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.

For immediate release **15 May 2024**

Lords Group Trading plc

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

Final Results

Growth strategy continuing to progress despite challenging markets
Unchanged dividend reflecting medium term confidence

Lords (AIM:LORD), a leading distributor of building materials in the UK, today announces its annual results for the year ended 31 December 2023 ('FY23' or the 'year').

	FY23	FY22	Change* (%)
Revenue	**£462.6m**	£450.0m	+2.8%
Revenue – Merchanting	**£214.9m**	£220.8m	-2.6%
Revenue – Plumbing & Heating	**£247.7m**	£229.3m	+8.0%
Adjusted EBITDA(1)	**£26.8m**	£30.0m	-10.5%
Adjusted EBITDA margin	**5.8%**	6.7%	-0.9%
EBITDA	**£23.5m**	£28.6m	-18.1%
Profit before tax	**£3.0m**	£12.8m	-76.8%
Adjusted Profit before tax(2)	**£10.4m**	£17.4m	-40.7%
Basic earnings per share	**0.84p**	5.68p	-85.2%
Adjusted basic earnings per share(3)	**4.35p**	8.02p	-45.8%
Dividend per share	**2.0p**	2.0p	+0.0%
Free cash flow(4)	**£13.9m**	£19.1m	-27.5%
Cash flow conversion(5)	**59.2%**	66.9%	-7.7%
Net (debt)/cash(6)	**£(28.5)m**	£(19.4)m	

* Based on underlying, not rounded, figures.

FY23 Financial Highlights

- Performance in line with market expectations for FY23 and FY24. Non-discretionary nature of a significant proportion of Lords' product range, alongside the Group's differentiated growth strategy, delivered this performance despite material market headwinds across the sector
- Record Group revenue in the year, reaching £462.6 million, up 2.8% on FY22
- Adjusted EBITDA(1) of £26.8 million (FY22: £30.0 million), down 10.5% and representing a margin of 5.8% (FY22: 6.7%) with a greater proportion of Group revenues generated by the Group's Plumbing & Heating division ('P&H') in FY23
- Adjusted basic earnings per share(3) down 45.8% to 4.35 pence (FY22: 8.02 pence)
- Strong cash flow generated of £22.8 million (FY22: £26.8 million), contributing to free cash flow(4) generation of £13.9 million (FY22: £19.1 million)
- Net debt(6) at 31 December 2023 of £28.5 million (31 December 2022: £19.4 million), with continued focus on providing a robust balance sheet
- Total dividend for the year of 2.0 pence per share, unchanged from FY22 (FY22: 2.0 pence per share) demonstrating the Board's confidence in the Group's ability to deliver long term value for shareholders.

Operational Highlights

- P&H division revenues increased 8.0% to £247.7 million (FY22: £229.3 million), 3.7% higher on a like-for-like[7] basis ('LFL'), benefitting from extended product ranges at higher margins such as renewables
- Merchanting division revenues decreased 2.6% to £214.9 million (FY22: £220.8 million), with LFL decrease of 6.3% reflecting price deflation in some product categories
- Lords' customer first proposition continuing to benefit the Group, giving superior customer insight and agility in specific product and brand sales strategies
- Organic growth levers continue to drive value creation:
  - Brand roll outs accessing new markets and customers; Mr Central Heating opened a new site in Edinburgh and will seek to establish a 50 branch network in the medium term
  - Product range continuing to expand with new renewables energy range increasing its revenues by 60% in FY23
- Successful completion of two acquisitions in the Merchanting division – Chiltern Timber Supplies and Alloway Timber – adding six branches to the Group's network and 93 new colleagues
- ESG momentum continues, including the launch of a new environmental policy alongside setting scope 1,2,3 emission reduction targets
- Post year-end announced the appointment of Stuart Kilpatrick as CFO, a highly experienced finance executive with a track record in public company M&A. Stuart will be joining the Board on 4 June 2024.

Current Trading and Outlook

- FY24 has begun with wider market conditions remaining uncertain and as such we will continue to manage the business carefully and prudently, particularly when looking at M&A opportunities
- In line with the wider market, trading in Q1 FY24 was impacted by a combination of macro conditions and wet weather. Furthermore, demand in the P&H division was turbulent following the timing adjustment to the Government's Clean Heat Market Mechanism ('CHMM')
- Despite the uncertain market conditions, Lords is trading in line with market expectations and the Board remains confident in achieving the Group's medium-term EBTIDA margin target of 7.5%.

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

(2) Adjusted profit before tax is profit before tax before exceptional items, share based payments amortisation of intangible assets and impairment charges.

(3) Adjusted basic earnings per share is earnings attributable to shareholders of Lords Group Trading plc adjusted for exceptional items, share based payments, amortisation of intangible assets and impairment charges, divided by the weighted average number of shares in issue in the year

(4) Free cash flow defined as cash generated by operating activities plus exceptional items less capital expenditure, taxation and interest paid

(5) Free cash flow conversion is free cash flow as a percentage of EBITDA.

(6) Net debt is defined as gross borrowings less cash and cash equivalents.

(7) 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

Commenting on the results, Shanker Patel, Chief Executive Officer of Lords, commented:

"FY23 has demonstrated that we have successfully built a sustainable growth business. Despite the challenging macroeconomic backdrop, the Group has once again grown its top line and gained market share, while continuing to invest to deliver future growth. I would like to thank our colleagues across the UK, who without their fantastic commitment and support for our strategy, these results would not have been achieved.

"Whilst short term trading pressures may exist, I remain confident in our strategy and its ability to deliver sustained growth over the medium term. Our market remains substantial, highly fragmented and we have a track record of consolidation and organic growth which combined deliver excellent returns for all of our stakeholders."

Analyst Briefing

There will be an in person meeting for analysts at 09.00hrs today at Buchanan's offices, which will be hosted by Gary O'Brien (Non-Executive Chairman), Shanker Patel (CEO) and Chris Day (CFO and COO).

FOR FURTHER ENQUIRIES:

Lords Group Trading plc	**Via Buchanan**
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Shanker Patel, Chief Executive Officer	
Chris Day, Chief Financial Officer and Chief Operating Officer	
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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 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 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

Lords demonstrated its resilience in FY23 and outperformed the wider sector despite the challenging economic environment. This outperformance has largely been achieved due to approximately 80% of our revenues coming from the essential areas of the repairs, maintenance and improvement sector where purchases are not discretionary. This has helped ensure a consistent level of underlying demand in both our core divisions. We also believe that our superior customer engagement is now helping our brands take market share, using the product preference insights and customer loyalty, through periods of market volatility.

Our performance and growth strategy

Over recent years, the Group's growth strategy has substantially broadened the business and diversified our revenue streams, and we saw the benefit of this in FY23. On a like-for-like (LFL) basis, Group revenues held up well and were 1.2% lower than in FY22. This was the result of 3.7% LFL revenue growth in the Plumbing and Heating (P&H) division offsetting a LFL decrease of 6.3% in the Merchanting division, where some product categories have seen price deflation. Adjusted EBITDA reduced in the period to £26.8 million (FY22: £30.0 million) reflecting the challenging market conditions in our higher-margin Merchanting division and the impact of loss-making Alloway Timber as anticipated at acquisition. Adjusted profit before tax of £10.4 million (FY22: £17.4 million) reflected market conditions and interest rate movements.

Mindful of macro conditions, we continue to leverage our differentiated customer first position to swiftly respond to volatile market conditions and ensure we manage the business prudently, focusing on our profitability and cash flows whilst exercising caution about capital allocation where required.

Furthermore, we selectively completed two acquisitions in the year, which were a strong geographical and product extension fit and both are performing in line with our expectations.

Our acquisition strategy is unique among our peers and aims to increase our market share and profitability, while further diversifying our revenue. This is delivering CAGR beyond our peer group and demonstrating our ability to scale in the sector. The markets we operate in are highly fragmented, with numerous specialist independent merchants, and we consistently demonstrate that Lords is a great home for these businesses given our customer and colleague-focused culture, making us an acquirer of choice. Even so, in current economic conditions, maintaining our balance sheet discipline is crucial and we are taking a very considered approach to further acquisitions but remain well positioned as macro conditions improve.

