For immediate release **24 May 2022**

Lords Group Trading plc

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

Final Results

Lords, a leading distributor of building materials in the UK, announces its annual results for the year ended 31 December 2021 ('FY21' or the 'period').

	FY21	FY20 (restated)	Change (%)
Revenue	**363.3m**	287.6m	+26.3%
Gross profit	**62.7m**	47.2m	+32.8%
EBITDA	**20.1m**	15.4m	+31.0%
Adjusted EBITDA[(1)]	**22.3m**	15.9m	+40.1%
Adjusted EBITDA margin	**6.1%**	5.5%	+10.9%
Profit before tax	**8.0m**	3.6m	+122.1%
Adjusted Profit before tax [(2)]	**10.2m**	4.1m	+149.0%
Basic earnings per share	**3.73p**	1.94p	+95.3%
Adjusted earnings per share [(3)]	**5.48p**	3.46p	+58.4%
Return On Capital Employed (ROCE)	**27.0%**	18.8%	+8.2%
Dividend per share	**1.89p**	0.0p	
Net cash/(debt)	**6.3m**	(22.9m)	+127.5%
Net cash/(debt) less lease liabilities	**(30.1m)**	(57.5m)	+47.7%

[1]Adjusted EBITDA is calculated in the consolidated statement of comprehensive income.
[2]Adjusted profit before tax (basic) is defined as profits before tax before amortisation of goodwill.
[3]Adjusted earnings per share is calculated in note 11.

Financial Highlights

- Strong performance across the Group, with all businesses demonstrating financial and operational progress
- Record revenues, increasing 26.3% to £363.3 million (FY: £287.6 million) driven by the Group's enhanced customer proposition and continued deployment of strategic initiatives
- Like-for-like revenue grew by 18.1% and was 20.8% ahead of 2019 showing a swift rebound and acceleration post pandemic
- Strong Adjusted EBITDA up 40.1% to £22.3 million (FY20: £15.9 million restated)
- Adjusted EBITDA margin rising to 6.1% (FY20: 5.5% restated) as the Group remains focused on delivering further margin expansion across the business
- Adjusted earnings per share of 5.48 pence, up 58.4% (FY20: 3.46 pence)
- Maiden dividend declared of 1.89 pence per share reflecting the Group's confidence in delivering consistent and growing shareholder returns
- Successful IPO with admission to AIM on 20 July 2021, raising gross proceeds of £52.0 million (£30.0 million for the Company and £22.0 million for existing shareholders)

Operational Highlights

- Customer and colleague satisfaction scores remain excellent, at 4.7 out of 5.0 in both instances, reflecting the Group focus on colleague engagement and customer service
- Further progress with our people, plant and premises organic growth strategy, including our digital platforms with all eight of our transactional websites developed and managed in-house
- Digital revenue grew 31% in FY21 and now represents 6.3% of Group revenue

- Good progress with sustainability programme, as Lords continues to reduce its environmental footprint, invest in its people, enhance the Group's health and safety whilst supporting worthwhile projects in its communities

Current Trading and Outlook

- Four acquisitions since year end, enhancing the Group's geographical presence and offering scope for further growth through extended product ranges
- Robust pipeline of acquisition opportunities underpins the inorganic growth potential
- Confident in Lords ability to fulfil objective to be a £500.0 million revenue business by 2024 and to achieve a 1.5% increase in Adjusted EBITDA margin over the medium term
- Demand in ('RMI') sector focused product offering remain strong, Merchanting division has continued to deliver growth in line with management expectation
- Customer demand remained strong across Heating and Plumbing division ('H&P'). However, APP Wholesale Limited affected by industry wide boiler supply constraints, impacting division's revenues throughout Q1 2022
- The supply issues are expected to ease moving into H2 2022, and therefore the Group's revenues continue to trade largely in line with market expectations and adjusted profit before tax is in line with expectations of approximately £16.0 million

Shanker Patel, CEO of Lords, commented: *"We are delighted to report such a strong set of maiden full year results where Lords has delivered record revenue and earnings growth, and demonstrated our ability to deliver against our strategic and financial objectives set out at IPO. First and foremost, I would like to thank our colleagues across the UK, who without their fantastic commitment and support for our vision, these results would not have been achieved.*

"Due to the fragmented nature of the market in which we operate, Lords has a unique opportunity to deliver both organic and acquisitive growth and we are excited to successfully demonstrate this today. As we build our size, reach and product range, we will be able to further enhance our excellent service to our customers and this underpins our exciting growth strategy. Our industry has not been immune to the widespread challenges caused by price inflation and supply issues, the latter of which has recently affected the supply of boilers in our AAP business. We have taken all the necessary steps to ensure that we continue to achieve our growth and profit forecasts and with the current boiler issue, where demand remains strong, we will take every possible action to protect the strength of our business.

"Progress in the new financial year has continued to be strong, our four new value accretive acquisitions are performing in line with our expectations and we look forward with confidence as we aim to deliver sustainable and growing returns to our shareholders."

Analyst Briefing

There will be a conference call for analysts at 0930hrs today, which will be hosted by Shanker Patel (CEO) and Chris Day (CFO). Please contact Buchanan at LGT@buchanan.uk.com if you would like to receive details.

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.

- 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 30 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 15 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 45 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

This was an excellent year of financial and operational progress for the Group. We delivered record revenue and earnings growth and made significant strategic headway alongside the completion of a successful IPO, which saw the Company's shares admitted to trading on AIM in July 2021. I want to thank the team and all our colleagues across the Group for their efforts in the year, which enabled us to achieve these results during an extremely busy period and against the backdrop of the continued challenges posed by the pandemic.

Admission to AIM

The share issue that accompanied the IPO was oversubscribed, reflecting the attraction to investors of our strategy and growth prospects. This was particularly pleasing given the competition for investor attention in 2021, which the London Stock Exchange has reported as being the strongest year for IPO capital raising since 2007. The placing raised gross proceeds of £30.0 million for the Company, giving us a strong balance sheet to pursue our strategic objectives.

Performance

From a financial perspective, the Group delivered record revenues and profits, with strong two year like-for-like growth in both divisions with Merchanting 20.4% and Plumbing and Heating 21.0%. This reflects the benefits of our 'People Plant Premises' organic growth strategy, including the rapid expansion of our ecommerce revenues. The integration of our recently acquired businesses has also gone well and they provide a robust platform for further growth, as we invest in them to realise their full potential. The performance in the year reflects the continued resilience of our sector and in particular the repairs, maintenance and improvement market ('RMI'), which generates around 80% of our revenue.

Dividends

In light of this financial performance, the Board declared an interim dividend of 0.63 pence per share and has recommended a final dividend of 1.26 pence, to give a total dividend for the year of 1.89 pence per share. As outlined at IPO, we have adopted a progressive dividend policy and therefore expect to deliver growth from this base over the coming years.

