

**Lords Group Trading plc**  
(‘Lords’, the ‘Company’ or the ‘Group’)

**Interim Results**

*Continued momentum with strategic targets well on track  
and growth opportunities strong despite challenging market conditions*

Lords (AIM:LORD), a leading distributor of building materials in the UK, today announces its unaudited Interim Results for the six months ended 30 June 2023 (‘H1 2023’ or the ‘Period’).

### H1 2023 Financial Highlights

- Record H1 Group revenues of £222.6 million (H1 2022: £214.2 million), a 3.9% increase overall or decrease of 4.4% on a like-for-like (‘LFL’)<sup>1</sup> basis.
- Adjusted EBITDA<sup>2</sup> of £15.1 million (H1 2022: £14.2 million restated), a 6.1% increase.
- Adjusted EBITDA margin of 6.8% (H1 2022: 6.6%), on track to reach 7.5% medium term target.
- Operating Profit of £8.1m (H1 2022: £7.3 million restated), a 11.6% increase.
- Interim dividend of 0.67 pence per share (H1 2022: 0.67 pence per share).
- The Board remains confident of delivering our strategic targets of £500 million revenue by 2024 and improving EBITDA margins to 7.5% in the medium term.

Percentages are based on underlying, not rounded, figures.

*<sup>1</sup> 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.*

*<sup>2</sup> Adjusted EBITDA is EBITDA (defined as earnings before interest, tax, depreciation and amortisation and, in accordance with IFRS) but also excluding exceptional items and share-based payments.*

### Operational Highlights

- **Robust Merchanting** division performance:
  - Record revenues of £109.4 million (H1 2022: £105.9 million), representing growth of 3.3% and decrease of 5.1% on a LFL basis.
  - Trading decisions focused on delivering enhanced Adjusted EBITDA margins of 7.7% (H1 2022: 7.3%).
- **Plumbing and Heating** division (‘P&H’) delivers solid first half despite prevailing trading environment:
  - Record revenues of £113.2 million (H1 2022: £108.3 million), representing growth of 4.5% and decrease of 3.8% on a LFL basis.
  - Previous industry wide boiler supply issues now resolved, with phasing of Group inventory levels expected to normalise prior to year end.
  - Mr Central Heating branch expansion plans continue with the eleventh branch opened in Edinburgh ahead of a planned acceleration of 40 new store openings over the next five years.
- **Acquisition pipeline** remains active, offering potential for further market share gains, enhanced profitability and further diversified revenue streams:
  - Chiltern Timber Supplies Limited was acquired on 3 April 2023 on an initial 3.2x EBITDA multiple, offering the Merchanting division extension of range and geography. The business is performing in line with the Board’s expectations following successful integration.
  - Alloway Timber was acquired on 1 September 2023, adding five branches to the Lords Merchanting division in complementary locations in the South East of England. The business was acquired for a total cash outlay of £3.3 million of which £2.6 million was payable upon completion.
  - Management remains focused on further opportunities that are complementary to Lords’ strategy of product range and geographic expansion.

## Current Trading and Outlook

- The Group has delivered a resilient performance in H1 2023 and the Board believes that the Group is currently outperforming the market<sup>3</sup> but is not immune to persistent macro-economic pressures.
- Since our last market update, persistent high levels of inflation, increasing interest rates and weaker consumer confidence have continued to reduce demand in the Group's key end markets of private repairs, maintenance and improvements (RMI) and new build housing, and consequently demand for the Group's products.
- Given the continuing challenging backdrop, the Board now anticipates that demand will remain at current levels throughout the remainder of H2 2023. Accordingly, the Board expects the Group to deliver full year revenues of approximately £450 million and Adjusted EBITDA of approximately £27 million.
- The Board remains confident of delivering its strategic targets of £500 million revenue by 2024 and EBITDA margins of 7.5% in the medium term, with the Group's colleague and customer focused proposition enabling Lords to take market share, as well as being an acquirer of choice in the market.

<sup>3</sup>The Construction Product Association's (CPA) January forecasts were for a reduction of 11% and 9% in new build housing and private housing RMI, respectively, in 2023. The CPA's latest forecasts, published in July, are for a reduction of 19% and 11% in new build housing and private housing RMI, respectively, in 2023.

### Commenting on the Interim Results, Shanker Patel, Chief Executive Officer of Lords, commented:

*"Lords performed well in the period recording another record half year, despite tougher market conditions. These results are testament to our outstanding colleagues and continued execution of our strategy, which when combined, offer our customers a continually improving proposition."*

*"We have a substantial opportunity to grow the Group's current < 1% market share through attracting new customers, a greater share of existing customer wallet, product range extension, new geographies, digital capability and value added acquisitions. Our focus on the essential and resilient 'Repair' sector of RMI positions us more defensively during periods of volatility."*

*"The Board is still mindful of accumulating short-term macroeconomic conditions to which the Group is not immune and expects trading conditions to be more challenging in the second half of the year against strong comparators. However, we anticipate Lord's agility, entrepreneurialism and strong positioning will enable the Group to deliver its strategic target of £500 million revenue by 2024 and EBITDA margins of 7.5% in the medium term."*

### 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:

- **Merchandising:** 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 31 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 17 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 48 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](http://www.lordsgrouptradingplc.co.uk).

*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 via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

## Chief Executive Officer's Review

On behalf of the Board, I am pleased to introduce our Interim Results for the six months to 30 June 2023. The Group has performed strongly in the period, delivering enhanced profitability and continued execution of our growth strategy.

### H1 2023 Overview

The H1 2023 results demonstrate the success of Lords' growth strategy which continues to be executed by its divisional teams, resulting in a 6.1% increase in Adjusted EBITDA. These results reflect Lords' colleague and customer focused proposition which enables continued market share gains.

H1 2023 revenues totalled a record £222.6 million (H1 2022: £214.2 million), a 3.9% increase with both divisions contributing to the revenue growth – P&H 4.5%, Merchanting 3.3%. Revenues on a LFL basis decreased by 4.4% in H1 2023 which we believe continues to outperform the market<sup>3</sup>.

The Group delivered Adjusted EBITDA of £15.1 million (H1 2022: £14.2 million) with continued margin enhancement as adjusted EBITDA margins increased to 6.8% (H1 2022: 6.6%). Margin accretion continues to be delivered despite overhead inflationary pressures, reflecting disciplined growth investment.

### Strategic Initiatives

Lords has made good progress on its strategic initiatives, which are aimed at growing our <1% market share through profitable, margin accretive growth with a revenue target of £500 million in 2024 and 7.5% EBITDA margin in the medium term. Our strategic growth initiatives are:

1. New branch openings to expand our geographical presence and access new customers.
2. Product range extension to enhance our customer proposition enabling a greater share of customer wallet.
3. Digital expansion via our in-house team to generate more customers and an enhanced customer experience.
4. Acquisitions on a multiple that are accretive and add geography and product range extension.

These ongoing investments support the execution of our growth strategy, and the organic initiatives (points 1-3) are within our overall capital expenditure guidance. Progress on each of these initiatives is reviewed below:

#### New branch openings

The Board believes there is opportunity for all of our brands to open new branches as part of our organic growth strategy. Two brands have an exceptional opportunity to open new branches, expanding geographical presence whilst accessing new customers.

