The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For immediate release **3 May 2023**

Lords Group Trading plc
('Lords', the 'Group' or the 'Company')

Final Results

Another year of positive strategic progress underpinned by strong financial performance

Lords, a leading distributor of building materials in the UK, is pleased to announce its annual results for the year ended 31 December 2022 ('FY22' or the 'year').

	FY22	FY21 (restated)	Change* (%)
Revenue	**£450.0m**	£363.3m	+23.9%
Adjusted EBITDA[1]	**£30.0m**	£22.3m	+34.4%
Adjusted EBITDA margin	**6.7%**	6.1%	+0.6%
EBITDA	**£28.6m**	£19.7m	+45.4%
Profit before tax	**£12.8m**	£7.5m	+69.6%
Adjusted Profit before tax[5]	**£17.4m**	£12.2m	+42.4%
Basic earnings per share	**5.68p**	3.39p	+67.6%
Adjusted basic earnings per share[2]	**8.02p**	6.1p	+31.5%
Dividend per share	**2.0p**	1.89p	+5.8%
Net (debt)/cash[4]	**£(19.4)m**	£6.5m	

* Based on underlying, not rounded, figures.

Financial Highlights
- Record performance, with Group revenues up 23.9% to £450.0 million (FY21: £363.3 million) and on track to reach £500.0 million revenue target by 2024
- Adjusted EBITDA[1] up 34.4% to £30.0 million (FY21: £22.3 million), representing a margin of 6.7% (FY21: 6.1%) and on track to reach 7.5% medium-term target
- Adjusted basic earnings per share[2] up 31.5% to 8.02 pence (FY21: 6.1 pence restated)
- Cashflow generated by operations of £26.8 million (FY21: £21.1 million restated), contributing to free cashflow[3] generation of £19.1 million (FY21: £19.9 million restated)
- Net debt[4] at 31 December 2022 of £19.4 million (31 December 2021: £6.5 million net cash), reflecting cash cost of acquisitions in the year and leaving headroom for value-added acquisitions
- Total dividend for the year up 5.8% to 2.0 pence per share (FY21: 1.89 pence per share)

Operational Highlights
- Merchanting division delivered record revenues up 69.2% to £220.8 million (FY21: £130.5 million), with strong like-for-like revenue growth of 17.4%
- Merchanting performance reflects the Group's ambition to be the 'local leader' in its markets, delivered by empowered and highly engaged management teams, alongside successful implementation of the Group's growth strategy
- Plumbing & Heating ('P&H') division revenues down 1.5% to £229.3 million (FY21: £232.8 million), 9.1% lower on a like-for-like[6] basis

- P&H performance was resilient given industry-wide boiler component shortages, which eased throughout H2-22, and benefitted from management actions, including higher margin energy efficient product range, which improved divisional EBITDA margins to 6.0% (FY21: 4.4%)
- Continued to expand existing brands and grow the customer base, opening two new branches during 2022, as well as an Advance Roofing Supplies implant in the Group's Beaconsfield branch
- Four completed acquisitions in the year, on a blended multiple of 4.8x Adjusted EBITDA, supporting the Group's strategy of product range and geographic expansion
- Acquisitions are EBITDA margin and earnings accretive and all are performing in line with or ahead of expectations, following successful integration
- ESG progress delivered in FY22 including the development of Lords' ESG strategy, recruitment of the Group's first ESG manager and launch of the Lords Group Foundation.

Current Trading and Outlook

Whilst macroeconomic uncertainty remains, we believe that our end market exposure, improved product range, continuing market share gains and management actions to improve margins mean that we continue to expect a full year performance in line with market expectations.

Since the year end, the Group agreed to purchase the freehold of George Lines' Heathrow site for £6.3 million and disposed of the non-core Lords at Home homewares subsidiary for £0.8 million. On 31 March 2023, the Group acquired Chiltern Timber Supplies Limited for a total consideration of up to £1.65 million on a net cash free/debt free basis. Furthermore, on 5 April 2023, the Group refinanced its existing lending facilities securing enhanced facilities provided by HSBC, NatWest and BNP Paribas on an initial three-year term.

The Board remains confident in Lords' ability to fulfil its IPO target to become a £500.0 million revenue business by 2024 with an EBITDA margin of 7.5% in the medium term.

The Company also announces that Dawn Moore, Non-Executive Director, intends to step down as a director of the Group immediately following the Company's 2023 Annual General Meeting to focus on expanding executive responsibilities. The Board would like to thank Dawn for her considerable contribution to the Group prior to and since IPO.

Shanker Patel, CEO of Lords, commented: *"This was an excellent year for the Group, as we continued to deliver on our IPO commitments and successfully grew the business in a tough trading environment. I am proud of our progress and want to thank our teams for their magnificent job in ensuring customers receive the standard of service they value so highly.*

"We entered 2023 in a strong financial position, which has enabled us to continue to invest in our 3Ps, as we pursue organic and acquisition-led growth opportunities. We are focused on the potential challenges to our business, notably the impact on household balance sheets from inflation, increased energy costs and interest rates. We are responding through our ongoing expansion into new geographical markets and product lines, and by implementing our ESG strategy, a key part of which is to enhance our energy efficiency.

"With a 1% share of a large market and facility headroom available, we also have considerable scope to take share through further acquisitions that expand our geographical presence and product range. With around 40% of UK builders merchants still independently run, we have considerable scope for further consolidation and therefore see good opportunities to continue our track record of growth."

Notes

[1] Adjusted EBITDA is EBITDA (defined as earnings before interest, tax, depreciation and amortisation but also excluding exceptional items and share-based payments.

[2] Earnings attributable to shareholders of Lords Group Trading plc adjusted for exceptional items, share based payments and amortisation of intangible assets divided by the weighted average number of shares in issue in the year

[3] Defined as cash generated by operating activities plus exceptional items less capital expenditure, taxation and interest paid.

[4] Net debt is defined as borrowings less cash and cash equivalents.

[5] Adjusted Profit before tax (basic) is defined as profits before tax before exceptional items, share based payments and amortisation of intangible assets.
[6] Like-for-like sales is a measure of growth in sales, adjusted for new, divested and acquired locations such that the periods over which the sales are being compared are consistent.

Analyst Briefing
There will be an 'in person' meeting for analysts at 0900hrs today at Buchanan's offices, which will be hosted by Shanker Patel (CEO) and Chris Day (CFO and COO). Please contact Buchanan at LGT@buchanan.uk.com if you would like to attend.

- Ends -

FOR FURTHER ENQUIRIES:

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Notes to editors:
Lords is a specialist distributor of building, plumbing, heating and DIY goods. The Group principally sells to local tradesmen, small to medium sized plumbing and heating merchants, construction companies and retails directly to the general public. The Group operates through the following two divisions:

- **Merchanting**: supplies building materials and DIY goods through its network of merchant businesses and online platform capabilities. It operates both in the 'light side' (building materials and timber) and 'heavy side' (civils and landscaping), through 26 locations in the UK.

- **Plumbing and Heating**: a specialist distributor in the UK of plumbing and heating products to a UK network of independent merchants, installers and the general public. The division offers its customers an attractive proposition through a multi-channel offering. The division operates over 16 locations enabling nationwide next day delivery service.

Lords was established over 35 years ago as a family business with its first retail unit in Gerrards Cross, Buckinghamshire. Since then, the Group has grown to a business operating from 42 sites. Lords aims to become a £500 million turnover building materials distributor group by 2024 as it grows its national presence.

Lords was admitted to trading on AIM in July 2021 with the ticker LORD.L. For additional information please visit www.lordsgrouptradingplc.co.uk.

Chairman's statement

I am pleased to report that the Group has delivered a record performance, showing the success of our growth strategy and the strengths of our management team.

Lords has continued to successfully navigate the difficult economic backdrop. Following Brexit and Covid-related challenges of recent years, 2022 saw the economy challenged by increasing inflationary pressures, rising interest rates and considerable political and geopolitical uncertainty. Through all this, the Group has grown its revenues, profits and margins. This is a credit to our management's strategic vision, the quality of its execution and its ability to take action to address the issues we have faced.

Performance

Our markets have remained resilient despite the challenging backdrop. Around 78% of our revenue comes from the repairs, maintenance and improvement (RMI) market, where the majority of the products we sell are essential purchases, rather than discretionary.

We have continued to expand our geographic footprint, broaden our product range and drive revenues in both divisions. This enabled Merchanting to deliver above-market like-for-like revenue growth of 17.4%. Plumbing and Heating ('P&H') saw like-for-like revenues fall by 9.1% given the industry-wide boiler component shortage, which meant we were unable to fulfil customer demand for these products. Despite this fall in like-for-like revenue it was pleasing that our actions, which included extending the product range into energy efficiency technology, ensured we were able to materially increase P&H's profits and margin in 2022.

The acquisitions in the year were an excellent strategic fit and have further enhanced our platform for organic growth in the coming years. All the acquired businesses have performed in line with or ahead of expectations and we are delighted to welcome our new colleagues to the Group.

Dividends

At IPO we adopted a progressive dividend policy and this is reflected in our payout for FY22. Having paid an interim dividend of 0.67 pence per share in October 2022, we have proposed a final dividend of 1.33 pence per share, to give a total for the year of 2.00 pence. This represents growth of 5.8% on the 1.89 pence paid in respect of 2021. The final dividend will be paid on 18 May 2023, to shareholders on the register at the close of business on 21 April 2023.