Dividends

The Board is recommending a final dividend of 1.33 pence per share, to give a total dividend in respect of the year of 2.0 pence per share, unchanged on FY22.

While the Group's profits were lower in FY23, the total dividend is 2.2 times covered by adjusted earnings per share and the Board concluded it was appropriate to maintain the level of payout. This reflects our confidence in the future growth of the business, its inherent resilience and commitment to a progressive dividend. Subject to Shareholder approval at the Annual General Meeting ("AGM"), the Final Dividend will be paid on 28 June 2024, with a record date of 24 May 2024 and an ex-dividend date of 23 May 2024.

Our purpose and culture

The Group's culture is one of its key strengths. It helps us to stand out as an employer and deliver great service for our customers, driving organic growth through increased loyalty and share of wallet expansion.

As we continue to grow, we are focused on maintaining the key parts of our culture, such as the family feel of the business, while ensuring we are flexible enough to seize the opportunities ahead. We have therefore done a considerable amount of work this year to more formally define our culture and the values that support it, and we are now integrating our refreshed values into the way we recruit and

manage our people. This allows wider stakeholders to understand why independent vendors, customers and employees alike are choosing Lords.

As part of this process, we also refined our vision for the Group, which is set out within our annual report. This encapsulates our fundamental purpose and the factors that make us stand out in our market, and will help to ensure all stakeholders are aligned to deliver Lords' growth strategy.

Environmental, social and governance (ESG) matters

The Group's environmental footprint has always been a priority for all of our management teams. While the Board has ultimate responsibility for this, the actions that determine our performance are taking place across our business. We have therefore looked to increase accountability in the divisions and across local and regional brands, agreeing reduction plans and incentivised targets. We are in the process of identifying appropriate key performance indicators at divisional and Group level, so we can set targets and incentivise delivery, including for the executive directors. Since the end of the year, the Board has approved an updated environmental policy which is published on our website.

Our business is built on great customer service and that needs highly engaged and motivated people. Our regular surveys continue to show strong employee engagement, reflecting our people-focused culture and the example set by our CEO, Shanker Patel.

As I noted in my report to you last year, Dawn Moore stepped down as a non-executive director at the 2023 AGM, to focus on her executive responsibilities. The Board greatly valued Dawn's expertise in human resources and we were keen to recruit a new director with a similar skill set. We were therefore delighted to welcome Sheena Mackay in September 2023. Sheena's background as a global HR Director in public companies made her the ideal candidate and she has taken over as Chair of the nomination and remuneration committees. She also has experience as Chair of the ESG committee, helping oversee our efforts to formalise our sustainability commitments.

Since the year end, Chris Day informed the Board that he will be leaving to take up a new opportunity and we thank him for his service. On 8 May 2024, we were delighted to announce that Stuart Kilpatrick will be joining the Board as our new Chief Financial Officer (CFO) on 4 June 2024. Stuart is a highly experienced CFO, with a particular track record in M&A delivery, and we believe he will make a significant contribution to our continued success. Lords is well supported by its strong, well established finance team who will ensure a smooth transition from Chris's departure to Stuart joining.

Looking forward

In the near term, Lords remains focused on driving organic and margin accretive growth, accessing new markets and customers via new store-roll outs of existing brands, accelerating our digital capabilities and an increasing share of customer wallet through marketing new products. In addition, the Group's access to the growing decarbonisation product market is further increasing margin expansion.

Whilst we are seeing wider market conditions remaining uncertain in the near term, and we will continue to manage the business carefully and prudently, we are confident in the medium-term M&A opportunities that exist. We continue to hold active conversations with a number of independent merchants across the UK. As the Group monitors its pipeline of opportunities, Lords' prudence and commitment to protecting its market reputation in the name of long-term success is vital. We continue to believe in our differentiated proposition and diversified growth strategy and, as we move into the second half of the year, the Board looks to the future with confidence.

Gary O'Brien

Independent Non-Executive Chairman

14 May 2024

Chief Executive Officer's review

Being a decentralised and flexible business has helped us to navigate difficult conditions in FY23, by allowing our branches to respond to their customers' needs. Our relentless focus on customer service continues to bear fruit, as we strive to provide a combined price and service proposition that our larger, less agile competitors cannot match. This provides us with a strong base of loyal and satisfied customers who value their relationship with us, as reflected in our customer satisfaction scores, our Trusted Partner accreditation on Feefo and the multiple industry awards we received in FY23. We will continue to take market share as we leverage our best-in-class customer engagement to get closer to customers. In addition, we continue to deploy technology and digitalise our processes to increase efficiency and reduce costs.

Performance

Group revenue reached a new high in FY23 of £462.6 million, up 2.8% on the £450.0 million achieved in FY22. As the Chairman has discussed in his statement, like-for-like revenues were resilient overall, with underlying LFL growth in P&H largely offsetting the impact of market conditions on our Merchanting division. Our digital revenues have started to benefit from the launch in the period of new websites for most of our key brands, improving the customer online experience and customer choice, which is paramount whether in store in an increasing number of quality physical locations or online.

We also continue to see strong growth in newer product lines such as the renewables range in P&H, which has excellent prospects as well as enhanced margins.

Adjusted EBITDA was 10.5% lower at £26.8 million (FY22: £30.0 million), with the adjusted EBITDA margin down 0.9 percentage points to 5.8% (FY22: 6.7%). This reflects market conditions and the greater proportion of Group revenues generated by P&H in FY23, which has a lower margin than Merchanting. We remain confident of achieving our medium-term EBITDA margin target of 7.5% and have several levers to do so, including further accretive acquisitions, improving our productivity and efficiency, growing our higher-margin product lines and operational leverage.

Once again our cash flow was strong, with adjusted cash generated by operating activities[8] of £22.5 million (FY22: £24.1 million), while free cash flow was £13.9 million (FY22: £19.1 million). Free cash flow conversion was 59.2% (FY22: 66.9%), supporting disciplined investment in our 3Ps – people, plant and premises – to deliver further growth. Our capital expenditure in FY23 was £4.9 million (FY22: £3.5 million), including the initial £2.2 million payment to acquire the George Lines' Heathrow site.

The Group's cash flow and our focus on maintaining a robust and prudent balance sheet resulted in a year-end net debt position of £28.5 million (31 December 2022: £19.4 million).

The movement is explained by the combination of 2023 acquisitions, freehold purchase and deferred consideration relating to prior year acquisitions. Combined, these total £13.0 million. At 31 December 2023 we had £46.7 million of headroom in our bank facilities and £19.0 million of accessible cash, giving us a robust liquidity position. Our balance sheet is also backed by our freehold property portfolio, which has a book value of at least £13.0 million.

[8] Adjusted cash generated from operating activities is defined as net cash generated by operating activities plus exceptional items.

Strategy

We made good progress with our growth strategy, which aims to deliver margin-accretive growth by opening new branches, margin-accretive acquisitions, extending our product range and expanding our digital revenues, through carefully targeted capital expenditure. Whilst the majority of this progress in FY23 was driven by organic growth, we also acquired two businesses that add to our geographical presence and product range.

New branch openings
All our brands have the strong localised reputation which allows us to open new branches and access new customers, with regional brand power offering faster market penetration. In particular, we see excellent prospects for Mr Central Heating and George Lines. We opened Mr Central Heating's eleventh branch, in Edinburgh, and have identified further sites to expand the brand to up to 50 branches over the medium term.

George Lines, our civils and landscaping merchant, currently has three branches in the South East of England and our plans will see it grow to ten branches nationwide. This will give us national coverage, with each branch having a delivery radius of 30 to 50 miles.