People and culture

Our people and culture are among the Group's key strengths. Our employee surveys during the year showed exceptional levels of employee engagement, which are a credit to the management team and the positive, people-oriented culture they have nurtured. In turn, this helps us to achieve equally high levels of customer satisfaction. This obsession with delivering for the customer and investing to further improve our offer to them is at the heart of our growth strategy.

We believe that giving employees a feeling of ownership will help to maintain our strong culture, so all colleagues with continuous service of at least six months received 2,105 shares in the Company at the IPO. In 2022, we will seek to offer an all-employee share scheme, so they can participate in the Group's success as we grow.

Post-IPO, the Group's management team has retained a sizeable shareholding in the business. This reflects their strong belief in our prospects and ensures they are highly incentivised to deliver for all shareholders, and our stakeholders more generally.

Environmental, social and governance (ESG)

We recognise the importance of being a responsible business and meeting the growing expectations of our stakeholders. There are numerous activities under way across the Group, with the aim of enhancing the way we support our people, ensuring high standards of health and safety, minimising our environmental footprint and benefiting our wider communities. We are currently working with specialist ESG consultants to formalise our approach into a detailed five-year strategy, which will help us to focus on the areas where we can make the most difference and measure our progress.

The Group has long understood the importance of strong governance and has developed its governance framework over several years, including appointing independent non-executive directors well ahead of the IPO and adopting the QCA Corporate Governance Code. The Board is well-balanced, with the right mix of skills and experience to execute the Group's strategy.

Looking forward

The business has many strengths that give us a competitive advantage across our markets. We have a highly experienced and knowledgeable management team, supported by customer-obsessed colleagues achieving excellent levels of customer satisfaction. The long-term drivers of our market are favourable and we believe we have the right growth strategy to take further market share, both organically and inorganically. The Board is therefore confident in its ability to execute the strategy we set out at IPO and demonstrate further progress in 2022.

Gary O'Brien
Independent Non-Executive Chairman
23 May 2022

Chief Executive Officer's review

This was a landmark year for Lords and I am proud of all that our team has achieved. Our performance demonstrated our continued strategic progress, while our prospects for further growth underpinned the success of our IPO. I want to thank all my colleagues across the Group for their continued dedication and hard work during 2021.

Lords has always been a dynamic and entrepreneurial business and we have grown our national presence and service range rapidly in recent years, in particular through acquisition. At the same time, the business is based on solid principles. We always act ethically and professionally, are measured in the risks we accept and take care to consider our stakeholders, as a business built on the strength of all of our relationships. By focusing on our customers, colleagues and suppliers, we create value for our shareholders. We are continuing to embed sustainability into the way we work, benefiting our communities and wider society, while helping to reduce our costs.

Performance

We experienced strong revenue growth in the year totalling £363.3 million (2020: £287.6 million), up 26.3%. On a two-year basis, which looks through the impact of COVID-19 on 2020 revenues, our like-for-like revenue growth since 2019 is 20.8%. Revenue in 2021 was ahead of our budget set at the start of the year, reflecting positive market conditions, leading to an upgrade of our annual expectations for the year in May 2021, ahead of the IPO. Both Group divisions, and all the companies within them, performed above expectations and contributed to this out-performance. Ecommerce sales continued to grow rapidly and were 31% or £5.3 million higher in 2021, in line with our strategy to leverage the investment in technology pre-IPO and grow digital sales as a proportion of Group revenue.

Adjusted EBITDA was £22.3 million (2020: £15.9 million restated), representing a margin of 6.1%, up 60 basis points on the 5.5% achieved in 2020. We remain focused on margin expansion, driven by our focus on driving operational improvement, and expect to make further progress in 2022.

Cash flow was robust, with adjusted cash generated by operating activities of £21.7 million (2020: £15.5 million) while free cash flow was £19.5 million (2020: £13.7 million). Free cash flow[1] conversion (Free cash flow/ EBITDA) was of 87.4% (2020: 86.2%). Coupled with our strong balance sheet, which had net cash of £6.3 million at the year end, we have the financial resources we need to continue to implement our strategy, which has contributed to further acquisitions post year end.

[1] Free cash flow defined as cashflow from operating activities, less capital expenditures, exceptional items and interest paid.

Strategy

The organic growth element of our strategy is designed to further improve our customer offer, by investing in our people, plant and premises. We were delighted with our progress in 2021, which will continue to benefit us in the coming year.

Lords' three Ps

People

Our people are a particular focus and this is reflected in our consistently high engagement scores and employee retention. Over the last twelve months, we have expanded the team in key areas, to accommodate the growth of our business. The expansion of Lords also creates opportunities for our colleagues to take on new roles and we are proud that all of our managing directors have come up through the business. Enabling our people to grow is supported by our approach to learning and development, which included starting an apprenticeship programme in 2021, which we will expand in 2022.

Integrating colleagues who join us through the businesses we acquire is a priority. We go above and beyond to ensure they settle into the Group and to offer them opportunities for personal development.

Plant
On the plant side, we are using digital technology to make our customer experience even better and to make our business more efficient and profitable. For example, we have invested in an electronic point of sale (EPOS) system in our Mr Central Heating branches, which allows customers to move seamlessly between online and instore in their purchasing journey. We are also implementing new systems to significantly streamline stock management in APP's warehouses, while further improving the customer experience around deliveries.

Across the industry, customers are increasingly transacting with merchants both online and in person. To support our digital sales strategy, we have formed a division-wide team in Merchanting and are further developing several of our websites, improving the customer journey and giving customers the confidence to transact online. We have also invested heavily in a team to follow up web orders with phone calls and emails, keeping customers updated on their orders while creating opportunities to upsell, which is proving very effective. The Condell business we acquired during the year has a very strong web presence, and we have utilised space in one of our existing premises to create a distribution hub for digital sales to customers in London.

Premises
We have also been actively investing in premises. This includes relocating two Plumbing and Heating branches, opening a new branch of Lords Builders Merchants, to extend our coverage in West London, and starting the complete refurbishment of our Beaconsfield site.

Acquisitions
During 2021 we acquired three businesses, adding geographical coverage, product range and new customers to our Merchanting division. All three are performing in line with our expectations and the integrations are proceeding to plan, giving us a platform for further growth. Since the end of the year, we have also acquired a business specialising in roofing materials, which will allow us to implant branches into existing Merchanting locations, starting with Beaconsfield. We have also extended our geographical reach into the North of England with the purchase of A.W. Lumb, a specialist drylining and insulation distributor to the new build market alongside a general merchant offering. On 31 March 2022, the Group acquired a Merchanting branch in Sudbury alongside a DH&P Counters / HRP Trade which are complementary to the Plumbing and Heating division with regards geography, customer base and product range. We are excited by the prospects for these businesses and welcome our new colleagues to the Group. All acquisitions were funded via existing facilities.

Outlook
We see excellent opportunities to grow our business, both organically and through acquisition. Our objective is to be a £500 million revenue Group by 2024 and we are confident we will achieve that, while furthering our EBITDA margin by 1.5% over the medium term. We will continue to invest in our people, plant and premises and, with our robust pipeline of acquisition opportunities, to further enhance our geographic, product and channel diversity.