People and culture

Our 'unique selling point' has always been our people. Their enthusiasm and loyalty has been fundamental to our progress and making sure we continue to deliver the high levels of customer service on which this business is built. Our regular engagement surveys show that employee engagement remains strong, and this is testament to our people-oriented culture and the feeling that we are, at heart, a family business. It is important to us that we support our people wherever we can and in addition to the 2022 annual pay increase, we awarded a £500 payment to colleagues to reflect the cost of living crisis.

Dawn Moore, who has worked as a Non-Executive Director of the Group since 2020, has confirmed her intention to step-down as a director of the Company following the 2023 AGM to focus on expanding executive responsibilities. The Board would like to take this opportunity to thank Dawn and acknowledge her considerable contribution to the Board as well as her input and counsel in further strengthening the Group's culture. We wish her well in her future.

Environmental, social and governance (ESG)

Our approach to ESG issues has been a key focus for us this year. We have done considerable work to develop our ESG strategy during 2022, with the support of expert consultants. On the 'E' aspect of ESG, we have worked closely with H&B, our buying group, sharing our ESG workstreams to enable best practice across the membership. With more than 110 companies in the buying group, all will be able to benefit from the work we have done, improving their own ESG performance.

Responsibility for ESG ultimately rests with the Board and we have defined accountabilities all the way through the business. This has included recruiting our first ESG Manager, who is also responsible for our Lords Group Foundation. The Foundation aims to build stronger communities by supporting projects in the areas around our branches.

As we further develop our ESG approach, we will be defining key performance indicators and targets to measure our progress. Our intention is to incorporate these into bonus schemes, to incentivise performance across the Group.

From a corporate governance perspective, we have continued to embed our structures and processes, and conducted our first evaluation of the Board and its committees. The outcomes were highly positive. To support our growth ambitions, we have considered the development plans for our executive directors. Since the end of the year, this has seen Chris Day take on operational responsibilities in Merchanting in addition to the CFO role, which over time will free up Shanker Patel to focus on strategy.

Looking forward

During 2022, the Board conducted its annual review of the Group's strategy. We concluded that it remains appropriate and that continued successful execution will enable us to capture the significant growth opportunities we see in front of us.

We are mindful of the uncertain macroeconomic environment and the impact it could have on the sector in the short term. However, we have demonstrated our ability to grow the business through organic investment and acquisition, and we are therefore confident that we will fulfil our IPO objectives of becoming a £500 million revenue business by 2024 and generating an EBITDA margin of 7.5% in the medium term.

Gary O'Brien
Independent Non-Executive Chairman
2 May 2023

Chief Executive Officer's review

This was an excellent year for the Group, as we continued to deliver on our IPO commitments and successfully grew the business in a tough trading environment. I am proud of our progress and want to thank our teams for their magnificent job in ensuring customers receive the standard of service they value so highly.

Performance

Our revenue reached a new high in FY22 at £450.0 million, an increase of 23.9% (FY21: £363.3 million). Like-for-like revenue rose modestly, reflecting Merchanting's very strong performance (+17.4%) and the impact of boiler component shortages in P&H (-9.1%), as the Chairman has explained in his statement. P&H was resilient in difficult circumstances and our actions to extend the product range, as discussed further below, and adjust our pricing structure, helped it to deliver strong profit and margin growth. Our digital revenues continue to increase rapidly and were up 90.2% in Merchanting, meaning they now account for 2.5% of the division's revenue. Total ecommerce revenues were £2.6 million higher in FY22.

Adjusted EBITDA was £30.0 million, up 34.4% (FY21: £22.3 million), with the margin increasing by 60 basis points to 6.7% (FY21: 6.1%), despite substantial product and overhead cost inflation. We remain focused on further increasing our EBITDA margin towards our 7.5% target, through operational leverage, product range extensions, expanding our digital channels, optimising our site network and further accretive acquisitions.

Our cash flow was excellent, with adjusted cash generated by operating activities (cash generated by operating items plus exceptional items less taxation) of £24.1 million (FY21: £21.9 million adjusted), while free cash flow[7] was £19.1 million (FY21: £19.9 million adjusted). We convert a high percentage of our profit into cash, which allows us to continually reinvest in our 3Ps – people, plant and premises. Free cash flow[7] conversion (free cash flow/EBITDA) was 66.9% (FY21: 89.1% restated), reflecting the opportunity we have for disciplined capital investment in our 3Ps to deliver further growth. In FY22 the Group invested £3.5 million in capital investment including refurbishing our Beaconsfield branch and opening two new branches.

The Group has a robust and prudent balance sheet, with year-end net debt of £19.4 million (31 December 2021: £6.5 million net cash), reflecting our acquisitions in the year. We have significant headroom in our £70.0 million of debt facilities, as well as £16.0 million of accessible cash at the year end, and we will continue to carefully manage our balance sheet in the coming year.

[7] Free cash defined as cash generated by operating activities plus exceptional items less capital expenditure, taxation and interest paid.

Strategy

Our strategy is to expand our geographical presence via new branches, broaden our product range and increase our digital capabilities. This is underpinned by our organic investment in our 3Ps and by our approach to acquisitions. We had a successful year on all fronts in 2022. In addition, we spent considerable time during the year formulating our new ESG strategy, which will help us to further improve our operations and benefit stakeholders.

Expanding our geographical presence

We have opportunities to expand several of our brands by opening new locations in response to customer demand. During the year, we added a third location for George Lines and the tenth branch for Mr Central Heating, the first of 40 new sites we are planning for this brand in the next five years. Our acquisitions also gave us broader geographical coverage and we have opened a third branch for one of these brands, Advance Roofing Supplies, as an implant within our Beaconsfield site.

Broadening our product range

Expanding our product range helps us to capture a greater share of customers' wallets and enhance our service by giving them a greater choice. In P&H we extended its range during the year into higher-margin products that support decarbonisation, such as air source heat pumps and underfloor heating. We also benefitted from our combined acquisition of HRP Trade and Direct Heating, which expanded our product offering further and gave us relationships with new suppliers.

In Merchanting, Advance Roofing Supplies has given us a significant roofing materials offer for the first time and is highly complementary with the rest of our product range. A.W. Lumb also extends our range to include specialisms in drylining and insulation for the new build market.

Investing in our digital capabilities

Digital plays an important part in our strategy, allowing us to acquire new customers and achieve higher margins across a broader range of products. We can also use the insights we gain, such as customer locations, to inform our brand expansion plans. In 2022, we benefitted from investment in our in-house expertise in the prior year, which we are leveraging across the Group to advance our digital capabilities across multiple brands.

Our 3Ps – People, Plant and Premises

As the Chairman has discussed in his statement, our people are a key source of advantage for us. We work hard to ensure they are engaged, feel valued and are fairly rewarded for their efforts. This is reflected in our continued high engagement scores. Enabling people to grow within the business is important and we were particularly pleased to see a record number of internal promotions this year. We have also had many talented people join us through our acquisitions.

Plant includes technology to improve our efficiency and offer even better customer service, and we have continued to invest during the year, such as the warehouse management system we have rolled out in P&H. More generally, our plant is well invested and the average age of our delivery fleet is less than five years.

We continued to invest in our premises in FY22. In addition to the branches we opened (see above), we completed the rebuilding of our Beaconsfield branch, moved Advance Roofing Supplies' Aylesbury branch to our multi-brand facility (Lords Builders Merchants, George Lines, Advance Roofing) in Aylesbury and started to relocate the Glasgow branch of Mr Central Heating, to support its growth and improve the customer and colleague experience.

Enhancing our business through acquisitions

The businesses we acquired in 2022 are performing well and contributed £74.3 million to our FY22 revenues. We are an attractive buyer for independent businesses looking for a responsible custodian, and our colleague and customer-focused approach resonates strongly with vendors. We are also highly disciplined in allocating capital, paying a blended 4.8x EBITDA for our acquisitions in FY22.

Outlook

We enter 2023 in a strong financial position, which will enable us to continue to invest in our 3Ps, as we pursue organic and acquisition-led growth opportunities.

We are focused on the challenges to our business, notably the impact on the trading environment of reduced housing transactions, and the impact on household balance sheets from inflation, increased energy costs and rising interest rates. We are responding through our ongoing expansion into new geographical markets and product lines, and by implementing our ESG strategy, a key part of which is to enhance our energy efficiency.

As a relatively small player with a 1% share of a large market, we also have considerable scope to take share through further acquisitions that expand our geographical presence and product range. With around 40% of UK builders merchants still independently run, we have considerable scope for further consolidation. We therefore see good opportunities to continue our track record of growth.

Shanker Patel
Chief Executive Officer
2 May 2023

Financial review

Revenue

Group revenue was £450.0 million in 2022 (FY21: £363.3 million), representing growth of 23.9%. Like-for-like (LFL) revenue growth, which excludes acquisitions and new locations, was 0.2%. Acquisitions contributed revenue of £74.3 million in FY22.

Depreciation and amortisation

Depreciation and amortisation increased to £12.3 million (FY21: £9.4 million). £6.9 million of the depreciation and amortisation relates to right-of-use assets (FY21: £5.9 million), £3.3 million to intangible assets (FY21: £2.1 million) and £2.1 million to property, plant and equipment (FY21: £1.3 million), reflecting our continued investment in growth opportunities.

Capital allocation

The Group has a wide range of organic and inorganic investment opportunities, which are well defined and attainable in the delivery of our revenue and EBITDA margin targets. We take a rigorous approach to allocating capital to these opportunities and target a return on investment of at least 20%. We carefully review the investment case for each proposal and ensure the planned returns are deliverable and that we have effectively mitigated the risks. The success of this approach was an important driver of our FY22 performance.

