATES

# A strong governance framework

The Board comprises both Non-Executive and Executive Directors. Executive Directors are responsible for managing the day-to-day operations, while Non-Executive Directors offer independent oversight and constructive challenges to management regarding strategy.

## The Board and independence

The Board includes the Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer, and two Non-Executive Directors, whose biographical details are available on the Group's AIM Rule 26 website. The Non-Executive Directors enrich the Board with diverse professional and personal backgrounds, encompassing listed company experience, financial expertise, and proficiency in HR, online retail, marketing, and brand management.

The Board has confirmed the independence of each Non-Executive Director – Marnie Millard OBE (Chair), David Wilkinson, and Alyson Fadil – in character and judgment, meeting the independence criteria under the QCA Code, the recognised corporate governance code embraced by the Group. Non-Executive Directors pledge to allocate sufficient time to fulfil their duties effectively.

All Directors are urged to enhance their skills and stay abreast of market trends and corporate governance issues. Executive Directors routinely stay informed about industry news and developments, with external advisory input when necessary. Non-Executive Directors maintain their skill sets through continuous professional development and receive relevant information through Board presentations from advisors.

The Chair and Chief Executive Officer respectively lead the Non-Executive and Executive Directors, each with clearly defined roles and responsibilities. The Chair's role is to guide the Board, ensuring effective operation in setting and overseeing the Group's strategic direction. The Chief Executive Officer proposes strategic directions to the Board and executes approved strategies by leading the executive team in managing the Group's business.

Supporting the Board are the Audit and Risk Committee, Remuneration Committee, and Nomination Committee. The Board aims to convene at least four times a year to review performance, approve financial statements, and discuss strategy and key commercial matters. Operating on a revolving annual agenda, the Board ensures coverage of all key matters reserved for its consideration during a financial year. These matters include:

- 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; and
- the Group's approach to ESG, and policies.

## Meeting attendance

Throughout the year, the Board convened for five planned meetings, while the Audit and Risk Committee, Remuneration Committee, and Nomination Committee held three, two, and one meeting respectively. The attendance record for Board meetings of each Director is outlined below:

| | Meetings attended (total held: 5) |
|---|---|
| M Millard | ●●●●● |
| M Smithson | ●●●●● |
| J Egan | ●●●●● |
| D Wilkinson | ●●●●● |
| A Fadil | ●●●●● |

→ See Committee Reports for meeting attendance

In addition to the formal meetings disclosed above the Board convened seven meetings at short notice during the period to consider ad hoc items which were attended by all Directors.

In instances where a Director is unable to attend a meeting due to prior commitments, illness, or other reasons, they receive the necessary documents beforehand and are encouraged to communicate their perspectives with the Chair for inclusion in the discussions.

## Board decisions and activity during the year*

### Independent professional advice

Directors have access to the advice and services of the Company 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 controls

Risk management and internal controls fall under the purview of the Board, which determines the Group's risk appetite as part of its strategic planning and establishes and upholds the internal control system. The role of the Audit and Risk Committee is to aid the Board in overseeing these responsibilities by reviewing and monitoring the internal controls and risk management of the Group, as well as how risks are reported internally and externally.

Throughout the year, internal financial control systems underwent further review and were adapted to the changing landscape of the business to support the Group's growth strategy, ensure compliance as a publicly traded entity, and mitigate associated risks.

Formal internal controls testing was conducted for Finance, IT, and HR twice during the year, with robust performance in all departments. The Group maintains a risk register, regularly updated and reviewed by senior management, functional heads, the Audit and Risk Committee, and approved by the Board, to ensure appropriate identification, management, and mitigation of risks. The finance controls framework focuses on transactional level controls, annual budget approval, performance monitoring against budget, capital expenditure oversight, and maintenance of proper accounting records.

The IT controls framework emphasises system and access security, cybersecurity, data protection, GDPR compliance, IT processes for employee onboarding and departure, and software maintenance for system stability.

The HR controls framework focuses on ensuring appropriate processes for employee onboarding and departure, including formal induction, pre-employment checks, documentation management, payroll handling, and IR35 compliance.

### Shareholder engagement

The Group remains dedicated to fostering transparent communication with its shareholders, ensuring clarity regarding the Group's strategy, business model, and performance. Regular interactions occur between Executive Directors and institutional shareholders to comprehend their expectations, with the Executive Directors accountable for relaying these to the Board. Annual general meetings further facilitate dialogue between the Board – who regularly attend – and shareholders.

In addition to these scheduled engagements, the Group disseminates various corporate information through its corporate website (group.markselectrical.co.uk). This includes details pertaining to the Group's adherence to the QCA Code, corporate documents such as annual reports, regulatory news announcements, and insights into the Group's strategic direction.

## Evaluation of Board effectiveness

In the past year, the Board conducted its formal annual assessment of its performance, along with reviewing the performance of its Committees and individual Directors. This evaluation process scrutinised the collective balance of skills, experience, independence, and diversity, encompassing gender and ethnicity, among the Directors. It also delved into factors relevant to their effectiveness, such as collaborative dynamics. The Chair holds responsibility for taking appropriate actions based on the evaluation outcomes, which may include proposing new Board members or requesting resignations from Directors if necessary.

Individual assessments aimed to gauge each Director's ongoing commitment to their role and their effective contribution, including their dedication of time to Board and Committee meetings and other responsibilities. The independent Company Secretary led the performance evaluation process.

Areas covered in the review included:

- 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

No significant deficiencies emerged from the Board effectiveness evaluation. Any ensuing actions will be deliberated and agreed upon in forthcoming Board meetings.

## Annual general meeting ("AGM")

The Group's AGM will take place on 8 August 2024, 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 54).

# NOMINATION COMMITTEE REPORT

## Nomination Committee report

I am pleased to introduce the Report of the Nomination Committee ("Committee") for the year ended 31 March 2024 ("FY24").

**Marnie Millard OBE**

**Chair of the Nomination Committee**

| | Meetings attended (total held: 1) |
|---|---|
| M Millard | ● |
| A Fadil | ● |

### Role of the Committee

The Committee's primary role involves reviewing the Board and its Committees' structure, size, and composition, making recommendations for Board appointments, and overseeing succession planning.

Alyson Fadil and I both serve on the Committee in accordance with the QCA Code, which mandates a majority of independent Non-Executive Directors, thereby ensuring our independence. The Company Secretary serves as the Committee's Secretary, and the Chief Executive Officer, Chief Financial Officer, and other independent Non-Executive Directors may attend meetings upon invitation.

### Activities of the Nomination Committee

Throughout the year, the Committee met once, with both members present, to assess the Board's operational effectiveness, the skills of its members, and succession planning for the Executive Management team.

Following thorough review, the Committee determined that the current composition of the Board and its Committees adequately aligns with the business's nature, size, and complexity, given the diverse range of capabilities among the Directors. Nonetheless, the Committee commits to ongoing review.

### How the Committee operates

The Chair of the Board typically leads Committee meetings unless they pertain to her successor's appointment or involve matters in which she may have a conflict of interest. In such cases, Alyson Fadil would assume the chair, unless she too is a candidate for the role or has a potential conflict. The Committee convenes at least once annually and as needed. While only Committee members have attendance rights, the Chief Executive Officer and Chief Financial Officer may attend by invitation to provide insights, particularly regarding key talent within the business.



### Succession planning

The Committee considers succession planning essential for the Group's long-term success.

During the year the Committee formalised the initiation of robust succession planning by examining the skills, qualities, and leadership necessary for the executive team and their direct reports.

Committee members will maintain regular communication with the executive team and their direct reports to ensure continued talent mapping within the organisation.

### Policy on appointments to the Board including diversity policy

The Committee prioritises ensuring that Board members possess a diverse range of skills, expertise, industry knowledge, and business experience essential for effective oversight. Appointments will be based on objective criteria, with attention given to the benefits of diversity and the role's requirements.

Before recommending new appointments to the Board, the Committee will consider various factors, such as relevant skills, experience, knowledge, and diversity, encompassing gender and ethnic diversity. As of the end of the financial year in March 2024, 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 upcoming AGM and stand for re-election. Following a formal review of the Board in FY24, both the Committee and the Board are satisfied that all Directors remain effective, committed, and possess the necessary capacity for their roles. Consequently, the Board recommends shareholders approve the resolutions related to Director re-election at the 2024 AGM. I will be present at the AGM to address any inquiries regarding the Committee's activities.

**Marnie Millard OBE**

**Chair of the Nomination Committee**

25 June 2024

# AUDIT AND RISK COMMITTEE REPORT

## Audit and Risk Committee report

On behalf of the Board, I am pleased to present the Audit and Risk Committee ("Committee") Report for the year ended 31 March 2024 ("FY24"). This report outlines the activities of the Committee during FY24.

David Wilkinson
**Chair of the Audit and Risk Committee**

### Membership and meetings of the Audit and Risk Committee

| | Meetings attended (total held: 3) |
|---|---|
| D Wilkinson | ●●● |
| M Millard | ●●● |

### Role of the Committee

The primary responsibility of the Audit and Risk Committee is to ensure the effectiveness of the Group's financial reporting and audit procedures, as well as the efficiency of its risk management systems and controls. This includes overseeing:

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

Throughout the financial year, the Audit and Risk Committee was comprised of myself, serving as the Committee Chair, and Marnie Millard OBE, our Board Chair. The Committee convened three times during the reporting period, with both members in attendance. Attendance at Committee meetings is mandatory only for Committee members; however, other individuals such as the Chief Executive Officer, Chief Financial Officer, and external auditor may attend by invitation. The Company Secretary serves as the Committee's Secretary.

### Activities during the year

Throughout the year, the Committee focused on the following matters:

- Assessing the interim and annual financial statements for the Group.
- Ensuring consistency and suitability of accounting policies.
- Evaluating the methods used to account for significant transactions, adequacy of disclosures, and significant areas requiring judgment.
- Reviewing the effectiveness of internal controls, risk assessment processes, assurance mechanisms, and changes in significant risks.
- Scrutinising processes for compliance with laws, regulations, and ethical codes.
- The appointment of and approving the engagement terms, strategy, scope, and effectiveness of the external auditor, as well as scrutinising non-audit services and fees.
- Reviewing and providing guidance on correspondence with the Financial Reporting Council.
- Assessing the financial risk associated with leaving the buying group.
- During the year, the Group put the financial audit out to tender, inviting Ernst & Young LLP, Deloitte LLP and PricewaterhouseCoopers LLP to pitch. BDO resigned from their post and the Board appointed PricewaterhouseCoopers LLP ("PwC").

### Role of the external auditor

The Audit and Risk Committee oversees the Company's relationship with its external auditor, PwC, to uphold auditor's independence and objectivity. As part of this oversight, the Committee monitors the provision of non-audit services by the external auditor. Notably, no non-audit services were provided by PwC during the year. The Committee determined that, without prior approval, the external auditor will not be allowed to provide any non-audit services for the Group in the fiscal year ending 31 March 2025.

Additionally, the Committee evaluates the external auditor's performance, taking into account factors such as tenure and seniority of key personnel. Based on its assessment, the Audit and Risk Committee recommends the re-appointment of PwC as the Company's external auditor at the next Annual General Meeting ("AGM").

### Audit process

The external auditor develops an audit plan outlining the audit scope, key focus areas, materiality thresholds, and audit timetable. This plan undergoes review and approval by the Audit and Risk Committee in advance. Upon completion of the audit work, the external auditor presents its findings to the Committee for discussion.

### Risk management and internal controls

The Group has established a comprehensive framework encompassing risk management and internal control systems, along with associated policies and procedures. Oversight of this framework falls under the purview of the Audit and Risk Committee, which is tasked with reviewing its effectiveness.

Having scrutinised the framework and its testing protocols, the Committee is content that the Group's risk management approach aligns suitably with its scale of operations. The ongoing evolution of the internal control framework remains a priority for the upcoming year, with key operational areas to come under review.

Responsibility for day-to-day risk management is delegated to senior management, comprising the Chief Executive Officer, Chief Financial Officer, Operations Director, and heads of Finance, HR, and IT. The Group maintains a risk register, subject to regular review and updates. Discussions regarding the register occur as necessary, with a minimum frequency of twice per year during Committee meetings.