As announced on 26 April 2022, post year end has seen demand for the Group's repairs, maintenance and improvement ('RMI') sector focused product offering remain strong and, notwithstanding inflationary pressures and the current global macro-economic and geo-political outlook, the Group's Merchanting division has continued to deliver growth in line with management expectations during Q1 and the beginning of Q2 2022. Customer demand has also remained strong across the Group's Heating and Plumbing division ('H&P').

APP Wholesale Limited has not been immune to industry wide boiler supply constraints on account of boiler component shortages and the limited boiler supply has had a progressively negative effect on the division's revenues throughout Q1 2022, with Q1 H&P 2022 division revenues approximately 12.0% below the same period last year. The supply issues are expected to ease moving into H2 2022, and therefore the Group's revenues continue to trade largely in line with market expectations of approximately £438.0 million and as a result of management actions taken, adjusted profit before tax is in line with current market expectations of approximately £16.0 million.

Shanker Patel
Chief Executive Officer
23 May 2022

Financial review

The Group delivered an excellent financial performance in 2021, with strong growth in revenue and profits underpinned by strong cash conversion, supporting our ability to invest for further growth and to reward shareholders through dividends.

Supporting our growth strategy through careful capital allocation

The Group has a wide range of potential investment opportunities, both organic and inorganic. It is therefore important that we take a rigorous approach to allocating capital between these opportunities. We carefully review the investment case for each proposal, to ensure the planned returns are deliverable and that risks have been effectively mitigated, and look for all investments we make to generate a return on investment of at least 20%. Successful implementation of this strategy has contributed to our strong and profitable growth in 2021.

Revenue

Group revenue was £363.3 million in 2021 (2020: £287.6 million), representing growth of 26.3%. Excluding acquisitions, like-for-like (LFL) growth was 18.1%.

The impact of the COVID-19 pandemic affected our revenue performance in 2020, with the result that 2019 provides a more meaningful comparator for revenue growth. LFL growth between 2019 and 2021 was 20.8%.

The table below shows revenue performance by division:

	2021	2020 (restated)			Two-year
	£m	£m	Growth	LFL growth	LFL growth
Plumbing and Heating	**232.8**	203.6	14.3%	14.3%	21.0%
Merchanting and other services	**130.5**	84.0	55.4%	27.6%	20.4%
Total Group	**363.3**	287.6	26.3%	18.1%	20.8%

Both divisions have demonstrated strong LFL revenue growth over the last two years.

Gross profit

Gross profit for the year was £62.7 million (2020: £47.2 million), up 32.8%. The gross profit margin was 17.3% (2020: 16.4%). We expect continued improvement through pricing and mix initiatives.

Overheads

Overheads, which are defined as distribution costs, administrative expenses and other operating income before exceptional items and share-based payments, increased from £31.3 million (restated) in 2020 to £40.4 million in 2021. This reflected growth in the business, including acquisitions in the period. Cost to serve, which is defined as overheads as a percentage of revenue, increased to 11.1% (2020: 10.9% restated). We continue to focus on operational leverage and expect further efficiency through scale in due course.

Depreciation and amortisation

Depreciation and amortisation increased to £9.4 million (2020: £8.5 million restated), reflecting acquisitions made in 2021 and continued capital expenditure, as we invest in the Group's people, plant and premises programme. £5.9 million of the depreciation and amortisation relates to right of use assets (2020: £5.6 million restated), £2.1 million to intangible assets (2020: £1.9 million) and £1.4 million to property plant and equipment (2020: £1.0 million).

Exceptional items

Exceptional costs in 2021 totalled £2.1 million. These comprised costs associated with our admission to AIM (£1.8 million), the costs incurred in relation to acquisitions in the year (£0.5 million) less a reduction in contingent consideration of £0.2 million.

Exceptional items in 2020 totalled a net cost of £0.5 million. This was the net of exceptional costs of £0.3 million for restructuring and £1.7 million for deferred remuneration, less Government grants under the Job Retention Scheme (£1.2 million) and small business retail grants (£0.3 million).

EBITDA and adjusted EBITDA

EBITDA is defined as earnings before interest, tax, depreciation and amortisation on an IFRS basis.

Adjusted EBITDA, which also excludes the exceptional items set out above and share-based payments was £22.3 million up 40.1% from £15.9 million (restated) in 2020. The adjusted EBITDA margin improved to 6.1% (2020: 5.5% restated). EBITDA for 2021 was £20.1 million (2020: £15.4 million restated).

The table below shows adjusted EBITDA by division:

	2021 £m	**2021** margin	2020 restated £m	2020 restated margin
Plumbing and Heating	**10.3**	**4.4%**	9.1	4.5%
Merchanting and other services	**12.0**	**9.2%**	6.8	8.1%
Total Group	**22.3**	**6.1%**	15.9	5.5%

Interest on bank loans and overdrafts

Interest on bank loans and overdrafts reduced to £0.5 million (2020: £1.0 million), reflecting the reduction in average net debt during the year and lower cost of capital post IPO.

Profit before tax and adjusted profit before tax

Adjusted profit before tax, which excludes exceptional items and share-based payments, was £10.2 million (2020: £4.1 million restated). The Group generated a profit before tax for the year of £8.0 million (2020: £3.6 million restated).

Contingent liabilities

In May 2020, the Group discovered that APP Wholesale Limited had been receiving cash payments for goods from customers, in contravention of a regulation related to money laundering. The Group reported this to HMRC and is seeking an agreed outcome. The breaches occurred over a ten-year period from August 2010, cumulatively amounting to up to £2,927,635 (which represents 0.2% of turnover in the same period within APP). The directors are confident that any potential fine levied would be covered by the warranties contained in the sale and purchase agreement for APP when the Group acquired it in December 2019, with regard to any penalties relating to the period prior to the acquisition.

Prior year adjustment

In October 2021, the Group undertook a review of the property lease accounting under IFRS 16 included within the admission document for AIM. Several errors were identified, the most material of which were four leases where step increases in rentals were a contractual obligation within the lease and should have been reflected in the valuation of right-of-use assets and the lease liabilities, but they had not been included.

In addition, one subsidiary hires vehicle on a three-year lease term but which can be terminated free of charge at any time. The view at the time of the admission document was that these were short-term leases. A subsequent review of the leases indicates that while the subsidiary does not have an obligation to hold the vehicles for a defined period, it usually holds the majority for a period, of around three years.

The errors have been corrected by restating each of the affected financial statement line items for the prior period. Full details can be found in note 3.

Cash flow
Adjusted cash generated by operating activities was £21.7 million (2020: £15.5 million) while free cash flow was £19.5 million (2020: £13.7 million). Free cash flow conversion (Free cash flow/ EBITDA was of 87.4% (2020: 86.2%).

