Well positioned for market recovery

Annual report and financial statements | 2024

LORDS
GROUP TRADING

We are a specialist **UK distributor** of **building, plumbing, heating** and **DIY** goods.

Through our two divisions, **Merchanting** and **Plumbing and Heating**, we sell to local tradespeople, small to medium-sized plumbing and heating merchants, construction companies and directly to the public.

Established over 40 years ago as a family business operating from two sites, we have grown to a business operating from 47 sites.

We're committed to taking action on sustainability.

This annual report contains important information on our financial and operating performance which can also be found online. To do your bit for sustainability, switch your shareholder communications to digital.

www.lordsgrouptradingplc.co.uk

Aimee Wills, Lords Builders Merchants, Sutton

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Cover image: Jason Dash, Lords Builders Merchants, Beaconsfield

Financial highlights

Revenue
£436.7m (5.6)%
FY23: £462.6m

Adjusted EBITDA[1, 2]
£22.4m (16.5)%
FY23: £26.8m

Dividends per share
0.84p
FY23: 2.00p

Adjusted profit before tax[1]
£3.8m (63.8)%
FY23: £10.4m

Adjusted basic earnings per share[1]
1.85p (57.5%)
FY23: 4.35p

Net debt[1]
£32.4m
FY23: £28.5m

Adjusted operating profit[1, 2]
£10.4m (37.0)%
FY23: £16.5m

Adjusted EBITDA[1] excluding property gains and losses
£20.6m (22.5)%
FY23: £26.6m

Adjusted EBITDA margin[1]
5.1% (0.7) pts
FY23: 5.8%

(Loss)/profit before tax
£(2.6)m
FY23: £3.0m

Operating profit
£4.3m (53.1)%
FY23: £9.1m

Basic (loss)/earnings per share
(1.19)p
FY23: 0.84p

1. See alternative performance measures (page 140).
2. Inclusive of property gains and losses.

Operational highlights

Merchanting

Merchanting built momentum through the year, achieving LFL[1] growth of 2.3% in H2 and 11.0% in Q4

- Strong performances from A.W. Lumb and Advance Roofing, with revenue growth of 5.0% and 10.0% respectively
- Wide range of management actions to drive revenue, enhance customer service and increase efficiency
- Progressed turnaround of Alloway Timber, fully refurbishing the acquired sites and strengthening management, to improve profitability in FY25

Stakeholders and ESG

- Ongoing focus on customers and colleagues, with customer satisfaction score of 4.6 out of 5.0 (FY23: 4.6 out of 5.0), and colleague engagement score of 4.7 out of 5.0 (FY23: 4.8 out of 5.0)
- Further progress with implementing our ESG strategy and continuing to embed ESG considerations throughout our operations

Post-year events

- Opened fifth George Lines branch near Maidstone, Kent, in January 2025
- Opened third A.W. Lumb branch at Mansfield in April 2025
- Opened new branch for Lords Builders Merchants and Advanced roofing at Bicester in May 2025
- Completed the sale and leaseback of four of the Group's freehold properties and with subsequent leaseback for 15 years on market terms

Plumbing and Heating

- P&H further broadened its product range, including through:
  - An exclusive distribution agreement with the world's largest boiler manufacturer, Navien
  - New distribution agreements with Viessmann Climate Solutions, which has a portfolio of gas boilers, heat pumps and commercial heating solutions, and Termo Teknik, which has 30% of the UK radiator market
- Continued growth in P&H renewables revenue, up 99%, with our commitment to the energy transition demonstrated by:
  - Acquisition of Ultimate Renewables Supplies (URS), which provides a full design and commissioning service to installers and independent merchants of heat pumps and renewable energy products
  - Signing an exclusive distribution agreement with air source heat pump manufacturer, Clivet

Paul Robinson, George Lines, Aylesbury

1. 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.

At a glance

Lords was established over 40 years ago as a **family business**. Our first retail unit was in Gerrards Cross, Buckinghamshire, and we currently operate from 47 locations in the UK.

Our purpose

Our purpose is to be a key partner to our trade and retail customers, helping them to deliver their projects on time and on budget. We do this by supporting our colleagues to give the best customer experience, both in store and online.