Mr Central Heating is our digitally led P&H trade counter business which has the potential to open up to 40 new stores (from 10 to up to 50) over the next five years. The eleventh branch recently opened in Edinburgh and management has identified the additional 39 target markets for future openings. Mr Central Heating is well placed to deliver this branch rollout programme, with access to the wider P&H product range and a mature online proposition. All new Mr Central Heating branches have delivered accretive EBITDA margins at maturity and exceeded internal return hurdles.

George Lines is the second brand identified for organic expansion, being the Group's specialist civils merchanting business. Currently operating from three locations in the South East of England, management has identified seven further locations for future expansion, which will expand the brand to 10 locations nationwide. The customer proposition is focused on product expertise, service and availability differentiating George Lines from many of its competitors and thus forging strong customer relationships. Management expects the first of the seven new branches to be opened in the next six months.

#### Product Range Extension

This strategy is designed to leverage our core competencies while tapping into emerging opportunities. By introducing new variations, complementary products, and innovative solutions across product categories, we aim to capture untapped segments and enhance customer loyalty.

Renewables is an example within the innovation category with customer demand for energy efficient technologies gaining continual momentum. Our Group is uniquely placed to serve this market through our distributor, P&H merchant and general builders merchant platforms. In H1 2023, this product category including air source heat pumps, controls, under floor heating and air conditioning delivered 75% revenue growth.

## **Digital Expansion**

We believe our customers benefit from the ability to shift across channels (online / instore) in their purchasing journey with Lords, and our online presence offers a powerful customer attraction and retention tool. Our strategy is to invest in online capability that expands our customer base and builds loyalty through an enhanced purchasing experience.

We have an in-house digital team that delivers our digital roadmap, ensuring there is always a strong connection to the customer requirements. In Q1 2023, the lordsbm.co.uk website was upgraded, resulting in a 5x uplift in conversion rates and with 70% of revenue originating from non-account customers.

## **Acquisitions**

There is a substantial consolidation opportunity within the UK building supplies sector to combine independent merchants and distributors. Lords targets transactions that deliver on our strategy of geographic and range expansion.

Due to our colleague and customer focused culture, Lords is seen as an attractive buyer with a proven track record of successful integrations. Since 2016, the Group has completed 14 acquisitions, of which five have occurred in the last two years at a blended 4.8x maintainable EBITDA.

Lords has a strong platform for future growth, with less than 1% market share and multiple growth levers to pursue. We remain confident of delivering our strategic targets of £500 million revenue by 2024 and improving EBITDA margins to 7.5% in the medium term.

**Shanker Patel**  
**Chief Executive Officer**  
7 September 2023

## Financial Review

### Revenue

The Group delivered revenue of £222.6 million in H1 2023 (H1 2022: £214.2 million), representing a total increase of 3.9% or £8.4 million and decline of 4.4% on a LFL basis. The LFL revenue performance is reflective of deflation in several core product categories alongside more selective customer profitability decisions supporting continued margin enhancements. Trading towards the end of Q2 2023 was more challenging, reflective of the impact of macroeconomic factors such as persistent, higher inflation and accelerating interest rates, impacting market conditions.

The Merchating division contributed revenue of £109.4 million (H1 2022: £105.9 million) with growth of 3.3% and a decline of 5.1% on a LFL basis. The P&H division delivered total revenue of £113.2 million (H1 2022: £108.3 million) with growth of 4.5% and a decline of 3.8% on a LFL basis.

Revenue by division:

	<b>H1 2023</b>	<b>H1 2022</b>	<b>%</b>	<b>% LFL</b>
	<b>£'m</b>	<b>£'m</b>	<b>growth</b>	<b>growth</b>
Merchating	109.4	105.9	3.3%	(5.1%)
Plumbing and Heating	113.2	108.3	4.5%	(3.8%)
	<b>222.6</b>	<b>214.2</b>	<b>3.9%</b>	<b>(4.4%)</b>

### Adjusted EBITDA

The Group's Adjusted EBITDA increased by 6.1% to £15.1 million in H1 2023, compared to £14.2 million in H1 2022. Adjusted EBITDA margin improved to 6.8% (H1 2022: 6.6% restated) which is progressing well against our 7.5% medium term target.

Merchating division EBITDA in H1 2023 increased to £8.5 million (H1 2022: £7.7 million) supported by revenue growth of 3.3%. The Adjusted EBITDA margin of 7.7% (H1 2022: 7.3%) reflects continued trading decisions around customer profitability designed to balance product price deflation and overhead inflation.

The P&H division achieved Adjusted EBITDA of £6.6 million (H1 2022: £6.5 million), with Adjusted EBITDA margin reducing to 5.8% (H1 2022: 6.0%). In a more challenging market year on year, the division is largely holding onto margin gains delivered over the last 24 months via a growing mix of higher margin product ranges.

Adjusted EBITDA by division:

	<b>H1 2023</b>	<b>H1 2023</b>	<b>H1 2022</b>	<b>H1 2022</b>
	<b>£'m</b>	<b>margin</b>	<b>£'m</b>	<b>margin</b>
Merchating	8.5	7.7%	7.7	7.3%
Plumbing and Heating	6.6	5.8%	6.5	6.0%
<b>Total Group</b>	<b>15.1</b>	<b>6.8%</b>	<b>14.2</b>	<b>6.6%</b>

### Depreciation and amortisation

Depreciation and amortisation increased to £6.6 million (H1 2022: £ 5.8 million restated) in line with acquisitions made in the last twelve months and in addition to continued capital expenditure investment in the Group's three P's (People, Plant, Premises) strategy.

## Profit before tax

The Group generated Adjusted Profit before tax<sup>5</sup> for the period of £7.7 million, compared to £8.4 million (restated) in the prior period.

The Group generated a profit before tax for the period of £5.6 million, compared to £5.8 million (restated) in the prior period. Interest on bank loans and overdrafts increased to £1.4 million (H1 2022: £0.3 million), linked to increased net debt and base rates.

<sup>5</sup> *Adjusted profit before tax is profit before tax before exceptional items, share based payments and amortisation of intangible assets.*

## Earnings per share

The Group reported a statutory profit after tax of £3.9 million (H1 2022: £4.2 million) (restated) resulting in a basic earnings per share of 2.35 pence compared to 2.53 pence (restated) in H1 2022.

Adjusted basic earnings per share (defined in note 10) decreased to 3.39 pence in H1 2023 compared to 3.87 pence (restated) in H1 2022.

## Prior year adjustment

The December 2022 annual financial statements included a prior year adjustment to reflect the omission of accounting for put and call options over share holdings of non-controlling interests. As these adjustments impacted the prior period to 30 June 2023 comparatives these have been restated. For further information see note 4.3.

## Dividend

The Board is pleased to announce an interim dividend for the period of 0.67 pence per ordinary share. This is in line with market expectations at the time of the Group's IPO and is in line with the Board's intention of a progressive dividend policy.

The interim dividend will be paid on 6 October 2023 to shareholders on the register at the close of business on 15 September 2023. The Company's ordinary shares will therefore be marked ex-dividend on 14 September 2023.

## Net Cash / Debt

The Group's net debt (defined as borrowings less cash and cash equivalents) position, moved from a net debt position of £19.4 million at 31 December 2022 to a net debt position of £38.0 million at 30 June 2023.

The net cash / debt movement during the period is linked to three factors totalling £23.5 million:

1. Deferred consideration payments totalling £4.6 million.
2. Acquisition of Chiltern Timber Supplies Limited £0.7 million (net of cash acquired) and George Lines freehold £2.2 million initial outlay.
3. P&H division working capital profile as at June 2023 being reflective of response to historical industry wide boiler supply issues. With industry wide boiler supply issues now resolved, the P&H division working capital profile is now expected to normalise back to cash through H2 2023 and in due course.