### Whistleblowing

A Whistleblowing Policy is in place within the Group, delineating the formal procedure for employees to confidentially report concerns regarding potential improprieties in financial reporting or other areas. Whistleblowing is a recurring agenda item for the Committee, with updates provided at each meeting as deemed necessary, with a minimum frequency of twice per year. There were no incidents requiring consideration during the reporting period.

### Financial and business reporting

The Committee assumes responsibility for overseeing the integrity of the Group's financial statements, encompassing both annual and interim results. Its overarching objective is to ensure that these statements provide an accurate and impartial representation of the Group's performance throughout the reporting periods.

### Other matters

In January 2024, the Company received a letter from the Corporate Reporting Review team of the Financial Reporting Council ("FRC") as part of its regular review and assessment of the quality of corporate reporting in the UK, requesting further information in relation to the Company's 2023 Annual Report and Accounts. All significant matters including the matters highlighted by the FRC are denoted in the Significant matters table below. The FRC's review is limited to the published 2023 Annual Report and Accounts; it does not benefit from a detailed understanding of underlying transactions and provides no assurance that the Annual Report and Accounts are correct in all material respects.

# AUDIT AND RISK COMMITTEE REPORT CONTINUED

## Significant matters

As an integral part of the reporting and review process, the Committee has considered significant issues pertaining to the financial statements and their resolution. This consideration includes a comprehensive review of key risks, accounting matters, and judgements involved.

| Significant issue: | Action taken |
|---|---|
| **Going concern** | Management has prepared detailed financial projections for the period to 31 July 2025. 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 a severe but plausible case, the Group would maintain a positive cash position.<br>The key sensitivity assumptions applied include:<br>• A material slow-down in ecommerce sales.<br>• A significant decrease in gross margin.<br>Only in the most extreme scenario, which is deemed not plausible, including lower sales than FY24 and a material decrease in gross margin, did the forecast determine the Group would move into a negative cash flow position. Mitigating actions would be available to the Group in this scenario to prevent a negative cash flow position, and could be swiftly implemented should trading take a downturn.<br>The Committee concluded that the Board is able to make the going concern statements on page 90. |
| **Contract asset – payment protection plans** | During the year, as part of the growth strategy, the Group launched a new category of product protection plans (warranties) through Domestic and General ("D&G") to customers.<br>The Group acts as an agent between the customer and D&G. The warranty plans are sold to the customer as a pay monthly plan, with D&G collecting a monthly direct debit from the customer. The Group is entitled to a commission based on the revenue from the pay monthly scheme, until the customer cancels.<br>Management assessed the accounting treatment under IFRS 15 and determined that revenue should be treated as a contract asset, with revenue being recognised upfront for the estimated life of the plan.<br>Management appointed and have worked closely with RSM UK to build an appropriate model to calculate the value of the contract asset based on the expected retention curve.<br>The Committee reviewed the accounting principles proposed and challenged the assumptions assessed, concluding that these were appropriate. |
| **FRC – Revenue Recognition** | The FRC raised inquiries regarding the accounting policies concerning services, credit arrangements, and extended warranties.<br>A response was formulated to address the FRC's queries, clarifying that revenue recognition occurs upon delivery, aligning with the standard revenue recognition policy. It was emphasised that all services and associated add-ons commence at the point of delivery, thus falling within this policy framework. However, both management and the Committee recognise the potential for improved disclosures pertaining to these revenue streams. As a result, updates have been made to enhance these disclosures within the financial statements presented in this report.<br>The Committee thoroughly examined all communications from the FRC and appreciates the guidance provided. Subsequent to this review, measures have been taken to implement enhancements and ensure compliance with the FRC's recommendations. Please refer to Note 2.5 for the revenue recognition accounting policy. |
| **FRC – Investment in Combined Independent (Holdings) Limited ("CIH")** | The FRC's inquiry into the investment in CIH sought clarification regarding the fair value measurement of the investment in CIH, which the Group had already began to address with the newly appointed auditor, PwC, given the decision to leave the buying group had been taken.<br>The Group's response outlined the nature of the investment in CIH, detailing the Group's participation in a buying group. The Group's initial contribution to CIH granted nominal shares and a share of member reserves, with profits accrued annually based on the Group's purchases, referred to as members' funds. Restrictions on the sale of members' funds were noted, as the funds can only be realised upon leaving the buying group.<br>Upon initial assessment, the Group treated the investment as an equity investment measured at fair value per IFRS 13. However, subsequent reconsideration following challenge with PwC and the FRC's inquiry have led to a revised accounting treatment, separating the investment into two components: an investment in the buying group and a long-term receivable. The long-term receivable represents returns based on the Group's purchases and is recognised as a financial asset under IFRS 9, measured at fair value through profit and loss.<br>The decision to leave CIH on 31 March 2024 has triggered the payout of members' funds, expected to be received in June 2024. This transition will classify the balance as a current receivable in the financial statements for the current year. Additionally, the Group has restated the prior year's financial statements to reflect the revised classification and have provided comprehensive disclosures regarding the arrangement and accounting considerations involved in Note 26 on page 110. |

| Significant issue: | Action taken |
|---|---|
| **FRC – Parent company investment in subsidiary** | The FRC's inquiry requested additional information regarding the estimated recoverable amount of the Marks Electrical Group plc's investment in Marks Electrical Limited ("MEL").<br>Fair value and impairment testing for the investment in MEL were conducted using a value-in-use approach, employing discounted cash flow ("DCF") analysis. Pre-tax cash flows were initially used in the DCF model, but upon further review, post-tax cash flows should have been used given a post-tax WACC was used to discount the cash flows. Under IAS 8 the Group is required to disclose a revised opening position for the restated year, when addressing the calculations for the year ended 31 March 2022. This change resulted in a £33.9m impairment to the investment, with no further impairment due for the year ended 31 March 2023.<br>Various key assumptions were made for the impairment testing, including revenue growth rates, gross product margin, and WACC. Sensitivity analysis on key inputs, such as WACC and terminal value growth rate were performed. This year, sensitivity analysis has been included in the annual report and accounts.<br>Additionally, the Group has restated the prior year's financial statements to reflect the revised DCF and have provided comprehensive disclosures regarding the arrangement and accounting considerations involved in Note 26 of the Company accounts on page 110. |
| **Replacement of the Everest ERP system with Microsoft Dynamics 365 Finance and Operations ("D365 F&O")** | During the year, Management determined that the current Everest ERP system will need to be replaced to support the Group's growth strategy.<br>Management engaged in a diligent selection process to identify a new ERP system with the right technological capability to support the Group's growth journey for the foreseeable future. It was identified that D365 F&O was the most suitable cloud-based ERP solution for the Group. Existing third-party systems which exist in the legacy IT landscape will be integrated with D365 F&O and Management expects that the new ERP system will have minimal disruption to the business's operations.<br>A Microsoft implementation partner with relevant technical expertise has been engaged to support the Group in designing, building, and implementing D365 F&O. The majority of development activity has taken place during the year with a go-live date planned for FY25. The Group has incurred an expense of £2.7m during the year for development activities which has been recognised in administrative costs within the income statement. No costs have been capitalised in relation to the system implementation.<br>The Committee has received regular updates from Management on the development of the system during the year and will continue to monitor implementation activities along with any risks associated with it. |

**David Wilkinson**
**Chair of the Audit and Risk Committee**

25 June 2024

# REMUNERATION COMMITTEE REPORT

## Remuneration Committee report

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2024 ("FY24").

Alyson Fadil
**Chair of the Remuneration Committee**

| | Meetings attended (total held: 2) |
|---|---|
| A Fadil | ● ● |
| D Wilkinson | ● ● |
| M Millard[1] | – |

### Role of the Committee

The Remuneration Committee's primary role is to set appropriate and transparent reward policies and remuneration packages for the Group's Executive Directors, and to incentivise the executives to achieve the long-term interests of shareholders.

The role includes setting Executive Director's pay and benefits package and oversight of the Group's Annual Incentive Plan and the Group's Long Term Incentive Plan.

This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ("Committee") in accordance with the Companies Act 2006, as well as with the principles of the Quoted Companies Alliance ("QCA") 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 Annual General Meeting ("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 the Company's performance and remuneration for the year to 31 March 2024. It also sets out how we intend to implement the policy for the year to 31 March 2025.

### Remuneration outcomes for FY24

The Group had a strong year, having achieved record revenue of £114.3m and revenue growth of 16.9%. The Group focused on improving service standards by investing in new equipment in the warehouse, increasing our fleet size and training our customer-facing colleagues. With more of an emphasised and renewed focus on deliver right first time, we were able to maintain our excellent Trustpilot score and overall customer experience. Despite all these positive improvements, the decrease in consumer sentiment as a result of the cost-of-living crisis resulted in a more challenging trading period financially from a profitability perspective.

We also experienced increased competitive pressures, resulting in trading at lower margin. Please refer to the Section 172 statement on page 54 for key decisions taken within the year.

In line with the previous year, the Executive Directors' annual incentive for the year to 31 March 2024 was based 50% on revenue and 50% on adjusted EBITDA targets. The maximum opportunity for the CEO and CFO was 100% of basic salary. Although revenue growth was very strong during the year, as a result of the stretching targets set, the threshold was narrowly missed. Profit was lower than expected given the challenges I have highlighted and this threshold was also missed. As a result of our performance during the year, adjusted EBITDA and revenue achieved were below target, which resulted in no payouts.

The CFO was granted a long-term incentive plan ("LTIP") award on 1 September 2023, subject to equally weighted performance conditions of operating cash flow, 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 2025

The basic salaries for Mark Smithson, our CEO, and Josh Egan, our CFO, will remain in line with last years' basic salaries at £306,000 and £280,000 respectively. Despite no changes to Executive Director basic salaries, there will continue to be salary reviews across the workforce to ensure pay levels remain competitive.

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.

The CEO will not receive an LTIP award given his significant shareholding, but the Committee will keep this under review for future years.

The Committee is reviewing the current structure of long-term incentives to ensure they are appropriately incentivising and retentive and changes may be made to the approach for FY25. The Committee will, as appropriate, update shareholders on any changes in approach and full details will be set out in next year's Remuneration Report.

The performance conditions for the award are unchanged and will be based one-third on each of operating cash flow, TSR and adjusted earnings per share measured over a three-year performance period. As part of a multi-year improvement plan across the workforce, pension contributions for the CEO and CFO will increase from 3% to 4% of salary, in line with the wider workforce. Other benefits will remain in line with the Remuneration Policy.

### Conclusion

The Committee has carefully considered the remuneration outcomes for FY24 and whilst unfortunately the annual incentive was not achieved, the Committee considers that the outcome is appropriate noting the challenges in terms of profitability for the year.

The Committee continues to welcome any feedback from shareholders on our policy and its operation. We trust you will support the yearly advisory vote for endorsing the Annual Remuneration Report at the 2024 AGM.

Alyson Fadil
**Chair of the Remuneration Committee**

25 June 2024

# 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

| 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. | 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.<br>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. | Individual performance and overall business performance when salaries levels are reviewed. |
| **Benefits** | | | |
| To 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. |
| **Annual incentive plan** | | | |
| To incentivise achievement of annual strategic plan and short-term financial objectives. | Paid in cash following the end of the financial year to which the annual incentive relates.<br>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.<br>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. | The annual incentive plan is capped at 100% of basic salary. | 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.<br>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. |
| **Long-term incentive plan** | | | |
| Alignment of interests with shareholders and longer-term performance by providing long-term incentives delivered in the form of shares. | Awards are normally granted annually in the form of nil-cost options or conditional share awards.<br>Awards normally vest after three years subject to the achievement of stretching performance conditions and continued employment.<br>Awards are subject to recovery and withholding provisions as for the annual incentive plan.<br>Dividend equivalents may be payable for vested shares (normally in shares). | Maximum award limit is 200% of salary. The current annual award level is 150% of basic salary. | 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.<br>25% vests for threshold performance.<br>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. |
| **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. During FY25 this will be increased from 3% to 4% across the workforce. | 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

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.