Admission to AIM
On 20 July 2021, Lords Group Trading plc announced the admission of its entire issued share capital to trading on the AIM market of the London Stock Exchange.

Prior to admission and to facilitate the IPO, the Company completed a capital reorganisation and converted all shares in existence on 30 June 2021 into 125,925,000 new ordinary shares with a nominal value of 0.5 pence.

In conjunction with admission, gross proceeds of £52.0 million were successfully raised by way of an oversubscribed placing with institutional investors of 54,736,839 new and existing ordinary shares at a price of 95 pence per share. This comprised a primary placing to raise £30.0 million (before expenses) for the Company and a secondary placing to raise £22.0 million (before expenses) for certain existing shareholders.

Restructuring of financing
On 20 July 2021, the Group used the funds raised in the placing to repay its loan under the Coronavirus Business Interruption Loan Scheme, its revolving loan facility, its term loans and invoice financing.

We replaced these facilities with the following arrangements from HSBC UK Bank plc:

1. An invoice financing facility of £10.0 million, attracting an interest rate of 1.80%.
2. A revolving credit facility (RCF) of £30.0 million, repayable after three years and attracting a base interest rate of 2.25% with fixed tiers up to 3.00%, based on leverage.

The loans are secured by fixed and floating charges over the land, tangible assets, insurances and shares in subsidiary undertakings.

In March 2022, we agreed with HSBC to increase the facilities, with the RCF increasing to £50.0 million and the invoice financing facility increasing to £20.0 million to support our growth plans.

Balance sheet and liquidity
As a result of the Group's cash flows and the proceeds of the placing, we had net cash of £6.3 million at 31 December 2021 (2020: net debt of £22.9 million). Our cash balance plus the £34.9 million of undrawn facilities with HSBC gave us liquidity of £46.3 million at the year end.

Right-of-use assets increased by £1.3 million to £33.3 million at the year end (31 December 2020: £32.0 million restated), while property, plant and equipment rose by £3.7 million to £8.1 million (31 December 2020: £4.4 million). These movements were primarily the acquisitions of Condell, MAP and the Nu-Line branch.

Inventory reduced by £1.2 million, from £40.0 million at 31 December 2020 to £38.8 million at the year end, as the Plumbing and Heating division began to see the benefits of its investment in a new stock management system.

Trade and other payables were £4.7 million higher at £70.8 million (31 December 2020: £66.1 million), while trade and other receivables rose by £5.1 million to £57.7 million (31 December 2020: £52.6 million). This was the result of the acquisitions in the year and the Group's organic growth, through the ordinary course of business.

Earnings per share and adjusted earnings per share
Basic earnings per share was 3.73 pence. The comparable figure in 2020 was 1.94 pence. Adjusted earnings per share (as defined in note 11) was 5.48 pence (2020: 3.46 pence).

Dividend
The Board has recommended a final dividend of 1.26 pence per share. Combined with the interim dividend of 0.63 pence per share, this gives a total dividend for the year of 1.89 pence per share.

The final dividend will be paid on 7 July 2022 to shareholders on the register at the close of business on 6 June 2022. The Company's ordinary shares will therefore be marked ex-dividend on 1 June 2022.

Chris Day
Chief Financial Officer
23 May 2022

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	Note	**2021** **£'000**	2020 (restated) £'000
Revenue		**363,289**	287,565
Cost of sales		**(300,569)**	(240,382)
Gross profit		**62,720**	47,183
Other operating income	5	**696**	436
Distribution expenses		**(3,536)**	(2,785)
Administrative expenses		**(37,576)**	(28,916)
Adjusted EBITDA[2]		**22,304**	15,918
Share-based payments		**(96)**	—
Exceptional expenses	6	**(2,085)**	(519)
EBITDA[1]		**20,123**	15,399
Depreciation		**(1,340)**	(1,033)
Amortisation		**(8,021)**	(7,481)
Operating profit	7	**10,762**	6,885
Finance income	8	**—**	2
Finance expense	9	**(2,741)**	(3,276)
Profit before taxation		**8,021**	3,611
Taxation	10	**(2,377)**	(985)
Profit for the year		**5,644**	2,626
Other comprehensive income		**—**	—
Total comprehensive income		**5,644**	2,626
Total comprehensive income for the year attributable to:			
Owners of the parent company		**5,231**	2,441
Non-controlling interests		**413**	185
		5,644	2,626
Total comprehensive income for the year attributable to owners of the parent			
Continuing operations		**5,231**	2,441
Discontinuing operations		**—**	—
		5,231	2,441
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earning per share (pence)	11	**3.73**	1.94
Diluted earning per share (pence)	11	**3.40**	1.77

The results for the year arise solely from continuing activities.

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

Consolidated statement of financial position
as at 31 December 2021

	Note	**2021** **£'000**	2020 (restated) £'000	2019 (restated) £'000
Non-current assets				
Intangible assets		**22,673**	18,198	20,015
Property, plant and equipment		**8,050**	4,417	5,054
Right-of-use assets	12	**33,271**	32,087	35,838
Other receivables		**304**	78	265
Investments		**84**	4	4
		64,382	54,784	61,176
Current assets				
Inventories		**38,781**	40,004	40,679
Trade and other receivables	13	**57,744**	52,633	44,219
Cash and cash equivalents		**11,402**	16,342	3,361
		107,927	108,979	88,259
Total assets		**172,309**	163,763	149,435
Current liabilities				
Trade and other payables	14	**(70,459)**	(65,674)	(58,871)
Borrowings	15	**(2,783)**	(20,738)	(21,782)
Lease liabilities	12	**(5,114)**	(4,180)	(4,339)
Current tax liabilities		**(2,014)**	(1,055)	(395)
Total current liabilities		**(80,370)**	(91,647)	(85,387)
Non-current liabilities				
Trade and other payables	14	**(3,621)**	(2,840)	(2,107)
Borrowings	15	**(2,125)**	(18,522)	(11,016)
Lease liabilities	12	**(31,518)**	(30,373)	(33,050)
Other provisions		**(987)**	(817)	(778)
Deferred tax		**(2,940)**	(2,433)	(2,662)
Total non-current liabilities		**(41,191)**	(54,985)	(49,613)
Total liabilities		**(121,561)**	(146,632)	(135,000)
Net assets		**50,748**	17,131	14,435
Equity				
Share capital		**788**	19,990	19,990
Share premium		**28,293**	—	—
Merger reserve		**(9,980)**	(9,980)	(12,480)
Capital redemption reserve		**—**	—	2,500
Share-based payment reserve		**96**	—	—
Retained earnings		**27,214**	3,622	1,181
Equity attributable to owners of the parent company		**46,411**	13,632	11,191
Non-controlling interests		**4,337**	3,499	3,244
Total equity		**50,748**	17,131	14,435