## Cashflow

The Group generated operating cash flow before movements in working capital of £14.8 million in H1 2023 compared to £13.3 million (restated) in H1 2022. Cash consumed by operations was £1.3 million (H1 2022 cash generated: £12.8 million) with the P&H stock phasing driving the year on year movement.

Free cashflow (defined as cash generated by operating activities less capital expenditure, exceptional items, share based payments and interest paid) is the Group's primary cashflow metric with £8.2 million consumed in H1 2023 verses £9.0 million (restated) generated in H1 2022.

£0.7 million was used for business acquisitions in H1 2023, relating to the acquisition of Chiltern Timber Supplies Limited.

## **Liquidity**

At 30 June 2023, the Group had balance sheet liquidity of £57.0 million (30 June 2022 £48.9 million) of which £7.4 million (30 June 2022: £11.6 million) was held in accessible cash and £49.6 million (30 June 2022: £37.3 million) in undrawn but available bank facilities.

These resources together with strong cash flow from operations provide good liquidity and the capacity to fund investment in working capital, routine capital expenditure and growth activity including acquisitions.

## **Capital Expenditure and Investment in Intangible Assets**

The Group maintained disciplined control over the allocation of capital, and capital expenditure for the period was £4.3 million (H1 2022: £1.9 million).

The most notable investment in the half year being the freehold purchase 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.

Excluding the freehold purchase, the underlying capital expenditure totalled £2.1 million (H1 2023: £1.9 million) as the Group continues to focus on the execution of its strategic initiatives to support growth.

Intangible assets rose to £44.6 million (30 June 2022: 43.6 million) as a result of the Chiltern Timber Supplies Limited acquisition.

## **Exercised options**

On 11 May 2023, 3,021,478 new Ordinary Shares were admitted to trading on AIM as a result of the exercise of options by Lords colleagues under the Group's existing Company Share Option Plan. Following admission of the new Ordinary Shares, the Company's issued Ordinary Share capital comprise 165,532,849 Ordinary Shares.

## **Post balance sheet events**

### **Acquisition of Alloway Holdings Limited**

On 1 September 2023, the Group announced the acquisition of Alloway Holdings Limited ('Alloway Timber'), an independent family-run merchant operating from five sites located in the South East of England at Mitcham, Cheam, Byfleet, Kingston and Putney.

For the year ended 31 December 2022, Alloway Timber delivered £15.9 million of revenue and c.£(1.0) million of EBITDA. In the medium term, Lords expect the Alloway Timber branches to reach the margins achieved by the wider Merchanting division.

The total net vendor consideration is £2.25 million in cash, of which £1.53 million is payable immediately and £0.72 million deferred 12 months from entry into the sale and purchase agreement, with £0.25 million payable to the vendor and £0.47 million to HMRC for corporation tax liabilities in Alloway Timber triggered by the transaction. In addition, the Company will pay down £1.05 million of Alloway Timber's existing debt, immediately post completion of the Acquisition. The Acquisition consideration is net of freehold property disposal of £3.6 million which occurred concurrently with the Acquisition purchase.

**Chris Day**

**Chief Financial Officer and Chief Operating Officer**

7 September 2023



**Consolidated Statement of Comprehensive Income**  
**For the six months ended 30 June 2023**

		<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 December 2022</b>
	<b>Note</b>	<b>(unaudited) £'000</b>	<b>Restated* (unaudited) £'000</b>	<b>(audited) £'000</b>
Revenue		222,552	214,189	450,020
Cost of sales		(177,153)	(172,827)	(361,237)
<b>Gross profit</b>		<b>45,399</b>	<b>41,362</b>	<b>88,783</b>
Other operating income		349	658	681
Distribution expenses		(2,174)	(2,274)	(4,632)
Administrative expenses		(28,517)	(25,561)	(54,866)
Adjusted EBITDA **		15,057	14,185	29,966
Share based payments		(211)	(190)	(400)
Exceptional expenses	7	(165)	(879)	(929)
EBITDA *		14,681	13,116	28,637
Depreciation		(1,294)	(940)	(2,069)
Amortisation		(5,274)	(4,906)	(10,240)
<b>Operating profit</b>		<b>8,113</b>	<b>7,270</b>	<b>16,328</b>
Finance income		99	8	42
Finance expense	8	(2,623)	(1,502)	(3,572)
<b>Profit before taxation</b>		<b>5,589</b>	<b>5,776</b>	<b>12,798</b>
Taxation	9	(1,699)	(1,545)	(3,257)
<b>Profit for the year</b>		<b>3,890</b>	<b>4,231</b>	<b>9,541</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income</b>		<b>3,890</b>	<b>4,231</b>	<b>9,541</b>
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the parent company		3,839	4,010	9,117
Non-controlling interests		51	221	424
		<b>3,890</b>	<b>4,231</b>	<b>9,541</b>
Earnings per share				
Basic earnings per share (pence)	10	2.35	2.53	5.68
Diluted earnings per share (pence)	10	2.28	2.32	5.36

<sup>1</sup> EBITDA is defined as earnings before interest, tax, depreciation, and amortisation and, in accordance with IFRS.

<sup>2</sup> Adjusted EBITDA is EBITDA but also excluding exceptional items and share-based payments.

See note 4.3 for details regarding the restatement.

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position**  
**As at 30 June 2023**

		<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 December 2022</b>
		<b>(unaudited)</b>	<b>Restated*</b>	<b>(audited)</b>
		<b>£'000</b>	<b>(unaudited)</b>	<b>£'000</b>
	<b>Note</b>		<b>£'000</b>	<b>£'000</b>
<b>Non - Current assets</b>				
Intangible assets	11	44,600	43,599	45,331
Property, plant and equipment	12	20,707	14,583	13,647
Right-of-use assets	13	42,301	34,867	38,968
Other receivables	14	337	309	279
Investments		30	85	85
		<u>107,975</u>	<u>93,443</u>	<u>98,310</u>
<b>Current assets</b>				
Inventories		55,184	45,551	53,177
Trade and other receivables	14	69,029	70,205	71,023
Assets classified as held for sale		-	-	1,333
Cash and cash equivalents		7,409	11,581	16,038
		<u>131,622</u>	<u>127,337</u>	<u>141,571</u>
<b>Total assets</b>		<b>239,597</b>	<b>220,780</b>	<b>239,881</b>
<b>Current liabilities</b>				
Trade and other payables	15	(76,205)	(86,960)	(94,343)
Borrowings	16	(6,334)	(9,857)	(10,348)
Lease liabilities	17	(9,289)	(5,466)	(5,496)
Liabilities classified as held for sale		-	-	(675)
Current tax liabilities		(2,032)	(1,434)	(1,700)
<b>Total current liabilities</b>		<u>(93,860)</u>	<u>(103,717)</u>	<u>(112,562)</u>
<b>Non-current liabilities</b>				
Trade and other payables	15	(6,847)	(5,675)	(4,716)
Borrowings	16	(39,080)	(22,816)	(25,086)
Lease liabilities	17	(37,273)	(33,144)	(37,024)
Other provisions		(1,353)	(1,220)	(1,283)
Deferred tax		(7,085)	(7,752)	(7,022)
<b>Total non-current liabilities</b>		<u>(91,638)</u>	<u>(70,607)</u>	<u>(75,131)</u>
<b>Total liabilities</b>		<u>(185,498)</u>	<u>(174,324)</u>	<u>(187,693)</u>
<b>Net assets</b>		<b>54,099</b>	<b>46,456</b>	<b>52,188</b>
<b>Equity</b>				
Share capital		828	788	813
Share premium		28,293	28,293	28,293
Merger reserve		(9,980)	(9,980)	(9,980)
Share based payment reserve		707	286	497
Retained earnings		32,889	22,521	31,237
		<u>52,737</u>	<u>41,908</u>	<u>50,860</u>
Equity attributable to owners of the parent company		52,737	41,908	50,860
Non-controlling interests		1,362	4,548	1,328
<b>Total equity</b>		<u>54,099</u>	<u>46,456</u>	<u>52,188</u>

See note 4.3 for details regarding the restatement.