Product range extension
We are continually introducing complementary or innovative products, so we can capture untapped demand and further enhance our customer loyalty. Our renewables range is a prime example of an innovative category, as customers increasingly demand energy-efficient technologies. This range, which includes air source heat pumps, controls, under-floor heating and air conditioning, delivered a 60% revenue increase in FY23.

In Q1 2024, the Government's position was that the Clean Heat Market Mechanism (CHMM) would come into effect in Q2 2024. The CHMM incentivises boiler manufacturers and homeowners to accelerate the transition towards renewable energy sources in UK homes, increasing demand for renewable products including air source heat pumps. Some manufacturers have claimed that the initiatives applied to promote air source heat pump sales will also force an increase in the unit price of gas boilers, which will be passed through to consumers.

In March 2024, the Government confirmed its commitment to the CHMM but announced a twelve-month adjustment to its introduction, to April 2025. Lords remains well placed to benefit from the shift in demand towards air source heat pumps when it comes into force.

An example of the team putting data and customer insights into practice to broaden product range, demonstrating our agility, is following the success of the Advance Roofing implant into our Beaconsfield branch where we are targeting further growth in roofing supplies. Electrical supplies are also a natural complement to our existing product range in Merchanting, and we are starting to offer them in selected branches.

Digital expansion
Our online presence is an important tool for attracting and retaining customers, allowing them to shift between online and in-store as they prefer, improving their buying experience and helping us to reach new customers. This year, our in-house digital team has launched upgraded websites for our Lords, Condell and George Lines brands, increasing their functionality and conversion rates. We continue to see online platforms as a growing part of the customers' purchasing journey as they move across channels in their decision process.

Acquisitions
As the Chairman has outlined, there is a substantial consolidation opportunity in our sector of independent local merchants, and potential vendors see us as an attractive buyer given our proven track record, integrating 15 acquisitions over the past seven years. In FY23 we acquired Chiltern Timber Supplies and Alloway Timber in the Merchanting division, adding six branches to our network and increasing our product range through Chiltern's specialist timber offering. We were delighted to welcome 93 new colleagues to the Group with these businesses. Both acquisitions are performing in line with market expectations and are helping to drive EBITDA margin expansion.

Our approach to M&A remains disciplined given the wider volatility and value fluctuations. For example, we withdrew from two other transactions due to the more challenging market conditions, remaining disciplined about securing acquisitions on our stated target range of 4 to 6x EBITDA basis. This discipline is a key driver of our 25%+ return on investment enjoyed across 13 transactions between 2016 and 2022.

Our 3Ps – people, plant and premises
We continuously invest in our people through promotions, training and recruitment. The Workvivo platform we introduced in FY23 has been brilliant for colleague communication and engagement, and we held our first colleague conference in March 2024, bringing together 100 colleagues to discuss our strategy, growth ambitions and ESG initiatives. Our strong engagement scores continue and we have maintained our average length of service, which is six years.

We have an ongoing programme of modernising our plant with new trucks and forklifts, and we continue to invest in our systems to support productivity and customer service. Our investment in premises in FY23 included relocating our Glasgow branch and refurbishments of other selected locations. In FY24, we are planning refits at five branches, including four of the recently acquired Alloway Timber locations.

Outlook

In line with the wider market, trading in FY24 has begun with market conditions remaining uncertain and Q1 FY24 was impacted by a combination of macro conditions and wet weather. During Q1 FY24, demand in the Group's P&H division was volatile following the postponement of the Government's CHMM but LFL revenue performance has improved across both divisions during April 2024.

Looking ahead, and whilst there remain risks associated with macroeconomic shocks that could potentially affect our supply chains, I am confident that Lords is in a very strong position with less than 1% of the UK building materials market and a proven, differentiated growth strategy. Furthermore, we remain well placed to capture the UK's transition to renewable energy sources in homes and the Board continues to be cautiously optimistic as to the Group's ability to gain market share via organic growth levers and value-added acquisition opportunities.

We will continue to manage the business prudently, particularly when looking at M&A opportunities and in relation to our supply chain, where we continue to invest in our supplier relationships and to ensure that we hold sufficient inventory to meet customer needs, while ensuring we carefully manage our working capital levels.

Shanker Patel
Chief Executive Officer

14 May 2024

Financial review

The Group demonstrated its resilience during FY23 and our focus on controlling our cost base and carefully managing our financial resources leaves us well placed for further growth, as market conditions turn more positive.

Revenue

Group revenue was £462.6 million (FY22: £450.0 million), up 2.8%. Excluding acquisitions and new locations, LFL revenue was down 1.2%. Acquisitions made in the year contributed revenue of £5.4 million in FY23.

In the year, P&H performed well, with LFL revenue growth of 3.7%, benefiting from extended product ranges, and contributing to total revenue growth of 8.0% as a result of the full year effect of the Direct Heating and HRP Trade businesses acquired in 2022. Market conditions for Merchanting presented a difficult trading environment in 2023, with LFL revenues declining by 6.3%, albeit generally outperforming the wider sector. Overall sales were down 2.6% on FY22, offset by the positive impacts from the contributions of the 2023 acquisitions of Chiltern Timber Supplies and Alloway Timber.

Administrative expenses

Administrative expenses (excluding depreciation, amortisation, impairment, exceptional items and share-based payments) totalled £61.3 million (FY22: £54.9 million), an increase of 11.6%. This partly resulted from the additional overheads in the businesses we acquired in the year with overhead synergies delivered in Q4 2023 of £0.5 million.

On a like-for-like basis, administrative expenses were £1.5 million higher in FY23, reflecting the impact of inflation and our continued investment to support the Group's growth, including appointing a Group Human Resources Director in February 2023 and strengthening our finance teams.

Depreciation, amortisation and impairment

Depreciation and amortisation rose by 12.3% to £13.8 million (FY22: £12.3 million). Of this, £7.7 million relates to right-of-use assets (FY22: £6.9 million), with the increase resulting from leases in the acquired businesses. A further £3.5 million related to intangible assets (FY22: £3.3 million) and £2.6 million to property, plant and equipment ('PPE') (FY22: £2.1 million). Additionally, in 2023 a £0.5 million impairment charge was taken in the year relating to two loss-making sites within the Group, having assessed the recoverable value of the right-of-use assets and PPE at these sites.

Exceptional items

The Group incurred exceptional costs of £2.8 million in FY23. The most significant items related to: £0.9 million of costs associated with business combinations completed in the year and for potential acquisitions which will not occur or did not occur by the end of 2023; £1.4 million in relation to the impact of the Group reassessing its estimation basis for stock provisioning within the Merchanting division as well as an isolated stock theft at one site; and £0.6 million for Group simplification activities as a result of Group reorganisation in the year to streamline management structures and generate operational efficiency.

Exceptional items in FY22 totalled a net cost of £0.9 million, with the largest component being diligence costs associated with acquisitions.

Profitability

EBITDA for FY23 was £23.5 million (FY22: £28.6 million). Adjusted EBITDA, which excludes the exceptional items set out above as well as share-based payments, was £26.8 million, down 10.5% from £30.0 million in FY22. The decline in Adjusted EBITDA reflects challenging market conditions in the higher margin Merchanting division and anticipated impact of the loss making Alloway Timber at acquisition. The Adjusted EBITDA margin was 5.8% (FY22: 6.7%).

The table below shows Adjusted EBITDA by division:

	FY23 £m	**FY23 margin**	FY22 £m	FY22 margin
Plumbing and Heating	**12.9**	**5.2%**	13.8	6.0%
Merchanting and other services	**14.0**	**6.5%**	16.1	7.3%
Total Group	**26.8**	**5.8%**	30.0	6.7%

Presented numbers are based on underlying, not rounded, figures

Net finance costs
Net finance costs were £6.2 million (FY22: £3.5 million), with the increase mainly due to rising interest rates during the year and higher levels of borrowings as a result of acquisitions made across 2022 and 2023. The interest expense associated with the Group's leases was £2.3 million (FY22: £1.9 million).