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Equity attributable to owners of parent company £'000	Non-controlling interests £'000	Total equity £'000
As at 1 January 2020	19,990	—	(12,480)	2,500	—	1,833	11,843	3,244	15,087
Correction of error (net of tax)	—	—	—	—	—	(652)	(652)	—	(652)
Restated total equity at the beginning of the financial year	19,990	—	(12,480)	2,500	—	1,181	11,191	3,244	14,435
Profit for the financial period and total comprehensive income (restated)	—	—	—	—	—	2,441	2,441	185	2,626
Reclassification of capital redemption reserve	—	—	2,500	(2,500)	—	—	—	—	—
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	70	70
As at 31 December 2020	19,990	—	(9,980)	—	—	3,622	13,632	3,499	17,131

	Called up share capital £’000	Share premium £’000	Merger reserve £’000	Capital redemption reserve £’000	Share-based payments reserve £’000	Retained earnings £’000	Equity attributable to owners of parent company £’000	Non-controlling interests £’000	Total equity £’000
As at 1 January 2021 as originally presented	19,990	—	(9,980)	—	—	4,756	14,766	3,499	18,265
Correction of error (net of tax)	—	—	—	—	—	(1,134)	(1,134)	—	(1,134)
Restated total equity at the beginning of the financial year	19,990	—	(9,980)	—	—	3,622	13,632	3,499	17,131
Profit for the financial period and total comprehensive income	—	—	—	—	—	5,231	5,231	413	5,644
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)
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**	**27,214**	**46,411**	**4,337**	**50,748**

Consolidated statement of cash flows
for the year ended 31 December 2021

	2021 £'000	2020 (restated) £'000
Cash flows from operating activities		
Profit before taxation	**8,021**	3,611
Adjusted for:		
Depreciation of property, plant and equipment	**1,340**	1,033
Amortisation of intangibles	**2,087**	1,841
Amortisation of right-of-use assets	**5,934**	5,640
Loss on disposal of property, plant and equipment	**—**	2
Share based payment expense	**96**	—
Finance income	**—**	(2)
Finance expense	**2,741**	3,276
Operating cash flows before movements in working capital	**20,219**	15,401
Decrease in inventories	**2,837**	675
Increase in trade and other receivables	**(1,791)**	(8,227)
Increase in trade and other payables	**3**	7,725
Cash generated by operations	**21,268**	15,574
Corporation tax paid	**(1,751)**	(555)
Net cash generated by operating activities	**19,517**	15,019
Cash flows from investing activities		
Purchase of intangible assets	**(648)**	(24)
Business acquisitions (net of cash acquired)	**(6,225)**	—
Deferred consideration paid	**(875)**	(200)
Purchase of property, plant and equipment	**(1,297)**	(418)
Purchase of investments	**(77)**	—
Interest received	**—**	2
Net cash used in investing activities	**(9,122)**	(640)
Cash flows from financing activities		
Principal paid on lease liabilities	**(6,750)**	(6,565)
Issue of share capital	**30,000**	—
Costs of capital raise	**(1,549)**	—
Dividends	**(999)**	—
Non-controlling interests cash contribution	**—**	70
Proceeds from borrowings	**4,908**	6,461
Repayment of borrowings	**(40,081)**	—
Bank interest paid	**(529)**	(1,003)
Interest on financial liabilities	**(335)**	(361)
Net cash outflow from financing activities	**(15,335)**	(1,398)
Net (decrease) / increase in cash and cash equivalents	**(4,940)**	12,981
Cash and cash equivalents at the beginning of the period	**16,342**	3,361
Effect of foreign exchange rates	**—**	—
Cash and cash equivalents at the end of the period	**11,402**	16,342

Notes to the financial statements
for the year ended 31 December 2021

1. General information
Lords Group Trading plc (the 'Company') is a listed public company limited by shares 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 Company changed its name from Lords Group Trading Limited during 2021.

The principal activity of the Company together with its subsidiary undertakings (the 'Group') throughout the period was 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 24 May 2022. The directors have the power to amend and reissue the financial statements.

2. Accounting policies
2.1 Basis of preparation of financial statements

The financial information in this announcement does not constitute the Company's statutory accounts for the year ended 31 December 2021, but is derived from those accounts. This is the first year for which IFRS statutory financial statements will be prepared for the Company and those for 31 December 2021 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

While the financial information included in this results announcement has been prepared in accordance with the recognition and measurement criteria of UK-adopted International Financial Reporting Standards ("IFRS"s), this announcement does not itself contain sufficient information to comply with IFRSs. The Company has published full financial statements that comply with IFRS.

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.

2.2 Going concern
At 31 December 2021, the Group had £34.9 million of undrawn facilities and £11.4 million of cash. The Group has further increased its facilities to ensure it has the resources to pursue its consolidation strategy as described in the strategic report. The Group amended its banking facilities on 28 February 2022 and increased its invoice drawdown facility to £20.0 million and its revolving loan facility to £50.0 million as disclosed in the post balance sheet events note, note 18. This represents an overall increase in facilities of £30.0 million over those available at 31 December 2021 and which are available to the Group until 21 July 2024. 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 2021, the interest ratio was over 21 and there was no net debt.

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 £27.8 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 increased cost to serve. 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 £6.7 million, debtors increase by 24%, or there is an increase in cost to serve of £8.2 million above the base model. 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.

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.

3. Correction of error in accounting for leases under IFRS 16

In October 2021, the Group undertook a review of the property lease accounting under IFRS 16 included within the admission document for AIM. Several errors were identified, the most material of which were four leases where step increases in rentals were a contractual obligation within the lease and should have been reflected in the valuation of right-of-use assets and the lease liabilities, but they had not been included.

In addition, one subsidiary hires vehicle on a three year lease term but which can be terminated free of charge at any time. The view at the time of the admission document was that these were short-term leases. A subsequent review of the leases indicates that while the subsidiary does not have an obligation to hold the vehicles for a defined period, it usually holds the majority for a period, of around three years.

These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Consolidated statement of financial position (extract)	31 December 2020 £'000	Increase/ (decrease) £'000	31 December 2020 (restated) £'000	31 December 2019 £'000	Increase/ (decrease) £'000	31 December 2019 (restated) £'000
Right-of-use assets	27,059	5,028	32,087	30,504	5,334	35,838
Current lease liabilities	(3,704)	(476)	(4,180)	(3,917)	(422)	(4,339)
Trade and other payables	(66,111)	437	(65,674)	(59,316)	445	(58,871)
Non-current lease liabilities	(23,912)	(6,461)	(30,373)	(26,813)	(6,237)	(33,050)
Other provisions	(787)	(30)	(817)	(749)	(29)	(778)
Deferred tax	(2,801)	368	(2,433)	(2,919)	257	(2,662)
Net assets	**18,265**	**(1,134)**	**17,131**	**15,087**	**(652)**	**14,435**
Retained earnings	4,756	(1,134)	3,622	1,833	(652)	1,181
Total equity	**18,265**	**(1,134)**	**17,131**	**15,087**	**(652)**	**14,435**

Consolidated statement of comprehensive income (extract)	31 December 2020 £'000	Increase/ (decrease) £'000	31 December 2020 (restated) £'000
Administrative expenses	(29,944)	1,028	(28,916)
Adjusted EBITDA	14,890	1,028	15,918
EBITDA	14,371	1,028	15,399
Amortisation	(6,238)	(1,243)	(7,481)
Operating profit	**7,100**	**(215)**	**6,885**
Finance expense	(2,898)	(378)	(3,276)
Profit before taxation	**4,204**	**(593)**	**3,611**
Taxation	(1,096)	111	(985)
Profit for the year	**3,108**	**(482)**	**2,626**
Total comprehensive income attributable to:			
Owners of the parent company	2,923	(482)	2,441
Non-controlling interests	185	—	185
	3,108	**(482)**	**2,626**

Basic and diluted earnings per share for the prior year have not been previously reported.