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity**  
**For the six months ended 30 June 2023**

	Called up share capital	Share premium	Merger reserve	Share based payments reserve	Retained earnings	Equity attributable to owner of parent company	Non-controlling Interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 January 2023</b>	813	28,293	(9,980)	497	31,237	50,860	1,328	52,188
Profit for the financial period and total comprehensive income	-	-	-	-	3,839	3,839	51	3,890
Share based payments	-	-	-	212	-	212	-	212
Share capital issued	15	-	-	-	-	15	-	15
Put and call options over non-controlling interests	-	-	-	-	15	15	-	15
Deferred tax on options	-	-	-	(2)	-	(2)	-	(2)
Capital repayment	-	-	-	-	-	-	(17)	(17)
Dividends paid	-	-	-	-	(2,202)	(2,202)	-	(2,202)
<b>As at 30 June 2023</b>	828	28,293	(9,980)	707	32,889	52,737	1,362	54,099
	Called up share capital	Share premium	Merger reserve	Share based payments reserve	Retained earnings	Equity attributable to owner of parent company	Non-controlling Interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 January 2022 as originally presented</b>	788	28,293	(9,980)	96	27,214	46,411	4,337	50,748
Correction of error (net of tax)	-	-	-	-	(6,214)	(6,214)	-	(6,214)
<b>Restated total equity at the beginning of the financial year</b>	788	28,293	(9,980)	96	21,000	40,197	4,337	44,534
Profit for the financial period and total comprehensive income	-	-	-	-	4,010	4,010	221	4,231
Share based payments	-	-	-	190	-	190	-	190
Put and call options over non-controlling interests	-	-	-	-	(492)	(492)	-	(492)
Capital reorganisation	-	-	-	-	-	-	(10)	(10)
Dividends paid	-	-	-	-	(1,997)	(1,997)	-	(1,997)
<b>As at 30 June 2022 (restated)</b>	788	28,293	(9,980)	286	22,521	41,908	4,548	46,456

	Called up share capital	Share premium	Merger reserve	Share based payments reserve	Retained earnings	Equity attributable to owner of parent company	Non- controlling Interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 January 2022 as originally presented</b>	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)
<b>Restated total equity at the beginning of the financial year</b>	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 options	-	-	-	-	606	606	-	606
Deferred tax on options	-	-	-	1	515	516	-	516
NCI 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)
<b>As at 31 December 2022</b>	813	28,293	(9,980)	497	31,237	50,860	1,328	52,188

See note 4.3 for details regarding the restatement.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows**  
**For the six months ended 30 June 2023**

	<b>30 June 2023</b>	<b>30 June 2022 Restated*</b>	<b>31 December 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>			
Profit before taxation	5,589	5,776	12,798
Adjusted for:			
Depreciation of property, plant and equipment	1,294	940	2,069
Amortisation of intangibles	1,736	1,564	3,317
Amortisation of right-of-use assets	3,538	3,342	6,923
Profit on disposal of property, plant and equipment	(27)	-	(151)
Profit on sale of business	(103)	-	-
Write off of investment	55	-	-
Share based payment expense	211	190	400
Finance income	(99)	(8)	(42)
Finance expense	2,623	1,502	3,572
<b>Operating cash flows before movements in working capital</b>	<b>14,817</b>	<b>13,306</b>	<b>28,886</b>
(Increase) in inventories	(1,601)	(279)	(8,438)
Decrease / (Increase) in trade and other receivables	2,108	420	(526)
(Decrease) / Increase in trade and other payables	(16,592)	(684)	6,918
<b>Cash generated/(consumed) by operations</b>	<b>(1,268)</b>	<b>12,763</b>	<b>26,840</b>
Corporation tax paid	(1,435)	(2,251)	(3,679)
<b>Net cash (consumed) / generated by operating activities</b>	<b>(2,703)</b>	<b>10,512</b>	<b>23,161</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(128)	(119)	(236)
Business acquisitions (net of cash acquired)	(696)	(26,854)	(26,854)
A.W. Lumb resale creditor paid (see note 19)	-	(2,707)	-
Deferred consideration paid	(3,467)	(583)	(2,683)
Purchase of property, plant and equipment	(4,301)	(1,924)	(3,516)
Proceeds on disposal of property, plant and equipment	264	57	195
Purchase of non-controlling interest of Hevey	(1,063)	-	(2,480)
Cash received on sale of business	805	-	-
Interest received	99	8	42
<b>Net cash used in investing activities</b>	<b>(8,487)</b>	<b>(32,122)</b>	<b>(35,532)</b>
<b>Cash flows from financing activities</b>			
Principal paid on lease liabilities	(3,775)	(3,482)	(8,395)
Issue of share capital	15	-	25
Dividends	(2,202)	(1,997)	(3,087)
Non-controlling interests cash contribution	(17)	(10)	(10)
Proceeds from borrowings	-	57,074	110,976
Repayment of borrowings	9,980	(29,309)	(80,450)
Bank interest paid	(1,395)	(325)	(1,306)
Interest on financial liabilities	(45)	(162)	(124)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>2,561</b>	<b>21,789</b>	<b>17,629</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(8,629)</b>	<b>179</b>	<b>5,258</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>16,038</b>	<b>11,402</b>	<b>11,402</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7,409</b>	<b>11,581</b>	<b>16,660</b>
Cash and cash equivalents	7,409	11,581	16,038
Cash and cash equivalents included in assets held for resale	-	-	622
<b>Cash and cash equivalents at the end of the year</b>	<b>7,409</b>	<b>11,581</b>	<b>16,660</b>

See note 4.3 for details regarding the restatement.

The above condensed consolidated statement of changes of cash flows should be read in conjunction with the accompanying notes.

**Notes to the financial statements  
for the six months ended 30 June 2023**

**1. General information**

Lords Group Trading PLC is a public limited company incorporated in England and Wales. The registered office is 2<sup>nd</sup> Floor 12-15 Hanger Green, London W5 3EL. 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.

**2. Basis of preparation**

The Half Year Financial Statements have been prepared in accordance with IAS 34 “Half Year Financial Reporting” as contained in UK-adopted International Accounting Standards. These Half Year Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2022 (the “Annual Financial Statements”) which was prepared in accordance with UK-adopted International Accounting Standards.

The Annual Financial Statements constitute statutory accounts as defined in section 434 of the Companies Act 2006 and a copy of these statutory accounts has been delivered to the Registrar of Companies. The auditor’s report on the Annual Financial Statements was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The accounting policies adopted in the preparation of the Half Year Financial Statements are consistent with those used to prepare the Group’s consolidated financial statements for the year ended 31 December 2022 and the corresponding Half Year reporting period.