Exceptional items

Exceptional costs in FY22 totalled a net £0.9 million. A breakdown can be found in note 5 to the financial statements, with the largest component being diligence costs associated with acquisitions. The exceptional costs were partially offset by compensation received for business disruption at our Park Royal branch, due to the HS2 infrastructure project in the immediate area surrounding the branch.

Exceptional items in FY21 totalled £2.5 million (restated). These comprised costs associated with our admission to AIM and the costs incurred in relation to acquisitions in the year, less a reduction in contingent consideration.

Profitability

Reported EBITDA for FY22 was £28.6 million (FY21: £19.7 million restated). Adjusted EBITDA, which also excludes the exceptional items set out above and share-based payments, was £30.0 million, up 34.4% from £22.3 million in 2021. The adjusted EBITDA margin improved to 6.7% (2021: 6.1%).

Overall, the adjusted EBITDA margin increased by 0.6% to 6.7% in FY22, with the improvement in the margin achieved through P&H margin growth driven by higher-margin products and increased Merchanting segmental mix. These two factors offset a reduction in Merchanting, as a result of management’s decision to pass through product price inflation in an orderly manner.

P&H delivered a strong adjusted EBITDA margin of 6.0%, representing a 1.6 percentage point improvement in FY22. This was achieved via extended product range initiatives, including our Renewables range, which attract higher margins alongside lower cost to serve when supplied to existing customers.

The table below shows adjusted EBITDA by division:

	FY22		FY21	
	£m	**Margin**	£m	Margin
Plumbing and Heating	**13.8**	**6.0%**	10.3	4.4%
Merchanting and other services	**16.1**	**7.3%**	12.0	9.2%
Total Group	**30.0**	**6.7%**	22.3	6.1%

Net finance costs

Net finance costs were £3.6 million (FY21: £2.8 million restated) with the increase mainly due to increased debt levels following the four 2022 acquisitions. The interest expense associated with the Group's leases was £1.9 million (FY21: £1.8 million).

Profit before tax and adjusted profit before tax

Adjusted profit before tax, which excludes exceptional items, share-based payments and amortisation of intangible assets, was £17.4 million (FY21: £12.2 million restated). The Group generated profit before tax for the year of £12.8 million (FY21: £7.5 million restated).

Prior year adjustment

In October 2017 and April 2021 the Group acquired majority shares in Hevey Building Supplies Limited and Condell Limited respectively. In both instances a put and call agreement was put in place with the non-controlling interest for the acquisition of the remaining shares. The options were not accounted for by the Group.

These errors have been corrected by restating each of the affected financial statements line items for the prior periods as at 31 December 2020 and 31 December 2021 respectively and as such have been corrected via a prior year restatement. The adjustments are non-cash in nature with no impact on adjusted EBITDA. Full details are contained in note 3.3.

Earnings per share and adjusted earnings per share

Basic earnings per share was 5.68 pence (FY21: 3.39 pence restated). Adjusted earnings per share (as defined in note 11) was 8.02 pence (FY21: 6.10 pence restated).

Dividend

The Board has recommended a final dividend of 1.33 pence per share. Combined with the interim dividend of 0.67 pence per share, this gives a total dividend for the year of 2.0 pence per share (FY21: 1.89 pence).

Cash flow

Adjusted cash generated by operating activities was £24.1 million (FY21: £21.9 million restated) while free cash flow was £19.1 million (FY21: £19.9 million restated). Free cash flow conversion, which is free cash flow as a percentage of EBITDA, was 66.9% (FY21: 89.1% restated). The decline compared to the prior year was due to the planned increase in capital investments of £3.5 million (FY21: £1.3 million), as discussed below.

The Group used £26.9 million for business acquisitions in 2022, relating to the purchase of Advance Roofing Supplies, A.W. Lumb, DH&P and Buildbase Sudbury. In addition, in October 2022 we exercised the option to acquire the 25% minority interest in our Hevey Building Supplies subsidiary for £6.2 million, with 40% paid on completion and the remainder due in seven equal quarterly instalments over the next two years.

Liquidity and debt facilities

The Group had two financing facilities with HSBC totalling £70.0 million. In March 2022, we agreed with HSBC to enlarge our facilities to support our growth plans, with the RCF increasing to £50.0 million (from £30.0 million) and the invoice financing facility increasing to £20.0 million (from £10.0 million).

At 31 December 2022, the Group had net debt (defined as borrowings less cash and cash equivalents, and before recognising lease liabilities) of £19.4 million (FY21: net cash of £6.5 million). The movement primarily reflects the cash cost of the acquisitions during the year. The Group therefore had ample headroom of £34.6 million (31 December 2021: £35.1 million) within its debt facilities at the year end, and a further £16.0 million of accessible cash (31 December 2021: £11.4 million).

Net cash / debt

The Group's net cash / debt position, before recognising lease liabilities, transitioned from net cash of £6.5 million at 31 December 2021 to a net debt position of £19.4 million at 31 December 2022; including non-contingent deferred consideration payable within twelve months, this rises to £23.3 million in respect of the Group's acquisition of APP Wholesale, Hevey Building Supplies and Advance Roofing.

The Group used £26.9 million for business acquisitions in 2022, which alongside the 25% minority interest purchase in our Hevey Building Supplies subsidiary, covers the full movement in net cash / debt in FY22.

The Group's policy is to maintain its credit rating status while investing in organic developments and acquisition opportunities that are expected to generate attractive returns and maintain a progressive dividend policy.

Working capital[8]

Inventory increased by £14.4 million to £53.2 million at the year end, largely due to P&H inventory returning to more normal levels, as the boiler shortage eased towards the end of the year, and the impact of price inflation on inventory.

Current trade and other payables were £21.4 million higher at £94.3 million (31 December 2021: £72.9 million restated), while current trade and other receivables rose by £13.3 million to £71.0 million (31 December 2021: £57.7 million). These movements reflect the Group's organic growth and the acquisitions in the year, with working capital increasing to 9.2% of revenue (FY21: 8.7%) due to the inventory increase discussed above.

[8] Working capital is defined as trade receivables and inventories less trade payables.

Capital expenditure and investment in intangible assets

We maintained capital discipline during the year, with capital expenditure on plant, property and equipment of £3.5 million (FY21: £1.3 million). Notable investments included the transformational refurbishment of the Beaconsfield branch, the new branches for Mr Central Heating in West Bromwich and George Lines in Horsham, and further additions to our fleet.

Intangible assets rose to £45.3 million (31 December 2021: £22.7 million) as a result of the acquisitions during FY22.

Non-current liabilities

Trade and other payables relate to deferred consideration liabilities. The liability has reduced by £3.2 million as at 31 December 2022 to £4.7 million (31 December 2021: £7.9 million) reflecting those liabilities falling due in 2023 relating to the acquisitions of APP Wholesale Ltd, Hevey Building Supplies Ltd and Condell Ltd.

IFRS 16 Leases

Leases that are recorded on the balance sheet principally relate to properties, cars and distribution vehicles. IFRS 16 increased EBITDA by £7.3 million and the finance (interest) expense by £1.9 million in the year.

The right-of-use asset in the balance sheet at 31 December 2022 was £39.0 million (31 December 2021: £33.3 million). The increase is driven mainly by the inclusion of a 100 year long leasehold plus leases acquired through the 2022 acquisitions.

IFRS 16 does not alter the Group's overall cash flows or the economic effect of the leases to which it is a party. Similarly, Lords' banking covenants are measured on a pre-IFRS basis.

Post balance sheet events

Since the end of FY22, we have:

- Agreed to purchase the freehold of George Lines' Heathrow site for £6.3 million, with £2.2 million paid on signing and the remainder due to be paid by 5 July 2024. The Group will continue to lease the site until completion, which is the date on which the remaining consideration is paid, and with any rental payments before that date being deducted from the final consideration.
- Disposed of the non-core Lords at Home homewares subsidiary for £0.8 million. During the year ended 31 December 2022, Lords at Home generated £3.0 million in revenue and contributed £0.08 million of EBITDA. The sale supports our focus on our core markets of building, plumbing, heating and DIY goods.
- On 31 March 2023 the Group acquired Chiltern Timber Supplies Limited ('Chiltern Timber') for a total consideration of up to £1.65 million on a net cash free/debt free basis. The consideration payable is £1.175 million on signing and up to a further £0.475 million deferred equally over 12, 24 and 36 months on a contingent basis subject to Chiltern Timber delivering certain earnings targets.
- The Group amended its banking facilities on 5 April 2023. The Group's existing £70.0 million lending facilities with HSBC, consisting of a £50.0 million revolving credit facility ('RCF') and a £20.0 million receivables financing facility ('RFF') (together the "Existing Facilities"), have been cancelled and repaid pursuant to the Refinancing with such repayment being funded by drawings under new £95.0 million facilities provided by HSBC, NatWest and BNP Paribas consisting of a £70.0 million RCF (the "New RCF") and a £25.0 million RFF each with an initial three-year term (together, the "New Facilities").

  The New RCF includes: (i) a £20.0 million uncommitted accordion option which would, subject to lender approval, allow the Group to increase the New RCF facility limit if required, and (ii) two uncommitted extension options of one year each which would, subject to lender approval, extend the tenor of the New RCF to four years and five years if exercised. The New Facilities are on improved commercial terms compared to the Existing Facilities and are expected to result in material interest cost savings for the Group over the three-year term of the facilities.