Our vision

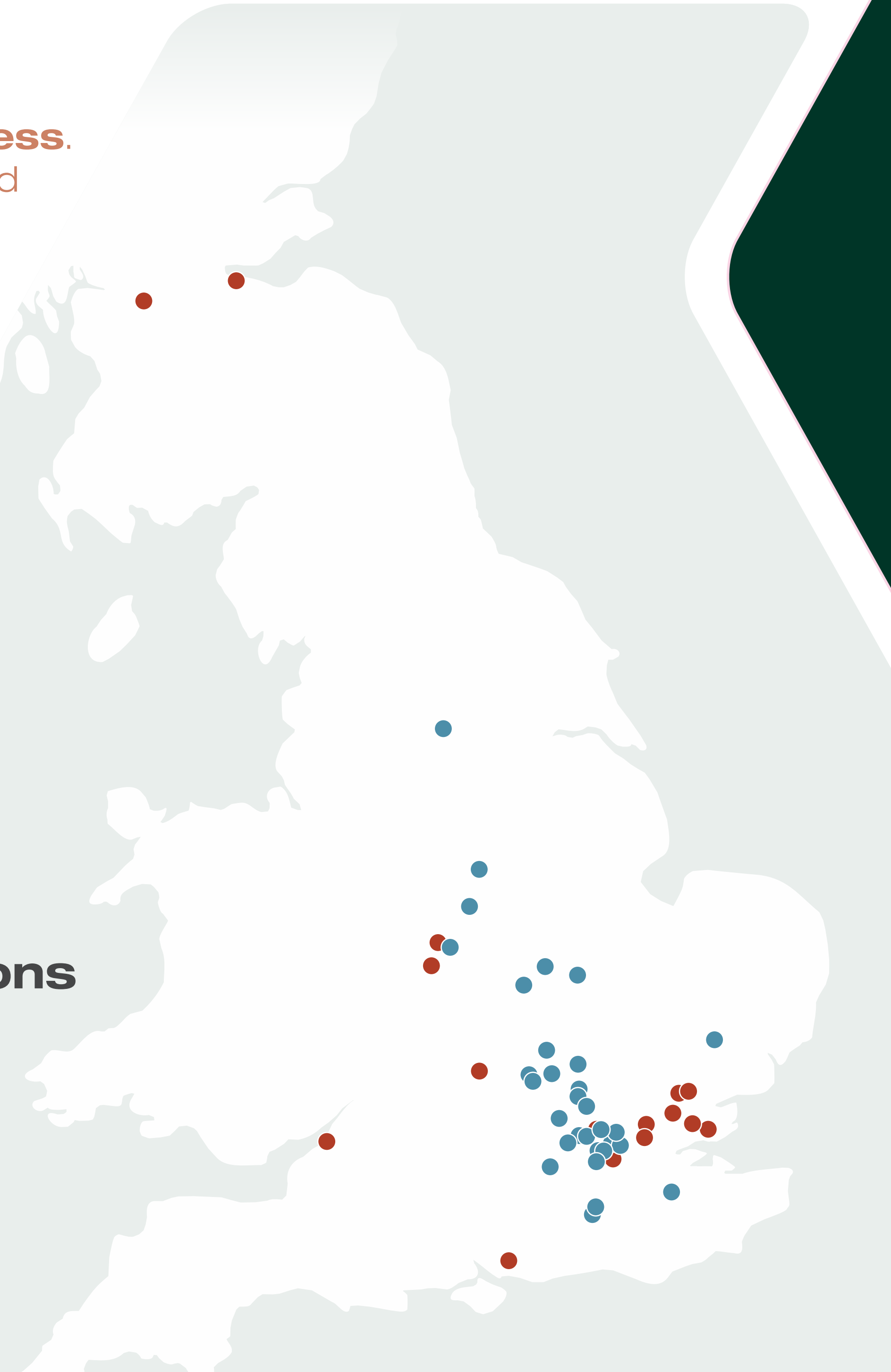
Our vision is to be the leading UK distributor of building materials, using our deep understanding and appreciation of our local markets, people and products.

Our culture

We have a strong culture, focused on outstanding customer service provided by highly engaged colleagues. Our culture is underpinned by being professional and ethical in everything we do.

Radleigh Mayhew, Condell, Horsham

Our locations



Key

- Plumbing and Heating
- Merchanting

Our divisions

We operate through **two** complementary **divisions**.

