For immediate release **6 September 2022**

Lords Group Trading plc
("Lords" or the "Group")

Interim Results

Continued product, geographic and margin expansion; targets set at IPO well on track

Lords (AIM:LORD), a leading distributor of building materials in the UK, today announces its unaudited Interim Results for the six months ended 30 June 2022 ("H1 2022" or the "period").

Financial Highlights

- Record H1 Group revenues of £214.2 million (H1 2021: £179.0 million), a 19.7% increase
- H1 2022 Adjusted EBITDA[1] of £14.2 million (H1 2021: £11.2 million restated), a 27.1% increase
- H1 2022 Adjusted EBITDA margin of 6.6% (H1 2021: 6.2%), on track to reach 7.5% medium term target
- H1 2022 cashflow generated by operations of £12.8 million (H1 2021: £9.6 million)
- H1 2022 free cashflow[2] generation of £8.7 million (H1 2021: £8.4 million)
- Proposed interim dividend of 0.67 pence per share (H1 2021: 0.63 pence per share)
- Adjusted H1 2022 basic earnings per share[3] of 3.87 pence (H1 2021: 3.71 pence restated), an increase of 4.3%
- Net debt[4] at 30 June 2022 of £21.1 million (June 2021: £25.6 million)
- Trading continues in line with market expectations for FY22, being revenue of £435.0 million, adjusted EBITDA of £26.0 million and adjusted profit before tax[5] of £16.0 million

Operational Highlights

- Merchanting division has continued to perform strongly, with record revenues of £105.9 million (H1 2021: £61.1 million), representing growth of 73.4% and 14.5% on a like-for-like[6] basis
    - Driven by the division's continued focus on 'local leader' reputation via empowered, highly engaged management teams across its 30 locations
- Plumbing and Heating division ("P&H") has demonstrated resilient performance with increased profitability and margin, and customer demand remaining strong during the period, delivering Adjusted EBITDA increase of 10.6% in H1 2022 to £6.5 million (H1 2021: £5.9 million) notwithstanding industry wide boiler component shortage impacting revenues
    - Boiler component shortages resulted in like-for-like revenue of (12.5)% and (8.2)% including the H1 2022 acquisition of DH&P Plumbing and Heating
    - H1 2022 management actions, including shifting sales mix towards higher margin energy efficiency product ranges, has mitigated the impact of shortages
    - Management continues to expect the boiler component shortage to ease during H2 2022
- Group digital revenues grew by 4.8% on a like-for-like[6] basis with customers benefiting from the ability to shift across channels (online / instore) in their purchasing journey with Lords
    - Merchanting digital revenues growing by 133.1% on a like-for-like basis, equivalent to 3.4% of divisional revenue (H1 2021: 2.2%)
- Four completed acquisitions in the Period
    - Acquisitions were acquired on a blended 4.6x multiple of Adjusted EBITDA
    - Acquisitions are EBITDA margin accretive
    - Each transaction is complementary to Lords' strategy of product range and geographic expansion
    - All continue to perform in line with the Board's expectations following successful integration
- Product range extension continuing to expand customer base and share of existing customer wallet
    - New ranges to support the decarbonisation of the UK housing stock and energy price impact, including heating controls, air source heat pumps and underfloor heating within the P&H division
- Customer base growth via expansion of existing brands continues to progress with three new locations secured in H1 2022

Current Trading and Outlook

- Lords continues to see positive customer demand across the Group's product offering and the Board considers that the Group's organic growth strategy of product range extension and new locations will continue to secure new customers alongside a greater share of existing customer wallet
- The Board remains vigilant of the potential for broader macro-economic volatility, however is confident that the Group's business plan, adaptability and high levels of customer service leave the Group well positioned for continued outperformance
- Lords well on track to deliver IPO target of £500 million revenue in 2024, as well as 7.5% EBITDA margin in the medium term

[1] Adjusted EBITDA is EBITDA (defined as earnings before interest, tax, depreciation and amortisation and, in accordance with IFRS) but also excluding exceptional items and share-based payments.
[2] Defined as cash generated by operating activities less capital expenditure, exceptional items, share based payments and interest paid.
[3] Earnings attributable to equity holders of the profit adjusted for exceptional items, share based payments and amortisation of intangible assets divided by closing shares in issue.
[4] Net debt is defined as borrowings less cash and cash equivalents.
[5] Adjusted Profit before tax (basic) is defined as profits before tax before exceptional items, share based payments and amortisation of intangible assets.
[6] Like-for-like sales is a measure of growth in sales, adjusted for new, divested and acquired locations such that the periods over which the sales are being compared are consistent.

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

"We can only deliver these results due to our colleagues' outstanding dedication and commitment to our customers, their superior product knowledge and focus on exceptional service, all of which are visible throughout our H1 2022 results which have delivered record H1 revenue.

"The Group has continued to accelerate the delivery of its strategic plan, reflected in our financial performance in the half year which reaffirm delivery of our strategic targets of £500m revenue by 2024 and 7.5% EBITDA margin in the medium term. We have a substantial opportunity to grow the Group's current < 1% market share through attracting new customers, a greater share of existing customer wallet, product range extension, new geographies, digital capability and valued added acquisitions.

"In the Group's first twelve months as a listed company, we have delivered all our IPO commitments and believe our strategy will continue to deliver outperformance. The strength of these results and confidence in the outlook supports our declaration of an interim dividend to shareholders of 0.67 pence per share. Our agility and entrepreneurialism allow the Group to manage challenges and seize opportunities and our H1 2022 results are testament to this mentality."

This announcement contains inside information.

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.

- **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 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.

Chief Executive Officer's Review

On behalf of the Board, I am pleased to introduce our Interim Results for the six months to 30 June 2022. The Group has performed strongly in the period, delivering enhanced profitability and multiple strategic milestones.

H1 2022 Overview

The H1 2022 results demonstrate the success of Lords' growth strategy which continues to be executed by its divisional teams. The Group prioritises its colleagues and customers and believes by providing these stakeholders with a great experience, market share gains will continue to be realised.

H1 2022 revenues totalled a record £214.2 million (H1 2021: £179.0 million), a 19.7% increase. The Merchanting division delivered particularly strong sales growth of 73.4% and 14.5% on a like-for-like basis.

The Group delivered adjusted EBITDA of £14.2 million (H1 2022: £11.2 million) with continued margin enhancement as adjusted EBITDA margins rose to 6.6% (H1 2021: 6.2% restated). During the period, the Plumbing and Heating division (P&H) faced the challenge of an industry wide boiler supply shortage however, through management-initiated controls, the sales volume impact was mitigated and adjusted EBITDA of £6.5 million (H1 2021: £5.9 million) was delivered, with adjusted EBITDA margin improving to 6.0% (H1 2021: 5.0%).