The Half Year Financial Statements have been prepared on a going concern basis, under the historical cost convention.

These interim financial statements are presented in Pound sterling (£), which is also the functional currency of the Company. These interim financial statements have been approved by the Board of Directors.

**3 Accounting policies**

**Going concern**

The Group is well funded with strong support from stakeholders. The Group operates strong cashflow management and forecasting enabling cash receipts and payments to be balanced in accordance with trading levels. The Board of Directors has completed a rigorous review of the Group’s going concern assessment and its cashflow liquidity which included:

- The Group’s cash flow forecasts and revenue projections for all subsidiaries;
- Reasonably possible changes in trading performance, including a number of downside scenarios;
- Reviewing the committed facilities available to the Group and the covenants thereon; and,
- Reviewing the Group’s policy towards liquidity and cash flow management.

The Group has banking facilities of £95.0 million available to it until 4 April 2026 and on 30 June 2023 had headroom against the facilities of £49.6 million and cash of £7.4 million. Banking covenants are breached if the last twelve months adjusted EBITDA/interest (interest ratio) falls below 4 or the lenders leverage ratio exceeds 3.0. On 30 June 2023, the interest ratio was over 9.3x and the leverage ratio was 1.92x.

After reviewing the Group’s forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the interim financial statements that there is a reasonable expectation that the Group and subsidiaries have adequate resources to continue in operational existence until at least 4 April 2026, when the existing banking facilities expire.

**Taxation**

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**4 Critical accounting judgements, estimates and errors**

The preparation of financial information in compliance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement and use assumptions in applying the Group’s accounting policies. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical

experience and expectations of future events. Management believe that the estimates utilised in preparing the financial information are reasonable.

### **Key accounting estimates and judgements**

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.

In preparing the condensed interim financial statements, the Board considers both quantitative and qualitative factors in forming its judgements, and related disclosures, and are mindful of the need to best serve the interests of its stakeholders and to avoid unnecessary clutter borne of the disclosure of immaterial items. In making this assessment the Board considers the nature of each item, as well as its size, in assessing whether any disclosure omissions or misstatements could influence the decisions of users of the condensed interim financial statements.

#### **4.1 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, the Group consults relevant professional experts and reassess the Group's 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 the Group does not provide for their outcome but instead include further disclosures outlining the matters within its contingent liabilities note. See note 18 for contingent liabilities.

#### **4.2 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 2.25 per cent to 5.50 per cent 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.

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 re-assessed 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 notes 11 and 12 for the carrying values of the assets and note 19 for details of new intangible assets acquired through business combinations.

## Fair value of intangible assets

The fair value of customer relationship assets and trade name separately acquired through business combinations involved 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, sales growth, EBIT and discount rates. The relief from royalty rate is the value that would be obtained by licencing trade names out to a third party, as a percentage of sales. See note 11 for the carrying value of the asset.

The assumptions applied by the directors in respect of the business combinations recorded in note 19 are as follows:

	Trade names	
	Relief from royalty rate	Discount rate
Chiltern Timber	3.00%	19.94%

## Inventories

The Group carries significant levels of inventory and key judgments 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 re-assess the adequacy and accuracy of the inventory provision. In arriving at its conclusion, the Directors consider inventory ageing and turn analysis. The inventory provision is 5.16% of inventory (H1 2022: 5.6%). Doubling the provision would increase cost of sales/ reduce the carrying value of inventory by £2,849,000 in H1 2023 (H1 2022: £2,534,000).

### 4.3 Correction of error in accounting for option to acquire non-controlling interest

In October 2017 and April 2021 the Group acquired the 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 at the time.

These errors were corrected in the 31 December 2022 Annual Financial Statements. The 30 June 202 comparatives have been corrected by restating each of the affected financial statement line items in the prior period as follows:

Consolidated statement of financial position (extract)	30 June 2022	Increase/ (decrease)	30 June 2022 restated
	£'000	£'000	£'000
Current trade and other payables	(83,622)	(3,338)	(86,960)
Total current liabilities	(100,379)	(3,338)	(103,717)
Non-current trade and other payables	(2,271)	(3,404)	(5,675)
<b>Total non-current liabilities</b>	<b>(67,203)</b>	<b>(3,404)</b>	<b>(70,607)</b>
<b>Total liabilities</b>	<b>(167,582)</b>	<b>(6,742)</b>	<b>(174,324)</b>
<b>Net assets</b>	<b>53,198</b>	<b>(6,742)</b>	<b>46,456</b>
Retained earnings	29,263	(6,742)	22,521
<b>Total equity</b>	<b>53,198</b>	<b>(6,742)</b>	<b>46,456</b>



Summary of movement in retained earnings	30 June 2022	Increase/ (Decrease)	30 June 2022 restated
	£'000	£'000	£'000
<b>Retained earnings - 30 June 2021</b>	27,214	(6,214)	21,000
Put and call options over non-controlling interests	(443)	(49)	(492)
Profit for the year	4,489	(479)	4,010
Dividends paid	(1,997)	-	(1,997)
<b>Retained earnings - 30 June 2022</b>	<b>29,263</b>	<b>(6,742)</b>	<b>22,521</b>

Consolidated statement of financial position (extract)	30 June 2022	Increase/ (Decrease)	30 June 2022 restated
	£'000	£'000	£'000
Exceptional expenses	(280)	(599)	(879)
EBITDA	<b>13,715</b>	<b>(599)</b>	<b>13,116</b>
Operating Profit	<b>7,869</b>	<b>(599)</b>	<b>7,270</b>
Finance expense	(1,447)	(55)	(1,502)
Profit before tax	<b>6,430</b>	<b>(654)</b>	<b>5,776</b>
Taxation	(1,720)	175	(1,545)
Profit for the year	<b>4,710</b>	<b>(479)</b>	<b>4,231</b>
Total comprehensive income attributable to:			
Owners of the parent company	4489	(479)	4010
<b>Non- Controlling interest</b>	221	-	221
	<b>4,710</b>	<b>(479)</b>	<b>4,231</b>

## 5 Segmental Reporting

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 31 locations in the UK.
- **Heating and Plumbing:** a specialist distributor in the UK of heating and plumbing 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 17 locations enabling nationwide next day delivery service.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) which is considered to be the Group Board.

All of the Group's revenue was generated from the sale of goods in the UK for both periods. No one customer makes up 10% or more of revenue in any period.