The correction further affected some of the amounts disclosed in note 7, Expenses by nature. Amortisation of right-of-use assets increased by £1,243,000 while short-term and low-value lease rentals decreased by £810,000. In note 9, Finance expense, lease liability interest has increased by £378,000.

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 CODM in the Group's internal management reporting by segment and therefore is split and presented below.

2021	**Plumbing and Heating £'000**	**Merchanting £'000**	**Total £'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	**—**	**(2,085)**	**(2,085)**
EBITDA	**10,261**	**9,862**	**20,123**
Depreciation	**(1,124)**	**(216)**	**(1,340)**
Amortisation	**(1,523)**	**(6,498)**	**(8,021)**
Operating profit	**7,614**	**3,148**	**10,762**
Finance income	**—**	**—**	**—**
Finance costs	**(773)**	**(1,968)**	**(2,741)**
Profit before taxation	**6,841**	**1,180**	**8,021**
Taxation	**(1,059)**	**(1,318)**	**(2,377)**
Profit / (loss) for operating unit	**5,782**	**(138)**	**5,644**
Assets and liabilities			
Total assets	**96,080**	**76,229**	**172,309**
Total liabilities	**(59,098)**	**(62,463)**	**(121,561)**

Net assets	**36,982**	**13,766**	**50,748**
Additions to non-current assets	**9,895**	**7,756**	**17,651**

2020	Plumbing and Heating (restated) £'000	Merchanting (restated) £'000	Total (restated) £'000
Revenue	203,578	83,987	287,565
Cost of sales	(180,666)	(59,716)	(240,382)
Gross profit	22,912	24,271	47,183
Distribution costs	(54)	(2,731)	(2,785)
Administrative expenses	(13,897)	(15,019)	(28,916)
Other operating income	180	256	436
Adjusted EBITDA	9,141	6,777	15,918
Exceptional items	(1,346)	827	(519)
EBITDA	7,795	7,604	15,399
Depreciation	(162)	(871)	(1,033)
Amortisation	(1,914)	(5,567)	(7,481)
Operating profit	5,719	1,166	6,885
Finance income	—	2	2
Finance costs	(1,039)	(2,237)	(3,276)
Profit / (loss) before taxation	4,680	(1,069)	3,611
Taxation	(931)	(54)	(985)
Profit / (loss) for operating unit	3,749	(1,123)	2,626
Assets and liabilities			
Total assets	107,742	56,021	163,763
Total liabilities	(74,774)	(71,858)	(146,632)
Net assets / (liabilities)	32,968	(15,837)	17,131
Additions to non-current assets	1,127	1,222	2,349

5. Other operating income

	2021 **£'000**	2020 £'000
Commission	**504**	219
Parking income	**131**	168
Other	**61**	49
	696	436

6. Exceptional items

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

	2021 **£'000**	2020 £'000
Listing costs	**1,523**	—
Costs of business combinations	**514**	—
Costs of previous financing expensed	**248**	—
Restructuring costs	**—**	293
Deferred remuneration liability	**—**	1,707
Reduction in contingent consideration	**(200)**	—
Government grants – job retention scheme	**—**	(1,221)
Government grants – small business retail grants	**—**	(260)
	2,085	519

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.

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.

Year ended 31 December 2020
As a result of the coronavirus epidemic the Group underwent a restructuring programme which resulted in costs of £293,000.

APP Wholesale Limited, a subsidiary undertaking, introduced a management incentive plan for key employees as a result of the sale of the entire capital to Lords Group Trading plc in December 2019. As the conditions of the management incentive plan were not met by the employees until 2020, the cost was recognised in the year ended 31 December 2020.

The Group received government grants under the job retention scheme and small business retail grants of £1,221,000 and £260,000 respectively.

7. Expenses by nature
Operating profit is stated after charging / (crediting):

	2021 **£'000**	2020 (restated) £'000
Depreciation of property, plant and equipment	**1,340**	1,033
Amortisation of intangible assets	**2,087**	1,841
Amortisation of right-of-use assets	**5,934**	5,640
Inventories recognised as an expense	**300,569**	240,382
Short-term and low-value lease payments	**148**	168
Foreign exchange gains	**(14)**	—
Share-based payments	**96**	—
Defined contribution costs	**424**	366
Release of impairment of inventories	**(142)**	(2,137)
Loss on disposal of property, plant and equipment	**—**	2
Defined contribution pension plan	**424**	336

8. Finance income

	2021 **£'000**	2020 £'000
Other interest receivable	**—**	2
	—	2

9. Finance expense

	2021 £'000	2020 (restated) £'000
Bank loans and overdrafts	**529**	1,003
Invoice discounting facilities	**376**	388
Lease liabilities	**1,836**	1,885
	2,741	3,276

10. Taxation

	2021 £'000	2020 (restated) £'000
Corporation tax		
Current tax on profit for the year	**2,344**	1,521
Adjustments in respect of previous periods	**366**	(307)
	2,710	1,214
Deferred tax		
Origination and reversal of timing differences	**(198)**	(376)
Adjustments in respect of previous periods	**(707)**	161
Effect of changes in tax rates	**572**	(14)
	(333)	(229)
Total tax charge	**2,377**	985

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The difference is explained below:

	2021 £'000	2020 (restated) £'000
Profit before taxation	**8,021**	3,611
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**1,524**	686
Expenses not deductible	**753**	429
Adjustments in respect of previous periods	**(341)**	(146)
Changes in tax rates	**572**	(14)
Share-based payments	**(147)**	—
Deferred tax not recognised	**16**	30
Total tax charge for the year	**2,377**	985

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 at 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

	2021	2020
Basic earnings per share		
Earnings from continuing activities (pence)	**3.73**	**1.94**
Diluted earnings per share		
Earnings from continuing activities (pence)	**3.40**	**1.77**
Weighted average shares for basic earnings per share	**140,354,443**	**125,925,000**
Number of dilutive share options	**13,647,753**	**12,179,402**
Weighted average number of shares for dilutive earnings per share	**154,002,196**	**138,104,402**
Earnings attributable to the equity holders of the parent (£'000)	**5,231**	**2,441**

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 £5,231,000 (2020: earnings of £2,441,000) as the numerator, meaning no adjustment to profit was necessary in either year. The comparative earnings per share calculation has used the shares at the time of listing on 20 July 2021 as the denominator.