### 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.

# REMUNERATION COMMITTEE REPORT CONTINUED

## Date of service contracts/letters of appointment

| Director | Date of service contracts/ letters of appointment |
|---|---|
| Mark Smithson | 14 July 2021[1] |
| Josh Egan | 11 October 2021 |
| Marnie Millard OBE | 5 November 2021 |
| David Wilkinson | 5 November 2021 |
| Alyson Fadil | 5 November 2021 |

1 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 to AIM. Copies of Directors' service contracts and letters of appointment for all Directors are available for inspection at the Company's registered office.

## 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 advisors.

## 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** | 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.<br>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.<br>Good leaver circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee. |
| **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.

## 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.

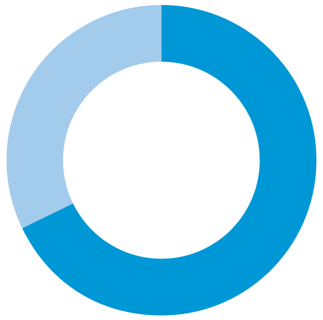
| Purpose and link to strategy | Structure | Maximum potential | Performance metrics |
|---|---|---|---|
| **Fees** | | | |
| To attract NEDs who have a broad range of experience and skills to oversee the implementation of the Group strategy. | NED fees are determined by the Board within the limits set 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. | The Chair of the Board is paid a single fee to include all duties.<br>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.<br>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. | None. |

## Illustration of remuneration scenarios for Executive Directors

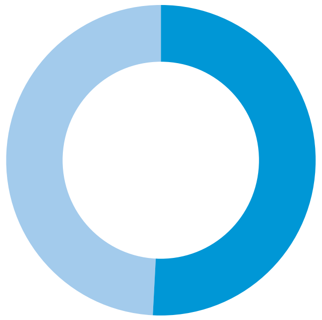
The charts below show the weighting between fixed, annual incentive and LTIP for each of the Executive Directors in FY25, under target and maximum performance scenarios.

### Chief Executive Officer

**Target pay**




**Maximum pay**




### Chief Financial Officer

**Target pay**


**Maximum pay**


**Notes to charts:**

**Fixed pay:** Comprises fixed pay only using the salary for FY25, the value of benefits in FY24 and a 4% 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 FY25 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 2024 and how we intend to apply the policy for the year to 31 March 2025. 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 (audited)

| Director | Year ended 31 March 2024<br>Base Salary/fees £ | Benefits[1] £ | Pension benefits[2] £ | Total fixed £ | Annual Incentive £ | Long-term incentives £ | Total variable £ | Total remuneration £ |
|---|---|---|---|---|---|---|---|---|
| Mark Smithson | 306,000 | 1,617 | 9,180 | 316,797 | – | – | – | 316,797 |
| Josh Egan | 280,000 | 915 | 8,400 | 289,315 | – | – | – | 289,315 |
| 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 (£9,180) as cash in lieu of pension contributions. All payments were subject to relevant taxes.

| Director | Year ended 31 March 2023<br>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.

### Pensions (audited)

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. The pension contributions will be increased to 4% in FY25 and, will be increased by 1% over the coming years with our stated objective of moving the team to 6%.

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 2024, Executive Directors were able to earn an annual incentives of up to 100% of annual base salary subject to the achievement of stretching targets related to revenue and EBITDA. The Group did not achieve the minimum target requirements for the annual incentive, therefore no payment was made.

### Long-term incentive awards granted during the year (audited)

An award of nil-cost options equivalent to 150% of salary was granted to Josh Egan on 1 September 2023.

| | 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 2023 | 424,242 | £420,000 | 25% | 31 March 2026 |

1. Face value determined using a share price of £0.99 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 (audited)

The Directors who held office at 31 March 2024 and their connected persons who had interests in the issued share capital of the Company as at 31 March 2024 are as follows:

| Director | Number of shares held (including by connected persons) 31 March 2024 | Unvested share options subject to performance conditions 31 March 2024 | Unvested market value options not subject to performance conditions 31 March 2024 | Shareholding at 31 March 2024 (% of salary)[3] |
|---|---|---|---|---|
| Mark Smithson[1] | 77,278,181 | – | – | 21,509% |
| Josh Egan[2] | 142,000 | 824,242 | 734,644 | 36% |
| Marnie Millard OBE | 50,681 | – | – | 48% |
| David Wilkinson | 9,091 | – | – | 16% |
| Alyson Fadil | 5,586 | – | – | 10% |

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 interests of Josh Egan include 2,000 ordinary shares held by his wife, Mariam Egan. The unvested share options for Josh Egan relate to a long-term incentive plan issued to him on the Company's admission to trading on the AIM market of the London Stock Exchange ("IPO"), the 2022 LTIP and the 2023 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 and the 2023 LTIP award vests three years from their grant dates 1 September 2022 and 1 September 2023 respectively, subject to the achievement of performance conditions.
3. Shareholding calculated using a share price of 70.65p at 31 March 2024 and salaries at year end.

### Implementation of policy for FY25

#### Salaries and fees

There will be no changes to the salaries of the CEO and CFO for FY25. There will continue to be salary reviews for the wider workforce to ensure pay and benefit levels remain competitive. There are no changes to the fees for the Chair and Non-Executive Directors for FY25.

| | Annual basic salary/ fees effective from 1 April 2024 £'000 | Annual basic salary/ fees effective from 1 April 2023 £'000 |
|---|---|---|
| Mark Smithson | 306 | 306 |
| Josh Egan | 280 | 280 |
| 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 contributions will increase to 4% 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 FY25, 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.

# REMUNERATION COMMITTEE REPORT CONTINUED

## Long-term incentive

The Committee is reviewing the current structure of long-term incentives to ensure they are appropriately incentivising and retentive and changes may be made to the approach for FY25. The Committee will, as appropriate, update shareholders on any changes in approach and full details will be set out in next year's Remuneration Report

## 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 advisor to the Committee during FY22 and continued to advise in FY24. 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 £10,765. The Committee is satisfied that the advice it received from Korn Ferry is objective and independent.



# DIRECTORS' REPORT

The Directors have pleasure in presenting the annual report and the audited consolidated accounts for the financial year ended 31 March 2024 ("Annual Report and Accounts").

## Directors

The Directors of Marks Electrical Group plc ( "Company" or "Group") who served during the year ended 31 March 2024 ("the year", "2024" or "FY24") 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 £0.4m (2023: £5.2m) including a taxation charge of £0.2m (2023: £1.3m). The financial statements demonstrating the results for the year are set out on pages 86 to 111.

## Dividends

In the prior year the Directors recommended a final dividend of 0.66p per ordinary share, which was paid to shareholders in August 2023. An interim dividend in respect of FY24 was proposed and paid at 0.30p per share in December 2023 and the Directors recommend a final dividend in respect of FY24 of 0.66p per share, 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 2024 the following significant shareholdings had been notified to the Company. No further notifications had been received as at 25 June 2024, being the latest practicable date prior to the publication of this report.

| Shareholder | Number of Shares | % |
|---|---|---|
| Mark Smithson | 77,278,181 | 73.6% |
| Canaccord Genuity Limited | 5,750,000 | 5.5% |
| Stancroft Trust Limited | 5,454,545 | 5.2% |

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 68.

## Directors' indemnities

Directors' and officers' insurance cover is 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, for 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 is discussed on pages 44 to 50 under the Principal Risks and Uncertainties section and is incorporated into this report by reference, as are the additional disclosures regarding financial risk management in Note 22 to the accounts on pages 106 and 107.

## 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 22 to the financial statements represents the Directors' best estimate of the maximum exposure to credit risk at year end.

# DIRECTORS' REPORT CONTINUED

## Liquidity risk

The Directors believe that the receivables are not impaired and that the owing companies have sufficient 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 major domestic appliances ("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 ("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:

- Future developments – CEO's review on pages 4 to 7
- Employee engagement – Section 172 statement on pages 51 to 56 and People and Well-being section on pages 51 to 56
- Stakeholder engagement – Section 172 statement on pages 51 to 56

## Going concern

During the year, the Group faced a challenging backdrop with the total online MDA market being down 1.4%. Despite this, the Group has delivered 16.9% revenue growth and an adjusted EBITDA margin of 4.4%. Management have performed a detailed outlook, covering the period to 31 July 2025, 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 2024;
- 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; and
- The impacts of leaving CIH.

The Directors have reviewed management's detailed forecast to 31 July 2025, along with the sensitivities, and determine the Group is a going concern.

**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.

**Severe but plausible scenario –** The severe but plausible scenario applies significant downside sensitivities on revenue and gross product margin. Under this scenario, the Group remains cash positive although minor mitigating actions would likely be taken to ensure sufficient cash reserves.

**Extreme scenario –** A not plausible worst-case scenario was designed to take the Group is a negative cash position and to test the application of mitigating actions. Under this scenario, the Group forecasts 20% fall in revenue and a 5% reduction in gross product margin. Utilising mitigating actions the Group could remain cash positive with additional action available should the downturn be long term.

## Corporate Governance

The Company's statement on corporate governance can be found in the corporate governance report of this annual report. The corporate governance report on pages 57 to 61 forms part of this Directors' report and is incorporated into it by cross-reference.

## 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

Following the year end the Group signed a new lease on the single and main trading property. Please refer to Note 27 of the financial statements for further detail which forms part of this report by reference.

## 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 2024 (2023: £nil) or up to the date of signing these financial statements.

## Employee engagement statement

Colleague engagement is critical to the success of our organisation, and we believe that good communication facilitates greater engagement from our colleagues. As part of our internal communications strategy, the Directors provide regular updates to our colleagues regarding business performance against targets. Monthly newsletters are distributed to inform colleagues of any organisational activities and updates, training and development opportunities, and internal vacancies.

Managers are encouraged to have regular dialogue with their teams and the senior leadership team meet weekly to discuss various matters of employee engagement.

In FY25 we will be introducing an Employee Forum and will have monthly Employee Forum meetings to give colleagues an additional communication channel, through their nominated representatives.

At the time of the business being listed on the AIM Market, the CEO, Mark Smithson awarded all of the colleagues at the time with 2,727 free shares giving them a form of ownership in the business and aligning their interests with company performance. Furthermore, as a performance and retention incentive our senior managers are issued with annual LTIP's which are conditional on the achievement of specified performance targets over a three-year performance period and continuous employment.

Marks Electrical aims to maintain a positive culture where all our colleagues are engaged through feeling valued. Directors, individually and collectively, undertake regular site walks and have discussions with colleagues at all levels in the business, for a true understanding of our colleagues and the operation.

## Equal opportunities

Our equal opportunities policy and diversity, equality and inclusion policy demonstrate our commitment to providing equal opportunities being, employment, training, career development and promotion to all colleagues, irrespective of age, disability (including colleagues who may have become disabled during service and prospective employees), gender, marriage and civil partnership, pregnancy or maternity, race, religion or sexual orientation. We support managers and colleagues in creating a diverse and inclusive culture where everyone is given fair and equal opportunities.

## Stakeholder engagement

The Section 172 statement on page 51 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 26.

## 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

During the year BDO LLP resigned from their post as Group auditor and PricewaterhouseCoopers LLP ("PwC") was appointed. PwC has signified its willingness to continue in office as auditor to the Group. The Group is satisfied that PwC is independent and there are adequate safeguards in place to protect its objectivity. A resolution to reappoint PwC as the Group's auditor will be proposed at the 2024 AGM.

This Directors' report was approved by the Board of Directors on 25 June 2024.

For and on behalf of the Board:

Josh Egan

**Chief Financial Officer**

25 June 2024

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and Accounts 2024 and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MARKS ELECTRICAL GROUP PLC

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Marks Electrical Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2024 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2024; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

### Our audit approach

#### Context

March 2024 is our first year as independent auditors of the group. As part of our audit transition, we carried out procedures over opening balances at 1 April 2023 by reviewing the predecessor auditor's working papers and re-evaluating the predecessor auditor's conclusions in respect of key judgements included in the opening Consolidated Statement of Financial Position.