- Dawn Moore, Non-Executive Director, has advised the Board that she intends to step down as a director of the Group immediately following the Company's 2023 Annual General Meeting to focus on expanding executive responsibilities.

Chris Day
Chief Financial Officer and Chief Operating Officer
2 May 2023

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Note	2022 £'000	2021 (restated[1]) £'000
Revenue		**450,020**	363,289
Cost of sales		**(361,237)**	(300,569)
Gross profit		**88,783**	62,720
Other operating income		**681**	696
Distribution expenses		**(4,632)**	(3,536)
Administrative expenses		**(54,866)**	(37,576)
Adjusted EBITDA[2]		**29,966**	22,304
Share-based payments		**(400)**	(96)
Exceptional items	5	**(929)**	(2,517)
EBITDA[3]		**28,637**	19,691
Depreciation		**(2,069)**	(1,340)
Amortisation		**(10,240)**	(8,021)
Operating profit	7	**16,328**	10,330
Finance income	8	**42**	—
Finance expense	9	**(3,572)**	(2,783)
Profit before taxation		**12,798**	7,547
Taxation	10	**(3,257)**	(2,377)
Profit for the year		**9,541**	5,170
Other comprehensive income		**—**	—
Total comprehensive income		**9,541**	5,170
Total comprehensive income for the year attributable to:			
Owners of the parent company		**9,117**	4,757
Non-controlling interests		**424**	413
		9,541	5,170
Earnings per share			
Basic earning per share (pence)	11	**5.68**	3.39
Diluted earning per share (pence)	11	**5.36**	3.09

[1] See note 3.3 for details regarding the restatement.
[2] Adjusted EBITDA is EBITDA but also excluding exceptional items and share-based payments.
[3] EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

The results for the year arise solely from continuing activities.

Consolidated statement of financial position
as at 31 December 2022

	Note	**2022** £'000	2021 (restated[1]) £'000	2020 (restated[1]) £'000
Non-current assets				
Intangible assets	12	**45,331**	22,673	18,198
Property, plant and equipment		**13,647**	8,050	4,417
Right-of-use assets	13	**38,968**	33,271	32,087
Other receivables		**279**	304	78
Investments		**85**	84	4
		98,310	64,382	54,784
Current assets				
Inventories		**53,177**	38,781	40,004
Trade and other receivables		**71,023**	57,744	52,633
Assets classified as held for sale		**1,333**	—	—
Cash and cash equivalents		**16,038**	11,402	16,342
		141,571	107,927	108,979
Total assets		**239,881**	172,309	163,763
Current liabilities				
Trade and other payables		**(94,343)**	(72,901)	(65,674)
Borrowings		**(10,348)**	(2,783)	(20,738)
Lease liabilities	13	**(5,496)**	(5,114)	(4,180)
Liabilities classified as held for sale		**(675)**	—	—
Current tax liabilities		**(1,700)**	(2,014)	(1,055)
Total current liabilities		**(112,562)**	(82,812)	(91,647)
Non-current liabilities				
Trade and other payables		**(4,716)**	(7,866)	(7,251)
Borrowings		**(25,086)**	(2,125)	(18,522)
Lease liabilities	13	**(37,024)**	(31,518)	(30,373)
Other provisions		**(1,283)**	(987)	(817)
Deferred tax		**(7,022)**	(2,940)	(2,433)
Total non-current liabilities		**(75,131)**	(45,436)	(59,396)
Total liabilities		**(187,693)**	(128,248)	(151,043)
Net assets		**52,188**	44,061	12,720
Equity				
Share capital		**813**	788	19,990
Share premium		**28,293**	28,293	—
Merger reserve		**(9,980)**	(9,980)	(9,980)
Share-based payment reserve		**497**	96	—
Retained earnings		**31,237**	20,527	(789)
Equity attributable to owners of the parent company		**50,860**	39,724	9,221
Non-controlling interests		**1,328**	4,337	3,499
Total equity		**52,188**	44,061	12,720

[1] See note 3.3 for details regarding the restatement.

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Equity attributable to owner of parent company £'000	Non-Controlling interests £'000	Total equity £'000
As at 1 January 2021 as originally presented	19,990	—	(9,980)	—	3,622	13,632	3,499	17,131
Correction of error (net of tax)	—	—	—	—	(4,411)	(4,411)	—	(4,411)
Restated total equity at the beginning of the financial year[1]	19,990	—	(9,980)	—	(789)	9,221	3,499	12,720
Profit for the financial period and total comprehensive income	—	—	—	—	4,757	4,757	413	5,170
Share-based payments	—	—	—	96	—	96	—	96
Share capital issued	158	29,842	—	—	—	30,000	—	30,000
Costs of capital raise	—	(1,549)	—	—	—	(1,549)	—	(1,549)
Put and call options over non-controlling interests	—	—	—	—	(1,802)	(1,802)	—	(1,802)
Non-controlling interests share of acquisitions	—	—	—	—	—	—	425	425
Capital reorganisation	(19,360)	—	—	—	19,360	—	—	—
Dividends paid	—	—	—	—	(999)	(999)	—	(999)
As at 31 December 2021	788	28,293	(9,980)	96	20,527	39,724	4,337	44,061
As at 1 January 2022 as originally presented	788	28,293	(9,980)	96	27,214	46,411	4,337	50,748
Correction of error (net of tax)	—	—	—	—	(6,687)	(6,687)	—	(6,687)
Restated total equity at the beginning of the financial year	788	28,293	(9,980)	96	20,527	39,724	4,337	44,061
Profit for the financial period and total comprehensive income	—	—	—	—	9,117	9,117	424	9,541
Share-based payments	—	—	—	400	—	400	—	400
Share capital issued	25	—	—	—	—	25	—	25
Put and call options over non-controlling interests	—	—	—	—	(609)	(609)	—	(609)
Corporation tax on options	—	—	—	—	606	606	—	606
Deferred tax on options	—	—	—	1	515	516	—	516
Non-controlling interests share of acquisitions	—	—	—	—	—	—	745	745
Acquisition of non-controlling interest	—	—	—	—	4,168	4,168	(4,168)	—
Capital repayment	—	—	—	—	—	—	(10)	(10)
Dividends paid	—	—	—	—	(3,087)	(3,087)	—	(3,087)
As at 31 December 2022	**813**	**28,293**	**(9,980)**	**497**	**31,237**	**50,860**	**1,328**	**52,188**

[1] See note 3.3 for details regarding the restatement.

Consolidated statement of cash flows
for the year ended 31 December 2022

	2022 £'000	2021 (restated[1]) £'000
Cash flows from operating activities		
Profit before taxation	**12,798**	7,547
Adjusted for:		
Depreciation of property, plant and equipment	**2,069**	1,340
Amortisation of intangibles	**3,317**	2,087
Amortisation of right-of-use assets	**6,923**	5,934
Profit on disposal of property, plant and equipment	**(151)**	—
Share-based payment expense	**400**	96
Finance income	**(42)**	—
Finance expense	**3,572**	2,783
Operating cash flows before movements in working capital	**28,886**	19,787
(Increase) / decrease in inventories	**(8,438)**	2,837
Increase in trade and other receivables	**(526)**	(1,791)
Increase in trade and other payables	**6,918**	265
Cash generated by operations	**26,840**	21,098
Corporation tax paid	**(3,679)**	(1,751)
Net cash generated by operating activities	**23,161**	19,347
Cash flows from investing activities		
Purchase of intangible assets	**(236)**	(648)
Business acquisitions (net of cash acquired)	**(26,854)**	(6,225)
Deferred consideration paid	**(2,683)**	(875)
Purchase of property, plant and equipment	**(3,516)**	(1,297)
Proceeds on disposal of property, plant and equipment	**195**	—
Purchase of investments	**—**	(77)
Purchase of non-controlling interest of Hevey	**(2,480)**	—
Interest received	**42**	—
Net cash used in investing activities	**(35,532)**	(9,122)
Cash flows from financing activities		
Principal paid on lease liabilities	**(8,395)**	(6,750)
Issue of share capital	**25**	30,000
Costs of capital raise	**—**	(1,549)
Dividends	**(3,087)**	(999)
Capital repayment to non-controlling interests	**(10)**	—
Proceeds from borrowings	**110,976**	4,908
Repayment of borrowings	**(80,450)**	(40,081)
Bank interest paid	**(1,306)**	(529)
Interest on financial liabilities	**(124)**	(165)
Net cash inflow / (outflow) from financing activities	**17,629**	(15,165)
Net increase / (decrease) in cash and cash equivalents	**5,258**	(4,940)
Cash and cash equivalents at the beginning of the year	**11,402**	16,342
Cash and cash equivalents at the end of the year	**16,660**	11,402
Cash and cash equivalents	**16,038**	11,402
Cash and cash equivalents included in assets held for resale	**622**	—
Cash and cash equivalents at the end of the year	**16,660**	11,402

[1] See note 3.3 for details regarding the restatement.

Notes to the financial statements
for the year ended 31 December 2022

1. General information
Lords Group Trading plc (the 'Company') is a public company limited by shares, listed on AIM and incorporated and domiciled in England. The address of the Company's registered office and principal place of business is 2nd Floor Hanger Green, London, England, W5 3EL.