Merchanting

We supply building materials and DIY goods through our network of merchant businesses and online platforms. We operate in both the 'light side' (building materials and timber) and the 'heavy side' (civils and landscaping), through 31 locations in the UK.

Revenue

£214.3m (0.3)%

FY23: £214.9m

Adjusted EBITDA

£14.4m 3.0%

FY23: £14.0m

Adjusted EBITDA excluding property gains

£12.6m (8.3)%

FY23: £13.7m

Read more on pages 24 to 26

Plumbing and Heating

We are a specialist distributor of plumbing and heating products to a UK network of independent merchants, installers and the public. We have an attractive multi-channel offering for customers, and our 16 locations enable nationwide next-day delivery.

Revenue

£222.4m (10.2)%

FY23: £247.7m

Adjusted EBITDA

£8.0m (37.6)%

FY23: £12.9m

Read more on pages 27 to 31


Hevey, Northampton

Our equity story

A leading UK distributor of building materials with significant growth ambitions.

The following factors underpin our confidence in delivering long-term profitable growth:

Unique customer-first proposition

- Customer service excellence is the central pillar of our strategy
- Our highly engaged colleagues are fundamental to providing differentiated customer service
- Our specialist and highly recognisable brands give us local and regional leadership
- Our approach creates loyal, long-term customer relationships
- Our colleagues are aligned with our success through widespread shareholding

Substantial opportunity for organic and margin-accretive growth

- We open up markets and gain customers by rolling out new stores under existing brands
- Our accelerating digital capabilities create repeat customers
- We are increasing our share of customers' wallets by offering new products
- Our growing presence in renewable products benefits margins

Well positioned in a substantial UK market

- We have less than 1% of highly fragmented markets, giving us real scope to grow
- Around 80% of our revenue comes from the essential and resilient 'repair' sector
- We have a track record of revenue growth, with a five-year compound annual growth rate of 35%
- Merchanting volumes in FY24 were around 20% lower than the pre-Covid-19 peak, showing the potential for recovery as the market improves

History of successful value-creative acquisitions

- We have a track record of acquiring specialist merchants at 4-6x EBITDA
- We made 16 acquisitions over the last 10 years, delivering 25% return on investment
- Independent merchants hold over 40% of the market and are prime for consolidation
- We are an attractive buyer for family businesses, offering good continuity for the management or team and development of the business through investment

Management has a strong record in the industry

- The management team has more than 200 years' industry experience
- Recruitment and promotions in FY24 have further bolstered the Group's leadership, with the COO of Merchanting and the Managing Director of APP each having more than 20 years' experience in their sectors
- Management is aligned with fellow shareholders via a significant shareholding

Strong financial profile

- We have growth levers to increase our revenues and enhance our EBITDA margin in the medium term
- Our business is cash generative, with an attractive working capital profile
- Our policy is to progressively grow our dividend in line with earnings

Our story so far

We have a long history of investing in our business – both **organically** and through **successful acquisitions** – to increase our geographic reach and expand our customer offer.

Colleagues
927
2023: 958

Brands
14
2023: 13

Sites
47
2023: 48

2016
Acquisition of George Lines (Merchants) Limited

2017
Acquisition of 75% of Hevey Building Supplies Limited

Acquisition of E. Hussey & Sons Limited (trading as Hussey & Saunders)

2018
Acquisition of Kings Langley Buildings Supplies Limited

2019
Acquisition of Huntingdon Timber Limited

Opened second George Lines branch

Acquisition of APP Wholesale Limited

2020
Established first Lords Plumbing and Heating branch

2021
Acquisition of MAP Building & Civil Engineering Supplies Ltd

Acquisition of Condell Limited

Shares admitted to trading on AIM

Acquisition of Nu-Line Builders Merchants site

2022
Acquisition of Advance Roofing Supplies

Acquisition of A.W. Lumb

Opened third George Lines branch

Acquisition of Sudbury branch

Acquisition of HRP Trade/Direct Heating

Purchase of remaining 25% of Hevey Building Supplies

Opened tenth Mr Central Heating branch in West Bromwich

2023
Disposal of Lords at Home

Acquisition of Chiltern Timber Supplies

Acquisition of Alloway Timber

Opened eleventh Mr Central Heating branch in Edinburgh

2024
Acquisition of Ultimate Renewables

Opened a new dedicated Condell site in Hemel Hempstead

2025
Maidstone, Mansfield and Bicester opened

Opened fifth George Lines branch in Aylesford, near Maidstone, Kent in January 2025

Opened third A.W. Lumb branch in Mansfield on 7 April 2025

Chairman's statement

> We are focused on efficiencies to deliver a resilient trading performance in 2025, and are well positioned for any volume improvement.