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 6), share based payments and amortisation of intangible assets as the numerator. The denominator is the shares in issue at the end of the year for 2021 and at the time of listing for 2020.

	2021 £'000	2020 £'000
Earnings attributable to the equity holders of the parent	**5,231**	2,441
Exceptional items	**2,085**	519
Share-based payments	**96**	—
Amortisation of intangible assets	**2,087**	1,841
Less tax impact of adjustments	**(811)**	(448)
Adjusted earnings	**8,688**	4,353
Closing shares at the end of the year	**158,524,872**	125,925,000
Closing number of dilutive share options	**13,647,753**	12,179,402

	2021	2020
Adjusted basic earnings per share		
Earnings from continuing activities (pence)	**5.48**	3.46
Adjusted diluted earnings per share		
Earnings from continuing activities (pence)	**5.05**	3.15

12. 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.

	2021	2020 (restated)
Number of active leases	**210**	200

Description of payments

	2021 £'000	2020 (restated) £'000
Principal lease payments	**6,750**	6,565
Interest payments on leases	**1,836**	1,885
Short-term and low-value lease costs	**148**	168
	8,734	8,618

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 2019 (restated)				
Cost	32,832	5,149	4,252	42,233
Accumulated amortisation and impairment	(4,153)	(1,095)	(1,147)	(6,395)
Net book amount	28,679	4,054	3,105	35,838
Year ended 31 December 2020 (restated)				
Opening net book value	28,679	4,054	3,105	35,838
Additions	363	684	860	1,907
Disposals	—	—	(18)	(18)
Amortisation charge	(3,196)	(902)	(1,542)	(5,640)
Closing net book value	25,846	3,836	2,405	32,087
At 31 December 2020 (restated)				
Cost	33,195	5,833	5,094	44,122
Accumulated amortisation and impairment	(7,349)	(1,997)	(2,689)	(12,035)
Net book value	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 value	**26,516**	**3,030**	**3,725**	**33,271**

Lease liabilities

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 1 January 2020 (restated)	30,274	4,203	2,912	37,389
Additions	364	682	798	1,844
Interest expenses	1,516	222	147	1,885
Lease payments (including interest)	(3,678)	(1,211)	(1,676)	(6,565)
At 31 December 2020 (restated)	28,476	3,896	2,181	34,553

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**

Reconciliation of minimum lease payments and present value

	2021 **£'000**	2020 (restated) £'000
Within one year	**6,200**	6,140
Later than one year and less than five years	**19,236**	16,895
Later than five years and less than ten years	**11,534**	8,493
Later than ten years and less than 15 years	**8,550**	7,489
After 15 years	**2,272**	2,016
Total including interest cash flows	**47,792**	41,033
Less interest cash flows	**(11,160)**	(6,480)
Total principal cash flows	**36,632**	34,553

Reconciliation of current and non-current lease liabilities

	2021 **£'000**	2020 (restated) £'000
Current	**5,114**	4,180
Non-current	**31,518**	30,373
Total	**36,632**	34,553

13. Trade and other receivables

	2021 **£'000**	2020 (restated) £'000
Amounts falling due after one year		
Other receivables	**304**	78
	304	78
Amounts falling due within one year		
Trade receivables	**50,930**	46,962
Related parties	**—**	44
Taxation and social security	**—**	560
Other receivables	**5,333**	3,264
Prepayments	**1,481**	1,803
	57,744	52,633

14. Trade and other payables

	2021 £'000	2020 (restated) £'000
Amounts falling due within one year		
Trade payables	**57,991**	59,228
Other taxation and social security	**4,113**	1,682
Other payables	**1,931**	2,385
Accruals	**6,424**	2,379
	70,459	65,674

	2021 £'000	2020 £'000
Amounts falling due in more than one year		
Other payables	**3,621**	2,840
	3,621	2,840

Other payables comprise of deferred consideration relating to various acquisitions. Deferred consideration due after one year is discounted using discount rates which reflect the relevant costs of financing when material.

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

15. Borrowings

	2021 £'000	2020 £'000
Current		
Bank loans	—	2,388
Other loans	**2,783**	18,350
Total current borrowings	**2,783**	20,738
Non-current		
Bank loans	**2,125**	18,522
Total non-current borrowings	**2,125**	18,522
Total borrowings	**4,908**	39,260

A maturity analysis of the Group's borrowings is shown below.

	2021 £'000	2020 £'000
Less than one year	**2,783**	20,738
Later than one year and less than five years	**2,125**	18,522
Total borrowings	**4,908**	39,260

Total transaction costs were £225,000 at the date of issue and unamortised transaction costs of £187,000 (2020: £280,000) have been offset against the bank loans.

Unrestricted access was available at the reporting date to the following lines of credit:

Total facilities	2021 £'000	2020 £'000
Revolving credit facility	**30,000**	12,500
Term loans	—	6,250
CBILS	—	15,000
Invoice drawdown facility	**10,000**	40,000
	40,000	73,750

Used at 31 December		
Revolving credit facility	**2,312**	5,910
Term loans	**—**	—
CBILS	**—**	15,000
Invoice drawdown facility	**2,783**	18,349
	5,095	39,259
Unused at 31 December		
Revolving credit facility	**27,688**	6,590
Term loans	**—**	6,250
CBILS	**—**	—
Invoice drawdown facility	**7,217**	21,651
	34,905	34,491

On 20 July 2021, the CBILS, revolving credit facility, term loans and invoice financing that existed at 31 December 2020 were repaid with the funds raised in the restructuring and replaced with the following financing arrangements from HSBC UK Bank plc:

- an invoice financing facility available for three years of £10 million attracting an interest rate of SONIA + 1.80%; and
- a revolving credit facility of £30 million repayable after three years and attracting a base interest rate of SONIA + 2.25% with fixed tiers up to 3.00% based on leverage. The non-utilisation commitment fee is 40% of lender margin.

The loans are secured by fixed and floating charges over the land, tangible assets, insurances and shares in subsidiary undertakings.