Profit before tax and adjusted profit before tax
Adjusted profit before tax, which excludes exceptional items, share-based payments, amortisation of intangible assets and impairment, was £10.4 million (FY22: £17.4 million). The Group generated profit before tax for the year of £3.0 million (FY22: £12.8 million).

Earnings per share and adjusted earnings per share
Adjusted earnings per share[(3)] was 4.35 pence (FY22: 8.02 pence). Basic earnings per share was 0.84 pence (FY22: 5.68 pence).

Dividend
The Board has recommended a final dividend of 1.33 pence per share. Combined with the interim dividend of 0.67 pence per share, this gives a total dividend for the year of 2.0 pence per share, unchanged on FY22. The final dividend will be paid on 28 June 2024 to shareholders on the register at the close of business on 24 May 2024. The cash cost of the total dividend for the year will be £3.3 million (FY22: £3.3 million). At the year end, the Company had distributable reserves of £15.8 million (31 December 2022: £19.5 million).

Cash flow
Adjusted cash generated by operating activities was £22.5 million (FY22: £24.1 million) while free cash flow was £13.9 million (FY22: £19.1 million). Free cash flow conversion, which is free cash flow as a percentage of EBITDA, was 59.2% (FY22: 66.9%). In FY23, the Group used £5.1 million to acquire Chiltern Timber Supplies and Alloway Timber. The Group paid deferred consideration of £3.1 million related to six prior acquisitions (FY22: £2.7 million) and £2.1 million to buy out non-controlling interests (FY22: £2.5 million).

Deferred consideration was higher than typical due to the number of transactions Lords completed in the aftermath of the Covid pandemic, and will return to a lower level in FY24 and beyond. The Group maintained its capital discipline during the year, with capital expenditure of £4.9 million (FY22: £3.5 million). This included the initial £2.2 million payment to acquire the George Lines site near Heathrow. Underlying capital expenditure was therefore £2.7 million, as we invested to deliver our strategic growth initiatives.

Debt financing and liquidity
In April 2023, we refinanced the Group's £70.0 million facilities with HSBC and agreed new facilities totalling £95.0 million with HSBC, NatWest and BNP Paribas. The facilities comprise a £70.0 million revolving credit facility (RCF) and a £25.0 million receivables financing facility. The RCF includes a £20.0 million accordion option and both facilities run for an initial three years, with two one-year extension options. The accordion and extension options are subject to lender approval.

At 31 December 2023, the Group had net debt (defined as borrowings less cash and cash equivalents, and before recognising lease liabilities) of £28.5 million (31 December 2022: £19.4 million). The Group had substantial headroom of £46.7 million (31 December 2022: £34.6 million) within its debt facilities at the year end, and a further £19.8 million of accessible cash (31 December 2022: £16.0 million).

Working capital
Inventory decreased by £3.9 million, from £53.2 million at 31 December 2022, to £49.3 million at the year end. This included inventories acquired from acquisitions of £1.3 million, and an underlying reduction in inventories of £5.2 million, as seen in the cash flow, as a result of management focus on inventory optimisation at its sites. The year-end balance equated to 48 days of stock (31 December 2022: 50 days).

Current trade and other payables were £4.6 million higher at £98.9 million (31 December 2022: £94.3 million), equating to trade creditor days of 61 (31 December 2022: 56 days). Current trade and other receivables rose by £10.2 million to £81.2 million (31 December 2022: £71.0 million), resulting in trade debtor days of 45 at the year end (31 December 2022: 40 days). The movement in trade debtor days is the result of a surge in demand in December 2023 from B2B customers in our P&H segment ahead of the now postponed Clean Heat Market Mechanism levy implementation.

Intangible assets
Intangible assets rose to £46.2 million (31 December 2022: £45.3 million), mainly as a result of the acquisitions during the year, which resulted in the recognition of customer relationships of £1.2 million, trade names of £0.4 million and goodwill of £2.1 million, partially offset by the amortisation charge of £3.5 million.

Non-current liabilities
Trade and other payables relate to deferred consideration liabilities. The liability has increased by £1.2 million to £5.9 million as at 31 December 2023 (31 December 2022: £4.7 million), primarily as a result of the additional consideration payable from 2025 in relation to businesses acquired in the year.

Right-of-use assets
Leases that are recorded on the balance sheet principally relate to properties, cars and distribution vehicles. The right-of-use asset in the balance sheet at 31 December 2023 was £47.4 million (31 December 2022: £39.0 million). The movement is reflective of additional lease commitments relating to the six sites acquired in the Chiltern Timber Supplies and Alloway Timber transactions in FY23.

Post balance sheet events
Since the end of FY23:

- The Group has exercised its extension option under the banking facilities agreement in relation to the Group's existing £95 million lending facilities. The terms of the facilities, which consist of a £70 million revolving credit facility (the 'RCF') and a £25 million receivables financing facility, were announced by the Company on 6 April 2023 and, pursuant to the extension now entered, the RCF has now been extended from its initial three year term by 12 months such that the RCF will now expire on 5 April 2027.
- Chris Day, Chief Financial Officer and Chief Operating Officer, informed the Board of his decision to leave the Company to take up another professional opportunity on 9 January 2024. On 8 May 2024, it was announced that Stuart Kilpatrick will be joining the Board as the new Chief Financial Officer on 4 June 2024.

Chris Day
Chief Financial Officer and Chief Operating Officer

14 May 2024

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Note	**2023**	2022
		£'000	£'000
Revenue	4	**462,601**	450,020
Cost of sales		**(370,238)**	(361,237)
Gross profit		**92,363**	88,783
Other operating income		**766**	681
Distribution expenses		**(5,057)**	(4,632)
Administrative expenses		**(61,252)**	(54,866)
Adjusted EBITDA [1]		**26,820**	29,966
Share based payments		**(513)**	(400)
Exceptional items	5	**(2,849)**	(929)
EBITDA [2]		**23,458**	28,637
Depreciation		**(2,610)**	(2,069)
Amortisation		**(11,214)**	(10,240)
Impairment charge		**(501)**	—
Operating profit	7	**9,133**	16,328
Finance income	8	**196**	42
Finance expense	9	**(6,356)**	(3,572)
Profit before taxation		**2,973**	12,798
Taxation	10	**(1,273)**	(3,257)
Profit for the year		**1,700**	9,541
Other comprehensive income		**—**	—
Total comprehensive income		**1,700**	9,541
Total comprehensive income for the year attributable to:			
Owners of the parent company		**1,382**	9,117
Non-controlling interests		**318**	424
		1,700	9,541
Earnings per share			
Basic earnings per share (pence)	11	**0.84**	5.68
Diluted earnings per share (pence)	11	**0.82**	5.36

[1] Adjusted EBITDA is EBITDA but also excluding exceptional items and share-based payments.

[2] EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment charge.

The results for the year arise solely from continuing activities.