Cash conversion remains strong with cash generated from operations of £12.8 million (H1 2021: £9.6 million) supported by continued strong working capital management.

Group Strategy

The Group's strategic focus is to invest in organic growth levers that deliver accretive margins alongside a selective and disciplined M&A strategy and in acquiring businesses that produce a high return on investment and offer the Group product range and geographic expansion. Lords remains focused on the repair, maintenance and improvement ("RMI") sector which benefits from robust demand (particularly the Group's P&H division which sells "essential" replacement products through Heating repairs) and strong fundamentals in the medium to long term.

During H1 2022, the Group acquired four businesses at an attractive blended 4.6x Adjusted EBITDA. Each transaction is complementary to Lords' strategy of product range and geographic expansion, is EBITDA margin accretive and has been integrated smoothly and trading in line with expectations.

The Board continues to see digital as a strategic growth lever via the Group's eight transactional websites which provide a further channel for customers in their purchasing journey. Digital capability coupled with the Group's store estate allows the acquisition of new customers and enhanced margins across a broader range of products to be achieved. The investment made in the digital merchanting team in FY21 is reflected in the strong sales momentum in H1 2022, with digital sales increasing by 133.1% to 3.4% of divisional revenue (H1 2021: 2.2%).

Product range extension allows the Group's brands to secure a greater share of their customers wallet, whilst also attracting new customers. During H1 2022 the Group has added ranges to support the decarbonisation of the UK housing stock, including heating controls, air source heat pumps and underfloor heating within its P&H division. These ranges are complementary product ranges for the Group's existing customer base with a focus on energy efficiency in the home to meet increasing customer demand.

The Group is also pursuing new locations for its brands that offer EBITDA margin accretion. During H1 2022, the Group has delivered the following additional locations for existing brands:

- Advance Roofing Supplies, an acquisition completed in Q1 2022, has now opened a third branch as an implant into the Lords Builders Merchants Beaconsfield site, offering customers a logical product range extension and increasing the returns on that site;
- George Lines, the Group's specialist civils merchant brand, has expanded by opening a third location in Horsham; and
- Mr Central Heating, our leading multi-channel P&H brand supplying the installer and end user customer segments, is due to open its tenth branch in West Bromwich in Q3 2022.

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

Shanker Patel
Chief Executive Officer
6 September 2022

Financial Review

Revenue

The Group delivered revenue of £214.2 million in H1 2022 (H1 2021: £179.0 million), representing a total increase of 19.7% or £35.2 million. When the impact of acquisitions is excluded from revenue, like for like ("LFL") revenue was down 3.3%, stemming from the reduction of revenues in the Plumbing and Heating division (P&H) due to the previously announced industry wide boiler shortages.

The Merchanting division contributed revenue of £105.9 million (H1 2021: £61.1 million) with growth of 73.4% and like-for-like sales of 14.5%. New acquisitions in the Merchanting division (four completed since July 2021) and new branches contributed sales growth of £28.1 million with the like-for-like growth achieved through price and volume initiatives.

The P&H division delivered total revenue of £108.3 million (H1 2021: £117.9 million) with growth declining by 8.2% and like-for-like growth down by 12.5%. Previously communicated industry wide boiler component shortages led the revenue decline despite customer demand remaining strong. Management actions and alongside the P&H strategy of extended product range have partially offset the revenue decline and improved margins with notable success in energy efficiency technology which saw a 64% revenue increase in H1 2022.

Revenue by division:

	H1 2022 £'m	**H1 2021 £'m**	**% growth**	**% LFL growth**
Plumbing and Heating	108.3	117.9	(8.2%)	(12.5%)
Merchanting and other services	105.9	61.1	73.4%	14.5%
	214.2	**179.0**	**19.7%**	**(3.3%)**

Adjusted EBITDA

The Group's Adjusted EBITDA increased by 27.1% to £14.2 million in H1 2022, compared to £11.2 million in H1 2021. Adjusted EBITDA margin improved to 6.6% (H1 2021: 6.2% restated).

Merchanting division EBITDA in H1 2022 increased to £7.7 million (H1 2021: £5.3 million) led by revenue growth of 73.4% reflective of price, volume and acquisitions. The division's strategy of expanded product range, new locations, digital and empowered local leadership continues to deliver enhanced profitability. Adjusted EBITDA margin of 7.3% (H1 2021: 8.7%) is aligned to management expectations, attributed to customer mix and a lag in cost inflation recovery for certain customer segments.

During H1 2022, the P&H division faced the challenge of an industry wide boiler supply shortage however the Group's active management controls mitigated the sales volume impact and the division achieved adjusted EBITDA of £6.5 million (H1 2021: £5.9 million), with adjusted EBITDA margin improving to 6.0% (H1 2021: 5.0%).

Adjusted EBITDA by division:

	H1 2022 £'m	**H1 2022 margin**	**H1 2021 £'m (Restated)**	**H1 2021 margin (Restated)**
Plumbing and Heating	6.5	6.0%	5.9	5.0%
Merchanting and other services	7.7	7.3%	5.3	8.7%
Total Group	**14.2**	**6.6%**	**11.2**	**6.2%**

Depreciation and amortisation
Depreciation and amortisation increased to £5.8 million (H1 2021: £ 4.4 million restated) in line with acquisitions made in the last two years and in addition to continued capital expenditure investment in the Group's three P's (People, Plant, Premises) strategy.

Profit before tax
The Group generated Adjusted Profit before tax (basic) for the period of £8.5 million, compared to £6.2 million (restated) in the prior period.

The Group generated a profit before tax for the period of £6.4 million, compared to £4.2 million (restated) in the prior period. Interest on bank loans and overdrafts reduced to £0.3 million (H1 2021: £0.4 million) as net debt reduced by £4.4 million (H1 2022 vs H1 2021) and the Group benefited from reduced financing costs post IPO.

Earnings per share
Basic earnings per share increased to 2.83 pence in H1 2022 compared to 2.40 pence (restated) in H1 2021.

Adjusted basic earnings per share increased to 3.87 pence in H1 2022 compared to 3.71 pence (restated) in H1 2021.

Prior year adjustment
The December 2021 annual financial statements included a prior year adjustment to reflect several errors that were identified when the Group reviewed its accounting for IFRS 16, in October 2021. As these adjustments impacted the prior period to 30 June 2021 comparatives these have been restated. For further information see note 4.3.

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

It is proposed that the interim dividend be paid on 7 October 2022 to shareholders on the register at the close of business on 16 September 2022. The Company's ordinary shares will therefore be marked ex-dividend on 15 September 2022.

Cashflow
The Group generated operating cash flow before movements in working capital of £13.9 million in H1 2022 compared to £10.4 million (restated) in H1 2021. Cash generated by operations was £12.8 million (H1 2021: £9.6 million).