Gary O'Brien
Independent Non-Executive Chairman

We entered 2024 with some optimism, following a very difficult 2023 when high inflation and interest rates weighed on the housing market and our sector. However, 2024 saw interest rates remain substantially higher than economists anticipated and the industry therefore continued to face a very difficult trading environment.

Lords has proved resilient, reflecting our defensive characteristics and in particular our focus on the repairs, maintenance and improvement (RMI) market, which is more protected in these conditions than new house builds. While low consumer confidence did affect demand for RMI products in 2024, notably on the improvement side, our Merchanting division outperformed the market in the second half of the year and this has continued into the first quarter of 2025.

In the face of persistent economic headwinds, we have focused on internal initiatives: preserving cash, reducing costs and maintaining our excellent customer service, which differentiates us in the market and protects our profitability. We have slowed our acquisition activity and, after careful consideration, we have scaled the dividend in line with earnings, while retaining our overall policy of paying a progressive dividend as the market recovers. We have also continued to invest strategically, for example in our management team, our systems and technology, to drive productivity and efficiency and position us for the return to growth.

At the same time, we and other small and medium-sized businesses have continued to contend with broader challenges. These include significant rises in employers' National Insurance and the minimum wage, and an increasingly onerous regulatory environment, which takes up management time and adds to our costs. We have also seen the continued outflow of liquidity from the UK equity market, resulting in companies being unable to raise new capital to invest. This is a particular problem for AIM companies, which are also affected by changes to Inheritance Tax relief. We welcome meaningful action from the Government and targeted and proportional measures from regulators, to support economic growth and deliver a more prosperous future for the UK.

In spite of these issues, we are confident that we are in a strong position to gain from the recovery when it comes. Our strategy of investing in organic growth while consolidating the sector through selective acquisitions remains the right one, and we are aware of the opportunities that the last couple of difficult years will present going forward. With only 1% of the RMI market, there is significant potential for Lords to grow. Following the recently announced property disposal, the Group has additional capital to support both organic and inorganic investment.

I also believe that the spirit, enthusiasm and hard work of our colleagues will ensure our continued success, alongside the entrepreneurial mindset that lives in the business, from the branches right the way through to the organisation. The Group has exceptional agility, which underpins our performance and will continue to do so. In closing, I want to thank all of our colleagues for their dedication during a difficult 12 months and our customers for their continued loyalty.

Gary O'Brien
Independent Non-Executive Chairman

7 May 2025

Chief Executive Officer's review

"We continued to successfully implement our strategy in FY24, while remaining flexible and adjusting our approach to the prevailing conditions."

Shanker Patel
Chief Executive Officer

2024 was another challenging year for the Group and the industry. The UK economy has continued to feel the impact of high interest rates and the after-effects of double-digit inflation, and the Government's Budget did not inspire confidence for either businesses or consumers. We have also faced headwinds such as rising business rates, while the introduction and subsequent deferral of the Clean Heat Market Mechanism (CHMM) substantially disrupted the boiler market, which is key for the Plumbing and Heating division.

In this environment, we have focused on positioning the business to outperform as the market recovers. The downturn has reinforced the importance of investing in our customer proposition, focusing even more on retaining and engaging our colleagues, and being measured in our actions. While we are rigorous about managing our cost base, we will not cut costs at the expense of customer service, which is key to the way we compete and helps to protect our margins. The market environment has also demonstrated that our devolved divisional structure works very well, with small teams who are highly motivated to perform and have ownership of their results.

Performance

Group revenue was £436.7 million in FY24, down 5.6% on the £462.6 million we achieved in FY23, which was a record year.