Consolidated statement of financial position
As at 31 December 2023

	Note	**2023 £'000**	2022 £'000
Non-current assets			
Intangible assets	12	**46,205**	45,331
Property, plant and equipment		**20,233**	13,647
Right-of-use assets	13	**47,364**	38,968
Other receivables		**200**	279
Investments		**180**	85
		114,182	98,310
Current assets			
Inventories		**49,292**	53,177
Trade and other receivables		**81,171**	71,023
Assets classified as held for sale		**—**	1,333
Cash and cash equivalents		**19,811**	16,038
		150,274	141,571
Total assets		**264,456**	239,881
Current liabilities			
Trade and other payables		**(98,915)**	(94,343)
Borrowings		**(9,507)**	(10,348)
Lease liabilities	13	**(7,815)**	(5,496)
Liabilities classified as held for sale		**—**	(675)
Current tax liabilities		**(7)**	(1,700)
Total current liabilities		**(116,244)**	(112,562)
Non-current liabilities			
Trade and other payables		**(5,917)**	(4,716)
Borrowings		**(38,239)**	(25,086)
Lease liabilities	13	**(43,953)**	(37,024)
Other provisions		**(1,565)**	(1,283)
Deferred tax		**(7,373)**	(7,022)
Total non-current liabilities		**(97,047)**	(75,131)
Total liabilities		**(213,291)**	(187,693)
Net assets		**51,165**	52,188
Equity			
Share capital		**828**	813
Share premium		**28,293**	28,293
Merger reserve		**(9,980)**	(9,980)
Share-based payment reserve		**1,009**	497
Retained earnings		**29,386**	31,237
Equity attributable to owners of the parent company		**49,536**	50,860
Non-controlling interests		**1,629**	1,328
Total equity		**51,165**	52,188

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Called up share capital £'000	Share premium £'000	Merger 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 2023	813	28,293	(9,980)	497	31,237	50,860	1,328	52,188
Profit for the financial period and total comprehensive income	—	—	—	—	1,382	1,382	318	1,700
Share-based payments	—	—	—	512	—	512	—	512
Share capital issued	15	—	—	—	—	15	—	15
Put and call options over non-controlling interests	—	—	—	—	78	78	—	78
Corporation tax on options	—	—	—	—	515	515	—	515
Deferred tax on options	—	—	—	—	(515)	(515)	—	(515)
Capital repayment	—	—	—	—	—	—	(17)	(17)
Dividends paid	—	—	—	—	(3,311)	(3,311)	—	(3,311)
As at 31 December 2023	828	28,293	(9,980)	1,009	29,386	49,536	1,629	51,165

	Called up share capital	Share premium	Merger reserve	Share-based payments reserve	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2022	788	28,293	(9,980)	96	20,527	39,724	4,337	44,061
Profit for the financial period and total comprehensive income	—	—	—	—	9,117	9,117	424	9,541
Share-based payments	—	—	—	400	—	400	—	400
Share capital issued	25	—	—	—	—	25	—	25
Put and call options over non-controlling interests	—	—	—	—	(609)	(609)	—	(609)
Corporation tax on options	—	—	—	—	606	606	—	606
Deferred tax on options	—	—	—	1	515	516	—	516
Non-controlling interests share of acquisitions	—	—	—	—	—	—	745	745
Acquisition of non-controlling interest	—	—	—	—	4,168	4,168	(4,168)	—
Capital repayment	—	—	—	—	—	—	(10)	(10)
Dividends paid	—	—	—	—	(3,087)	(3,087)	—	(3,087)
As at 31 December 2022	813	28,293	(9,980)	497	31,237	50,860	1,328	52,188

Consolidated statement of cash flows
For the year ended 31 December 2023

	2023 £'000	2022 (restated[1]) £'000
Cash flows from operating activities		
Profit before taxation	**2,973**	12,798
Adjusted for:		
Depreciation of property, plant and equipment	**2,610**	2,069
Amortisation of intangibles	**3,515**	3,317
Amortisation of right-of-use assets	**7,699**	6,923
Impairments of property plant and equipment	**77**	—
Impairments of right-of-use assets	**424**	—
Profit on disposal of property, plant and equipment	**(368)**	(151)
Profit on sale of business	**(119)**	—
Write off of investment	**56**	—
Share-based payment expense	**513**	400
Finance income	**(196)**	(42)
Finance expense	**6,356**	3,572
Operating cash flows before movements in working capital	**23,540**	28,886
Decrease / (increase) in inventories	**5,199**	(8,438)
Increase in trade and other receivables	**(8,067)**	(526)
Increase in trade and other payables	**2,112**	6,918
Cash generated by operations	**22,784**	26,840
Corporation tax paid	**(3,124)**	(3,679)
Net cash generated by operating activities	**19,660**	23,161
Cash flows from investing activities		
Purchase of intangible assets	**(734)**	(236)
Business acquisitions (net of cash acquired)	**(5,150)**	(26,854)
Deferred consideration paid	**(3,116)**	(2,683)
Purchase of property, plant and equipment	**(4,905)**	(3,516)
Purchase of investments	**(150)**	—
Proceeds on disposal of property, plant and equipment	**4,160**	195
Cash received on sale of business	**340**	—
Interest received	**196**	42
Net cash used in investing activities	**(9,359)**	(33,052)
Cash flows from financing activities		
Principal paid on lease liabilities	**(6,912)**	(6,482)
Interest paid on lease liabilities	**(2,340)**	(1,913)
Issue of share capital	**15**	25
Dividends	**(3,311)**	(3,087)
Purchase of non-controlling interest of Hevey	**(2,126)**	(2,480)
Capital repayment to non-controlling interests	**(17)**	(10)
Proceeds from borrowings	**109,116**	110,976
Repayment of borrowings	**(97,853)**	(80,450)
Bank interest paid	**(2,917)**	(1,306)
Interest paid on invoice discounting facilities	**(805)**	(124)
Net cash (outflow) / inflow from financing activities	**(7,150)**	15,149
Net increase in cash and cash equivalents	**3,151**	5,258
Cash and cash equivalents at the beginning of the year	**16,660**	11,402
Cash and cash equivalents at the end of the year	**19,811**	16,660
Cash and cash equivalents	**19,811**	16,038
Cash and cash equivalents included in assets held for sale	**—**	622
Cash and cash equivalents at the end of the year	**19,811**	16,660

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

Notes to the financial statements
For the year ended 31 December 2023

1. General information
Lords Group Trading plc ('the Company') is a public company limited by shares, listed on AIM and incorporated and domiciled in England. The address of the Company's registered office and principal place of business is 2nd Floor, 12 - 15 Hanger Green, London, England, W5 3EL.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 May 2024. The directors have the power to amend and reissue the financial statements.

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

The principal accounting policies used in preparing this preliminary results announcement are those that the Company has adopted for its statutory accounts for the year ended 31 December 2023 and are unchanged from those previously disclosed in the Group's Annual Report and Accounts for the year ended 31 December 2022.

Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered in due course. The Company's auditors RSM UK LLP, have reported on the 2023 accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006. The 2022 audit report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006.

Full financial statements for the year ended 31 December 2023 will be posted and made available to shareholders in due course.

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

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

2.2 Going concern
At 31 December 2023, the Group had £46.7 million of undrawn facilities as disclosed in note 26 and £19.8 million of cash. On 1 May 2024, the Group exercised its option under the facilities agreement signed in 2023 to extend the expiry date by an additional year to 5 April 2027.

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 projections over an extended

period coinciding with the expiry date of the banking facilities on 5 April 2027. The Group is expected to have at least £28.7 million of headroom over its facilities at all times until 5 April 2027.

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 incidence of customer default. 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 £8.9 million, debtors increase by 24% or the incidence of customer default is five times greater than that seen in 2023. 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 5 April 2027.

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

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

In the current year, the Group has applied a number of amendments to standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

The amendments relevant to the Group are:

Amendments to standards

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

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

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following amendments to IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 – Non-current Liabilities with Covenants.
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback.
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements.

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

3. Critical accounting judgements, estimates and errors

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

3.1 Key accounting judgements

Recognition of legal and regulatory provisions

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

Assessment of who has the risk and reward of ownership of non-controlling interests with put and call options

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

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

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

On 31 March 2022, the Group acquired a 90% interest in the plumbing and heating businesses DH&P Trade Counters Holdings Limited and DH&P HRP Holdings Limited and has a put and call policy over the remaining 10%. The purchase price is based on a formula that approximates market value. There is also a service agreement which impacts 50% of the price paid for the shares but as the price paid is still variable the Group assesses the risk and risk of rewards remain with the non-controlling interest.