Free cashflow (defined as cash generated by operating activities less capital expenditure, exceptional items, share based payments and interest paid) is the Group's primary cashflow metric with £8.7 million generated in H1 2022 verses £8.4 million in H1 2021.

£26.9 million was used for business acquisitions in H1 2022, relating to the acquisition of Advance Roofing Supplies, A.W. Lumb, DH&P and Buildbase Sudbury.

Net Cash / Debt

The Group's net cash / debt position, before recognising lease liabilities moved from a net cash position of £6.5 million at 31 December 2021 to a net debt position of £21.1 million at 30 June 2022.

The net cash / debt position movement is the result of £26.9 million of business acquisitions in H1 2022, relating to the acquisition of Advance Roofing Supplies, A.W. Lumb, DH&P and Buildbase Sudbury.

Liquidity

At 30 June 2022, the Group had balance sheet liquidity of £48.9 million of which £11.6 million (31 December 2021: £11.4 million) was held in accessible cash and £37.3 million (31 December 2021: £35.1 million) in undrawn bank facilities.

The Group's key financing objective continues to be to ensure that it has the necessary liquidity and resources to support the short, medium and long-term funding requirements of the business. These resources together with strong cash flow from operations provide good liquidity and the capacity to fund investment in working capital, routine capital expenditure and growth activity including acquisitions.

Capital Expenditure and Investment in Intangible Assets

The Group maintained disciplined control over the allocation of capital, and capital expenditure for the period was £1.9 million (H1 2021: £0.8 million). The most notable investment in the half year being the transformation refurbishment of the Lords Builders Merchants Beaconsfield branch with £0.6 million invested in the period.

Intangible assets rose to £43.6 million (31 December 2021: 23.0 million) as a result of the four acquisitions during H1 2022.

Post balance sheet events

Exercised options

On 1 July 2022, 3,986,499 new ordinary shares were admitted to trading on AIM as a result of the exercise of options under the Group's existing Company Share Option Plan. Following admission of the new ordinary shares, the Company's issued ordinary share capital comprise 162,511,371 ordinary shares.

Chris Day
Chief Financial Officer
6 September 2022

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

	Note	30 June 2022 (unaudited) £'000	30 June 2021 (Restated) (unaudited) £'000	31 December 2021 (audited) £'000
Revenue		214,189	178,966	363,289
Cost of sales		(172,827)	(149,634)	(300,569)
Gross profit		41,362	29,332	62,720
Other operating income		658	612	696
Distribution expenses		(2,274)	(1,661)	(3,536)
Administrative expenses		(25,561)	(17,124)	(37,576)
Adjusted EBITDA [2]		14,185	11,159	22,304
Share based payments	6	(190)	-	(96)
Exceptional expenses	7	(280)	(1,057)	(2,085)
EBITDA [1]		13,715	10,102	20,123
Depreciation		(940)	(656)	(1,340)
Amortisation		(4,906)	(3,788)	(8,021)
Operating profit		7,869	5,658	10,762
Finance income		8	4	-
Finance expense	8	(1,447)	(1,491)	(2,741)
Profit before taxation		6,430	4,171	8,021
Taxation	9	(1,720)	(919)	(2,377)
Profit for the year		4,710	3,252	5,644
Other comprehensive income		-	-	-
Total comprehensive income		4,710	3,252	5,644
Total comprehensive income for the year attributable to:				
Owners of the parent company		4,489	3,017	5,231
Non-controlling interests		221	235	413
		4,710	3,252	5,644
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:				
Basic earnings per share (pence)	10	2.83	2.40	3.73
Diluted earnings per share (pence)	10	2.59	2.18	3.40

[1] *EBITDA is defined as earnings before interest, tax, depreciation and amortisation and, in accordance with IFRS.*

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

See note 4.3 for details regarding the restatement.

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

Consolidated Statement of Financial Position
As at 30 June 2022

	Note	30 June 2022 (unaudited) £'000	30 June 2021 Restated* (unaudited) £'000	31 December 2021 (audited) £'000
Non-current assets				
Intangible assets	11	43,599	23,009	22,673
Property, plant and equipment	12	14,583	8,138	8,050
Right-of-use assets	13	34,867	32,127	33,271
Other receivables	14	309	34	304
Investments		85	112	84
		93,443	63,420	64,382
Current assets				
Inventories		45,551	39,006	38,781
Trade and other receivables	14	70,205	53,010	57,744
Cash and cash equivalents		11,581	5,105	11,402
		127,337	97,121	107,927
Total assets		**220,780**	**160,541**	**172,309**
Current liabilities				
Trade and other payables	15	(83,622)	(65,638)	(70,459)
Borrowings	16	(9,857)	(18,210)	(2,783)
Lease liabilities	17	(5,466)	(4,478)	(5,114)
Current tax liabilities		(1,434)	(1,570)	(2,014)
Total current liabilities		(100,379)	(89,896)	(80,370)
Non-current liabilities				
Trade and other payables	15	(2,271)	(2,787)	(3,621)
Borrowings	16	(22,816)	(12,460)	(2,125)
Lease liabilities	17	(33,144)	(30,562)	(31,518)
Other provisions		(1,220)	(871)	(987)
Deferred tax		(7,752)	(3,158)	(2,940)
Total non-current liabilities		(67,203)	(49,838)	(41,191)
Total liabilities		**(167,582)**	**(139,734)**	**(121,561)**
Net assets		**53,198**	**20,807**	**50,748**
Equity				
Share capital		788	630	788
Share premium		28,293	-	28,293
Merger reserve		(9,980)	(9,980)	(9,980)
Share based payment reserve		286	-	96
Retained earnings		29,263	25,999	27,214
Equity attributable to owners of the parent company		48,650	16,649	46,411
Non-controlling interests		4,548	4,158	4,337
Total equity		**53,198**	**20,807**	**50,748**

See note 4.3 for details regarding the restatement.
The above condensed consolidated statement of comprehensive financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share based payments reserve £'000	Retained earnings £'000	Equity attributable to owner of parent company £'000	Non Controlling Interests £'000	Total Equity £'000
As at 1 January 2022	788	28,293	(9,980)	96	27,214	46,411	4,337	50,748
Profit for the financial period and total comprehensive income (restated)	-	-	-	-	4,489	4,489	221	4,710
Share based payments	-	-	-	190	-	190	-	190
DH&P Call and put options (see note 19)	-	-	-	-	(443)	(443)	-	(443)
Capital reduction by non controlling interests	-	-	-	-	-	-	(10)	(10)
Dividend payable	-	-	-	-	(1,997)	(1,997)	-	(1,997)
As at 30 June 2022	788	28,293	(9,980)	286	29,263	48,650	4,548	53,198