The segmental results for the six months ended 30 June 2023 are as follows:

	<b>Plumbing and Heating £'000</b>	<b>Merchanting and other services £'000</b>	<b>Total £'000</b>
Revenue	113,167	109,385	222,552
Cost of sales	(96,800)	(80,353)	(177,153)
<b>Gross profit</b>	16,367	29,032	45,399
Other operating income	140	209	349
Distribution costs	-	(2,174)	(2,174)
Administrative expenses	(9,898)	(18,619)	(28,517)
<b>Adjusted EBITDA</b>	6,609	8,448	15,057
Share based payments	(73)	(138)	(211)
Exceptional items	(89)	(76)	(165)
<b>EBITDA</b>	6,447	8,234	14,681
Depreciation	(216)	(1,078)	(1,294)
Amortisation	(1,913)	(3,361)	(5,274)
<b>Operating profit</b>	4,318	3,795	8,113
Finance income	12	87	99
Finance costs	(318)	(2,305)	(2,623)
<b>Profit before taxation</b>	4,012	1,577	5,589
<b>Taxation</b>	(835)	(864)	(1,699)
<b>Profit for operating unit</b>	3,177	713	3,890
<b>Assets and liabilities</b>			
Total assets	101,487	138,110	239,597
Total liabilities	(53,528)	(131,970)	(185,498)
<b>Net assets</b>	47,959	6,140	54,099

The segmental results for the six months ended 30 June 2022 are as follows:

	<b>Plumbing and Heating</b>	<b>Merchandising and other services (restated*)</b>	<b>Total (restated*)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	108,275	105,914	214,189
Cost of sales	(93,669)	(79,158)	(172,827)
<b>Gross profit</b>	<b>14,606</b>	<b>26,756</b>	<b>41,362</b>
Other operating income	172	486	658
Distribution costs	(59)	(2,215)	(2,274)
Administrative expenses	(8,231)	(17,330)	(25,561)
<b>Adjusted EBITDA</b>	<b>6,488</b>	<b>7,697</b>	<b>14,185</b>
Share based payments	(38)	(152)	(190)
Exceptional items	(488)	(391)	(879)
<b>EBITDA</b>	<b>5,962</b>	<b>7,154</b>	<b>13,116</b>
Depreciation	(139)	(801)	(940)
Amortisation	(1,754)	(3,152)	(4,906)
<b>Operating profit</b>	<b>4,069</b>	<b>3,201</b>	<b>7,270</b>
Finance income	(22)	30	8
Finance costs	(333)	(1,169)	(1,502)
<b>Profit before taxation</b>	<b>3,714</b>	<b>2,062</b>	<b>5,776</b>
<b>Taxation</b>	<b>(752)</b>	<b>(793)</b>	<b>(1,545)</b>
<b>Profit for operating unit</b>	<b>2,962</b>	<b>1,269</b>	<b>4,231</b>

See note 4.3 for details regarding the restatement.

The segmental results for the year to 31 December 2022 are as follows:

	<b>Plumbing and Heating £'000</b>	<b>Merchandising £'000</b>	<b>Total £'000</b>
Revenue	229,264	220,756	450,020
Cost of sales	(196,471)	(164,766)	(361,237)
<b>Gross profit</b>	<b>32,793</b>	<b>55,990</b>	<b>88,783</b>
Other operating income	257	424	681
Distribution costs	(109)	(4,457)	(4,566)
Administrative expenses	(19,095)	(35,837)	(54,932)
<b>Adjusted EBITDA</b>	<b>13,846</b>	<b>16,120</b>	<b>29,966</b>
Share based payments	(136)	(264)	(400)
Exceptional items	-	(929)	(929)
<b>EBITDA</b>	<b>13,710</b>	<b>14,927</b>	<b>28,637</b>
Depreciation	(305)	(1,764)	(2,069)
Amortisation	(2,442)	(7,798)	(10,240)
<b>Operating profit</b>	<b>10,963</b>	<b>5,365</b>	<b>16,328</b>
Finance income	-	42	42
Finance costs	(679)	(2,893)	(3,572)
<b>Profit before taxation</b>	<b>10,284</b>	<b>2,514</b>	<b>12,798</b>
<b>Taxation</b>	<b>(2,583)</b>	<b>(674)</b>	<b>(3,257)</b>
<b>Profit for operating unit</b>	<b>7,701</b>	<b>1,840</b>	<b>9,541</b>
<b>Assets and liabilities</b>			
Total assets	106,599	133,282	239,881
Total liabilities	(70,462)	(117,231)	(187,693)
<b>Net assets</b>	<b>36,137</b>	<b>16,051</b>	<b>52,188</b>
<b>Additions to non-current assets</b>	<b>10,420</b>	<b>35,495</b>	<b>45,915</b>

## 6. Share based payments

Share based payments relate to the fair value, at the date of the grant, of share-based payments to the directors and employees which are expensed in the profit and loss on a straight-line basis over the vesting period, with the corresponding credit going to the share-based payment reserve.

## 7. Exceptional items

	30 June 2023	30 June 2022 (restated*)	31 December 2022
	£'000	£'000	£'000
HS2 Compensation	-	(748)	(748)
Put And Call options	-	599	-
Profit on sale of business	(103)	-	-
Costs of business combinations	179	754	842
Retention employment costs on acquisitions	89	120	681
National insurance payments	-	338	338
Reduction in contingent consideration	-	(184)	(184)
	<hr/>	<hr/>	<hr/>
	165	879	929
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 company was sold for £805,000 with profit recognised on the sale amounting to £103,000.

The costs associated with the business combinations detailed in note 19 have been expensed and disclosed as exceptional items which amount to £179,000. The Group sometimes includes retention 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 £89,000.

## 8. Finance costs

	30 June 2023	30 June 2022 (restated*)	31 December 2022
	£'000	£'000	£'000
Bank loans and overdrafts	1,395	325	1,306
Invoice discounting facilities	45	221	124
Unwinding of deferred consideration and call and put options	84	55	183
Interest on dilapidation provision	26	-	46
Lease liabilities	1,073	901	1,913
	<hr/>	<hr/>	<hr/>
	2,623	1,502	3,572
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 9. Taxation

Tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate for the year ended 31 December 2023 is 30.40% (2022: 26.75%).

**10. Earnings per share**

	<b>30 June 2023</b>	<b>30 June 2022 (restated*)</b>	<b>31 December 2022</b>
Basic earnings per share			
Earnings from continuing activities (pence)	2.35	2.53	5.68
Diluted earnings per share			
Earnings from continuing activities (pence)	2.28	2.32	5.36
Weighted average shares for basic earnings per share	163,446,193	158,524,872	160,523,582
Number of dilutive share options	4,636,633	14,635,631	9,552,402
Weighted average number of shares for dilutive earnings per share	168,082,826	173,160,503	170,075,984
Earnings attributable to the equity holders of the parent (£'000)	3,839	4,010	9,117

See note 4.3 for details regarding the restatement.

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 7), share based payments and amortisation of intangible assets as the numerator.

	<b>30 June 2023</b>	<b>30 June 2022 (restated*)</b>	<b>31 December 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Earnings attributable to the equity holders of the parent	3,839	4,010	9,117
Exceptional items	165	879	929
Share based payments	211	190	400
Amortisation of intangible assets	1,735	1,564	3,317
Less tax impact of adjustments	(401)	(500)	(883)
Adjusted earnings	5,549	6,143	12,880
Adjusted basic earnings per share			
Earnings from continuing activities (pence)	3.39	3.87	8.02
Adjusted diluted earnings per share			
Earnings from continuing activities (pence)	3.30	3.55	7.57