Our Merchanting business recovered well after a tough first half and delivered Like-for-Like (LFL) growth in the second six months of the year, and particularly in the last quarter. Specialist businesses A.W. Lumb and Advance Roofing had strong years. Conditions for P&H were very challenging and its revenue declined by over 10%, in line with the wider boiler market. The CHMM had a major impact and we still do not have complete clarity about the Government's strategy for the energy transition. Even so, there is no doubt that clean heating products are gaining traction and we have begun to tilt our business to take advantage of this opportunity (see the strategy section below). Reflecting this, renewables revenue in P&H grew by 99%, to more than £5.5 million.

Adjusted EBITDA including property gains was 16.5% lower at £22.4 million (FY23: £26.8 million), with the adjusted EBITDA margin down 0.7 percentage points to 5.1% (FY23: 5.8%). This reflects market conditions, lower volumes and the mix of products sold in the year. Adjusted EBITDA excluding property gains was £20.6 million (2023: £26.6 million). We remain confident of increasing our EBITDA margin over the medium term and have several levers to do so, including operational leverage, growing our higher-margin product lines, continued improvements to our productivity and efficiency and further accretive acquisitions.

The business remained soundly financed, with net debt at the year end of £32.4 million (31 December 2023: £28.5 million). We have significant liquidity, with headroom of £52.3 million in our facilities and £10.3 million of available cash as at 31 December 2024. Nevertheless, lower profitability in FY24 reduced our operating cash flow, and the Board and management have been highly focused on maintaining our balance sheet strength, while making appropriate investments in our 3Ps of people, plant and premises, to support our customer proposition. In H1 FY25, the Company completed a sale and leaseback of four properties from which the Merchanting division operates for a cash consideration of £13.1 million. The proceeds of the property sale have significantly reduced the Group's net debt position and resulted in a gain of £2.0 million.

Chief Executive Officer's review continued

Strategy

We continued to implement our strategy in FY24, while remaining flexible and adjusting our approach to the prevailing market conditions. Our strategic aim is to deliver margin-accretive growth by opening new branches, extending our product range and expanding our digital revenues, through carefully targeted capital expenditure.

We also acquire businesses that add to our geographical presence and product range. While a tough market can create more acquisition opportunities, we have been very disciplined in this respect, in part because we are wary of buying businesses with declining earnings in a falling market. During 2024, we acquired Ultimate Renewables Supplies, a rapidly growing business for an initial consideration of £0.6 million. Further information can be found below and in the case study on page 31.

New branches

We expanded our geographical presence in FY24, with Ultimate Renewables Supplies adding one branch in Bicester to P&H's network. We also opened a new George Lines site in Maidstone just after the end of the year and continue to look for further locations for this business, as well as for specialist Merchanting businesses such as Advance Roofing and A.W. Lumb, with the latter having opened a new branch in Mansfield in April 2025. Opening Mr Central Heating branches also remains part of our plans.

However, market conditions and the time it takes for new branches to reach profitability meant it was sensible to pause this rollout in FY24, and we intend to resume it when the market recovers.

Product range extension

P&H signed a number of important distribution agreements in FY24, including exclusive arrangements with Navien, the world's largest boiler manufacturer, and Clivet, which produces air source heat pumps (AHSP). The relationship with Clivet, along with our purchase of Ultimate Renewables Supplies, shows our clear intent to grow in the renewables market. Our new agreement with Termo Teknik adds radiators to APP's range, which are a natural fit and will help us to grow non-boiler revenues.

Ultimate Renewables Supplies generates revenue from renewable product sales and from providing associated services, such as design and commissioning. We are always focused on adding value for our customer and the end-consumer, whether through organic innovation or acquisitions, and we will look to increase our service offering over time.

In Merchanting, we are developing a core product range for our Lords and Hevey brands, to provide consistency across branches and online, drive sales and improve our stock management. We will work with our suppliers to fill gaps in the range and continue to build mutually beneficial relationships.

We are also leveraging our specialist products, such as roofing, civils and drylining, by focusing on synergy sales across our Merchanting businesses.

Digital capabilities

Digital channels are an important growth driver for us. APP launched a customer portal in FY24, providing visibility of real-time stock levels, to their own terms and conditions, and place orders 24/7. The division is also exploring the use of chatbots and AI to rapidly answer customer questions, such as advising on the right boiler specification for a particular house.

Merchanting has strengthened its marketing and digital team with experienced hires, including expertise in digital marketing, and developed plans to further improve the functionality of our websites and enhance the customer journey.