The principal activity of the Company together with its subsidiary undertakings (the 'Group') throughout the period is the distribution of building materials, heating goods and DIY goods to local tradesmen, large scale developers, small and medium construction companies and retail customers.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 2 May 2023. The directors have the power to amend and reissue the financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

Whilst the financial information included in this preliminary results' announcement has been prepared in accordance with the recognition and measurement requirements of UK-adopted International Accounting Standards this announcement does not itself contain sufficient information to comply with UK-adopted International Accounting Standards and does not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006.

The principal accounting policies used in preparing this preliminary results announcement are those that the Company has adopted for its statutory accounts for the year ended 31 December 2022 and are unchanged from those previously disclosed in the Group's Annual Report and Accounts for the year ended 31 December 2021.

Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered in due course. The Company's auditors RSM UK LLP, have reported on the 2022 accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006. The 2021 audit report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006.

Full financial statements for the year ended 31 December 2022 will be posted and made available to shareholders in due course.

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies. The financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

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

2.2 Going concern
At 31 December 2022, the Group had £34.4 million of undrawn facilities as disclosed in note 25 and £16.0 million of cash. Banking covenants are breached if the last twelve months' adjusted EBITDA / interest (interest ratio) falls below 5 or the last twelve months' net debt / adjusted EBITDA exceeds 2.5. At 31

December 2022, the interest ratio was over 14.5 and the last twelve months' net debt / adjusted EBITDA ratio was 1.6.

Accounting standards require that the foreseeable future covers a period of at least twelve months from the date of approval of the financial statements, although they do not specify how far beyond twelve months a board should consider. The Board has considered cash flow facilities out to an extended period coinciding with the expiry of the banking facilities on 21 July 2024. The Group is expected to have at least £24.8 million of headroom over its facilities at all times until 21 July 2024.

The cash flow forecasts have been stress tested by considering the most likely risks impacting the Group. These are considered to be growth below forecast, increased working capital requirements through increased debtors and an increase in interest base rate. The Group's cash flow projections indicate covenants on facilities will not be breached unless, instead of the anticipated growth, the Group's projected EBITDA falls by £3.1 million, or debtors increase by 15.0% above the base model, or the Bank of England base rate increases to 9.5%. While none of these are likely to occur, the Group has mitigating actions at its disposal that it can take in downside scenarios, such as delaying capital expenditure and maintaining a strong credit control function across the Group supported by credit insurance and restructuring the Group to reduce costs.

Cash flow forecasts are reforecast in the event of a potential acquisition not already in the forecast. The Group prepares weekly cash flow projections, daily sales flashes and monthly management accounts compared to budget with key performance indicators which together will provide an early warning system to indicate whether any mitigating actions are necessary in any part of the Group.

In all reasonable scenarios the Group is projected to be compliant with its banking covenants and therefore the directors are satisfied that the Group has adequate resources to continue operations for the foreseeable future.

On 5 April 2023 the Group has increased its facilities by a further £25 million with an initial three year term. For further details see note 16, post balance sheet events. The increased and extended facilities have not been considered in the above but will only increase the Group's resilience.

After reviewing the Group and Company's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence until at least 21 July 2024, when the existing banking facilities expire.

Accordingly, the directors continue to adopt the going concern basis in preparing the Group and Company financial statements.

2.3 New accounting standards, interpretations or amendments adopted by the Group

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective. The Group applies for the first time the following new standards applicable for the year ended 31 December 2022:

Amendments to IFRS standards applicable for year ended 31 December 2022:

Amendments to standards

- Amendments to IFRS 3 Business Combinations.
- Amendments to IAS 16 Property, Plant and Equipment.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- Annual Improvements 2018-2020.
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021.

By adopting the above, there has been no material impact on the financial statements.

International Financial Reporting Standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS standards that have been issued but were not effective for the year ended 31 December 2022:

- amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates; and
- amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group.

3. Critical accounting judgements, estimates and errors
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Key accounting judgements
Recognition of legal and regulatory provisions
A key area of judgement applied in the preparation of these financial statements is determining whether a present obligation exists and, where one does, in estimating the probability, timing and amount of any outflows. In determining whether a provision needs to be made and whether it can be reliably estimated, we consult relevant professional experts and reassess our judgements on an ongoing basis as facts change. In the early stages of legal and regulatory matters, it is often not possible to reliably estimate the outcome and in these cases we do not provide for their outcome but instead include further disclosures outlining the matters within our contingent liabilities note.

Assessment of who has the risk and reward of ownership of non-controlling interests with put and call options
A key area of judgement applied in the preparation of these financial statements is determining whether the risk and rewards of ownership resides with the non-controlling interests or the Group when an acquisition has put and call options.

Where the pricing is at a variable price, the Group assesses the risk and rewards reside with the non-controlling interests (NCI). This is because the exposure to any increase or decrease in the value of the business resides with the NCI, as they will either retain the investment indefinitely (if neither party exercises) or they can recover the fair value of the business through the exercise price.

Where the exercise price is a fixed amount (or an amount that varies only for the passage of time), then the risks and rewards reside with the Group. This is because once the put and call become exercisable, one party will be incentivised to exit because they benefit from doing so.

In the case of the acquisition of Direct Plumbing and Heating the Group acquired a 90% holding of the companies and has a put and call policy over the remaining 10%. The purchase price is based on a formula that approximates market value. There is also a service agreement which impacts 50% of the price paid for the shares but as the price paid is still variable the Group assesses the risk and rewards remain with the non-controlling interest.

In October 2017, the Group acquired a 75% interest in Hevey Building Supplies Limited with put and call interests over the remaining 25%. The purchase price of the options was at market value. There was also a service agreement which was in addition to and not affecting the purchase price of the option. The Group assesses that risk and reward remained with the non-controlling interest.

In April 2021, the Group acquired a 75% interest in Condell Limited with put and call interests over the remaining 25%. The purchase price of the options was at market value and there was no service contract. The Group assesses that risk and reward remained with the non-controlling interest.

As no liability had been recorded for the options of Hevey or Condell in prior years, a prior adjustment has been made and the accounting is included in note 3.3.

3.2 Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

Lease liabilities

The Group makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third-party financing costs when the interest rate implicit in the lease cannot be readily determined. A Group incremental borrowing rate has been applied for all subsidiary leases because the Group has central borrowings.

The Group has adopted a range from 2.45% to 5.31% as its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate has been determined by using a synthetic credit rating for the Group which is used to obtain market data on debt instruments for companies with the same credit rating and adjusted for the lease term and type of asset. The Group performed a sensitivity analysis on the incremental borrowing rate and identified that if the incremental borrowing rate increased to 8%, for all assets, there would be a reduction in the carrying amount of the right-of-use asset at 31 December 2022 of £4,081,000 (2021: £3,484,000) and there would be a subsequent decrease in the lease liability of £3,730,000 (2021: £3,213,000). If the incremental borrowing rate decreased to 3%, for all assets, there would be an increase in the carrying amount of the right-of-use asset at 31 December 2022 of £5,455,000 (2021: £4,902,000) and there would be a subsequent increase in the lease liability of £4,805,000 (2021: £4,140,000).

In addition, the Group provides for dilapidations on the leaseholds at rates it estimates as appropriate to cover the anticipated dilapidation cost over the term of the lease; these are included within the lease liability calculation.

Useful economic lives of intangible and tangible assets

Annual amortisation and depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on cash-generating unit performance, technological advances, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying values of the assets and details on the key assumptions made.

Inventories

The Group carries significant levels of inventory and key judgements are made by management in estimating the level of provisioning required for slow-moving inventory. Provision estimates are forward looking and are formed using a combination of factors including historical experience, management's knowledge of the industry, Group discounting and sales pricing. Management use a number of internally generated reports to monitor and continually reassess the adequacy and accuracy of the inventory provision. In arriving at their conclusion, the directors consider inventory ageing and turn analysis. The inventory provision is 3.8% of inventory (2021: 5.9%). Doubling the provision would increase cost of sales / reduce the carrying value of inventory by £1,997,000 in 2022 (2021: £2,304,000).

Fair value of intangible assets
The fair value of customer relationship assets and trade names separately acquired through business combinations involves the use of valuation techniques and the estimation of future cash flows to be generated over several years. The estimation of the future cash flows requires a combination of assumptions including assumptions for customer attrition rate, EBIT and discount rates. Estimated attrition rates are net of growth rates for the existing customer base. The relief from royalty rate is the value that would be obtained by licensing trade names out to a third party, as a percentage of sales. See note 12 for the carrying value of the assets.

The assumptions applied by the directors in respect of the business combinations are as follows:

				Trade names	
	Customer attrition rate	EBIT as a % of revenue	Discount rate	Relief from royalty rate	Discount rate
Advance Roofing Supplies Limited	2.0%	8.0%	13.0%	0.3%	13.0%
A.W. Lumb	2.8%	5.5%	11.2%	0.3%	11.2%
DH&P Plumbing and Heating	9.1%	6.5%	12.8%	0.3%	12.8%
Sudbury branch acquisition	3.0%	9.2%	12.8%	—	—

3.3 Correction of error in accounting for option to acquire minority interest
In October 2017 and April 2021 the Group acquired a majority share in Hevey Building Supplies Limited and Condell Limited respectively. In both instances, a put and call agreement was put in place with the non-controlling interest for the acquisition of the remaining shares. The options were not accounted for by the Group. In addition Hevey Building Services Limited put in place a services agreement with deferred remuneration after five years attached to service and growth targets. The services agreement was not accounted for by the group.

These errors have been corrected by restating each of the affected financial statements line items for the prior periods as at 31 December 2020 and 31 December 2021 respectively and as such have been corrected via a prior year restatement.