#### Overview

**Audit scope**

- The group comprises two components, the parent company and the trading company, Marks Electrical Limited. The trading company was identified as the only full scope component for the purposes of the group scoping and resulted in 100% coverage of the consolidated revenue and 60% coverage of the consolidated profit before tax.

**Key audit matters**

- Carrying value of the investment in subsidiaries (parent)
- Supplier rebates receivable (group)

**Materiality**

- Overall group materiality: £857,600 based on 0.75% of revenue.
- Overall company materiality: £629,390 based on 1% of total assets.
- Performance materiality: £428,800 (group) and £314,695 (company).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

# INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF MARKS ELECTRICAL GROUP PLC

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying value of the investment in subsidiaries (parent)**<br>Refer to note 2.5 Critical accounting judgements and key sources of estimation uncertainty and note 3 Investments within the Company financial statements.<br>There was an indicator of impairment present given the market capitalisation of the group was lower than the investment carrying value. Management has considered the higher of value in use and fair value less cost of disposal in order to determine whether an impairment is required. The value in use model includes a number of judgemental assumptions including revenue growth, discount rate, terminal growth and gross product margin. The outcome of the value in use assessment resulted in an impairment. | We obtained management's value in use model and tested its mathematical accuracy. We checked that it had been prepared in accordance with FRS 101.<br>We tested the accuracy of past management estimates via look back tests. We have tested the forecast accuracy of the 2025 monthly forecast for April and May by considering actual results.<br>We engaged valuation experts to benchmark the discount rate and terminal growth rate calculated by management.<br>We considered any corroborative and contradictory evidence available for growth rates from 2025 onwards by performing independent research for market and sector forecasts.<br>We considered the historical actuals for the assumptions used such as gross product margin and various growth rates and the impact of these on the forecasts.<br>We recalculated management's sensitivity analysis and performed additional independent sensitivities on key assumptions including discount rate, terminal growth, revenue growth and gross product margin.<br>We reviewed the associated disclosures within the financial statements.<br>As a result of these procedures, we consider the carrying value of the investment and the corresponding impairment recognised to be supportable and appropriately disclosed. |
| **Supplier rebates receivable (group)**<br>Refer to note 2.6 in accounting policies and note 15 Trade and other receivables.<br>The group receives a variety of rebates from their suppliers and whilst the majority of these come from one supplier, there are also a number of other rebate agreements. These arrangements are based on the volume of purchases as well as agreed marketing spend. The calculations of these rebates require accurate input and calculations to be made. | We tested the accuracy of a sample of rebate balances by agreeing post year end settlements back to evidence of cash receipt or credit notes received.<br>For balances that had not been settled post-year end, we tested their recalculation back to signed rebate agreements and purchases in the year.<br>We reviewed the associated disclosures within the financial statements.<br>As a result of these procedures, we consider the rebate receivable balance due from supplier arrangements is materially accurate. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is made up of only two components being the parent company and the only trading company, Marks Electrical Limited. As such for the purposes of the group we have performed a full scope audit over Marks Electrical Limited. Consolidation adjustments were allocated to the parent company and the trader and the post-consolidation figures were considered for the purpose of scoping. Testing over Marks Electrical Limited resulted in coverage of 100% of consolidated revenues and 60% of consolidated profit before tax.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

| | Financial statements – group | Financial statements – company |
|---|---|---|
| **Overall materiality** | £857,600. | £629,390. |
| **How we determined it** | 0.75% of revenue | 1% of total assets |
| **Rationale for benchmark applied** | We believe that revenue is the key measure used by the shareholders in assessing the performance of the group, in a period of strain on margins and is a generally accepted auditing benchmark. | We believe that total assets is the primary measure used by the shareholders in assessing the financial position of the entity, and is a generally accepted auditing benchmark. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £814,720 and £857,600.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 50% of overall materiality, amounting to £428,800 for the group financial statements and £314,695 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £42,880 (group audit) and £31,470 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

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

- Obtaining management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern;
- Discussing with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business;
- Evaluating management's detailed cash flow forecasts under both the base case and severe but plausible downside scenario;
- Comparing the going concern base case forecasts to the Board approved forecasts. We also considered whether they are reasonable in light of previous performance, current year performance, future expectations and management's track record of accurate forecasting; and
- Assessing the adequacy of disclosures in the going concern statement in the notes to the financial statements in note 2.2 of the Group financial statements.

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's and the 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

# INDEPENDENT AUDITOR'S REPORT CONTINUED
# TO THE MEMBERS OF MARKS ELECTRICAL GROUP PLC

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

### Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment laws and regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenses as well as management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance around actual and potential frauds, litigations or claims against or by the company;
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations;
- Auditing the risk of management override of controls, through testing journal entries (using our data analysis tools to confirm completeness of data) by adopting a risk based approach based on a detailed fraud assessment, testing significant accounting estimates (as defined in the notes to the financial statements) because of the risk of potential management bias, and evaluating the business rationale and accounting for any significant or unusual transactions outside the normal course of business;
- Auditing the risk of fraud in revenue recognition by using our data analysis tools to identify unusual credits to revenue for further investigation;
- Performing unpredictable audit procedures;
- Understanding of management's internal controls designed to prevent and detect irregularities; and
- Reviewing minutes of meetings of the Board of Directors.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 4 December 2024 to audit the financial statements for the year ended 31 March 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

## Mark Foster (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

**Chartered Accountants and Statutory Auditors**

East Midlands

25 June 2024

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## YEAR ENDED 31 MARCH 2024

| | Notes | Year ended 31 March 2024 Underlying £000 | Year ended 31 March 2024 Non-underlying £000 | Year ended 31 March 2024 Statutory £000 | Year ended 31 March 2023 *Restated Statutory £000 |
|---|---|---|---|---|---|
| Revenue | 4 | 114,262 | – | 114,262 | 97,754 |
| Cost of Sales* | | (85,230) | – | (85,230) | (71,062) |
| **Gross profit** | | 29,032 | – | 29,032 | 26,692 |
| Distribution costs* | | (11,089) | – | (11,089) | (7,249) |
| Administrative expenses* | 5 | (14,728) | (2,727) | (17,455) | (13,024) |
| **Operating profit** | | 3,215 | (2,727) | 488 | 6,419 |
| Finance income | 10 | 167 | – | 167 | 71 |
| Finance expenses | 10 | (39) | – | (39) | (67) |
| **Profit before income tax** | | 3,343 | (2,727) | 616 | 6,423 |
| Tax on profit | 11 | (871) | 682 | (189) | (1,266) |
| **Profit for the financial year** | | 2,472 | (2,045) | 427 | 5,157 |
| **Total comprehensive income for the period** | | 2,472 | (2,045) | 427 | 5,157 |
| **Earnings per share** | | | | | |
| Statutory basic and diluted earnings per share | 3 | | | 0.41p | 4.91p |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of comprehensive income for the year ended 31 March 2023. Refer to Note 26 for further details.

Notes on pages 90 to 111 are an integral part of these consolidated financial statements.

All the results arise from continuing operations.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 31 MARCH 2024

| | Notes | At 31 March 2024 £000 | At 31 March 2023 *Restated £000 | At 01 April 2022 *Restated £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | 2,671 | 1,559 | 841 |
| Right-of-use assets | 18 | 1,152 | 1,418 | 2,328 |
| Trade and other receivables* | 15 | 71 | 1,716 | 1,293 |
| | | 3,894 | 4,693 | 4,462 |
| **Current assets** | | | | |
| Inventories | 14 | 13,015 | 14,200 | 14,389 |
| Trade and other receivables* | 15 | 9,172 | 3,982 | 2,627 |
| Current tax assets | | 461 | – | – |
| Cash and cash equivalents | 16 | 7,817 | 9,972 | 3,872 |
| | | 30,465 | 28,154 | 20,888 |
| **Total assets** | | 34,359 | 32,847 | 25,350 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 17 | (18,501) | (16,545) | (13,067) |
| Lease liabilities | 18 | (621) | (921) | (938) |
| Current tax liabilities | | – | (302) | (145) |
| | | (19,122) | (17,768) | (14,150) |
| **Non-current liabilities** | | | | |
| Lease liabilities | 18 | (534) | (473) | (466) |
| Deferred tax liabilities | 19 | (991) | (782) | (1,324) |
| **Total liabilities** | | (20,647) | (19,023) | (15,940) |
| **Net assets** | | 13,712 | 13,824 | 9,410 |
| **Shareholders' equity** | | | | |
| Called up share capital | 20 | 1,049 | 1,049 | 1.049 |
| Share premium | 20 | 4,815 | 4,694 | 4,694 |
| Treasury shares | 20 | (3) | (4) | (4) |
| Merger reserve | 20 | (100,000) | (100,000) | (100,000) |
| Retained earnings | 20 | 107,851 | 108,085 | 103,671 |
| **Total shareholders' equity** | | 13,712 | 13,824 | 9,410 |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of financial position for the year ended 31 March 2023. Refer to Note 26 for further details.

The Notes on pages 90 to 111 are an integral part of these consolidated financial statements.

The financial statements of Marks Electrical Group plc, company number 13509635, on pages 86 to 111 were approved by the Board of Directors on 25 June 2024 and signed on its behalf by:

Josh Egan
**Chief Financial Officer**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## YEAR ENDED 31 MARCH 2024

| | Notes | Called up share capital £000 | Share premium £000 | Treasury shares £000 | Merger reserve £000 | Retained earnings £000 | Total shareholders' equity £000 |
|---|---|---|---|---|---|---|---|
| **At 01 April 2022** | | 1,049 | 4,694 | (4) | (100,000) | 103,671 | 9,410 |
| Profit for the financial year | | – | – | – | – | 5,157 | 5,157 |
| **Contributions by and distributions to owners:** | | | | | | | |
| – Dividends paid | | – | – | – | – | (1,017) | (1,017) |
| – Share options and LTIP charge | | – | – | – | – | 274 | 274 |
| **At 31 March 2023** | | 1,049 | 4,694 | (4) | (100,000) | 108,085 | 13,824 |
| Profit for the financial year | | – | – | – | – | 427 | 427 |
| **Contributions by and distributions to owners:** | | | | | | | |
| – Dividends paid | 12 | – | – | – | – | (1,007) | (1,007) |
| – Share options and LTIP charge | 24 | – | – | – | – | 346 | 346 |
| – Sales of treasury shares | 20 | – | 121 | 1 | – | – | 122 |
| **At 31 March 2024** | | 1,049 | 4,815 | (3) | (100,000) | 107,851 | 13,712 |

The Notes on pages 90 to 111 are an integral part of these consolidated financial statements. All the results arise from continuing operations.



# CONSOLIDATED CASH FLOW
## YEAR ENDED 31 MARCH 2024

| | Notes | Year ended 31 March 2024 £000 | Year ended 31 March 2023 *Restated £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 427 | 5,157 |
| Adjustments for non-cash items: | | | |
| Depreciation of property, plant and equipment | 13 | 758 | 326 |
| Depreciation of right-of-use assets | 18 | 958 | 1,021 |
| Loss/(profit) on disposal of property, plant and equipment | 8 | 71 | (41) |
| Share-based payment expense | 24 | 362 | 304 |
| (Interest income) | 10 | (167) | (71) |
| Interest expense | 10 | 39 | 67 |
| Taxation charged | 11 | 189 | 1,266 |
| Movements in working capital: | | | |
| Decrease in inventories | | 1,185 | 189 |
| Increase in receivables* | | (3,535) | (1,826) |
| Increase in payables | | 2,101 | 3,461 |
| **Cash flow generated from operations** | | 2,388 | 9,853 |
| Corporation tax paid | | (743) | (784) |
| **Net cash flow generated from operations** | | 1,645 | 9,069 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 13 | (2,023) | (1,049) |
| Deposits on right-of-use assets | | (144) | (33) |
| Proceeds from sale of property, plant and equipment | | 52 | 45 |
| Proceeds from sale of right-of-assets | | 33 | – |
| Income from investments | | – | 58 |
| Interest received | | 157 | 61 |
| **Net cash used by investing activities** | | (1,925) | (918) |
| **Cash flows from financing activities** | | | |
| Sale of shares | | 122 | – |
| Interest paid on lease liabilities | 18 | (42) | (67) |
| Principal repayment of lease liabilities | 18 | (948) | (967) |
| Equity dividends paid | 12 | (1,007) | (1,017) |
| **Net cash used by financing activities** | | (1,875) | (2,051) |
| **Net (decrease)/increase in cash and cash equivalents** | | (2,155) | 6,100 |
| Cash and cash equivalents at the beginning of the year | 16 | 9,972 | 3,872 |
| **Cash and cash equivalents at end of the year** | 16 | 7,817 | 9,972 |

* When preparing the financial statements for the year ended 31 March 2024, the Group restated balances within the statement of cash flows for the year ended 31 March 2023, with fair value gains reducing by £481,000 and the movement in trade receivables increasing by £481,000. See Note 26 for further details.