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share based payments reserve £'000	Retained earnings £'000	Equity attributable to owner of parent company £'000	Non-controlling Interests £'000	Total equity £'000
As at 1 January 2021 as originally presented	19,990	-	(9,980)	-	4,756	14,766	3,499	18,265
Correction of error (net of tax)	-	-	-	-	(1,134)	(1,134)	-	(1,134)
Restated total equity as included in December 2021 Annual Financial Statements	19,990	-	(9,980)	-	3,622	13,632	3,499	17,131
Profit for the financial period and total comprehensive income	-	-	-	-	3,017	3,017	235	3,252
Non-controlling interests share of acquisitions	-	-	-	-	-	-	424	424
Capital reorganisation	(19,360)	-	-	-	19,360	-		-
As at 30 June 2021 (restated)	630	-	(9,980)	-	25,999	16,649	4,158	20,807

	Called up share capital	Share premium	Merger reserve	Share based payments reserve	Retained earnings	Equity attributable to owner of parent company	Non-controlling Interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 as included in December 2021 Annual Financial Statements	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

See note 4.3 for details regarding the restatement.

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

Consolidated Statement of Cash Flows
For the six months ended 30 June 2022

	30 June 2022 (unaudited) £'000	30 June 2021 (Restated) (unaudited) £'000	31 December 2021 (audited) £'000
Cash flows from operating activities			
Profit before taxation	6,430	4,171	8,021
Adjusted for:			
Depreciation of property, plant and equipment	940	656	1,340
Amortisation of intangibles	1,564	987	2,087
Amortisation of right-of-use assets	3,342	2,801	5,934
Loss on disposal of property, plant and equipment	-	250	-
Share based payment expense	190	-	96
Finance income	(8)	(4)	-
Finance expense	1,447	1,491	2,741
Operating cash flows before movements in working capital	**13,905**	**10,352**	**20,219**
Decrease in inventories	(279)	2,379	2,837
Increase in trade and other receivables	420	3,129	(1,791)
(Decrease) / increase in trade and other payables	(1,283)	(6,305)	3
Cash generated by operations	12,763	9,555	21,268
Corporation tax paid	(2,251)	(507)	(1,751)
Net cash generated by operating activities	**10,512**	**9,048**	**19,517**
Cash flows from investing activities			
Purchase of intangible assets	(119)	(18)	(648)
Business acquisitions (net of cash acquired)	(26,854)	(5,792)	(6,225)
A.W. Lumb resale creditor (see note 19)	(2,707)	-	-
Deferred consideration paid	(583)	(143)	(875)
Purchase of property, plant and equipment	(1,924)	(828)	(1,297)
Proceeds on disposal of property, plant and equipment	57	-	-
Purchase of investments	-	(105)	(77)
Interest received	8	4	-
Net cash used in investing activities	**(32,122)**	**(6,882)**	**(9,122)**
Cash flows from financing activities			
Lease payments	(3,482)	(3,214)	(6,750)
Issue of share capital	-	-	30,000
Costs of capital raise	-	-	(1,549)
Dividends	(1,997)	-	(999)
Non-controlling interests repayment	(10)	-	-
Proceeds from borrowings	57,074	-	4,908
Repayment of borrowings	(29,309)	(9,411)	(40,081)
Bank interest paid	(325)	(416)	(529)
Interest on financial liabilities	(162)	(362)	(335)
Net cash outflow from financing activities	**21,789**	**(13,403)**	**(15,335)**
Net (decrease) / increase in cash and cash equivalents	**179**	**(11,237)**	**(4,940)**
Cash and cash equivalents at the beginning of the period	**11,402**	**16,342**	**16,342**
Effect of foreign exchange rates	-	-	-
Cash and cash equivalents at the end of the period	**11,581**	**5,105**	**11,402**

See note 4.3 for details regarding the restatement.
The above condensed consolidated statement of changes of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
for the six months ended 30 June 2022

1. General information

Lords Group Trading PLC is a public limited company incorporated in England and Wales. The registered office is 2nd Floor 12-15 Hanger Green, London W5 3EL. Lords is a specialist distributor of building, plumbing, heating and DIY goods. The Group principally sells to local tradesmen, small to medium sized plumbing and heating merchants, construction companies and retails directly to the general public.

2. Basis of preparation

The Half Year Financial Statements have been prepared in accordance with IAS 34 "Half Year Financial Reporting" as contained in UK-adopted International Accounting Standards. These Half Year Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Accordingly this report should be read in conjunction with the annual report for the year ended 31 December 2021 (the "Annual Financial Statements") which was prepared in accordance UK-adopted International Accounting Standards.

The Annual Financial Statements constitute statutory accounts as defined in section 434 of the Companies Act 2006 and a copy of these statutory accounts has been delivered to the Registrar of Companies. The auditor's report on the Annual Financial Statements was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The accounting policies adopted in the preparation of the Half Year Financial Statements are consistent with those used to prepare the Group's consolidated financial statements for the year ended 31 December 2021 and the corresponding Half Year reporting period.

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

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

3 Accounting policies

Going concern

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

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

The Group has banking facilities of £70.0 million available to it until 21 July 2024 and on 30 June 2022 had headroom against the facilities of £37.3 million and cash of £11.6 million. Banking covenants are breached if the last twelve months adjusted EBITDA/interest (interest ratio) falls below 5 or the lenders leverage ratio exceeds 2.5. On 30 June 2022, the interest ratio was over 33 and the leverage ratio was 1.31.

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

Taxation

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

4 Critical accounting judgements and estimates and errors

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

Key accounting estimates and judgements

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

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

4.1 Key accounting judgements

Recognition of legal and regulatory provisions

A key area of judgement applied in the preparation of these financial statements is determining whether a present obligation exists and where one does, in estimating the probability, timing and amount of any outflows. In determining whether a provision needs to be made and whether it can be reliably estimated, the Group consults relevant professional experts and reassess the Group's judgements on an ongoing basis as facts change. In the early stages of legal and regulatory matters, it is often not possible to reliably estimate the outcome and in these cases the Group does not provide for their outcome but instead include further disclosures outlining the matters within its contingent liabilities note. See note 18 for contingent liabilities.

4.2 Key accounting estimates and assumptions

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

Lease Liabilities

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

The Group has adopted a range from 2.25 per cent to 5.50 per cent as its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right- of-use asset in a similar economic environment with similar terms, security, and conditions. The incremental borrowing rate has been determined by using a synthetic credit rating for the Group which is used to obtain market data on debt instruments for companies with the same credit rating and adjusted for the lease term and type of asset.