Consolidated statement of financial position (extract)	31 December 2020 £'000	Increase / (decrease) £'000	31 December 2020 restated £'000
Non-current trade and other payables	2,840	4,411	7,251
Total non-current liabilities	54,985	4,411	59,396
Total liabilities	146,632	4,411	151,043
Net assets	17,131	(4,411)	12,720
Retained earnings	3,622	(4,411)	(789)
Total equity	17,131	(4,411)	12,720

Consolidated statement of financial position (extract)	31 December 2021 £'000	Increase / (decrease) £'000	31 December 2021 restated £'000
Current trade and other payables	70,459	2,442	72,901
Total current liabilities	80,370	2,442	82,812
Non-current trade and other payables	3,621	4,245	7,866
Total non-current liabilities	41,191	4,245	45,436
Total liabilities	121,561	6,687	128,248
Net assets	50,748	(6,687)	44,061
Retained earnings	27,214	(6,687)	20,527
Total equity	50,748	(6,687)	44,061

Summary of movement in retained earnings	31 December 2021 £'000	Increase / (decrease) £'000	31 December 2021 restated £'000
Retained earnings – 31 December 2020	3,622	(4,411)	(789)
Put and call options over non-controlling interests	—	(1,802)	(1,802)
Profit for the year	5,231	(474)	4,757
Capital reorganisation	19,360	—	19,360
Dividends paid	(999)	—	(999)
Retained earnings – 31 December 2021	27,214	(6,687)	20,527

Consolidated statement of comprehensive income (extract)	31 December 2021 £'000	Increase / (decrease) £'000	31 December 2021 restated £'000
Exceptional expenses	(2,085)	(432)	(2,517)
EBITDA	20,123	(432)	19,691
Operating profit	10,762	(432)	10,330
Finance expense	(2,741)	(42)	(2,783)
Profit before tax	8,021	(474)	7,547
Taxation	(2,377)	—	(2,377)
Profit for the year	5,644	(474)	5,170

Total comprehensive income attributable to:	31 December 2021 £'000	Increase/ (Decrease) £'000	31 December 2021 restated £'000
Owners of the parent company	5,231	(474)	4,757
Non-controlling interest	413	—	413
	5,644	(474)	5,170
Earnings per share			
Basic earnings per share (pence)	3.73	(0.34)	3.39
Diluted earnings per share (pence)	3.40	(0.31)	3.09

The restatement also affected note 5 Exceptional items, increasing the charge by £432,000, and note 9 Finance expense, increasing the charge by £42,000.

4. Segmental analysis

The Group has two reporting segments, being the distribution of plumbing and heating, and the sale and distribution of merchanting and other services. Total assets and liabilities are provided to the chief operating decision-maker in the Group's internal management reporting by segment

2022	**Plumbing and Heating £'000**	**Merchanting £'000**	**Total £'000**
Revenue	**229,264**	**220,756**	**450,020**
Cost of sales	**(196,471)**	**(164,766)**	**(361,237)**
Gross profit	**32,793**	**55,990**	**88,783**
Other operating income	**257**	**424**	**681**
Distribution costs	**(109)**	**(4,523)**	**(4,632)**
Administrative expenses	**(19,095)**	**(35,771)**	**(54,866)**
Adjusted EBITDA	**13,846**	**16,120**	**29,966**
Share-based payments	**(136)**	**(264)**	**(400)**

Exceptional items	**—**	**(929)**	**(929)**
EBITDA	**13,710**	**14,927**	**28,637**
Depreciation	**(305)**	**(1,764)**	**(2,069)**
Amortisation	**(2,442)**	**(7,798)**	**(10,240)**
Operating profit	**10,963**	**5,365**	**16,328**
Finance income	**—**	**42**	**42**
Finance costs	**(679)**	**(2,893)**	**(3,572)**
Profit before taxation	**10,284**	**2,514**	**12,798**
Taxation	**(2,583)**	**(674)**	**(3,257)**
Profit for operating unit	**7,701**	**1,840**	**9,541**
Assets and liabilities			
Total assets	**106,599**	**133,282**	**239,881**
Total liabilities	**(70,462)**	**(117,231)**	**(187,693)**
Net assets	**36,137**	**16,051**	**52,188**
Additions to non-current assets	**10,420**	**35,495**	**45,915**

2021	Heating (Restated[1]) £'000	Merchanting (Restated[1]) £'000	Total (Restated[1]) £'000
Revenue	232,837	130,452	363,289
Cost of sales	(206,497)	(94,072)	(300,569)
Gross profit	26,340	36,380	62,720
Other operating income	186	510	696
Distribution costs	(105)	(3,431)	(3,536)
Administrative expenses	(16,123)	(21,453)	(37,576)
Adjusted EBITDA	10,298	12,006	22,304
Share-based payments	(37)	(59)	(96)
Exceptional items	—	(2,517)	(2,517)
EBITDA	10,261	9,430	19,691
Depreciation	(1,124)	(216)	(1,340)
Amortisation	(1,523)	(6,498)	(8,021)
Operating profit	7,614	2,716	10,330
Finance income	—	—	—
Finance costs	(773)	(2,010)	(2,783)
Profit before taxation	6,841	706	7,547
Taxation	(1,059)	(1,318)	(2,377)
Profit / (loss) for operating unit	5,782	(612)	5,170
Assets and liabilities			
Total assets	96,080	76,229	172,309
Total liabilities	(59,098)	(69,150)	(128,248)
Net assets	36,982	7,079	44,061
Additions to non-current assets	9,895	7,756	17,651

[1] See note 3.3 for details regarding the restatement.

5. Exceptional items

Exceptional items are presented separately as one-off costs that are unlikely to reoccur or costs outside normal business trading.

	2022 £'000	2021 (restated[1]) £'000
HS2 compensation	**(748)**	—
Listing costs	**—**	1,523
Costs of previous financing expensed	**—**	248
Costs of business combinations	**842**	514
Retentions employment costs on acquisitions	**681**	432
National insurance payments	**338**	—
Reduction in contingent consideration	**(184)**	(200)
	929	2,517

[1] See note 3.3 for details regarding the restatement.

Year ended 31 December 2022

The Group received compensation from HS2 for business disruption that has occurred to the Lords Builders Merchants Park Royal branch of £748,000.

The costs associated with the business combinations detailed in note 19 have been expensed and disclosed as exceptional items which amount to £842,000. The Group sometimes includes retentions payments on its acquisitions for key staff. The cost of these retentions is expensed over the period that it relates to. The costs in the year were £681,000.

On migrating to a new payroll system in 2016, two of the Group's subsidiary entities determined that there has been an error in the calculation of employer and employee national insurance over the last four years such that there was an under-payment of national insurance. The Group promptly notified HMRC of the error upon discovery in 2022 and has agreed and paid a full and final payment of £338,000 to cover all national insurance due.

The first instalment of the contingent consideration for Condell Limited was due in April 2022. Condell did not meet the agreed EBITDA target for the first payment to be triggered. The present value of the contingent liability of £184,000 has been released to the income statement within exceptional items. The remaining deferred consideration with a present value of £188,000 is due in April 2023 if EBITDA targets are achieved.

Year ended 31 December 2021

On 20 July 2021, the Group listed on the Alternative Investment Market (AIM). The costs associated with the listing have been expensed and amounted to £1,523,000. Associated with the listing, the Group underwent a refinancing. The costs of the previous financing were being expensed over the term of the loans. As these were no longer required, the costs associated with the previous financing arrangements, which amounted to £248,000, were written off to the income statement with the refinancing.

Transaction costs relating to business combinations amounting to £514,000 were expensed in the year.

The Group sometimes includes retentions payments on its acquisitions for key staff. The cost of these retentions is expensed over the period that it relates to. The costs in the year were £432,000.

A £200,000 contingent consideration assumed on the acquisition of Kings Langley Building Supplies Limited was not payable and therefore released to the income statement in the year.

6. Employee benefit expenses

Staff costs of continuing operations, including directors' remuneration, were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	**31,298**	22,833
Social security costs	**3,050**	2,313
Defined contribution costs	**697**	424
Share-based payments	**400**	96
	35,445	25,666

The average monthly number of employees of continuing operations, including the directors, during the year were as follows:

	2022	2021
	No.	No.
Management and administration	**110**	82
Sales, retail and manufacturing	**770**	556
	880	638

7. Expenses by nature

Operating profit is stated after charging / (crediting):

	2022	2021
	£'000	£'000
Depreciation of property, plant and equipment	**2,069**	1,340
Amortisation of intangible assets	**3,317**	2,087
Amortisation of right-of-use assets	**6,923**	5,934
Inventories recognised as an expense	**361,237**	300,569
Short-term and low-value lease payments	**142**	148
Foreign exchange gains	**(6)**	(14)
Share-based payments	**400**	96
Release of impairment of inventories	**(307)**	(142)
Profit on disposal of property, plant and equipment	**(151)**	—
Defined contribution pension plan	**697**	424

8. Finance income

	2022	2021
	£'000	£'000
Bank interest receivable	**42**	—
	42	—

9. Finance expense

		2021
	2022	(restated[1])
	£'000	£'000
Bank loans and overdrafts	**1,306**	529
Invoice discounting facilities	**124**	165
Unwinding of deferred consideration and call and put options	**183**	212
Interest on dilapidation provision	**46**	41
Lease liabilities	**1,913**	1,836
	3,572	2,783

[1] See note 3.3 for details regarding the restatement.