The Notes on pages 90 to 111 are an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2024

## 1. General Information
The financial statements of Marks Electrical Group plc ("Company") for the year ended 31 March 2024 ("FY24") were authorised for issue by the Board of Directors on 25 June 2024 and signed on its behalf by Josh Egan.

The Company is a public limited company, limited by shares, 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, England. 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 ("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 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the years ended 31 March 2024 or 31 March 2023 as defined in section 435 of the Companies Act 2006 (CA 2006). The financial information for the year ended 31 March 2024 has been extracted from the Group's audited financial statements. Statutory financial statements for the year ended 31 March 2023 have been delivered to the Registrar of Companies, the auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below. Other than the restatements disclosed within note 26, these policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.2 Going concern
The Group has remained profitable during the year, delivering sales growth of 16.9%, whilst achieving a 0.4% operating margin and net operating cash flow of £1.6m.

Management have prepared detailed financial projections for the period to 31 July 2025. 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 goods sold.

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 2025. 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 a severe yet plausible downside scenario and other extreme scenarios which are not plausible.
- 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.
- The impacts of leaving CIH.

In total, six stress tests were performed on the base case with varying severities and multiple combinations, under the severe yet plausible scenario the Group remains in a cash positive position, with no mitigating actions required. Only in the extreme, not plausible, scenario referenced above, is where mitigating action would be required. The mitigating response that would be necessary is short-term inventory level management, which would not be 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 formed the judgement at the time of approving the financial statements that there was a reasonable expectation that the Group had 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 2024 and 31 March 2023.

**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 were not applied in these financial statements, were in issue but not yet effective.

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.

| International Accounting Standards ("IAS") | Effective for periods commencing on or after |
|---|---|
| Liability in a Sale and Leaseback – amendments to IFRS 16 | 01 January 2024 |
| Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | 01 January 2024 |
| Non-current Liabilities with Covenants – Amendments to IAS 1 | 01 January 2024 |
| Supplier finance arrangements – Amendments to IAS 7 and IFRS 7 | 01 January 2024 |

### 2.4 Consolidation
The Group financial statements include those of the parent Company and its subsidiaries, drawn up to 31 March 2024. 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 Company's admission to trading on the AIM market of the London Stock Exchange ("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. Following impairment, the parent Company statement of financial position shows a merger reserve of £nil and an investment of £60,657,000.

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 Revenue recognition
**Product and services revenue**

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 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. This policy therefore applies to all products delivered to customers as well as services provided upon the day of delivery such as delivery fees, waste removal and installation of products.

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, the provision is held within trade and other receivables.

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 2. Accounting policies continued

### 2.5 Revenue recognition (continued)

**Commission revenue**

Commission revenue is revenue the Group has achieved through acting as an agent for a third party. The Group currently acts as an agent selling product protection plans for Domestic and General ("D&G").

The Group introduces the customer to D&G for the product protection plan, at which point the Group has met its performance obligation. The product protection plans are rolling agreements whereby the end customer pays a monthly fee for the plan. The Group receives commission for these plans annually in advance.

Revenue from commissions on product protection plans is accounted for based on the fair value of anticipated future commissions receivable throughout the estimated duration of the plan, plus the initial commission received. Recognition of revenue occurs upon the Group fulfilling its responsibilities to the customer at the time of sale. These recognised amounts are determined by factors such as the plan's duration, historical customer attrition rates as provided by D&G, and are held as a contract asset on the balance sheet within trade and other receivables and discounted accordingly.

### 2.6 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:

- 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.
- Advertising rebates are received from manufacturers for strategic programmes to market their brand. These rebates are recognised directly against advertising costs within administrative expenses, in line with the relevant campaign timelines.
- Sales out allowances are spot rebates recognised upon sale of specific items, which may be part of a promotion driven by manufacturers, the sales out allowance is recognised on sale of goods.
- Price repositions are issued by manufacturers to compensate the Group when they are adjusting the price of goods and the Group has those items in stock. These rebates are released into the statement of comprehensive income up on sales of those items.

### 2.7 Net finance income/(expense)

Finance income/(expense) comprises of bank interest receivable and IFRS 16 lease interest payable which are recorded in the period in which they are incurred and reported in finance costs.

### 2.8 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).

### 2.9 Property, plant and equipment

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 in line with the life of the lease.

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.

### 2.10 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 continue to be discounted at the appropriate rate. 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.

### 2.11 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 do not clear on the same day in the Group's bank account. The cash is recognised when the transaction is processed.

### 2.12 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 "under investigation" when rolling stock counts are performed.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 2. Accounting policies continued

### 2.13 Earnings per share
Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

### 2.14 Financial assets
Management determines the classification of its financial assets at initial recognition.

**Financial Assets at fair value through profit or loss**

The Group's financial assets held at fair value through profit or loss comprise trade and other receivables. Financial assets that are held for both the purpose of collecting contractual cash flows are classified as fair value through profit and loss. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Subsequent to initial recognition at fair value plus transaction costs, these assets are recorded at fair value at each period end with the movements recognised in profit and loss until derecognition or impaired.

**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 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.

### 2.15 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.

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 and 2023 Long-Term Incentive Plan ("LTIP")**

Both the 2022 and 2023 LTIP is split into three tranches, earnings per share ("EPS"), cash flow and total shareholder return ("TSR"). In estimating the EPS and cash flow, 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 Non-underlying 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 or income, 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 2024, the Group incurred exceptional one-off expenditure in administrative expenses in relation to the implementation of a new Enterprise Resource Planning system.

### 2.20 Critical 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.

**Estimate – Buying group rebates receivable**

Estimates and assumptions are used to determine the carrying value of a long-term rebate receivable held at fair value through statement of comprehensive income. The rebate receivable from Combined Independents (Holdings) Limited ("CIH") entitles the Group to a share of profit based on purchases made during any given period. The rebate is made up of accumulated share of profits accrued since entering the buying group, less any distributions made during that time. Due to the timing of CIH producing their annual results, the Group estimates the current period's profit share based on a percentage of total purchases from CIH. The accumulated fund from CIH is seldom distributed; however, the Group left CIH on 31 March 2024, therefore the total accrued profits including the initial buy-in cost have become receivable in full. The calculation to estimate the rebate receivable in the period is based on historical averages of rebates over total purchases. The estimate made in the year ended 31 March 2023 was within 0.2% accuracy. Further details of this calculation are available in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 MARCH 2024

## 2. Accounting policies continued

### 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 based on various inputs to the valuation model to determine a theoretical fair value.

Market Value Options ("MVO") 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 are taken into consideration, such as employee attrition rates.

2022 LTIP

In estimating the EPS and cash flow, management have considered the likelihood of conditions being met based on current forecasts and performance. 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.

2023 LTIP

In estimating the EPS and cash flow, management have considered the likelihood of conditions being met based on current forecasts and performance. 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.

### 2.21 Contract asset

Commission revenue receivable relating to product protection plans is recognised in line with the principles of IFRS 15, whereby the Group fulfils it performance obligation by acting as agent and introducing the end customer to D&G. The revenue recognised during the year reflects an estimate of commissions on plans sold based on historical trading data provided by D&G in relation to attrition rates, the number of active plans, the contractual margins and discount rates.

The key assumptions in the calculations is the attrition curve provided by D&G, and the discount rate. The Group began selling the product protection plans in October 2023. With the absence of its own historical data the Group is dependant on D&G to forecast a predicted attrition. The Group will monitor this closely over the coming years to develop its own trends and profiling for its own customers. As buying patterns of the consumer change over time, these assumptions and estimations become inherently uncertain and will require periodic adjustment. The Group believes that the data provided by D&G provides an appropriate proxy for the purposes of forecasting the future revenue. The discount rate currently being applied to the forecast commissions receivable is a UK 10-Year Gilt.

Despite relying on historical trends, adjustments are made for future market and economic conditions when significant shifts are anticipated. Any changes in these accounting assumptions would result in a movement recorded in the statement of comprehensive income within the reporting period that the estimate is changed.

The Model that the Group has built to manage these transactions has the ability to track our position on a monthly basis vs the D&G assumptions and trues-up to the actual position based on live attrition data.

At 31 March 2024 the commission receivable balance stood at £0.1m, with revenue recognised of £0.1m in the year. The discount rate used was 3.9%. Please refer to sensitivity analysis in note 15.

### 2.22 Segmental reporting

IFRS 8 'Operating Segments' requires the Group to identify its operating segments based on internal information. According to the Group's internal reporting and management structures, it has been determined that there is only one operating segment, which is the Group, as the reported information includes only consolidated Group-level operating results. Therefore, there is also only one reporting segment, the Group, with its results presented in the consolidated statement of comprehensive income. This determination has been made by senior management, including Executive Directors and department heads, who act as the chief operating decision-makers and review these reports.

## 3. Earnings per share

### Statutory earnings per share

#### (a) Earnings

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Statutory earnings | 427 | 5,157 |

#### (b) Number of shares

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| 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 | 104,949,050 | 105,034,233 |

#### (c) Earnings per share

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| Statutory earnings | | |
| Basic statutory earnings per share | 0.41p | 4.91p |
| Diluted statutory earnings per share | 0.41p | 4.91p |

### Non-Statutory earnings per share

#### (a) Earnings

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Statutory earnings | 427 | 5,157 |
| Add: | | |
| Non underlying net of tax | 2,045 | – |
| Share-based payments net of tax | 365 | 271 |
| Less: | | |
| Buying group rebate | (268) | (361) |
| Adjusted earnings | 2,569 | 5,067 |

#### (b) Number of shares

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| 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 | 104,949,050 | 105,034,233 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 3. Non-statutory earnings per share continued

### (c) Earnings per share

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| Adjusted earnings | | |
| Basic adjusted earnings per share | 2.45p | 4.82p |
| Diluted statutory earnings per share | 2.45p | 4.82p |

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 buying group rebate receivable and costs related to the implementation of the new Enterprise Resource Planning ("ERP") system disclosed in Note 5.

The number of ordinary shares during the year ended 31 March 2024 remained constant. At the year end, there was no dilutive effect on the Group's shares. The 85,183 shares that were treated as potentially dilutive in the prior year, relate to employee share options. The options are dependent on contingent criteria being met and this tranche had met the criteria at the prior year end. See Note 24 for further details on share options.

## 4. Revenue

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Principal - United Kingdom | 114,150 | 97,754 |
| Agent - United Kingdom | 112 | – |
| | 114,262 | 97,754 |

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, product protection plans, 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.

Agent revenue relates to warranty commissions discussed in note 2.21, all other revenue is principal.

In all material respects, contract liabilities in the form of customer advances at 1 April 2022 and 1 April 2023 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 2.5 in the accounting policies for further detail of revenue recognition policy under IFRS 15.

## 5. Non-underlying costs

### ERP system implementation costs

During the year, the Group began the implementation of a new ERP system. All costs associated with this implementation that will not be ongoing costs once the implementation is complete have been categorised as non-underlying costs. The non-underlying costs in relation to ERP in the year totalled £2,727,000 being made up of £2,496,000 consultancy fees, £76,000 in wages and salaries, £93,000 in technology costs and £62,000 in other legal and professional fees.