## 11. Intangible assets

	Software £'000	Customer relationships £'000	Trade names £'000	Goodwill £'000	Total £'000
<b>At 1 January 2023</b>	1,112	25,316	2,607	16,296	45,331
Additions	128	-	-	-	128
Acquired through business combinations	-	-	350	527	877
Amortisation charge	(102)	(1,466)	(168)	-	(1,736)
<b>Closing net book value at 30 June 2023</b>	1,138	23,850	2,789	16,823	44,600
<b>At 30 June 2023</b>					
Cost	1,837	33,555	3,741	16,823	55,956
Accumulated amortisation and impairment	(699)	(9,705)	(952)	-	(11,356)
<b>Net book amount</b>	1,138	23,850	2,789	16,823	44,600
<b>At January 2022</b>					
Opening net book value	952	12,454	1,797	7,470	22,673
Additions	119	-	-	-	119
Acquired through business combinations	140	15,743	1,124	5,364	22,371
Amortisation charge	(103)	(1,306)	(155)	-	(1,564)
<b>Closing net book value at 30 June 2022</b>	1,108	26,891	2,766	12,834	43,599
<b>At 30 June 2022</b>					
Cost	1,661	33,649	3,392	12,834	51,536
Accumulated amortisation and impairment	(553)	(6,758)	(626)	-	(7,937)
<b>Net book amount</b>	1,108	26,891	2,766	12,834	43,599
<b>At 1 January 2022</b>					
Opening net book value	952	12,454	1,797	7,470	22,673
Additions	236	-	-	-	236
Reclassification from tangible assets	-	-	-	1,649	1,649
Acquired through business combinations	140	15,649	1,124	7,177	24,090
Amortisation charge	(216)	(2,787)	(314)	-	(3,317)
<b>Closing net book value at 31 December 2022</b>	1,112	25,316	2,607	16,296	45,331
<b>At 31 December 2022</b>					
Cost	1,709	33,555	3,391	16,296	54,951
Accumulated amortisation and impairment	(597)	(8,239)	(784)	-	(9,620)
<b>Net book amount</b>	1,112	25,316	2,607	16,296	45,331

## 12. Property, plant and equipment

	Land and buildings freehold	Land and building leasehold improvements	Plant and Machinery	Motor vehicles	Fixtures, fittings and equipment	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2023</b>	6,962	2,542	1,451	832	1,275	585	13,647
Additions	6,280	657	484	244	383	313	8,361
Disposals	(229)	-	-	(8)	-	-	(237)
Acquired through business combinations	153	-	38	39	-	-	230
Depreciation charge	(145)	(305)	(302)	(160)	(223)	(159)	(1,294)
<b>Closing net book value as 30 June 2023</b>	<b>13,021</b>	<b>2,894</b>	<b>1,671</b>	<b>947</b>	<b>1,435</b>	<b>739</b>	<b>20,707</b>
<b>At 30 June 2023</b>							
Cost	13,487	6,909	3,095	1,472	3,845	1,571	30,379
Accumulated depreciation and impairment	(466)	(4,015)	(1,424)	(525)	(2,410)	(832)	(9,672)
<b>Net book value</b>	<b>13,021</b>	<b>2,894</b>	<b>1,671</b>	<b>947</b>	<b>1,435</b>	<b>739</b>	<b>20,707</b>
<b>At 1 January 2022</b>	1,845	3,617	1,306	75	925	282	8,050
Additions	59	923	84	504	160	194	1,924
Disposals	-	-	-	(57)	-	-	(57)
Acquired through business combinations	4,721	40	69	540	136	100	5,606
Depreciation charge	(66)	(422)	(79)	(88)	(190)	(95)	(940)
<b>Closing net book value as 30 June 2022</b>	<b>6,559</b>	<b>4,158</b>	<b>1,380</b>	<b>974</b>	<b>1,031</b>	<b>481</b>	<b>14,583</b>
<b>At 30 June 2022</b>							
Cost	6,777	7,446	2,453	1,105	3,016	1,035	21,832
Accumulated depreciation and impairment	(218)	(3,288)	(1,073)	(131)	(1,985)	(554)	(7,249)
<b>Net book value</b>	<b>6,559</b>	<b>4,158</b>	<b>1,380</b>	<b>974</b>	<b>1,031</b>	<b>481</b>	<b>14,583</b>
<b>At 1 January 2022</b>	1,845	3,617	1,306	75	925	282	8,050
Additions	307	1,393	264	548	628	376	3,516
Disposals	-	-	(4)	(40)	-	-	(44)
Reclassification to intangible assets	-	(1,649)	-	-	-	-	(1,649)
Reclassification	-	-	-	34	(34)	-	-
Acquired through business combinations	4,979	36	13	537	148	150	5,863
Transferred to disposal group held for sale	-	(11)	-	-	-	(9)	(20)
Depreciation charge	(169)	(844)	(128)	(322)	(392)	(214)	(2,069)
<b>Closing net book value as 31 December 2022</b>	<b>6,962</b>	<b>2,542</b>	<b>1,451</b>	<b>832</b>	<b>1,275</b>	<b>585</b>	<b>13,647</b>
<b>At 31 December 2022</b>							
Cost	7,283	6,252	2,573	1,197	3,462	1,258	22,025
Accumulated depreciation and impairment	(321)	(3,710)	(1,122)	(365)	(2,187)	(673)	(8,378)
<b>Net book value</b>	<b>6,962</b>	<b>2,542</b>	<b>1,451</b>	<b>832</b>	<b>1,275</b>	<b>585</b>	<b>13,647</b>



### 13. Right of use assets

	Leasehold Property £'000	Plant and Machinery £'000	Motor vehicles £'000	Total £'000
<b>At 1 January 2023</b>	34,015	2,381	2,572	38,968
Additions	1,630	156	3,466	5,252
Acquired through business combinations	970	-	-	970
Lease modifications	1,307	-	-	1,307
Disposals	(653)	-	(5)	(658)
Amortisation charge	(2,311)	(363)	(864)	(3,538)
<b>Closing net book value as at 30 June 2023</b>	<b>34,958</b>	<b>2,174</b>	<b>5,169</b>	<b>42,301</b>
<b>At 31 June 2023</b>				
Cost	52,215	6,151	12,365	70,731
Accumulated amortisation and impairment	(17,257)	(3,977)	(7,196)	(28,430)
<b>Net book value</b>	<b>34,958</b>	<b>2,174</b>	<b>5,169</b>	<b>42,301</b>
<b>At 1 January 2022</b>	26,516	3,030	3,725	33,271
Additions	6	73	773	852
Acquired through business combinations	3,991	95	-	4,086
Amortisation charge	(2,004)	(553)	(785)	(3,342)
<b>Closing net book value as at 30 June 2022</b>	<b>28,509</b>	<b>2,645</b>	<b>3,713</b>	<b>34,867</b>
<b>At 30 June 2022</b>				
Cost	41,214	6,123	8,841	56,178
Accumulated amortisation and impairment	(12,705)	(3,478)	(5,128)	(21,311)
<b>Net book value</b>	<b>28,509</b>	<b>2,645</b>	<b>3,713</b>	<b>34,867</b>
<b>At 1 January 2022</b>	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)
<b>Closing net book value as at 31 December 2022</b>	<b>34,015</b>	<b>2,381</b>	<b>2,572</b>	<b>38,968</b>
<b>At 31 December 2022</b>				
Cost	48,961	5,995	8,904	63,860
Accumulated amortisation and impairment	(14,946)	(3,614)	(6,332)	(24,892)
<b>Net book value</b>	<b>34,015</b>	<b>2,381</b>	<b>2,572</b>	<b>38,968</b>

**14. Trade and other receivables**

	<b>30 June 2023 £'000</b>	<b>30 June 2022 £'000</b>	<b>31 December 2022 £'000</b>
<b>Amounts falling due after one year</b>			
Other receivables	337	309	279
	<hr/>	<hr/>	<hr/>
	337	309	279
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Amounts falling due within one year</b>			
Trade receivables	56,942	62,066	60,673
Other receivables	7,439	3,394	7,640
Prepayments	4,648	4,745	2,710
	<hr/>	<hr/>	<hr/>
	69,029	70,205	71,023
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**15. Trade and other payables**

	<b>30 June 2023 £'000</b>	<b>30 June 2022 (restated*) £'000</b>	<b>31 December 2022 £'000</b>
<b>Amounts falling due within one year:</b>			
Trade payables	61,319	71,043	72,469
Other taxation and social security	4,002	3,511	3,974
Other payables	3,823	7,633	5,714
Accruals	7,061	4,773	12,186
	<hr/>	<hr/>	<hr/>
	76,205	86,960	94,343
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Amounts falling due after one year:</b>			
Other payables	6,847	5,675	4,716
	<hr/>	<hr/>	<hr/>
	6,847	5,675	4,716
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amounts falling due after one year represent deferred payments for acquisitions.