10. Taxation

	2022 £'000	2021 (restated[1]) £'000
Corporation tax		
Current tax on profit for the year	**3,883**	2,344
Adjustments in respect of previous periods	**87**	366
	3,970	2,710
Deferred tax		
Originating and reversal of temporary differences	**(762)**	(198)
Adjustments in respect of previous periods	**46**	(707)
Effect of changes in tax rates	**3**	572
	(713)	(333)
Total tax charge	**3,257**	2,377

[1] See note 3.3 for details regarding the restatement.

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The difference is explained below:

	2022 £'000	2021 (restated[1]) £'000
Profit before taxation	**12,798**	7,547
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**2,432**	1,434
Adjustments in respect of previous periods	**133**	(341)
Expenses not deductible	**660**	843
Income not deductible	**(148)**	—
Changes in tax rates	**3**	572
Deferred tax not recognised	**107**	16
Share-based payments	**70**	(147)
Total tax charge for the year	**3,257**	2,377

[1] See note 3.3 for details regarding the restatement.

Factors that may affect future tax charges

In March 2021, the Chancellor announced that the tax rate would increase to 25% with effect from 1 April 2023 and the law has been substantively enacted as the year end. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Earnings per share

	2022	2021 (restated[1])
Basic earnings per share		
Earnings from continuing activities (pence)	**5.68**	3.39
Diluted earnings per share		
Earnings from continuing activities (pence)	**5.36**	3.09
Weighted average shares for basic earning per share	**160,523,582**	140,354,443
Number of dilutive share options	**9,552,402**	13,647,753
Weighted average number of shares for dilutive earnings per share	**170,075,984**	154,002,196
Earnings attributable to the equity holders of the parent (£'000)	**9,117**	4,757

Both the basic and diluted earnings per share have been calculated using the earnings attributable to shareholders of the parent company, Lords Group Trading plc, of £9,117,000 (2021: earnings of £4,757,000) as the numerator, meaning no adjustment to profit was necessary in either year.

The Group has also presented adjusted earnings per share. Adjusted earnings per share have been calculated using earnings attributable to shareholders of the parent company, Lords Group Trading PLC, adjusted for the after-tax effect of exceptional items (see note 5), share-based payments and amortisation of intangible assets.

	2022 **£'000**	2021 (restated[1]) £'000
Earnings attributable to the equity holders of the parent	**9,117**	4,757
Exceptional items	**929**	2,517
Share-based payments	**400**	96
Amortisation of intangible assets	**3,317**	2,087
Less tax impact of adjustments	**(883)**	(893)
Adjusted earnings	**12,880**	8,564
Weighted average shares for basic earnings per share	**160,523,582**	140,354,443
Number of dilutive share options	**9,552,402**	13,647,753

	2022	2021
Adjusted basic earnings per share		
Earnings from continuing activities (pence)	**8.02**	6.10
Adjusted diluted earnings per share		
Earnings from continuing activities (pence)	**7.57**	5.56

[1] See note 3.3 for details regarding the restatement.

12. Intangible assets

	Software £'000	Customer relationships £'000	Trade names £'000	Goodwill £'000	Total £'000
Year ended 31 December 2021					
Opening net book value	401	10,837	1,717	5,243	18,198
Additions	648	—	—	—	648
Reclassification from tangible assets	18	—	—	—	18
Acquired through business combinations	17	3,336	316	2,227	5,896
Amortisation charge	(132)	(1,719)	(236)	—	(2,087)
Closing net book value	952	12,454	1,797	7,470	22,673
At 31 December 2021					
Cost	1,333	17,906	2,267	7,470	28,976
Accumulated amortisation and impairment	(381)	(5,452)	(470)	—	(6,303)
Net book amount	952	12,454	1,797	7,470	22,673
Year ended 31 December 2022					
Opening net book value	**952**	**12,454**	**1,797**	**7,470**	**22,673**
Additions	**236**	**—**	**—**	**—**	**236**
Reclassification from tangible assets	**—**	**—**	**—**	**1,649[1]**	**1,649**
Acquired through business combinations	**140**	**15,649**	**1,124**	**7,177**	**24,090**
Amortisation charge	**(216)**	**(2,787)**	**(314)**	**—**	**(3,317)**
Closing net book value	**1,112**	**25,316**	**2,607**	**16,296**	**45,331**
At 31 December 2022					
Cost	**1,709**	**33,555**	**3,391**	**16,296**	**54,951**
Accumulated amortisation and impairment	**(597)**	**(8,239)**	**(784)**	**—**	**(9,620)**
Net book amount	**1,112**	**25,316**	**2,607**	**16,296**	**45,331**

1. The acquisition of Condell included a long leasehold which was originally classified as a freehold. This has been reclassified under IFRS 16 and the reduction in tangible assets increases goodwill on acquisition. This has not had a material impact on net assets at the acquisition date or at 31 December 2021 and no prior year restatement has been made for this.

The software intangible assets include the inventory management system of a subsidiary undertaking which was created by an external development firm for the subsidiary's specific requirements. The asset is carried at £126,208 (2021: £151,449) and has a remaining amortisation period of six years (2021: seven years). In addition, another subsidiary company implemented an ERP and stock management system with a carrying value at year end of £557,148 (2021: £621,841) and with a remaining amortisation period of seven years (2021: eight years). There are no other individually material intangible assets.

Goodwill is systematically tested for impairment at each balance sheet date. The Group has no assets with indefinite lives, other than goodwill. No intangible assets were identified by management which needed to be impaired.

Cash-generating unit (CGU) assessment
The Group tests the carrying amount of goodwill annually for impairment or more frequently if there are indications that their carrying value might be impaired. The carrying amounts of other intangible assets are reviewed for impairment if there is an indication of impairment. Impairment is calculated by comparing the carrying amounts to the value-in-use derived from discounted cash flow projections for each CGU to which the intangible assets are allocated. A CGU is deemed to be the branch or group of branches acquired at the time of a business combination. The carrying amount of goodwill is allocated across multiple cash-generating units and the amount allocated to each unit is not significant in comparison with the entity's total carrying amount of goodwill.

The breakdown of the net book value of intangible assets by operating segment is:

	2022	2021
	£'000	£'000
Merchanting	**33,104**	15,981
Plumbing and Heating	**12,227**	6,692
	45,331	22,673

The total recoverable amount in relation to these CGUs at 31 December 2022 was £279,409,000 (2021: £185,440,000). The value-in-use calculations are based on five-year management forecasts with a terminal growth rate applied thereafter, representing management's estimate of the long-term growth rate of the sector served by the CGUs. The recoverable amounts in both 2022 and 2021 were in excess of the carry value of goodwill and so no goodwill was impaired, or any part of the CGU disposed of.

The key assumptions, which are equally applicable to each CGU, in the cash flow projections used to support the carrying amount of goodwill were as follows:

	Plumbing and Heating	Merchanting
Five-year sales growth	4.8% - 11.3%	1.5% - 5.8%
Terminal sales growth	2.0%	2.0%
Discount rate	11.5%	11.5%

Sensitivity analysis
A reasonable change in a key assumption would not cause the carrying value of either CGU to exceed its recoverable amount; the table below shows the amount of headroom and the revised assumptions required to eliminate the headroom in full at 31 December 2022. The headroom relates to the excess of the recoverable amount over the carrying value of the goodwill, intangible assets and other applicable net assets of the CGUs.

	Plumbing and Heating	Merchanting
Recoverable amount of CGU (£'000)	141,676	130,319
Current headroom (£'000)	94,504	66,393
Five-year sales growth	<0%	<0%[1]
Terminal sales growth	<0%	<0%[1]
Discount rate	13% - 39%	18% - 28%

[1] Two CGUs within the Merchanting division are more sensitive than this and breakeven occurs with five-year sales growth limited to 1-2%. The recoverable amount of the CGUs is £26,309,000 (2021: £9,123,000) and the base headroom is £7,717,000 (2021: £1,022,000).

13. Leases and right-of-use assets

Nature of leasing activities

The Group leases a number of assets with all lease payments fixed over the lease term. The Group has property leases, plant and machinery and motor vehicles in the scope of IFRS 16, including retail branches, warehouses, lorries and other vehicles.

	2022	2021
Number of active leases	**240**	210

Description of payments

	2022 £'000	2021 £'000
Principal lease payments	**8,395**	6,750
Interest on dilapidation provision	**46**	41
Interest payments on leases	**1,913**	1,836
Short-term and low-value lease costs	**142**	148
	10,496	8,775

Short-term and low-value lease costs relates to individual vans which are rented on a monthly basis by subsidiaries of the Group.