## 6. 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.

## 7. Employee Remuneration

Employee benefit expenses (including Directors) comprise:

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Wages and salaries | 10,609 | 8,269 |
| Social security costs | 1,148 | 758 |
| Other pension costs | 248 | 169 |
| Share-based payment charge (see Note 24) | 346 | 274 |
| | 12,351 | 9,470 |

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

| | Year ended 31 March 2024 | Year ended 31 March 2023 |
|---|---|---|
| Administration | 62 | 56 |
| Operations | 50 | 35 |
| Distribution | 185 | 130 |
| | 297 | 220 |

### 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 68–76 within the Directors' Remuneration Report.

The comparative figures have been presented on a consistent basis to include both executive and non-executive Directors, an analysis of the Company's Directors' remuneration is as follows:

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Directors' emoluments | 741 | 1,090 |
| Exceptional Directors' emoluments[1] | – | 294 |
| Share-based payment charge | 171 | 115 |
| Social security costs | 153 | 208 |
| Benefits in kind | 3 | 2 |
| Other pension costs[2] | 18 | 17 |
| | 1,086 | 1,726 |

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

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Directors' emoluments | 306 | 510 |
| Exceptional Directors' emoluments | – | 294 |
| Social security costs | 71 | 112 |
| Benefits in kind | 1 | 1 |
| Other pension costs[2] | 9 | 9 |
| | 387 | 926 |

1 Exceptional emoluments paid in the prior 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 8. Other operating expenses
Operating profit is stated after charging/(crediting):

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Depreciation of property, plant and equipment | 758 | 326 |
| Depreciation of right-of-use assets | 958 | 1,021 |
| Loss/(profit) on disposal of property, plant and equipment and right-of-use assets | 71 | (41) |

## 9. Auditor's remuneration

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| **Audit Services** | | |
| Statutory audit of parent Company and consolidated financial statements | 30 | 27 |
| Statutory audit of the Company's subsidiaries pursuant to legislation | 291 | 118 |
| **Total audit service fees** | 321 | 145 |

The Group's auditor did not provide any non-audit services during the year (2023: £nil).

## 10. Finance income and expense

| **Finance Income** | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Bank interest receivable | 167 | 71 |
| Total finance income | 167 | 71 |

| **Finance Expense** | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Interest on lease liabilities | 39 | 67 |
| Total finance expense | 39 | 67 |

## 11. Taxation
This note provides an analysis of the group's income tax expense, and shows how the tax expense is affected by non-assessable and non-deductible items. The income tax expense for the year ended 31 March 2024 is £189,000 (2023: £1,266,000). The Group's adjusted consolidated effective tax rate for the year ended 31 March 2024 is 30.8% (2023: 19.7%).

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| **Analysis of expense in year** | | |
| Current tax on profits for the year | – | 1,002 |
| Adjustments in respect of previous years | (20) | (51) |
| **Total current tax** | (20) | 951 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 249 | 247 |
| Adjustments in respect of prior years | (40) | 68 |
| **Total deferred tax** | 209 | 315 |
| **Total tax charge** | 189 | 1,266 |

The tax expense for the periods presented is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| **Profit on ordinary activities before tax** | 616 | 6,423 |
| Corporation tax at standard rate 25% (2023: 19%) | 154 | 1,220 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 97 | 58 |
| Income not taxable for tax purposes | (89) | (91) |
| Fixed asset capital allowances and restructuring | – | (53) |
| Capital gains/(losses) | 89 | 80 |
| Adjustments to tax charge in respect of previous periods | (60) | 17 |
| Temporary difference not recognised in the computation | – | (24) |
| Effect of tax rate change on deferred tax | – | 59 |
| Other movements | (2) | – |
| **Total taxation charge** | 189 | 1,266 |
| Underlying tax charge | 871 | 1,266 |
| Non- underlying tax charge | (682) | – |
| **Total taxation charge** | 189 | 1,266 |

## 12. Dividends

| | Year ended 31 March 2024 £000 | Year ended 31 March 2023 £000 |
|---|---|---|
| Dividends paid during the year: | | |
| Final dividend for 2023: 0.66p (2022: 0.67p) | 692 | 703 |
| Interim dividend for 2024: 0.30p (2023: 0.30p) | 315 | 314 |
| Dividends paid[1] | 1,007 | 1,017 |
| Final dividend for 2024:[2] 0.66p (2023: 0.66p) | 693 | 692 |

1 Dividends paid and issued during the period totalled £1,007,332 (2023: £1,017,277).

2 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 2024 annual general meeting. The 0.66p represents a typical two-third share of the annualised amount. The dividend has not been accrued into the consolidated statement of financial position.

Distributions to shareholders will have no tax consequences to the Group.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 13. Property, plant and equipment

| | Leasehold Improvements £000 | Plant and Machinery £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 01 April 2022 | 20 | 1,334 | 1,354 |
| Additions | 131 | 918 | 1,049 |
| Disposals | – | (10) | (10) |
| At 31 March 2023 | 151 | 2,242 | 2,393 |
| Additions | 352 | 1,671 | 2,023 |
| Disposals | (34) | (296) | (330) |
| **At 31 March 2024** | 469 | 3,617 | 4,086 |
| Accumulated depreciation and impairment | | | |
| At 01 April 2022 | – | 513 | 513 |
| Charged in the year | 27 | 299 | 326 |
| Depreciation on disposals | – | (5) | (5) |
| At 31 March 2023 | 27 | 807 | 834 |
| Charged in the year | 56 | 702 | 758 |
| Depreciation on disposals | – | (177) | (177) |
| **At 31 March 2024** | 83 | 1,332 | 1,415 |
| **Net book value at 31 March 2024** | 386 | 2,285 | 2,671 |
| Net book value at 31 March 2023 | 124 | 1,435 | 1,559 |

## 14. Inventories

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Finished goods and goods for resale | 13,015 | 14,200 |

No impairment loss (2023: £nil) was recognised during the year against inventories.

During the year, the cost of inventory recognised as an expense was £85,908,000 (2023: £70,668,000).

## 15. Trade and other receivables

| | At 31 March 2024 £000 | At 31 March 2023 Restated £000 |
|---|---|---|
| **Amounts falling due in more than one year:** | | |
| Trade and other receivables* | 71 | 1,716 |
| | | |
| **Amounts falling due within one year:** | | |
| Trade and other receivables* | 8,741 | 3,368 |
| Prepayments and accrued income | 431 | 614 |
| Total trade and other receivables | 9,243 | 5,698 |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of financial position reclassifying the buying group rebate receivable into trade and other receivables, refer to Note 26 for further details.

There are no expected credit losses for the year ended 31 March 2024 (FY23: £nil).

Included within trade and other receivables are rebates receivable of £4,924,000 (2023: £3,196,000), buying group rebates receivable of £2,073,000 (2023: £1,716,000), trade debtors of £1,256,000 (2023: £69,000) and other debtors of £559,000 (2023: £103,000).

### Buying group rebates

Buying group rebates relate to rebates receivable from CIH, the buying group that the Group exited on 31 March 2024. Each year the Group was a member of CIH. The Group was allocated a share of profit based on the purchases made from the buying group in that year. As the share of profit is directly linked to purchases it reflects a rebate in nature. The cumulative rebate less any distributions is only fully settled upon leaving CIH. Given the Group exited on 31 March 2024, a large proportion of the rebate, £1,720,000, which had accrued to the year ended 31 March 2023 is expected to be received by the end of June 2024. The remaining £357,000 is expected to be received before 31 March 2025. Further details on the valuation of the rebate can be found in Note 23.

### Product protection plans

Product protection plans operate under our agreement with D&G, where the Group earns commission as an agent through introducing customers to D&G. Revenue is recognised at the point of sale since no future obligations exist post-introduction. The Group has developed a model to enable the forecast of a discounted cash flow; we estimate the revenue and contract assets' value at the plan's sale month, projecting all future cash flows from D&G and discounting them based on expected receipt timing.

The primary inputs to the model, forming the base case for management's assessment, include:

- Contractual margins that are predetermined by our terms with D&G.
- Number of active plans.
- Discount rate for future cash flows (10-Year UK Gilt).
- Historical customer attrition curve provided by D&G.

The key estimate within these calculations is the historical customer attrition curve. As the Group only started selling product protection plans in October 2023, we rely on D&G to provide the attrition data. Over the course of 15+ years D&G have sold millions of plans, which form these attrition estimates. There is an inherent risk when using historical data patterns to forecast the future, given changes in consumer behaviour significantly effects these assumptions. In recent years there have been many macroeconomic factors that have influenced consumer behaviours and could drive different outcomes to those of the past. Along with macroeconomic factors, there is a risk that the usual D&G customer profile may not align with the Marks Electrical customer profile, causing further deviation from the trend.

The Group will monitor and reassess the attrition curve as it builds its own data and will make relevant adjustments as necessary.

The Group has sensitised the model through increasing the attrition rate by 2% and decreasing the attrition rate by 2% as shown below:

- Increasing attrition rate by 2% resulted in a £1,656 decrease in the value of the contract asset.
- Decreasing attrition rate by 2% resulted in a £1,656 increase in the value of the contract asset.

## 16. Cash and cash equivalents

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Cash at bank and in hand | 6,184 | 9,301 |
| Cash in transit | 1,633 | 671 |
| Total cash and cash equivalents | 7,817 | 9,972 |

## 17. Trade and other payables

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade payables | 14,486 | 12,286 |
| Other payables | 1,605 | 1,856 |
| Accruals | 1,066 | 1,290 |
| Other taxation and social security | 1,344 | 1,113 |
| Total trade and other payables | 18,501 | 16,545 |

Other payables consists of net customer advances £1,548,000 (2023: £1,811,000) and wages and pension liability £57,000 (2023: £45,000).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 18. Right-of-use assets and lease liabilities

The Group leases a number of assets with all lease payments fixed over the lease term.

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Number of active leases | 43 | 33 |

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.

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 01 April 2022 | 1,969 | 1,685 | 3,654 |
| Additions | – | 111 | 111 |
| Disposals | – | (255) | (255) |
| At 31 March 2023 | 1,969 | 1,541 | 3,510 |
| Additions | – | 709 | 709 |
| Disposals | – | (152) | (152) |
| **At 31 March 2024** | 1,969 | 2,098 | 4,067 |
| **Accumulated depreciation and impairment** | | | |
| At 01 April 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 |
| Charged in the year | 565 | 393 | 958 |
| Depreciation on disposals | – | (135) | (135) |
| **At 31 March 2024** | 1,687 | 1,228 | 2,915 |
| **Net book value at 31 March 2024** | 282 | 870 | 1,152 |
| Net book value at 31 March 2023 | 847 | 571 | 1,418 |

Cash deposits for right-of-use assets totalled £144,000 (2023: £33,000). Total lease repayments totalled £948,000 (2023:£967,000)

| Lease liabilities | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Year 1 | 674 | 965 |
| Year 2 | 204 | 476 |
| Year 3 | 198 | 6 |
| Year 4 | 172 | – |
| Year 5 | – | – |
| Impact of discounting | (93) | (53) |
| Total liability | 1,155 | 1,394 |
| Presented as: | | |
| Current | 621 | 921 |
| Non-current | 534 | 473 |

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

| | Year ended March 2024 £000 | Year ended March 2023 £000 |
|---|---|---|
| Interest expense on leases | 39 | 67 |

## 19. Deferred tax

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 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Accelerated capital allowances | 476 | 392 |
| Disallowable provisions | – | (36) |
| Movement in buying group rebate receivable | 515 | 426 |
| Total | 991 | 782 |

| | £000 |
|---|---|
| Deferred tax liability 01 April 2023 | 782 |
| Origination and reversal of temporary timing difference | 249 |
| Adjustments in respect of prior period | (40) |
| Deferred tax liability 31 March 2024 | 991 |

The deferred tax liability in relation to capital; allowances is expected to reverse in a period over 12 months. The deferred tax liability in relation to the buying group rebate is expected to reverse within 12 months. Deferred tax has been recognised at 25%.