One of our challenges is to continually improve our productivity and efficiency, and technology has a key role to play. The transition to a new ERP system in P&H is starting to deliver benefits, including underpinning further developments such as click-and-collect functionality and electronic proof of delivery. Another major initiative is an in-cab system, which combines telematics and AI-enabled cameras to track driver behaviour. This improves safety and efficiency and reduces fuel consumption, along with the associated carbon emissions.

Chief Executive Officer's review continued

Strategy continued

Our 3Ps – people, plant and premises

Our colleagues have always been fundamental to the business and I want to thank them all for their hard work and focus on delivering for our customers. The UK's labour force has reduced in recent years and this makes it more important than ever that we retain our people and bring in new talent, such as our apprentices.

We made several changes to our senior team in FY24. In addition to appointing Stuart Kilpatrick as CFO, as outlined in last year's report, we recruited Steve Durdant-Hollamby to lead Merchanting as COO, while Neil Lake now heads up P&H, having joined the Group in 2022 when we acquired the DH&P businesses he founded. Both Steve and Neil have substantial experience of their respective industries and make natural partners for me, with their operational focus allowing me to spend more time on strategic matters. We now have a very strong Operating Board, which also includes Anne Prince, our Group HR Director.

We continue to invest in our branches, including complete refurbishments of the Alloway Timber sites we acquired last year and expanding the capacity of two A.W. Lumb branches. We also moved a Condell branch from the site it shared with Lords in Kings Langley, to nearby Hemel Hempstead, to give both businesses the room they need to grow.

Outlook

The economic environment at the start of 2025 is not conducive to growth. While end-consumers should be well placed after a period of significant wage increases, much depends on the timing and scale of interest rate cuts. There are signs of an improving construction market, which should support an improvement in the repair, maintenance and improvement (RMI) sector, but this is not generally expected before the end of 2025. Like all UK businesses, we also face increased costs in 2025 in relation to employer's National Insurance, business rates and the minimum wage, which amount to around £1.0 million for us annually.

We therefore continue to focus on what is within our control: managing costs, driving efficiencies, reducing debt and pragmatically supporting strategic initiatives to deliver organic and acquisitive growth. We believe this puts us in a strong position for the anticipated recovery in the construction market, with the Group's operational gearing meaning rising volumes will produce a greater increase in profits.

In addition, we will look for opportunities to continue our M&A strategy, focused on specialist, independent businesses that can broaden our product range or geographic reach in highly fragmented markets. There is still significant scope for consolidation, given our reputation as an acquirer of choice in the market.

Shanker Patel
Chief Executive Officer
7 May 2025

Market opportunity

We operate in a large, growing and highly fragmented market, with important **defensive characteristics**. We are strongly positioned for **growth**, with a significant **market share opportunity**.

The building materials market

The UK building materials market totals £78 billion. We operate in the general merchants, specialist merchants, direct-to-site via merchant and pure play online merchanting segments, so our addressable market is around £60 billion.

The UK government's housing commitments should benefit our businesses positioned in that market and drive housing transactions, leading to increased repairs, maintenance and improvement.

The building materials market[1]

A	Private and domestic new build	17%
B	Repairs, maintenance and improvements	33%
C	Commercial and industrial	24%
D	Public sector	26%

1. Source: Travis Perkins plc investors website and 2024 annual accounts.

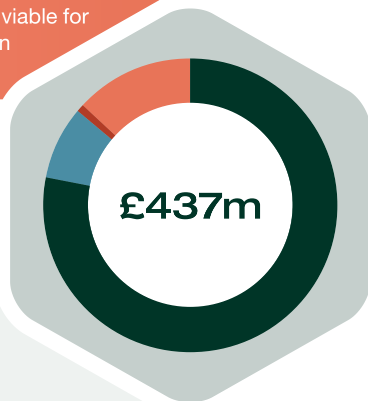
The repairs, maintenance and improvements (RMI) market

The RMI segment accounts for around 80% of our revenues. Housing transactions, employment rates and interest rates are short-term lead indicators for RMI spend. Longer term, the outlook for RMI remains favourable, with demand likely to be driven by:

- the age of the UK's housing stock, with over 70% of the UK's £28.4 million homes built before 1980;
- the need for energy efficiency improvements, such as insulation, double glazing and low-carbon heating, to reduce energy costs and carbon emissions; and
- a shift in ownership of homes, from landlords to owner-occupiers. Many buy-to-let landlords are disposing of properties due to increased regulation, taxation and the high cost of finance. At the same time, significant increases in rents make buying a home more viable for owner-occupiers. Homeowners have more incentive than landlords to invest to improve their properties.