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

APMs – Adjusting items

Adjusting items relate to certain costs or income that occur based on events or transactions that fall within the normal activities of the Group but which are excluded from the Group's APMs by virtue of their size and nature, in order to provide a helpful alternative perspective of the year-on-year trends, performance and position of the Group's trading business that is more comparable over time. This alternative view is consistent with how management views the business, and how it is reported internally to the Board. Management exercises judgement in determining the adjustments to apply to IFRS measurements, based on the nature of the item, the origin of the occurrence and the size of impact of that item on the performance of the Group, as well as consistency with prior periods. The amount and timing of adjusting items can be unpredictable and subject to a higher level of scrutiny by users of the financial statements. Adjusting items can include, but are not limited to: amortisation of acquired intangibles, share-based payment expenses, impairment charges and reversals; Group simplification; restructuring and redundancy costs; profits or losses on disposal of businesses; fair value remeasurements of financial instruments; and items of income and expense that are considered material, either by their size and / or nature. The tax effect of such items is also classified as adjusting.

3.2 Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of intangible and tangible assets

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

Inventories

The Group carries significant levels of inventory and key judgements are made by management in estimating the level of provisioning required for slow-moving inventory. Provision estimates are forward looking and are formed using a combination of factors including historical experience, management's knowledge of the industry, Group discounting and sales pricing. Management use a number of internally generated reports to monitor and continually reassess the adequacy and accuracy of the inventory provision.

In arriving at their conclusion, the directors consider inventory ageing and turn analysis. In 2023 the Group reassessed its estimation basis for inventory provisioning to better identify and account for ageing stock, as a result of experience of market conditions gained in 2023. The impact of this change in estimation resulted in a higher level of inventory provision and a charge of £751,000 recorded in the income statement in the year ended 31 December 2023. The change in estimation basis is not expected to have a material impact on profit and loss in future years. The charge was recorded as an exceptional item. The inventory provision is 5.0% of inventory (2022: 3.8%). Doubling the provision would increase cost of sales / reduce the carrying value of inventory by £2,489,000 in 2023 (2022: £1,997,000).

Fair value of goodwill and intangible assets on acquisition

The fair value of customer relationship assets and trade names separately acquired through business combinations involves the use of valuation techniques and the estimation of future cash flows to be generated over several years. The estimation of the future cash flows requires a combination of assumptions including assumptions for customer attrition rate, EBIT and discount rates. The relief from royalty rate is the value that would be obtained by licensing trade names out to a third party, as a percentage of sales. See note 12 for the carrying value of the assets. Goodwill is measured as the excess of the consideration transferred over the Group's interest in acquisition-date identifiable assets acquired less liabilities assumed. Therefore changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

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

				Trade names	
	Customer attrition rate	**EBIT as a % of revenue**	**Discount rate**	**Relief from royalty rate**	**Discount rate**
Chiltern Timber Limited	—	—	—	3.0%	19.9%
Alloway Timber Group	10.1%	3.5%	18.7%	—	—

These assumptions are no longer provisional as at 31 December 2023.

Impairment of goodwill, intangible assets, tangible assets and right- of- use assets

Under IAS 36, the Group is required to test goodwill annually for impairment, and to assess its right-of-use assets and property, plant and equipment for any indicators of impairment. For impairment testing purposes, the Group has determined that each branch is a separate cash-generating unit (CGU) on the basis that each branch has distinct assets at each location and is able to control their own cash flow. In

order to eliminate the judgement in assessing the indicators of impairment, management has performed an impairment test for all CGUs by assessing whether the carrying amount exceeds its recoverable amount.

As part of its review, the Group calculates the recoverable amount of cash-generating units by estimating future cash flows using latest forecast information. The key assumptions involved in estimating the recoverable amount include future performance and growth rates of the CGUs and the discount rates used. These are underpinned by a number of judgements based on management's expectation, based on historic performance, understanding of the market environment, and assessment of the macroeconomic and industry conditions. The future revenue and cash flow projections of the CGUs are inherently uncertain and are considered most sensitive to changes in sector demand and wider market conditions which have been subdued over the last twelve months. Changing the assumptions selected by management could significantly affect the amount of any impairment.

For the purposes of testing goodwill and acquired intangibles, CGUs are aggregated to match the branches acquired at the time of each specific business combination.

For the individual branch CGU asset impairment assessment, the cash flows are extrapolated to cover the period to the end of the lease term.

The key assumptions in the calculations are as follows:	
Sales growth rate	4.0%–17.2%
Long-term growth rate	2.0%
Discount rate	15.6%

The results of the review indicated that two of the branches within the Merchanting segment, which were loss-making in 2023, had cash flow projections that did not support the carrying value of the assets held at the CGU. An assessment was made on the recoverable value of the assets in question, and assets which were not easily transferable to other sites, such as vehicles, were fully impaired. This resulted in an impairment charge of £424,000 within right-of-use leasehold property, and a £77,000 impairment charge against the property, plant and equipment at these sites. This charge is disclosed separately on the face of the consolidated income statement.

3.3 Correction of error in cash flow presentation of option to acquire minority interest

On 22 October 2022, the Group acquired the remaining 25% non-controlling interest of Hevey Building Supplies Limited ('Hevey'), exercising the option entered into as part of the agreement to purchase an initial 75% interest in Hevey in October 2017. On exercise of the option, the Group acquired the non-controlling interest for £6.2 million in cash, with 40% payable on completion of the acquisition of the non-controlling interest and the remaining 60% paid as fixed deferred consideration in seven equal quarterly instalments over the subsequent two years.

The 2022 consolidated statement of cash flows has been restated to reclassify the £2,480,000 payment made in 2022 from investing activities to financing activities, as no change in control occurred on exercise of this option. There was no impact on net cash flows for the period.

The above changes were prompted by an inquiry from the Corporate Reporting Review team of the Financial Reporting Council (FRC) as part of its regular review and assessment of the quality of corporate reporting in the UK. They requested further information in relation to the Company's 2022 annual report and accounts.

The Group agreed to make the above changes within its 2023 financial statements. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Their review was limited to the published 2022 annual report; the FRC does not benefit from a detailed understanding of underlying transactions and provides no assurance that the annual report and accounts are correct in all material respects.

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.

2023	**Plumbing and Heating £'000**	**Merchanting £'000**	**Total £'000**
Revenue	247,667	214,934	462,601
Gross profit	33,234	59,129	92,363
Adjusted EBITDA	12,860	13,960	26,820
Share-based payments	(156)	(357)	(513)
Exceptional items	(838)	(2,011)	(2,849)
EBITDA	11,866	11,592	23,458
Depreciation	(485)	(2,125)	(2,610)
Amortisation	(3,815)	(7,399)	(11,214)
Impairment charge	—	(501)	(501)
Operating profit	7,566	1,567	9,133
Finance income			196
Finance costs			(6,356)
Profit before taxation			2,973
Taxation			(1,273)
Profit for the year			1,700
Additions to non-current assets	5,281	28,670	33,951

2022	**Plumbing and Heating £'000**	**Merchanting £'000**	**Total £'000**
Revenue	229,264	220,756	450,020
Gross profit	32,793	55,990	88,783
Adjusted EBITDA	13,846	16,120	29,966
Share-based payments	(136)	(264)	(400)
Exceptional items	—	(929)	(929)
EBITDA	13,710	14,927	28,637
Depreciation	(305)	(1,764)	(2,069)
Amortisation	(2,442)	(7,798)	(10,240)
Operating profit	10,963	5,365	16,328
Finance income			42
Finance costs			(3,572)
Profit before taxation			12,798
Taxation			(3,257)
Profit for the year			9,541
Additions to non-current assets	10,420	35,495	45,915

5.Exceptional items

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

	2023 **£'000**	2022 £'000
HS2 compensation	**—**	(748)
Group simplification	**594**	—
Stock provisioning / theft	**1,382**	—
Profit on disposal of Lords at Home Ltd	**(119)**	—
Costs of business combinations	**936**	842
Retentions employment costs on acquisitions	**219**	681
National insurance (recovery) / payments	**(13)**	338
Reduction in contingent consideration	**(150)**	(184)
	2,849	929

Year ended 31 December 2023
The Group hived up its Hevey Building Supplies, Alloway Timber and Chiltern Timber businesses into Carboclass Limited and reorganised the Group to make a number of other subsidiaries dormant. The cost of these exercises amounted to £594,000.