## 20. Share capital and reserves

| Allotted, called up and fully paid | At 31 March 2024 Number | At 31 March 2024 £ | At 31 March 2023 Number | At 31 March 2023 £ |
|---|---|---|---|---|
| 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. During the year, the Company sold treasury shares at a premium to the purchase price leading to a £121,000 increase in share premium.

### 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 259,961 (2023: 403,596) treasury shares.

### Retained earnings

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 21. Commitments and contingencies

The Group had capital commitments of £nil for the acquisition of tangible fixed assets for the year ended 31 March 2024 (2023: £nil). The Group is committed to implementation of the ERP system, during the year, the Group incurred expenditure of £2.7m and paid £2.1m as disclosed in Note 5. Management currently forecasts an additional expense of £1.0m with a £1.7m cash outflow.

## 22. Financial instruments

### Financial assets

**Financial assets at fair value through profit and loss**

Financial assets held at fair value through profit and loss comprise of trade and other receivables.

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Trade and other receivables- buying group rebates | 2,073 | 1,716 |
| | 2,073 | 1,716 |

**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 2024 £000 | At 31 March 2023 £000 *Restated |
|---|---|---|
| Trade and other receivables | 6,739 | 3,368 |
| Cash and cash equivalents | 7,817 | 9,972 |
| | 14,556 | 13,340 |

* When preparing the financial statements for the year ended 31 March 2024, the Company reclassified balances within the statement of financial position for the year ended 31 March 2023. Refer to note 26 for further details.

### 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 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Trade payables | 14,798 | 12,286 |
| Other payables | 1,605 | 1,856 |
| Accruals | 1,066 | 1,290 |
| Lease liabilities | 1,155 | 1,394 |
| | 18,624 | 16,826 |

### Financial risk management

The Group is exposed through its operation to the following financial risks: credit risk, interest rate 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 meets 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 dividend payment to shareholders, return capital to shareholders or issue new shares. During the year, the Group began an application for a revolving credit facility to provide greater flexibility when managing the Group's capital structure.

At the year-end, the Group held £7,817,000 (2023: £9,972,000) of cash and with £1,155,000 (2023: £1,394,000) of lease liabilities, with no other 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.

### Buying group rebates receivable

The Group is a member of the CIH. Being part of CIH entitles the Group to a share of profit each year, which is directly linked to the purchases made through the Group and is therefore akin to a rebate.

Upon joining CIH an initial contribution was made by the Group to CIH giving the Group a nominal value of shares and an initial share of member reserves. Following each year of trading CIH provides a Members Funds statement to the Group showing a share of profits that is added to the Members Funds based on the level of purchases made by the Group. The members reserve or rebate receivable, rolls up each year, with a rare distribution. The members agreement splits the members funds into three elements:

a) The nominal value of the shares £1,390;

b) The equal split of the reserves as at mutualisation £2,107; and

c) The members reserves, which at the year ended 31 March 2024 stood at £2,073,000.

The buying group rebates receivable are measured at fair value and incorporate both level 2 and level 3 inputs. The fair value of the rebates 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.

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 level 2 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 reporting and therefore the profit must be estimated. The annual increase or decrease in members funds is based on the profit generated by CIH, apportioned between the buying groups members based on their purchases from the buying group in that year.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 23. Fair value continued

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 assumed 0.40% of total purchases made, to be returned as a share of profits.

At 31 March 2024, £1,720,000 of the £2,073,000 balance was confirmed (held at £1,716,000 in the annual report and accounts for the year ended 31 March 2023) and no longer forms part of the estimation, making the estimated balance in the year £353,000.

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

- A 0.1% increase in return of profit as a percentage of purchases results in a £84,000 uplift in the valuation.
- A 0.1% decrease in return of profit as a percentage of purchases results in a £(84,000) reduction in the valuation.
- A 0.2% increase in return of profit as a percentage of purchases results in a £168,000 uplift in the valuation.
- A 0.2% decrease in return of profit as a percentage of purchases results in a £(168,000) reduction in the valuation.

There is limited risk of the rebate not being received, there is no history of members leaving and balances not being settled in full. The balance is only receivable by the member itself and is non-transferable, i.e. we could not sell our members funds to another third party.

## 24. Equity-settled long-term incentive plans

The Group operates three separate incentive plans, a 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. The Group also operate an annual LTIP, with the first plan issued in 2022 and an additional plan issued in 2023. The Group issued share option awards under the Marks Electrical Group plc Performance Share Plan ("LTIP") to the management team and Executive Directors only.

| | At 31 March 2024 | | At 31 March 2023 | |
|---|---|---|---|---|
| Incentive plan | Options outstanding | £000 Charge | Options outstanding | £000 Charge |
| Market Value Options | 1,085,099 | 105 | 1,222,915 | 146 |
| Free Shares | 223,636 | 62 | 281,000 | 61 |
| 2022 Long-term incentive plan (2022 LTIP) | 953,916 | 106 | 1,025,276 | 67 |
| 2023 Long-term incentive plan (2023 LTIP) | 875,706 | 74 | – | – |

### 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 137,816 options were forfeited due to leavers; no shares were exercised nor expired. At the year end 1,085,099 (2023: 1,222,915) options were still outstanding with a weighted average contractual remaining life of 220 days (FY23: 585 days) and none being exercisable at 31 March 2024.

During the year ended 31 March 2024, a charge of £105,000 (2023: £146,000) 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, 21 beneficiaries of the free shares scheme terminated employment with the Group. Two of the 21 leavers were considered "good leavers" giving rise to 5,454 being exercised and transferred into private brokerage accounts. The remaining 19 leavers resulted in 51,910 shares being forfeited from the scheme. At the year end 223,636 (2023: 281,000) shares were still outstanding with a weighted average contractual remaining life of 220 days (FY23: 585 days) and none being exercisable at 31 March 2024.

During the year ended 31 March 2024 a charge of £62,000 (2023: £61,000) was recognised as an expense in the statement of comprehensive income in respect of the SIP awards.

### 2022 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;
- Cash flow; and
- Total shareholder return

During the year 71,360 (2023: 30,000) options were forfeited due to leavers; no options were exercised nor expired. At the year end 953,916 options were still outstanding with a weighted average contractual remaining life of 220 (2023: 885) days and none being exercisable at 31 March 2024.

During the year ended 31 March 2024 a charge of £106,000 (2023: £67,000) has been recognised as an expense in the statement of comprehensive income in respect of the LTIP awards.

### 2023 LTIP

The LTIP options were issued to management on 1 September 2023, with the values linked to a multiple of base salary. In total 888,396 options were granted with a fair value of £390,000 and an exercise price of 98.5p per share and 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;
- Cash flow; and
- Total shareholder return.

A Monte Carlo simulation model was used to calculate the TSR tranche of scheme. The expected volatility used in the model was 26.3% derived from the data available on the Group's share price since listing. A dividend yield of 1.22% has been applied to the model, taking assumptions from consensus information at the time of grant. The risk free rate used in the model was 4.432% taken from government liability nominal yield curves provided by the Bank of England as at the grant date for the expected term until exercise.

During the year 12,690 options were forfeited due to leavers; no options were exercised nor expired. At the year end 875,706 options were still outstanding with a weighted average contractual remaining life of 885 days and none being exercisable at 31 March 2024.

During the year ended 31 March 2024, a charge of £74,000 (2023: £nil) was recognised as an expense in the statement of comprehensive income in respect of the LTIP awards.

## 25. Related party transactions

Dividends totalling £743,000 (2023: £751,000) 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 100% owned 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 £446,400 (2023: £372,000) and £273,600 (2023: £228,000) respectively. The Group also recharged £6,000 to Mavrek Properties Limited in respect of staff time for accounting administration (2023: £6,000). At the year end £6,000 was owed from Mavrek Properties Limited to the Group (2023: £nil).

Jack Smithson and Oliver Smithson are the sons of Mark Smithson and are employed by the business and paid on an arms-length basis.

### Subsidiaries included within the consolidation

| | Acquisition date | Ownership % |
|---|---|---|
| Marks Electrical Limited, 4 Boston road, Leicester, LE4 1AU | 8 October 2021 | 100% |

### Related parties

| | 2024 | 2023 |
|---|---|---|
| Mavrek Properties Limited | 100% owned by Mark Smithson | 100% owned by Mark Smithson |
| Mavrek Properties Holding Limited | 100% owned by Mark Smithson | 100% owned by Mark Smithson |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 26. Restatements

### Separation of distribution costs

The Group presents its expenses in the income statement by function. In previous years the Group included distribution costs within cost of sales. As distribution costs are a significant expense, they should therefore be classified separately to the cost of sales function. Consequently, distribution costs are excluded from the measure of gross product profit. Management believes this brings compliance with IAS 1 and also enhances the understandability of the financial statements allowing the users to better understand movements in margin. For the year ended 31 March 2023, the adjustment made reduced cost of sales by £7,249,000, thereby increasing gross profit by £7,249,000 and increased distribution costs by £7,249,000.

### Revaluation gain restated to cost of sales

In the prior year the Group held an investment, which related to a receivable balance from CIH that the Group has been part of since 1997. The buying group operates under the trading name 'Euronics' and has hundreds of members from across the UK. The Group became a member to provide it with access to a range of national Major Domestic Appliance and Consumer Electronic brands, with competitive pricing.

Our initial view of the above led us to the accounting treatment approach as an equity investment accounted for under IFRS 9 and measured at fair value using the principles of IFRS 13, defining fair value as the price received to sell an asset to market participants at the measurement date.

During the year, through correspondence with the Financial Reporting Council ("FRC"), we readdressed this investment and determined that it was more appropriate to treat this investment as a long-term receivable given the nature of the accumulated funds. The long-term receivable represents a return based on the Group's purchases from CIH during its membership term, akin to a rebate. We considered the following factors in making this assessment:

- The return of cash is based on the profit generated by CIH in a given year, this profit is apportioned between the buying groups members based on their purchases in that year. The link between total purchases and the value of the return reflects the nature of a rebate.
- There is limited risk of the rebate not being received. The annual return is calculated based on annual profitability and available funds. There is no history of members leaving and balances not being settled in full.
- The balance is only receivable by the member itself and is non-transferable, i.e. we couldn't sell our members funds to another third party.

IAS 2 does not provide specific guidance on the recognition and measurement principles for variable rebates. However, the asset arises from a contractual right to cash based on past purchases from CIH made by the Group. Therefore, we have concluded that the balance should be recognised as a financial asset held under IFRS 9. The cash flows do not meet the definition of solely payments of principle and interest due to the profit sharing mechanism and therefore, it should be measured at fair value through profit and loss.

The value of the receivable has not been impacted given the amounts we are owed are confirmed by CIH annually. At the time of releasing this report, the only subjective element of the rebate receivable relates to the current period and amounts to £357,000. Throughout the financial statements, this is now referred to as the buying group rebate.

Historically, this has passed through the statement of comprehensive income as a fair value gain after operating profit. Now we are making a clear distinction that this relates to product purchases this is being reclassified as a reduction to cost of sales. The Group has also removed this gain to arrive at adjusted measures due to the nature of it being difficult to forecast. The adjustment made for the year ended 31 March 2023 decreases fair value gains by £481,000 and decreases cost of sales by £481,000, thereby increasing gross profit by £481,000.

On the cash flow, the £481,000 was previously added back as a non-cash item under fair value gains, following the restatement this is now presented as an increase to receivables. For the year ended 31 March 2023, the restatement reduces the fair value gains to £nil and increases the increase in receivables from £1,345,000 to £1,826,000.