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

Useful economic lives of intangible and tangible assets

Annual amortisation and depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on cash generating unit performance, technological advances, future investments, economic utilisation and the physical condition of the assets. See notes 11 and 12 for the carrying values of the assets and note 19 for details of new intangible assets acquired through business combinations.

Fair value of intangible assets

The fair value of customer relationship assets and trade name separately acquired through business combinations involved the use of valuation techniques and the estimation of future cash flows to be generated over several years. The estimation of the future cash flows requires a combination of assumptions including assumptions for customer attrition rate, sales growth, EBIT and discount rates. The relief from royalty rate is the value that would be obtained by licencing trade names out to a third party, as a percentage of sales. See note 11 for the carrying value of the asset.

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

	Customer relationships			Trade names	
	Customer attrition rate	EBIT as a % of revenue	Discount rate	Relief from royalty rate	Discount rate
Advance Roofing Limited	2.0%	7.96%	13.00%	0.25%	13.00%
A. W. Lumb	2.8%	5.53%	11.20%	0.25%	11.20%
Direct Heating	9.1%	6.49%	12.79%	0.25%	12.79%
Sudbury Branch	3.0%	9.22%	12.79%	-	-

Inventories

The Group carries significant levels of inventory and key judgments are made by management in estimating the level of provisioning required for slow moving inventory. Provision estimates are forward looking and are formed using a combination of factors including historical experience, management's knowledge of the industry, group discounting and sales pricing. Management use a number of internally generated reports to monitor and continually re-assess the adequacy and accuracy of the inventory provision. In arriving at its conclusion, the Directors consider inventory ageing and turn analysis. The inventory provision is 5.6% of inventory (H1 2021: 5.9%). Doubling the provision would increase cost of sales/ reduce the carrying value of inventory by £2,534,000 in H1 2022 (H1 2021: £2,309,000).

4.3 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 4 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 an undefined rental period and the view at the time of the admission document was that these were short term leases. A subsequent review of the leases indicated 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 Group has now formed the judgement that around 90 vehicles should be regarded as long-term leases with a life of three years.

These errors were corrected in the 31 December 2021 Annual Financial Statements. The 30 June 2021 comparatives 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)

	30 June 2021	Increase/ (Decrease)	30 June 2021 (Restated)
	£'000	£'000	£'000
Right-of-use assets	25,862	6,265	32,127
Current trade and other payables	(66,127)	489	(65,638)
Current lease liabilities	(3,524)	(954)	(4,478)
Non-current trade and other payables	(2,792)	5	(2,787)
Non current lease liabilities	(23,073)	(7,489)	(30,562)
Other provisions	(808)	(63)	(871)
Deferred tax	(3,526)	368	(3,158)
Net assets	**22,186**	**(1,379)**	**20,807**
Retained earnings	27,364	(1,365)	25,999
Non-controlling interests	4,172	(14)	4,158
Total equity	**22,186**	**(1,379)**	**20,807**

Consolidated statement of comprehensive income (extract)

	30 June 2021	Increase/ (Decrease)	30 June 2021 (Restated)
	£'000	£'000	£'000
Administrative expenses	(17,752)	628	(17,124)
Adjusted EBITDA	10,531	628	11,159
EBITDA	9,474	628	10,102
Amortisation	(3,090)	(698)	(3,788)
Operating profit	**5,728**	**(70)**	**5,658**
Finance expense	(1,276)	(215)	(1,491)
Profit before taxation	**4,456**	**(285)**	**4,171**
Taxation	(973)	54	(919)
Profit for the year	**3,483**	**(231)**	**3,252**
Total comprehensive income attributable to:			
Owners of the parent company	3,248	(231)	3,017
	3,483	**(231)**	**3,252**

5 Segmental Reporting

The Group operates through the following two divisions:

- Merchanting: supplies building materials and DIY goods through its network of merchant businesses and online platform capabilities. It operates both in the 'light side' (building materials and timber) and 'heavy side' (civils and landscaping), through 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 fifteen locations enabling nationwide next day delivery service.

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

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

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

	Plumbing and Heating	**Merchanting and other services**	**Total**
	£'000	**£'000**	**£'000**
Revenue	108,275	105,914	214,189
Cost of sales	(93,669)	(79,158)	(172,827)
Gross profit	14,606	26,756	41,362
Other operating income	172	486	658
Distribution costs	(59)	(2,215)	(2,274)
Administrative expenses	(8,231)	(17,330)	(25,561)
Adjusted EBITDA	6,488	7,697	14,185
Share based payments	(38)	(152)	(190)
Exceptional items	(488)	208	(280)
EBITDA	5,962	7,753	13,715
Depreciation	(139)	(801)	(940)
Amortisation	(1,754)	(3,152)	(4,906)
Operating profit	4,069	3,800	7,869
Finance income	(22)	30	8
Finance costs	(333)	(1,114)	(1,447)
Profit before taxation	3,714	2,716	6,430
Taxation	(752)	(968)	(1,720)
Profit for operating unit	2,962	1,748	4,710

The segmental results for the six months ended 30 June 2021 are as follows:

	Plumbing and Heating (Restated) £'000	Merchanting (Restated) £'000	Total (Restated) £'000
Revenue	117,889	61,077	178,966
Cost of sales	(105,143)	(44,491)	(149,634)
Gross profit	12,746	16,586	29,332
Other operating income	98	514	612
Distribution costs	(36)	(1,625)	(1,661)
Administrative expenses	(6,943)	(10,181)	(17,124)
Adjusted EBITDA	5,865	5,294	11,159
Share based payments	-	-	-
Exceptional items	-	(1,057)	(1,057)
EBITDA	5,865	4,237	10,102
Depreciation	(78)	(578)	(656)
Amortisation	(1,377)	(2,411)	(3,788)
Operating profit	4,410	1,248	5,658
Finance income	-	4	4
Finance costs	(463)	(1,028)	(1,491)
Profit before taxation	3,947	224	4,171
Taxation	(485)	(434)	(919)
Profit / (loss) for operating unit	3,462	(210)	3,252

See note 4.3 for details regarding the restatement.

The segmental results for the year to 31 December 2021 are as follows:

	Plumbing and Heating	Merchanting	Total
	£'000	£'000	£'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	(162)	(1,178)	(1,340)
Amortisation	(2,485)	(5,536)	(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

6. Share based payments

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

7. Exceptional items

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
HS2 Compulsory purchase order compensation	(748)	-	-
Listing costs	-	568	1,523
Costs of business combinations	754	489	514
Retention bonus accruals for business combinations	120	-	-
Reduction in contingent consideration	(184)	-	-
Underpayment of NI due	338	-	-
Costs of previous financing expensed	-	-	248
Reduction in contingent consideration	-	-	(200)
	280	1,057	2,085

The costs associated with the business combinations detailed in note 19 have been expensed and disclosed as exceptional items which amount to £754,000. As part of the acquisition of A.W. Lumb retention bonuses of £1,800,000 over a five-year period were offered to key staff. The costs of these bonuses are being accrued over the retention period and amount to £120,000 for the period ended June 2022.