See note 4.3 for details regarding the restatement.

## 16. Borrowings

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
<b>Current</b>			
Other loans	6,334	9,857	10,348
	<hr/>	<hr/>	<hr/>
Total current borrowings	6,334	9,857	10,348
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current</b>			
Bank loans	39,080	22,816	25,086
	<hr/>	<hr/>	<hr/>
Total non-current borrowings	39,080	22,816	25,086
	<hr/>	<hr/>	<hr/>
<b>Total borrowings</b>	<b>45,414</b>	<b>32,673</b>	<b>35,434</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Loans under invoice financing are included within other loans.

The Group amended its banking facilities on 5 April 2023. The Group's existing £70 million lending facilities with HSBC, consisting of a £50 million revolving credit facility (RCF) and a £20 million receivables financing facility (RFF) (together the 'Existing Facilities'), have been cancelled and repaid pursuant to the Refinancing. Such repayments were funded by drawings under new £95 million facilities provided by HSBC, NatWest and BNP Paribas consisting of a £70 million RCF (the 'New RCF') and a £25 million RFF each with an initial three-year term (together, the 'New Facilities').

The New RCF includes: (i) a £20 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.

## 17. Lease liabilities

	Leasehold property £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
<b>At 1 January 2023</b>	37,699	1,945	2,876	42,520
Additions	1,562	156	3,466	5,184
Acquired through business combinations	970	-	-	970
Disposals	(736)	-	(5)	(741)
Lease modifications	1,331	-	-	1,331
Interest expenses	891	44	138	1,073
Lease payments (including interest)	(2,604)	(426)	(745)	(3,775)
<b>At 30 June 2023</b>	39,113	1,719	5,730	46,562
<b>At 1 January 2022</b>	30,065	2,979	3,588	36,632
Additions	-	50	628	678
Acquired through business combinations	3,786	95	-	3,881
Interest expenses	759	54	88	901
Lease payments (including interest)	(2,256)	(395)	(831)	(3,482)
<b>At 30 June 2022</b>	32,354	2,783	3,473	38,610
<b>At 1 January 2022</b>	30,065	2,979	3,588	36,632
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)
<b>At 31 December 2022</b>	37,699	1,945	2,876	42,520

### Reconciliation of current and non-current lease liabilities

	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Current	9,289	5,466	5,496
Non-current	37,273	33,144	37,024
<b>Total</b>	46,562	38,610	42,520

## 18. Contingencies

### 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 at the moment 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 A P P 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 10-year period from August 2010, cumulatively amounting to up to nearly £3.0 million. The Board is unable to predict the outcome of this reporting to HMRC and therefore the level of any potential fines. The Group's 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 would be covered by the warranties contained in the sale and purchase agreement for A P P Wholesale Limited.

The Group has since conducted training for certain staff members within A P P Wholesale Limited and has updated and implemented improved systems and controls which was overseen by the Board and supported by professional advisors. The Board are 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.

## 19. Business Combinations

### Chiltern Timber Supplies Limited

On 3 April 2023 the Group acquired 100% of Chiltern Timber Supplies Limited ('Chiltern Timber'), an independent timber merchant, for a consideration of £1.65 million of which £1.175 million has been paid on completion and the balance of £0.475 million is deferred equally over 12, 24 and 36 months on a contingent basis subject to Chiltern Timber delivering certain earnings targets. As at completion, Chiltern Timber had excess cash of £0.267 million. Chiltern Timber is a £2.6 million turnover single-site operation based in Hemel Hempstead. The principal reason for the acquisition was due to strong growth potential and synergies from Chiltern Timber operating within the Lords business. The assets and liabilities of the business were subsequently hived into Carboclass Limited.

The acquired business contributed revenues of £714,000 and a profit before tax of £35,000 to the consolidated entity for the period from acquisition to 30 June 2023. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	<b>Fair value</b>
	<b>£'000</b>
Intangible Asset - Trade Names	350
Property, plant and equipment	230
Right of use assets	970
Inventories	406
Trade and other receivables	172
Cash	746
Trade and other payables	(412)
Dilapidation provision	(25)
Lease liabilities	(970)
Deferred tax liability	(131)
<b>Total fair value</b>	<b>1,336</b>
Consideration	1,863
<b>Goodwill</b>	<b>527</b>

The provisional fair values include recognition of an intangible asset relating to trade names of £350,000, which will be amortised over 14.5 years on a straight-line basis. The goodwill of £527,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate substantially enacted at the acquisition date. Acquisition costs totalled £179,000 and are disclosed within exceptional expenses in the statement of comprehensive income.

Purchase consideration:

	<b>£'000</b>
Cash on completion	1,175
Excess cash	267
Contingent payment	421
<b>Total Consideration</b>	<b>1,863</b>

The contingent consideration of £475,000 has been discounted to a present value of £421,000 using an interest rate of 6.25%. Contingent consideration is paid in three equal payments across the next three years.

The net cash expended on the acquisition is as follows:

	<b>£'000</b>
Cash paid as consideration on acquisition	1,442
Less cash acquired at acquisition	(746)
<b>Net cash movement</b>	<b>696</b>

Figures are provisional until the accounting has been audited.

## 20. Dividends

A final dividend for 2022 of £2,201,587 was paid to the Registrar on the 30 June 2023 to be distributed to the shareholders. The record date for the payment of the dividend was 3 May 2023 and it was paid on 27 June 2023.

It is proposed that an interim dividend for 2023 be paid on 6 October 2023 to shareholders on the register at the close of business on 15 September 2023. The Company's ordinary shares will therefore be marked ex-dividend on 14 September 2023.

## 21. Events occurring after the reporting period

On 1 September 2023, the Group announced the acquisition of Alloway Holdings Limited ('Alloway Timber'), an independent family-run merchant operating from five sites located in the South East of England at Mitcham, Cheam, Byfleet, Kingston and Putney.

For year ended 31 December 2022, Alloway Timber delivered £15.9 million of revenue and c.£(1.0) million of EBITDA. In the medium term, Lords expect the Alloway Timber branches to reach the margins achieved by the wider Merchanting division.

The total net vendor consideration is £2.25 million in cash, of which £1.53 million is payable immediately and £0.72 million deferred 12 months from entry into the sale and purchase agreement, with £0.25 million payable to the vendor and £0.47 million to HMRC for corporation tax liabilities in Alloway Timber triggered by the transaction. In addition, the Company will pay down £1.05 million of Alloway Timber's existing debt, immediately post completion of the Acquisition. The Acquisition consideration is net of freehold property disposal of £3.6 million which occurred concurrently with the Acquisition purchase.

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