Right-of-use assets

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 31 December 2020				
Cost	33,195	5,833	5,094	44,122
Accumulated amortisation and impairment	(7,349)	(1,997)	(2,689)	(12,035)
At 1 January 2021	25,846	3,836	2,405	32,087
Year ended 31 December 2021				
Opening net book value	25,846	3,836	2,405	32,087
Additions	906	61	2,618	3,585
Acquired through business combinations	2,080	52	359	2,491
Lease modifications	1,039	9	(3)	1,045
Disposals	(3)	—	—	(3)
Amortisation charge	(3,352)	(928)	(1,654)	(5,934)
Closing net book value	26,516	3,030	3,725	33,271
At 31 December 2021				
Cost	37,217	5,955	8,068	51,240
Accumulated amortisation and impairment	(10,701)	(2,925)	(4,343)	(17,969)
Net book amount	26,516	3,030	3,725	33,271

Year ended 31 December 2022				
At 1 January 2022	**26,516**	**3,030**	**3,725**	**33,271**
Additions	**7,346**	**40**	**738**	**8,124**
Acquired through business combinations	**3,988**	**—**	**98**	**4,086**
Lease modifications	**410**	**—**	**—**	**410**
Amortisation charge	**(4,245)**	**(689)**	**(1,989)**	**(6,923)**
At 31 December 2022	**34,015**	**2,381**	**2,572**	**38,968**
At 31 December 2022				
Cost	**48,961**	**5,995**	**8,904**	**63,860**
Accumulated amortisation and impairment	**(14,946)**	**(3,614)**	**(6,332)**	**(24,892)**
Net book amount	**34,015**	**2,381**	**2,572**	**38,968**

Lease liabilities

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	28,476	3,896	2,181	34,553
Additions	841	63	2,619	3,523
Acquired through business combinations	2,080	52	359	2,491
Disposals	(71)	—	—	(71)
Lease modifications	1,048	7	(5)	1,050
Interest expenses	1,480	203	153	1,836
Lease payments (including interest)	(3,789)	(1,242)	(1,719)	(6,750)
At 31 December 2021	30,065	2,979	3,588	36,632
	30,065	2,979	3,588	36,632
At 1 January 2022				
Additions	**7,302**	**39**	**738**	**8,079**
Acquired through business combinations	**3,783**	**—**	**98**	**3,881**
Lease modifications	**410**	**—**	**—**	**410**
Interest expenses	**1,602**	**167**	**144**	**1,913**
Lease payments (including interest)	**(5,463)**	**(1,240)**	**(1,692)**	**(8,395)**
At 31 December 2022	**37,699**	**1,945**	**2,876**	**42,520**

Reconciliation of minimum lease payments and present value

	2022 £'000	2021 £'000
Within one year	**5,963**	6,200
Later than one year and less than five years	**19,415**	19,236
Later than five years and less than ten years	**14,670**	11,534
Later than ten years and less than 15 years	**8,955**	8,550
After 15 years	**6,550**	2,272
Total including interest cash flows	**55,553**	47,792
Less interest cash flows	**(13,033)**	(11,160)
Total principal cash flows	**42,520**	36,632

Reconciliation of current and non-current lease liabilities

	2022 £'000	2021 £'000
Current	**5,496**	5,114
Non-current	**37,024**	31,518
Total	**42,520**	36,632

14. Contingent liabilities

The contingent liabilities detailed below are those which could potentially have a material impact, although their inclusion does not constitute any admission of wrongdoing or legal liability. The outcome and timing of these matters is inherently uncertain. Based on the facts currently known, it is not possible as at 31 December 2022 to predict the outcome of any of these matters or reliably estimate any financial impact. As such, at the reporting date no provision has been made for any of these cases within the financial statements.

In May 2021, the Group Chief Financial Officer wrote to the HMRC Anti-Money Laundering division to bring to their attention that it had identified a historic breach of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by APP Wholesale Limited, a company that was acquired by Lords Group Trading plc in December 2019. The Group has identified a number of occasions where cash banked in a single transaction was in excess of €10,000 or where smaller sums of cash were banked which could be regarded as linked transactions in breach of the regulations. The breaches occurred over a ten-year period from August 2010, cumulatively amounting to up to nearly £3,000,000. The Board is unable to predict the outcome of this reporting to HMRC and therefore the level of any potential fines. Our legal advice is that penalties for breaches of the regulations varies between nominal fines to fines which can equate to the full amount of the cash sum received in contravention of the regulations, depending on the level of culpability. The Board is confident that any potential fine levied will be significantly less than the maximum that could be imposed by HMRC and therefore would be covered by the warranties contained in the sale and purchase agreement for APP Wholesale Limited.

The Group has since conducted training for certain staff members within APP Wholesale Limited and has updated and implemented improved systems and controls which were overseen by the Board and supported by professional advisers. The Board is confident that the situation has been remedied and the risks in the business are now being appropriately managed. We continue to engage and fully co-operate with our regulators in relation to these matters. At this stage it is not practicable to identify the likely outcome or estimate the potential financial impact with any certainty.

There has been no correspondence with HMRC since the Group wrote to them in May 2021.

15. Related party transactions

Parent entity

Lords Group Trading plc is the parent entity.

Transactions with related parties

Gempoint 2000 Limited, a company of which Shanker Patel is also a director, owns properties leased by operating branches of the Group. In total, the Group paid Gempoint £963,000 in lease payments (2021: £892,000). At 31 December 2022, the Group owed Gempoint £187,000 (2021: £164,000).

The Group directors received dividends in the year from the Company as follows.

	2022	2021
	£'000	£'000
Shanker Patel	**1,028**	290
Chris Day	**11**	—
Gary O'Brien	**3**	1
Andrew Harrison	**1**	—

The following transactions occurred between Group companies and companies that are not wholly owned within the Group:

Condell Limited paid management fees of £320,000 (2021: £291,000), and at 31 December 2022 owed £252,000 (2021: £591,000) to wholly owned Group companies. Condell made purchases of £224,000 (2021:

£153,000) and sales of £701,000 (2021: £274,000) from wholly owned Group companies and was owed a net balance of £89,000 (2021: £39,000) on these transactions.

Weldit LLP paid management fees of £22,500 (2021: £18,000), interest of £19,000 (2021: £26,322) and made purchases of £nil (2021: £nil) to wholly owned Group companies. At 31 December 2022, Weldit LLP owed £710,000 (2021: £737,000) to wholly owned Group companies.

Hevey Building Supplies was not wholly owned until 22 October 2022 when the non-controlling interest was acquired and Hevey Building Supplies became wholly owned. Transactions up to 22 October 2022 were as follows:

Hevey Building Supplies Limited paid management fees in the period to 31 October 2022 of £150,000 (2021: £108,000) and interest of £nil (2021: £50,000) to wholly owned Group companies. At 31 December 2021, Hevey Building Supplies Limited owed £51,000.

16. Post balance sheet events

Purchase of Heathrow branch of George Lines Civils & Landscaping Merchants

On 12 January 2023, the Group entered into binding agreements in respect of the purchase of the freehold property from which the Heathrow branch of George Lines Civils & Landscaping Merchants operates (the 'Property') from the original vendor of George Lines.

The Property, which is situated close to Heathrow airport and covers an area of 1.52 acres including 5,570 square feet of covered storage, is considered by Lords to be prime industrial real estate from which the Heathrow branch of George Lines Civils & Landscaping Merchants is intending to continue to operate for the foreseeable future. The branch has been operating out of the site for more than 40 years.

Maximum consideration for the purchase of the Property is £6.26 million in cash, of which £2.2 million has been paid by the Group. The balance of the consideration is to be paid by the Group prior to 5 July 2024. Transfer of the title of the Property to the Group will occur upon completion, being the date on which the remaining consideration is paid, and the Group will continue to lease the Property until completion occurs, with any rental payments paid prior to completion deducted from the final consideration.

Sale of Lords at Home Ltd

On 2 February 2023, the Group sold its wholly owned subsidiary undertaking, Lords at Home Ltd ('Lords at Home') including the Lords at Home brand. The subsidiary, which has 31 employees, was considered non-core to the Group's principal focus of building, plumbing, heating and DIY goods, and its sale will allow the Group to further focus on core areas of the Lords business.

The cash consideration for the sale of the Lords at Home business was £805,000 payable in full on completion. During the year ended 31 December 2022, Lords at Home generated £3.0 million in revenue and contributed £80,000 of EBITDA.

Chiltern Timber Supplies Limited

On 31 March 2023 the Group acquired Chiltern Timber Supplies Limited ('Chiltern Timber') for a total consideration of up to £1.65 million on a net cash free/debt free basis. The consideration payable is £1.175 million on signing and up to a further £0.475 million deferred equally over 12, 24 and 36 months on a contingent basis subject to Chiltern Timber delivering certain earnings targets.

Established in 2013, Chiltern Timber is an independent timber merchant operating from a modern single site in Hemel Hempstead, Hertfordshire. The business specialises in providing hardwoods, special timber sections, timber landscaping products and veneered sheet material. The business also operates a modern milling facility, allowing it to offer a differentiated service to that of its competitors.

Refinancing Group Lending Facilities
The Group amended its banking facilities on 5 April 2023. The Group's existing £70.0 million lending facilities with HSBC, consisting of a £50.0 million revolving credit facility ('RCF') and a £20.0 million receivables financing facility ('RFF') (together the "Existing Facilities"), have been cancelled and repaid pursuant to the Refinancing with such repayment being funded by drawings under new £95.0 million facilities provided by HSBC, NatWest and BNP Paribas consisting of a £70.0 million RCF (the "New RCF") and a £25.0 million RFF each with an initial three-year term (together, the "New Facilities").

The New RCF includes: (i) a £20.0 million uncommitted accordion option which would, subject to lender approval, allow the Group to increase the New RCF facility limit if required, and (ii) two uncommitted extension options of one year each which would, subject to lender approval, extend the tenor of the New RCF to four years and five years if exercised.

The New Facilities are on improved commercial terms compared to the Existing Facilities and are expected to result in material interest cost savings for the Group over the three-year term of the facilities.

Resignation of Dawn Moore
Dawn Moore, Non-Executive Director, has advised the Board she intends to step down as a director of the Group immediately following the Company's 2023 Annual General Meeting to focus on expanding executive responsibilities.

- Ends -