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

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

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

8. Finance costs

	30 June 2022 £'000	30 June (Restated) 2021 £'000	31 December 2021 £'000
Bank loans and overdrafts	325	416	529
Invoice discounting facilities	221	154	376
Lease liabilities	901	921	1,836
	1,447	1,491	2,741

See note 4.3 for details regarding the restatement.

9. Taxation

Tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate for the year ended 31 December 2022 is 26.75% (2021: 22.0%).

10. Earnings per share

	30 June 2022	30 June 2021 (Restated)	31 December 2021
Basic earnings per share			
Earnings from continuing activities (pence)	2.83	2.40	3.73
Diluted earnings per share			
Earnings from continuing activities (pence)	2.59	2.18	3.40
Weighted average shares for basic earning per share	158,524,872	125,925,000	140,354,443
Number of dilutive share options	14,635,631	12,179,402	13,647,753
Weighted average number of shares for dilutive earnings per share	173,160,503	138,104,402	154,002,196
Earnings attributable to the equity holders of the parent (£'000)	4,489	3,017	5,231

See note 4.3 for details regarding the restatement.

The Group has also presented adjusted earnings per share. Adjusted earnings per share have been calculated using earnings attributable to shareholders of the parent company, Lords Group trading PLC, adjusted for the after-tax effect of exceptional items (see note 7), share based payments and amortisation of intangible assets as the numerator.

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Earnings attributable to the equity holders of the parent	4,489	3,017	5,231

Exceptional items	280	1,057	2,085
Share based payments	190	-	96
Amortisation of intangible assets	1,564	987	2,087
Less tax impact of adjustments	(386)	(388)	(811)
Adjusted earnings	6,137	4,673	8,688
Closing shares at the end of the year	158,524,872	125,925,000	158,524,872
Closing number of dilutive share options	14,635,631	12,179,402	13,647,753
Weighted average number of shares for dilutive earnings per share	173,160,503	138,104,402	172,172,625
Adjusted basic earnings per share			
Earnings from continuing activities (pence)	3.87	3.71	5.48
Adjusted diluted earnings per share			
Earnings from continuing activities (pence)	3.54	3.38	5.05

11. Intangible assets

	Software £'000	Customer relationships £'000	Trade names £'000	Goodwill £'000	Total £'000
At 1 January 2022	952	12,454	1,797	7,470	22,673
Additions	119	-	-	-	119
Acquired through business combinations	140	15,743	1,124	5,364	22,371
Amortisation charge	(103)	(1,306)	(155)	-	(1,564)
Closing net book value at 30 June 2022	1,108	26,891	2,766	12,834	43,599
At 30 June 2022					
Cost	1,661	33,649	3,392	12,834	51,536
Accumulated amortisation and impairment	(553)	(6,758)	(626)	-	(7,937)
Net book amount	1,108	26,891	2,766	12,834	43,599
At 1 January 2021	401	10,837	1,717	5,243	18,198
Acquired through business combinations	17	3,270	316	2,195	5,798
Amortisation charge	(48)	(824)	(115)	-	(987)
Closing net book value at 30 June 2021	370	13,283	1,918	7,438	23,009
At 30 June 2021					
Cost	667	17,840	2,267	7,438	28,212
Accumulated amortisation and impairment	(297)	(4,557)	(349)	-	(5,203)
Net book amount	370	13,283	1,918	7,438	23,009
At 1 January 2021	401	10,837	1,717	5,243	18,198
Additions	648	-	-	-	648
Reclassification from tangible assets	18	-	-	-	18
Acquired through business combinations	17	3,336	316	2,227	5,896
Amortisation charge	(132)	(1,719)	(236)	-	(2,087)
Closing net book value at 31 December 2021	952	12,454	1,797	7,470	22,673
At 31 December 2021					
Cost	1,333	17,906	2,267	7,470	28,976
Accumulated amortisation and impairment	(381)	(5,452)	(470)	-	(6,303)
Net book amount	952	12,454	1,797	7,470	22,673

See note 4.3 for details regarding the restatement.

12. Property, plant, and equipment

	Land and buildings freehold £'000	Land and building leasehold improvements £'000	Plant and Machinery £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Office equipment £'000	Total £'000
At 1 January 2022	1,845	3,617	1,306	75	925	282	8,050
Additions	59	923	84	504	160	194	1,924
Disposals	-	-	-	(57)	-	-	(57)
Acquired through business combinations	4,721	40	69	540	136	100	5,606
Depreciation charge	(66)	(422)	(79)	(88)	(190)	(95)	(940)
Closing net book value as at 30 June 2022	6,559	4,158	1,380	974	1,031	481	14,583
At 30 June 2022							
Cost	6,777	7,446	2,453	1,105	3,016	1,035	21,832
Accumulated depreciation and impairment	(218)	(3,288)	(1,073)	(131)	(1,985)	(554)	(7,249)
Net book value	6,559	4,158	1,380	974	1,031	481	14,583
At 1 January 2021	687	1,853	503	63	1,193	118	4,417
Additions	-	170	268	-	311	90	839
Acquired through business combinations	842	1,961	645	-	81	9	3,538
Depreciation charge	(19)	(270)	(139)	(27)	(163)	(38)	(656)
Closing net book value as at 30 June 2021	1,510	3,714	1,277	36	1,422	179	8,138
At 30 June 2021							
Cost	1,638	6,209	2,302	86	2,985	543	13,763
Accumulated depreciation and impairment	(128)	(2,495)	(1,025)	(50)	(1,563)	(364)	(5,625)
Net book amount value	1,510	3,714	1,277	36	1,422	179	8,138
At 1 January 2021	687	1,853	503	63	1,193	118	4,417
Additions	-	537	222	16	296	266	1,337
Disposals	-	-	-	(40)	-	-	(40)
Reclassification to intangible assets	-	-	-	-	-	(18)	(18)
Reclassification acquired through business combinations	-	270	-	-	(270)	-	-
Acquired through business combinations	1,201	1,598	689	56	101	49	3,694
Depreciation charge	(43)	(641)	(108)	(20)	(395)	(133)	(1,340)
Closing net book value as at 31 December 2021	1,845	3,617	1,306	75	925	282	8,050
At 31 December 2021							
Cost	1,997	6,483	2,300	118	2,720	741	14,359
Accumulated depreciation and impairment	(152)	(2,866)	(994)	(43)	(1,795)	(459)	(6,309)
Net book amount value	1,845	3,617	1,306	75	925	282	8,050