The Group reassessed its estimation basis for stock provisioning in 2023 (see note 3.2). It also suffered a major theft at one of its Plumbing and Heating branches during the Christmas period. The total impact of these events amounted to £1,382,000.

The Group disposed of Lords at Home Limited on 1 February 2023. The Group recorded a profit in excess of the carrying value of the net assets of the company of £119,000.

The costs associated with the business combinations have been expensed and disclosed as exceptional items. The total expense, which amounts to £936,000 (2022: £842,000), also includes costs associated with other potential acquisitions which will not occur or had not occurred before the balance sheet date. Where the business combinations include retention payments to key staff as part of the acquisitions, or amounts payable under put and call arrangements that, in substance, represent compensation for employee services, the cost of these is expensed over the period to which it relates. The costs in the year were £219,000 (2022: £681,000).

On migrating to a new payroll system in 2016, two of the Group's subsidiary entities determined that there had been an error in the calculation of employer and employee national insurance over the last four years such that there was an underpayment of national insurance. The Group promptly notified HMRC of the error upon discovery in 2022 and agreed to pay a full and final payment of £338,000 to cover all national insurance due in 2022. The Group agreed to meet this cost directly if employees stayed with the Group for three years. In the event of leaving the cost is recovered from the leaver and £13,000 was recovered in 2023.

The first instalment of the contingent consideration for the purchase of Chiltern Timber Supplies Limited was due in April 2024. At the balance sheet date, the Group assessed the likelihood of future EBITDA targets being met and reduced the contingent liability by £150,000, which resulted in a closing contingent consideration amount of £285,000. In 2022, £184,000 of the contingent liability in relation to Condell Limited was released, and the final contingent consideration was settled in April 2023.

Year ended 31 December 2022
The Group received compensation from HS2 for business disruption that has occurred to the Lords Builders Merchants Park Royal branch of £748,000.

6. Employee benefit expenses

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

	2023	2022
	£'000	£'000
Wages and salaries	**36,864**	31,298
Social security costs	**3,749**	3,050
Defined contribution costs	**999**	697
Share-based payments	**513**	400
	42,125	35,445

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

	2023	2022
Management and administration	**127**	110
Sales, retail and manufacturing	**799**	770
	926	880

7. Expenses by nature

Operating profit is stated after charging / (crediting):

	2023	2022
	£'000	£'000
Depreciation of property, plant and equipment	**2,610**	2,069
Amortisation of intangible assets	**3,515**	3,317
Amortisation of right-of-use assets	**7,699**	6,923
Impairment charge	**501**	—
Inventories recognised as an expense	**370,238**	361,237
Short-term and low-value lease payments	**114**	142
Foreign exchange gains	**(25)**	(6)
Share-based payments	**513**	400
Increase / (release) of impairment of inventories	**492**	(307)
Profit on disposal of property, plant and equipment	**(286)**	(151)
Defined contribution pension plan	**999**	697

8. Finance income

	2023	2022
	£'000	£'000
Bank interest receivable	**196**	42
	196	42

9. Finance expense

	2023	2022
	£'000	£'000
Bank loans and overdrafts	**2,917**	1,306
Invoice discounting facilities	**805**	124
Unwinding of deferred consideration and call and put options	**236**	183
Interest on dilapidation provision	**58**	46
Lease liabilities	**2,340**	1,913
	6,356	3,572

10. Taxation

	2023	2022
	£'000	£'000
Corporation tax		
Current tax on profit for the year	**1,975**	3,883
Adjustments in respect of previous periods	**(28)**	87
	1,947	3,970
Deferred tax		
Originating and reversal of temporary differences	**(289)**	(762)
Adjustments in respect of previous periods	**(346)**	46
Effect of changes in tax rates	**(39)**	3
	(674)	(713)
Total tax charge	**1,273**	3,257

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The difference is explained below:

	2023	2022
	£'000	£'000
Profit before taxation	**2,973**	12,798
Profit multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	**699**	2,432
Adjustments in respect of previous periods	**(374)**	133
Expenses not deductible	**1,306**	660
Income not deductible	**(284)**	(148)
Changes in tax rates	**(39)**	3
Share-based payments	**(35)**	70
Deferred tax not recognised	**—**	107
Total tax charge for the year	**1,273**	3,257

Factors that may affect future tax charges

Deferred taxes at the balance sheet date have been measured using tax rates enacted at that time.

11. Earnings per share

	2023	2022
Basic earnings per share		
Earnings from continuing activities (pence)	**0.84**	5.68
Diluted earnings per share		
Earnings from continuing activities (pence)	**0.82**	5.36
Weighted average shares for basic earnings per share	**164,340,814**	160,523,582
Number of dilutive share options	**3,750,887**	9,552,402
Weighted average number of shares for diluted earnings per share	**168,091,701**	170,075,984
Earnings attributable to the equity holders of the parent (£'000)	**1,382**	9,117

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 £1,382,000 (2022: earnings of £9,117,000) as the numerator, meaning no adjustment to profit was necessary in either year.

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

	2023	2022
	£'000	£'000
Earnings attributable to the equity holders of the parent	**1,382**	9,117
Add back / (deduct):		
Exceptional items	**2,849**	929
Share-based payments	**513**	400
Amortisation of intangible assets	**3,515**	3,317
Impairments	**501**	—
Less tax impact of adjustments	**(1,617)**	(883)
Adjusted earnings	**7,143**	12,880
Adjusted basic earnings per share		
Earnings from continuing activities (pence)	**4.35**	8.02
Adjusted diluted earnings per share		
Earnings from continuing activities (pence)	**4.25**	7.57

12. Intangible assets

	Software	Customer relationships	Trade names	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2023					
Opening net book value	**1,112**	**25,316**	**2,607**	**16,296**	**45,331**
Additions	**734**	**—**	**—**	**—**	**734**
Acquired through business combinations	**—**	**1,167**	**350**	**2,138**	**3,655**
Amortisation charge	**(242)**	**(2,933)**	**(340)**	**—**	**(3,515)**
Closing net book value	**1,604**	**23,550**	**2,617**	**18,434**	**46,205**
At 31 December 2023					
Cost	**2,443**	**34,722**	**3,741**	**18,434**	**59,340**
Accumulated amortisation and impairment	**(839)**	**(11,172)**	**(1,124)**	**—**	**(13,135)**
Net book value	**1,604**	**23,550**	**2,617**	**18,434**	**46,205**
Year ended 31 December 2022					
Opening net book value	952	12,454	1,797	7,470	22,673
Additions	236	—	—	—	236
Reclassification from tangible assets	—	—	—	1,649	1,649
Acquired through business combinations	140	15,649	1,124	7,177	24,090
Amortisation charge	(216)	(2,787)	(314)	—	(3,317)
Closing net book value	1,112	25,316	2,607	16,296	45,331
At 31 December 2022					
Cost	1,709	33,555	3,391	16,296	54,951
Accumulated amortisation and impairment	(597)	(8,239)	(784)	—	(9,620)
Net book value	1,112	25,316	2,607	16,296	45,331

Software intangible assets include the inventory management system of a subsidiary undertaking which was created by an external development firm for the subsidiary's specific requirements. The asset is carried at £111,000 (2022: £126,000) and has a remaining amortisation period of five years (2022: six years). In addition, another subsidiary company implemented an ERP and stock management system with a carrying value at year end of £466,000 (2022: £557,000) and with a remaining amortisation period of six years (2022: seven years). There are no other individually material intangible assets.

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

Cash-generating unit (CGU) assessment

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

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

	2023	2022
	£'000	£'000
Merchanting	**34,847**	33,104
Plumbing and Heating	**11,358**	12,227
	46,205	45,331

The total recoverable amount in relation to these CGUs at 31 December 2023 was £299,884,000 (2022: £271,995,000). The value-in-use calculations are based on five-year management forecasts with a terminal growth rate applied thereafter, representing management's estimate of the long-term growth rate of the sector served by the CGUs. The recoverable amounts of the CGUs in both 2023 and 2022 were in excess of the carrying value of the net assets of the CGU and so no goodwill was impaired.