16. Reconciliation of liabilities arising from financial activities

	Current liability		Non-current liability		Total	
	Borrowings	Lease liability	Borrowings	Lease liability	Borrowings	Lease liability
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020 (restated)	21,782	4,339	11,016	33,050	32,798	37,389
Proceeds from borrowings	(1,044)	—	7,506	—	6,462	—
Principle lease payments	—	(4,021)	—	—	—	(4,021)
New leases	—	163	—	744	—	907
Modifications / remeasurement and transfers from current to non-current	—	3,699	—	(3,421)	—	278
At 31 December 2020 (restated)	20,738	4,180	18,522	30,373	39,260	34,553
At 1 January 2021 (restated)	20,738	4,180	18,522	30,373	39,260	34,553
Acquired through business combinations	**821**	**596**	**—**	**1,894**	**821**	**2,490**
Proceeds from borrowings	**1,962**	**—**	**2,125**	**—**	**4,087**	**—**
Repayment of borrowings	**(20,738)**	**—**	**(18,522)**	**—**	**(39,260)**	**—**
Principle lease payments	**—**	**(4,359)**	**—**	**—**	**—**	**(4,359)**
New leases	**—**	**450**	**—**	**3,002**	**—**	**3,452**
Modifications / remeasurement and transfers from current to non-current	**—**	**4,247**	**—**	**(3,751)**	**—**	**496**
At 31 December 2021	**2,783**	**5,114**	**2,125**	**31,518**	**4,908**	**36,632**

17. 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 2021 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 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 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 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.

18. Post-balance sheet events

Advance Roofing Supplies Limited

On 5 January 2022, the Group acquired Advance Roofing Supplies Limited ('Advance Roofing Supplies'), a supplier of roofing materials, for a consideration of £3.74 million, of which £3.49 million has been paid on completion and the balance of £0.25 million is payable twelve months after completion. As at completion, Advance Roofing Supplies had excess cash of £0.74 million.

Established in 1994, Advance Roofing Supplies specialises in pitched and flat roofing sales to customers locally and nationally. Advance Roofing Supplies operated from two locations, Aylesbury in Buckinghamshire and Long Marston in Hertfordshire. The acquisition of Advance Roofing Supplies will offer attractive synergies with the Group's Merchanting segment, increasing product range, and expanding the Group's customer base, particularly in the South East of England.

For the year ended 31 March 2021, Advance Roofing Supplies generated EBITDA of £0.6 million on revenues of £6.8 million.

As the acquisition of Advance Roofing Supplies Limited only completed on 5 January 2022, the initial accounting for the acquisition was incomplete at the time these accounts were authorised for issue. On this basis, no assessment has yet been performed to determine the fair value of assets and liabilities and the fair value of the consideration. The Group intends to disclose the required information within its interim accounts for the period ended 30 June 2022.

Banking facilities
The Group amended its banking facilities on 28 February 2022 and increased its invoice drawdown facility to £20.0 million and its revolving loan facility to £50.0 million. This represents an overall increase in facilities of £30.0 million over those available at 31 December 2021. The facilities are available to the Group until 21 July 2024.

A.W. Lumb
On 28 February 2022, the Group acquired A.W. Lumb through the acquisition of the entire issued share capital of AWLC Limited ('AWLC') for a total consideration of £23.1 million (the 'Acquisition'). The Acquisition is in line with Lords' stated strategy at the time of IPO in July 2021. The Acquisition is to be immediately earnings accretive.

Total Acquisition consideration of £23.1 million, payable in cash, consists of £19.5 million due on completion and deferred consideration of £3.6 million payable in equal annual instalments over the next five years. Consideration is to be funded from Lords' existing cash resources and debt facilities.

The Acquisition provides the Group with an extension of its product offering and geographical reach into the North of England. Both key senior management from A.W. Lumb and its 77 employees will be joining the Group, ensuring continuity of local knowledge and customer relationships, as well as continuing the family values core to Lords' success.

Established in 1964 and family owned until a management buyout in 2017, A.W. Lumb is a leading independent builders merchant operating in the North of England from depots in Dewsbury and Tamworth. A.W. Lumb has a general merchanting service, with offerings in building materials, garden landscaping, timber & joinery, and roofing products. The business also provides a specialist offering in drylining and insulation to housebuilders. A.W. Lumb's customers include several well-known housebuilders, civil engineering contractors, local authorities, plasterers and smaller developers.

In the year to 30 June 2021, AWLC generated revenues of £43.3 million, EBITDA of £3.9 million and a profit before tax of £3.8 million.

As at 30 June 2021, AWCL had pro forma net assets of £10.1 million, £1.9 million of pro forma net cash and freehold property with a market value of £4.6 million.

As the acquisition of A.W. Lumb only completed on 28 February 2022, the initial accounting for the acquisition was incomplete at the time these accounts were authorised for issue. On this basis, no assessment has yet been performed to determine the fair value of assets and liabilities and the fair value of the consideration. The Group intends to disclose the required information within its interim accounts for the period ended 30 June 2022.

DH&P Plumbing and Heating
On 31 March 2022, the Group acquired a 90% interest in the leading plumbing and heating businesses, DH&P Trade Counters Holdings Limited and DH&P HRP Holdings Limited (together 'DH&P'), for a total consideration of £9.3 million.

The remaining 10% interest in DH&P's issued share capital will be retained equally by the business' current vendors, who will remain in their management roles with the business.

DH&P Trade Counters Holdings Limited is a leading plumbing and heating merchant, consisting of five branches located with a strong regional focus in Ipswich, Chelmsford, Southend, Benfleet and Colchester. The business further extends the Group's existing plumbing and heating network of nine branches represented under the Mr Central Heating brand.

The DH&P HRP Holdings Limited business is a national distributor of plumbing and heating spares servicing 400 customers, whose operations align strongly with the Group's APP Wholesale division that distributes plumbing and heating products nationwide to 2,400 customers.

For the year ended 30 July 2021, DH&P generated revenues of £27.6 million and underlying EBITDA of £2.0 million.

The acquisition consideration was satisfied by an initial £8.93 million cash payment and a deferred cash element of £357,000 to be paid in twelve months, on a cash-free, debt-free basis. Simultaneous call and put options over the remaining 10% of DH&P's issued share capital will be held by the Group and DH&P's vendors, respectively, which will not be exercisable prior to 31 March 2025 and the price subject to DH&P's EBITDA performance.

As the acquisition of DH&P Plumbing and Heating only completed on 31 March 2022, the initial accounting for the acquisition was incomplete at the time these accounts were authorised for issue. On this basis, no assessment has yet been performed to determine the fair value of assets and liabilities and the fair value of the consideration. The Group intends to disclose the required information within its interim accounts for the period ended 30 June 2022.

Branch acquisition

On 31 March 2022, the Group acquired a Buildbase branch from Grafton Merchanting GB Limited, previously part of its timber and building materials business. The Buildbase branch purchased is a single site located in Sudbury, Suffolk (the 'Sudbury Branch').

The acquisition offers additional expansion for the Sudbury Branch and the wider Lords Merchanting segment across product range, acquired customers and digital presence whilst also further enhancing Hevey's growing East of England presence.

The total gross consideration payable was £2.2 million. The Sudbury Branch generated revenues of £5.1 million and adjusted EBITDA of £0.5 million in the year to 31 December 2021.

As the acquisition of the Sudbury Branch only completed on 31 March 2022, the initial accounting for the acquisition was incomplete at the time these accounts were authorised for issue. On this basis, no assessment has yet been performed to determine the fair value of assets and liabilities and the fair value of the consideration. The Group intends to disclose the required information within its interim accounts for the period ended 30 June 2022.

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