13. Right of use assets

	Leasehold Property £'000	Plant and Machinery £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	26,516	3,030	3,725	33,271
Acquired through business combinations	3,991	95	-	4,086
Additions	6	73	773	852
Amortisation charge	(2,004)	(553)	(785)	(3,342)
Closing net book value at 30 June 2022	28,509	2,645	3,713	34,867
At 30 June 2022				
Cost	41,214	6,123	8,841	56,178
Accumulated amortisation and impairment	(12,705)	(3,478)	(5,128)	(21,311)
Net book amount	28,509	2,645	3,713	34,867
At 1 January 2021 (restated)	25,846	3,836	2,405	32,087
Acquired through business combinations	694	-	356	1,050
Additions	981	-	881	1,862
Lease modifications	179	-	-	179
Disposals	(250)	-	-	(250)
Amortisation charge	(1,566)	(469)	(766)	(2,801)
Closing net book value at 30 June 2021 (restated)	25,884	3,367	2,876	32,127
At 30 June 2021 (restated)				
Cost	34,799	5,833	6,331	46,963
Accumulated amortisation and impairment	(8,915)	(2,466)	(3,455)	(14,836)
Net book amount	25,884	3,367	2,876	32,127
At 1 January 2021 (restated)	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 at 30 December 2021	26,516	3,030	3,725	33,271
At 31 December 2021				
Cost	37,217	5,955	8,068	51,240
Accumulated amortisation and impairment	(10,701)	(2,925)	(4,343)	(17,969)
Net book amount	26,516	3,030	3,725	33,271

See note 4.3 for details regarding the restatement.

14. Trade and other receivables

	30 June 2022	30 June 2021 (Restated)	31 December 2021
	£'000	£'000	£'000
Amounts falling due after one year			
Other receivables	309	34	304
	309	34	304
Amounts falling due within one year			
Trade receivables	62,066	46,249	50,930
Other receivables	3,394	2,597	5,333
Prepayments	4,745	4,164	1,481
	70,205	53,010	57,744

Supplier rebates receivable within trade receivables and prepayments in June 2021 have been reclassified as other receivables to be consistent with the classification in later periods.

15. Trade and other payables

	30 June 2022	30 June 2021 (restated)	31 December 2021
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade payables	71,043	56,676	57,991
Other taxation and social security	3,511	2,261	4,113
Other payables	4,295	3,472	1,931
Accruals	4,773	3,229	6,424
	83,622	65,638	70,459
Amounts falling due after one year:			
Other payables	2,271	2,787	3,621
	2,271	2,787	3,621

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

See note 4.3 for details regarding the restatement.

16. Borrowings

Current	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Bank loans	-	7,292	-
Other loans	9,857	10,918	2,783
Total current borrowings	9,857	18,210	2,783
Non current			
Bank loans	22,816	12,460	2,125
Total non current borrowings	22,816	12,460	2,125
Total borrowings	**32,673**	**30,670**	**4,908**

Loans under invoice financing are included within other loans.

The borrowings of £30.7 million as of 30 June 2021 reduced to £4.9 million as of 31 December 2021 due to refinancing out the debt from the share raise when the Group listed on the AIM. Borrowings have subsequently increased in H1 2022 due to the business combinations disclosed within note 19.

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.

17. Lease liabilities

	Leasehold property £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	30,065	2,979	3,588	36,632
Additions	-	50	628	678
Acquired through business combinations	3,786	95	-	3,881
Interest expenses	759	54	88	901
Lease payments (including interest)	(2,256)	(395)	(831)	(3,482)
At 30 June 2022	32,354	2,783	3,473	38,610

	Leasehold property £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2021 (restated)	28,476	3,896	2,181	34,553
Acquired through business combinations	645	-	37	682
Additions	861	-	1,237	2,098
Interest expenses	745	108	68	921
Lease payments (including interest)	(1,760)	(632)	(822)	(3,214)
At 30 June 2021 (restated)	28,967	3,372	2,701	35,040

	Leasehold property £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
At 1 January 2021 (restated)	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

See note 4.3 for details regarding the restatement.

Reconciliation of current and non-current lease liabilities

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Current	5,466	4,478	5,114
Non -current	33,144	30,562	31,518
Total	38,610	35,040	36,632

18. Contingencies

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

In May 2021, the Group Chief Financial Officer wrote to the HMRC Anti Money Laundering division to bring to their attention that it had identified a historic breach of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by A P P Wholesale Limited, a company that was acquired by Lords Group Trading PLC in December 2019. The Group has identified a number of occasions where cash banked in a single transaction was in excess of €10,000 or where smaller sums of cash were banked which could be regarded as linked transactions in breach of the regulations. The breaches occurred over a 10-year period from August 2010, cumulatively amounting to up to nearly £3.0 million. The Board is unable to predict the outcome of this reporting to HMRC and therefore the level of any potential fines. The Group's legal advice is that penalties for breaches of the regulations varies between nominal fines to fines which can equate to the full amount of the cash sum received in contravention of the regulations depending on the level of culpability. The Board is confident that any potential fine levied would be covered by the warranties contained in the sale and purchase agreement for A P P Wholesale Limited.

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

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

19. Business Combinations

Advance Roofing Supplies Limited
On 5 January 2022 the Group acquired 100% of Advance Roofing Supplies Limited ("Advance Roofing Supplies"), a supplier of roofing materials, for a consideration of £3.9 million of which £3.6 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 £0.82 million. Advance Roofing Supplies is a £7.5 million turnover dual-site operation based in Tring and Aylesbury. The principal reason for the acquisition was to acquire the customer base of Advance Roofing Supplies. The assets and liabilities of the business were subsequently hived into Carboclass Limited.

The acquired business contributed revenues of £3,763,000 and a profit before tax of £310,000 to the consolidated entity for the period from acquisition to 30 June 2022. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value £'000
Intangible Asset - Customer Relationships	1,868
Intangible Asset - Trade Names	121
Property, plant and equipment	379
Right of use assets	582
Inventories	980
Trade and other receivables	776
Cash	822
Trade and other payables	(1,260)
Dilapidation provision	(63)
Lease liabilities	(534)
Deferred tax liability	(504)
Total provisional fair value	**3,167**
Consideration	3,877
Goodwill	**710**

The provisional fair values include recognition of an intangible asset relating to customer relations of £1,868,000 and trade names of £121,000, which will be amortised over 13 years on a straight-line basis. The goodwill of £710,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate substantially enacted at the acquisition date. Acquisition costs totalled £129,000 and are disclosed within exceptional expenses in the statement of comprehensive income.

Purchase consideration:

	£'000
Cash	3,627
Deferred Consideration	250
Total Consideration	**3,877**

The net cash expended on the acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	3,627
Less cash acquired at acquisition	(822)
Net cash movement	**2,805**

The deferred consideration of £250,000 has not been discounted as it is all due within one year. Figures are provisional until the accounting has been audited.