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

	Plumbing and Heating	**Merchanting**
Five- year sales growth	4.6%–6.2%	4.0%–17.2%
Terminal sales growth	2.0%	2.0%
Discount rate	15.6%	15.6%

Sensitivity analysis
A reasonable change in a key assumption would not cause the carrying value of either CGU to exceed its recoverable amount; the table below shows the amount of headroom and the revised assumptions required to eliminate the headroom in full at 31 December 2023. The headroom relates to the excess of the recoverable amount over the carrying value of the goodwill, intangible assets and other applicable net assets of the CGUs.

	Plumbing and Heating	**Merchanting**
Recoverable amount of CGU	£123,507,000	£176,377,000
Current headroom	£80,721,000	£81,011,000
Five-year sales growth[1]	<0%	<0% - 5%
Terminal sales growth	<0%	<0%
Discount rate	16% - 38%	14% - 28%

[1] The majority of CGUs do not require any five-year sales growth in order to maintain positive headroom, with the following exceptions:

- Three CGUs within the Merchanting division are more sensitive to assumptions on sales growth, and require projected sales growth over the initial five-year period at between 1-2% per annum in order to support a value-in-use higher than the carrying value. This is rationalised by anticipated market recovery over the coming years. The recoverable amount of these three CGUs is £38,050,000 and the base headroom is £10,845,000.
- A further two CGUs require sales growth of 5% per annum for no impairment charge to be recognised, including a recent acquisition, acquired as a loss-making business but expected to significantly benefit from joining the Lords network, and a business more heavily exposed to the house building sector expecting a more significant recovery. These growth rates are within management forecast projections. The recoverable amount of these CGUs is £39,093,000 and the base headroom is £21,891,000.

13. Leases and right-of-use assets

Nature of leasing activities

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

	2023	2022
Number of active leases	**289**	240

Description of payments

	2023	2022
	£'000	£'000
Principal lease payments	**6,912**	6,482
Interest on dilapidation provision	**58**	46
Interest payments on leases	**2,340**	1,913
Short-term and low-value lease costs	**114**	142
	9,424	8,583

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	**Plant and equipment**	**Motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Year ended 31 December 2023				
Opening net book value	**34,015**	**2,381**	**2,572**	**38,968**
Additions	**5,044**	**330**	**5,031**	**10,405**
Acquired through business combinations	**5,519**	**113**	**378**	**6,010**
Lease modifications	**818**	**(262)**	**372**	**928**
Disposals	**(819)**	**—**	**(5)**	**(824)**
Impairment	**(424)**	**—**	**—**	**(424)**
Amortisation charge	**(4,901)**	**(819)**	**(1,979)**	**(7,699)**
Closing net book value	**39,252**	**1,743**	**6,369**	**47,364**
At 31 December 2023				
Cost	**57,726**	**4,881**	**9,861**	**72,468**
Accumulated amortisation and impairment	**(18,474)**	**(3,138)**	**(3,492)**	**(25,104)**
Net book value	**39,252**	**1,743**	**6,369**	**47,364**
Year ended 31 December 2022				
Opening net book value	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)
Closing net book value	34,015	2,381	2,572	38,968
At 31 December 2022				
Cost	48,961	5,995	8,904	63,860
Accumulated amortisation and impairment	(14,946)	(3,614)	(6,332)	(24,892)
Net book value	34,015	2,381	2,572	38,968

Lease liabilities

	Leasehold property	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
At 1 January 2023	**37,699**	**1,945**	**2,876**	**42,520**
Additions	**4,894**	**329**	**5,029**	**10,252**
Acquired through business combinations	**5,402**	**113**	**378**	**5,893**
Disposals	**(901)**	**—**	**(5)**	**(906)**
Lease modifications	**838**	**45**	**38**	**921**
Interest expenses	**1,933**	**90**	**317**	**2,340**
Lease payments (including interest)	**(5,699)**	**(978)**	**(2,575)**	**(9,252)**
At 31 December 2023	**44,166**	**1,544**	**6,058**	**51,768**
At 1 January 2022	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)
At 31 December 2022	37,699	1,945	2,876	42,520

Reconciliation of minimum lease payments and present value

	2023	2022
	£'000	£'000
Within 1 year	**9,769**	5,963
Later than 1 year and less than 5 years	**26,182**	19,415
Later than 5 years and less than 10 years	**19,303**	14,670
Later than 10 years and less than 15 years	**7,878**	8,955
After 15 years	**5,709**	6,550
Total including interest cash flows	**68,841**	55,553
Less interest cash flows	**(17,073)**	(13,033)
Total principal cash flows	**51,768**	42,520

Reconciliation of current and non-current lease liabilities

	2023	2022
	£'000	£'000
Current	**7,815**	5,496
Non-current	**43,953**	37,024
Total	**51,768**	42,520

14. Contingent liabilities

The contingent liabilities detailed below are those which could potentially have a material impact, although their inclusion does not constitute any admission of wrongdoing or legal liability. The outcome and timing of these matters is inherently uncertain. Based on the facts currently known, it is not possible as at 31 December 2023 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 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.

15. Related party transactions
Parent entity
Lords Group Trading plc is the parent entity.

Transactions with related parties
Gempoint 2000 Limited, a company of which Shanker Patel is also a director, owned properties leased by operating branches of the Group. The leases were transferred to Old Oak Wharf Limited on 30 September 2023, the holding company of Gempoint 2000 Limited, of which Shanker Patel is also a director. In total, the Group was charged rentals by Gempoint of £945,000 (2022: £963,000). At 31 December 2023, the Group owed Gempoint £140,000 (2022: £187,000). The Group was charged rentals by Old Oak Wharf Limited of £75,000 (2022: £nil) and owed it £87,700 (2022: £nil) at 31 December 2023.

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

	2023	2022
	£'000	£'000
Shanker Patel	**1,034**	1,028
Chris Day	**34**	11
Andrew Harrison	**6**	3
Gary O'Brien	**3**	1

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

Condell Limited paid management fees of £130,000 (2022: £320,000), and at 31 December 2023 were owed by / (owed to wholly owned Group companies) £337,000 (2022: £252,000) wholly owned Group companies. Condell made purchases of £101,000 (2022: £224,000) and sales of £494,000 (2022: £701,000) from wholly owned Group companies and was owed a net balance of £47,000 (2022: £89,000) on these transactions at 31 December 2023.

Weldit LLP paid management fees of £27,000 (2022: £22,500), interest of £24,000 (2022: £19,000) and made purchases of £nil (2022: £nil) to wholly owned Group companies. At 31 December 2023, Weldit LLP owed £679,000 (2022: £710,000) to wholly owned Group companies.

Direct Heat and Plumbing purchased £4,065,000 (2022: £361,000) and sold £919,000 (2022: £2,800,000) to wholly owned Group companies. At 31 December 2023, Direct Heat and Plumbing was owed £12,000 (2022: £13,000) by wholly owned Group companies.

16. Post balance sheet events

Resignation of Chris Day and appointment of Stuart Kilpatrick

Chris Day, Chief Financial Officer and Chief Operating Officer, informed the Board of his decision to leave the Company to take up another professional opportunity on 9 January 2024. On 8 May 2024, it was announced that Stuart Kilpatrick will be joining the Board as the new Chief Financial Officer on 4 June 2024.

Extension of Group Facilities

On 1 May 2024, the Group has exercised its extension option under the banking facilities agreement in relation to the Group's existing £95 million lending facilities. The terms of the facilities, which consist of a £70 million revolving credit facility (the 'RCF') and a £25 million receivables financing facility, were announced by the Company on 6 April 2023 and, pursuant to the extension now entered, the RCF has now been extended from its initial three year term by 12 months such that the RCF will now expire on 5 April 2027.

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