On the statement of financial position, the this was previously disclosed as an investment. Following the change of treatment, this is now held within trade and other receivables. The Group left the buying group 1 April 2024, which has triggered a payout, meaning the balance at the year ended 31 March 2023 is shown as a non-current asset, whilst the current year balance is shown within current assets.

| | As at 31 March 2022 £'000 | Adjustment £'000 | After restatement £'000 |
|---|---|---|---|
| Investment | 1,293 | (1,293) | – |
| Non-current Trade and other receivables | – | 1,293 | 1,293 |

| | As at 31 March 2023 £'000 | Adjustment £'000 | After restatement £'000 |
|---|---|---|---|
| Investment | 1,716 | (1,716) | – |
| Non-current Trade and other receivables | – | 1,716 | 1,716 |

The combined changes to the statement of comprehensive income are shown below:

| | As at 31 March 2023 £'000 | Adjustment £'000 | After restatement £'000 |
|---|---|---|---|
| Cost of sales | (78,792) | 7,730 | (71,062) |
| Distribution costs | – | (7,249) | (7,249) |
| Fair value gains | 481 | (481) | – |

There were no changes to the statement of changes in equity and there were no tax impacts in relation to the restatements disclosed above.

## 27. Post-balance sheet events

After the end of the financial year, the Company signed a new lease agreement with Mavrek Properties Limited, a company 100% owned by Mark Smithson, the Company's majority shareholder, and The Smithson Pension Fund of whom Mark Smithson is a trustee. The new lease is for a period of three years, commencing on 30 September 2024 and expiring on 29 September 2027, with an annual rent of £640,000.

## 28. Changes in financing liabilities

The table below reconciles the movements in the Group's financing liabilities:

| | At 31 March 2023 £'000 | Repayments made £000 | New leases £'000 | Interest charged £'000 | At 31 March 2024 £'000 |
|---|---|---|---|---|---|
| Financing liabilities | | | | | |
| IFRS 16 leases | 1,394 | (948) | 670 | 39 | 1,155 |
| Total financing liabilities | 1,394 | (948) | 670 | 39 | 1,155 |

# COMPANY STATEMENT OF FINANCIAL POSITION
## AT 31 MARCH 2024

| | Notes | At 31 March 2024 £000 | * Restated At 31 March 2023 £000 | * Restated At 1 April 2022 £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investments* | 3 | 60,657 | 126,455 | 126,106 |
| Other receivables | 4 | 2,282 | 2,600 | 3,060 |
| **Total assets** | | 62,939 | 129,055 | 129,166 |
| **Net assets** | | 62,939 | 129,055 | 129,166 |
| **Shareholders' equity** | | | | |
| Called up share capital | 5 | 1,049 | 1,049 | 1,049 |
| Share premium | 5 | 4,815 | 4,694 | 4,694 |
| Treasury shares | 5 | (3) | (4) | (4) |
| Merger reserve | 5 | – | 26,106 | 26,106 |
| Retained earnings | | 57,078 | 97,210 | 97,321 |
| **Total equity shareholders' funds** | | 62,939 | 129,055 | 129,166 |

* When preparing the financial statements for the year ended 31 March 2024, the Company restated balances within the statement of financial position for the years ended 31 March 2023 and 31 March 2022. Refer to Note 3 for further details.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income is not presented. The loss for the year amounted to £65,578,000 (2023: profit of £632,000).

The financial statements of Marks Electrical Group plc, company number 13509635, on pages 86 to 111 were approved by the Board on 25 June 2024 and signed on its behalf by:

Josh Egan
**Chief Financial Officer**



# COMPANY STATEMENT OF CHANGES IN EQUITY
## YEAR ENDED 31 MARCH 2024

| | Note | Called up share capital £000 | Share premium £000 | Merger reserve £000 | Treasury shares £000 | Retained earnings £000 | Total shareholders' equity £000 |
|---|---|---|---|---|---|---|---|
| **At 31 March 2022 reported** | | 1,049 | 4,694 | 60,000 | (4) | 97,321 | 163,060 |
| Correction of error* | | – | – | (33,894) | – | – | (33,894) |
| **At 31 March 2022 restated** | | 1,049 | 4,694 | 26,106 | (4) | 97,321 | 129,166 |
| **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 | 26,106 | (4) | 97,210 | 129,055 |
| **Contributions by and distributions to owners:** | | | | | | | |
| Total comprehensive loss for the year | | – | – | – | – | (65,578) | (65,578) |
| Transfer between reserves* | | – | – | (26,106) | – | 26,106 | – |
| Sales of shares | | – | 121 | – | 1 | – | 122 |
| Share options and LTIP charge | | – | – | – | – | 347 | 347 |
| Equity dividends paid | | – | – | – | – | (1,007) | (1,007) |
| **At 31 March 2024** | | 1,049 | 4,815 | – | (3) | 57,078 | 62,939 |

* When preparing the financial statements for the year ended 31 March 2024, the Company restated balances within the statement of financial position for the years ended 31 March 2023 and 31 March 2022. The restatement related to an impairment in an investment, the initial impairment charge was recognised within the statement of comprehensive income and as a result of the impairment, £33,894,000 of the merger reserve has become realised and therefore has been transferred to retained earnings, resulting in a nil impact to retained earnings. During the current year, further impairment was recognised, leading to an additional £26,106,000 of the merger reserve being realised and transferred to retained earnings. Refer to Note 3 for further details.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2024

## 1. General Information

Marks Electrical Group plc 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, England, 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 pound sterling 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 loss for the year amounted to £65,578,000 (2023 profit: £632,000).

Auditor remuneration for the period was £30,000 (2023: £27,000), further detailed in Note 9 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 other 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 other 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 other receivables. For other 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 other 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. Management have used a discounted cash flow to determine the value-in-use of the subsidiary and have determined that an impairment is necessary. Please refer to Note 3 for further details.

## 3. Investments

| Investment in subsidiary | Total £000 |
|---|---|
| At 31 March 2022 as reported | 160,000 |
| Impairment – correction of error* | (33,894) |
| At 31 March 2022 restated* | 126,106 |
| Additions in year | 349 |
| At 31 March 2023 restated* | 126,455 |
| Additions in year | 347 |
| Impairment | (66,145) |
| At 31 March 2024 | 60,657 |

* When preparing the financial statements for the year ended 31 March 2024, the Company restated balances within the statement of financial position for the years ended 31 March 2023 and 31 March 2022, see below for further details.

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 post-tax weighted average cost of capital ("WACC") at 12.4% (pre-tax: 16.6%)

The key assumptions underlying this model include:

- A five-year post-tax 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 5% and 13.8% has been assumed across the five-year period.
- Flat costs as a percentage of revenue have been assumed across the five-year period, with the exception of some inflationary assumptions.
- Cash flows beyond the five-year period were extrapolated using an estimated long-term growth rate at 2%, a generally accepted rate of inflation.

The outcome of the impairment testing has determined that the value in use is £60.7m, resulting in a £66.1m impairment.

The Group has sensitised the model through adjusting the WACC, terminal growth rate, gross margin and revenue growth as shown below:

- Increasing WACC to 14.0% results in a value-in-use of £53.1m.
- Decreasing WACC to 10.0% results in a value-in-use of £78.3m.
- Increasing terminal growth to 3.0% results in a value-in-use of £65.0m.
- Decreasing terminal growth to 1.0% results in a value-in-use of £57.1m.
- Decreasing revenue growth by 10% results in a value-in-use of £59.3m.
- Decreasing gross product margin by 2% results in a value-in-use of £40.8m.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 MARCH 2024

## 3. Investments continued

### Prior year restatement

During the year the FRC requested information on the methodology of the calculations within the discounted cash flow used to determine the value in use for the Company's subsidiary Marks Electrical Limited. A key area raised related to whether pre-tax or post-tax cash flows were used in the discounted cash flow model, noting that a weighted average cost of capital, which is usually a post-tax rate, has been used to discount the cash flows.

Upon further investigation, it unfolded that pre-tax cash flows were used within the calculations, alongside a post-tax WACC, resulting in significant variance in the value-in-use. The other assumptions within the calculation were reassessed and determined that given the information present at the time of making the calculations, the assumptions were reasonable and therefore should remain unchanged.

To rectify the calculations for the use of post-tax cash flows, a tax charge of 25% was applied to the assumed cash flows to take them to a post-tax position. The value in use following this change was £128.4m. Following the requirements of IAS 8 to disclose the opening balance sheet for the year ended 31 March 2023, it was identified that the same error occurred in the year ended 31 March 2022. Upon adjusting the calculations the revised value in use was £126.1m, resulting in an impairment of £33.9m for the year ended 31 March 2022.

Based on the assessment of the calculations for the year ended 31 March 2023 discussed above, no further impairment was necessary.

On acquisition of Marks Electrical Limited, the Company acquired the 100 ordinary shares (100% of the share capital, 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 fell under section 612 of the Companies Act 2006 and merger relief was applied and a merger reserve of £60,000,000 established. The impairment has been recognised within the statement of comprehensive income and as a result of the impairment, £33,894,000 of the merger reserve has become realised and therefore has been transferred to retained earnings.

The impact of the restatement is shown below:

### Statement of Financial Position

| Assets | As at 31 March 2022 reported £'000 | Adjustment £'000 | As at 1 April 2022 restated £'000 |
|---|---|---|---|
| Investment | 160,000 | (33,894) | 126,106 |
| Total assets | 163,060 | (33,894) | 129,166 |
| Net Assets | 163,060 | (33,894) | 129,166 |
| Merger reserve | 60,000 | (33,894) | 26,106 |
| Total equity shareholders funds | 163,060 | (33,894) | 129,166 |

| Assets | As at 31 March 2023 reported £'000 | Adjustment £'000 | As at 31 March 2023 restated £'000 |
|---|---|---|---|
| Investment | 160,349 | (33,894) | 126,455 |
| Total assets | 162,949 | (33,894) | 129,055 |
| Net Assets | 162,949 | (33,894) | 129,055 |
| Merger reserve | 60,000 | (33,894) | 26,106 |
| Total equity shareholders funds | 162,949 | (33,894) | 129,055 |

There were no restatements for the year ended 31 March 2023 that impacted the Company statement of comprehensive income.

There have been no amendments made to the Group balance sheet, Group statement of comprehensive income, Group statement of changes in equity or Group cash flow statement in relation to this error. Calculations have been amended for the current year discounted cash flows and no further ramifications are expected in future financial statements related to this issue.

## 4. Other receivables

| | At 31 March 2024 £000 | At 31 March 2023 £000 |
|---|---|---|
| Amounts owed by Group undertakings | 2,282 | 2,600 |
| | 2,282 | 2,600 |

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

## 5. Share capital and reserves

| Allotted, called up and fully paid | At 31 March 2024 Number | At 31 March 2024 £ | At 31 March 2023 Number | At 31 March 2023 £ |
|---|---|---|---|---|
| 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 compromises 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.

During the year, the Company sold treasury shares at a premium to the purchase price leading to a £121,000 increase in share premium.

### 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 £60,000,000 is recognised.

During the year a further impairment was processed bringing the value of the merger reserve to £nil.

### Treasury shares

Treasury reserve relates to shares acquired by the Group's employee benefit trust. At the year end the Group held 259,961 treasury shares (2023: 403,596).

### 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**
**ONE Advisory Limited**
201 Temple Chambers
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EC4Y 0DT

**Corporate website**
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**Nominated Adviser and Broker**
**Canaccord Genuity Limited**
88 Wood Street 10th Floor
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EC2V 7QR

**Financial and Corporate PR**
**Dentons Global Advisors UK Limited**
One Fleet Place
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EC4M 7WS

**Legal Advisors to the Company**
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10 Snow Hill
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**Auditor**
**PwC East Midlands**
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Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

**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.

**Adjusted EBITDA** is a non-statutory measure defined as earnings before interest, tax, depreciation, and amortisation and adjusted for buying group rebates, ERP costs and share-based payment charges and related costs.

**Adjusted EBIT** is a non-statutory measure defined as earnings before interest, tax, adjusted for buying group rebates, ERP costs and share-based payment charges and related costs.

**Adjusted EPS** is a non-statutory measure of profit after tax, adjusted for buying group rebates, ERP costs and share-based payment charges and related costs, over the total diluted ordinary number of shares in issue.

**Return on capital employed ("ROCE")** is defined as adjusted EBIT divided by total assets less current liabilities.

**Operating cash flow for cash conversion** is defined as cash generated from operations less outflows for lease payments, buying group rebates, ERP costs and share-based payment charges and related costs.

**Net cash/(debt)** represents cash and cash equivalents less financial liabilities (excluding lease liabilities).

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