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 £21.3 million. Total acquisition consideration of £21.3 million, payable in cash, consists of £19.7 million due on completion and deferred consideration of £1.7 million payable in equal annual instalments over the next five years. Consideration is to be funded from Lords' existing cash resources and debt facilities. As at completion, A.W. Lumb had excess cash of £5.7m. A.W. Lumb is a £44.5 million turnover dual-site operation in Dewsbury and Tamworth. The principal reason for the acquisition was to acquire the customer base of A.W. Lumb. The acquisition also included a contingent employment related payment of £1.8 million to certain employees. This cost is being charged to the income statement over the life of the employment period of five years. The contingent employment related consideration is payable if targets are met.

The acquired business contributed revenues of £18,363,000 and a profit before tax of £2,030,000 to the consolidated entity for the period from acquisition to 30 June 2022. If the acquisition had occurred on 1 January 2021, the contributions until 30 June 2022 would have been revenues of £26,201,000 and profit before tax of £2,376,000. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value £'000
Intangible Asset - Customer Relationships	9,521
Intangible Asset - Trade Names	698
Investments	1
Property, plant and equipment	4,917
Right of use assets	95
Inventories	2,221
Trade and other receivables	7,187
Cash	5,656
Trade and other payables	(6,116)
Provisions	(2,707)
Lease liabilities	(95)
Deferred tax liability	(3,027)
Total provisional fair value	**18,351**
Consideration	21,346
Goodwill	**2,995**

The provisional fair values include recognition of an intangible asset relating to customer relations of £9,521,000 and trade names of £698,000, which will be amortised over 13 years on a straight-line basis. The goodwill of £2,995,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate substantially enacted at the acquisition date. Acquisition cost totalled £418,000 are disclosed within exceptional expenses in the statement of comprehensive income.

AWLC had a resale creditor of £2,707,000 which was triggered by the business combination and paid in the period to 30 June 2022.

Purchase consideration:

	£'000
Cash on completion	19,688
Deferred Consideration	1,658
Total Consideration	**21,346**

The net cash expended on the acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	19,688
Less cash acquired at acquisition	(5,656)
Net cash movement	**14,032**

Figures are provisional until the accounting has been audited.

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 acquisition consideration was satisfied by an initial £8.9 million cash payment and a deferred cash element of £357,000 to be paid in 12 months. As at completion, DH&P had excess cash of £0.6 million. The remaining 10% interest in DH&P's issued share capital has been retained by the business' current vendors, who will remain in their management roles with the business. 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 it is almost certain that one or other party will exercise the options no non-controlling interests have been recognised. DH&P is a £27.6 million turnover leading plumbing heating distributor and merchant, consisting of one national distribution centre in Chelmsford and five branches with a strong regional focus in Ipswich, Chelmsford, Southend, Benfleet and Colchester. The principal reason for the acquisition was to acquire the customer base of DH&P.

The acquired business contributed revenues of £7,302,000 and a profit before tax of £358,000 to the consolidated entity for the period from acquisition to 30 June 2022. If the acquisition had occurred on 1 January 2021, the contributions until 30 June 2022 would have been revenues of £15,239,000 and profit before tax of £999,000. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair Value £'000
Intangible Asset - Customer Relationships	3,488
Intangible Asset - Trade Names	305
Software	140
Property, plant and equipment	253
Right of use assets	1,919
Inventories	2,784
Trade and other receivables	4,557
Cash	628
Trade and other payables	(3,376)
Lease liabilities	(1,828)
Dilapidation provision	(90)
Deferred tax liability	(1,019)
Total provisional fair value	**7,761**
Consideration	9,248
Goodwill	**1,487**

The provisional fair values include recognition of an intangible asset relating to customer relations of £3,488,000 and trade names of £305,000, which will be amortised over 13 years on a straight-line basis. The goodwill of £1,487,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate substantially enacted at the acquisition date. Acquisition cost totalled £144,000 are disclosed within exceptional expenses in the statement of comprehensive income.

Purchase consideration:

	£'000
Cash	8,891
Deferred Consideration	357
Total Consideration	**9,248**

The net cash expended on the acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	8,891
Less cash acquired at acquisition	(628)
Net cash movement	**8,263**

The simultaneous call and put options over the remaining 10% of DH&P's issued share capital have a fair value of £443,000. The value has been recognised against retained earnings in the statement of financial position.

Figures are provisional until the accounting has been audited.

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 total gross consideration payable was £1.8 million. The Sudbury Branch generated revenues of £5.1 million in the year to 31 December 2021. The principal reason for the acquisition was to acquire the customer base of the branch. The assets and liabilities of the business have been hived into Hevey Building Supplies Limited.

The acquired business contributed revenues of £894,000 and a loss before tax of £44,000 to the consolidated entity for the period from acquisition to 30 June 2022. The Group has no reliable information about the performance of the branch in the period prior to acquisition. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value £'000
Intangible Asset - Customer Relationships	866
Property, plant and equipment	57
Right of use assets	1,490
Inventories	506
Trade and other receivables	366
Lease liabilities	(1,424)
Dilapidation provision	(66)
Deferred tax liability	(213)
Total provisional fair value	1,582
Consideration	1,754
Goodwill	**172**

The provisional fair values include recognition of an intangible asset relating to customer relations of £866,000, which will be amortised over 13 years on a straight-line basis. The goodwill of £172,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate substantially enacted at the acquisition date. Acquisition cost totalled £64,000 are disclosed within exceptional expenses in the statement of comprehensive income.

Purchase consideration:

	£'000
Cash paid as consideration on acquisition	1,754
Less cash acquired at acquisition	-
Net cash movement	**1,754**

The net cash expended on the acquisition is as follows:

Consideration	£'000
Cash	1,754
Deferred Consideration	-
Total Consideration	**1,754**

Figures are provisional until the accounting has been audited.

20. Dividends

A final dividend for 2021 of £1,997,000 was paid to the Registrar on the 30 June 2022 to be distributed to the shareholders. The record date for the payment of the dividend was 6 June 2022 and it was paid on 7 July 2022.

It is proposed that an interim dividend for 2022 be paid on 7 October 2022 to shareholders on the register at the close of business on 16 September 2022. The Company's ordinary shares will therefore be marked ex-dividend on 15 September 2022.

21. Events occurring after the reporting period

Exercised options

On 1 July 2022, 3,986,499 new Ordinary Shares were admitted to trading on AIM as a result of the exercise of options under the Group's existing Company Share Option Plan. Following admission of the new Ordinary Shares, the Company's issued ordinary share capital comprise 162,511,371 Ordinary Shares.

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