Lords Group turnover by demand segment[2]

A	Repairs, maintenance and improvements market turnover	78%
B	Infrastructure turnover	8%
C	Commercial turnover	1%
D	New house build turnover	13%



2. Source: Management information.

Market opportunity continued

Our other building materials markets

Other long-term drivers of demand for building materials include the need for more homes to meet the UK's significant housing shortage. The Government's ambition is positive, with its commitment to unblocking the planning process and delivering 1.5 million new homes by 2029. Our A.W. Lumb, Hevey and MAP brands all have exposure to new-build housing demand.

We also have exposure to the infrastructure sector through our George Lines brand. The Government recognises that investment in infrastructure is critical to achieving its social and economic goals and it published a working paper in January 2025, setting out its plan to create a 10-year infrastructure strategy. This wide-ranging proposal includes investing in the supporting infrastructure needed to meet its new housing target, replacing and refurbishing critical social infrastructure such as hospitals, healthcare facilities, schools and colleges, supporting the shift to net zero by decarbonising buildings, and increasing resilience to the physical effects of climate change.

More broadly, the UK public sector owns more than 300,000 individual properties. We see the need to invest in the substantial number of ageing public buildings as a potential market for us. Many of the UK's commercial buildings also need investment, for example to meet more stringent energy efficiency standards, opening up further possibilities.

Market opportunity continued

The UK merchanting market

The market is highly fragmented, with over 2,000 merchants listed in the national directory. The national chains make up 21% of the market by turnover, with 46% attributable to independent merchants, which are often family run. We currently account for less than 1% of the market.

The national chains have found it difficult to increase their market share and some have divested business units. Few independent merchants are pursuing a buy-and-build strategy like ours, and we therefore believe we are very well placed to take further market share through consolidation, offering vendors a unique colleague and customer-first approach.

Industry market share by turnover

A	Nationals	21%
B	Independents	46%
C	Private equity backed	32%
D	Lords Group Trading	<1%

The plumbing and heating market

P&H supplies independent plumbers' merchants, alongside one other national competitor. We also sell directly to installers and homeowners, which is a more competitive market. Our digital presence and deep stock cover give us an advantage over some national competitors, who sell through more traditional channels.

Boilers currently generate over 70% of P&H's revenues. Their natural replacement cycle means there is regular demand for them, and our P&H division accounted for approximately 11% of the UK boiler market in 2024. We rely on a small number of boiler suppliers but we are a key route to market for them, and we are reducing our reliance over time by expanding our product range and signing exclusive distribution agreements with other manufacturers. Lower-carbon technology offers growth potential for us, and we are well placed to benefit from legislative changes regarding carbon efficiency of the UK's housing stock.

Alex Dunkley, Mr Central Heating, West Bromwich

Business model

Our business model delivers outstanding service for customers through highly engaged colleagues, which creates value for all our stakeholders.

The inputs to our business model

Our business depends on the following resources:

People

At the year end, the Group employed 927 colleagues, who are passionate about delivering for our customers.

Relationships

We build long-term relationships with our customers, based on exemplary service, and with our suppliers, based on close engagement and collaboration.

Premises and plant

We serve our customers from 47 sites, supported by physical plant (including our delivery fleet) and our investment in digital technology and platforms.

Knowledge

We have a highly experienced management team, with deep knowledge of the sector, and employ product specialists across the Group.

Financial

The Group is cash generative and has a strong balance sheet, which has enabled us to invest in organic growth and acquisitions.

How we create value

Customer service

As 'customer-obsessed product specialists' we focus on offering the best customer experience, as this builds long-term relationships and differentiates us from our competitors. We pride ourselves on flexibility and offer our customers access to thousands of different products, sourced from a diverse range of suppliers. Customers can buy from us through the channel that suits them best, whether that is face to face in store or increasingly by mixing digital and offline channels in their purchasing journey.

The breadth of our customer base means we are not reliant on any particular customer for our revenue.

Customer satisfaction score

4.6 out of 5.0

FY23: 4.6 out of 5.0

Link to ESG

Social

Product specialists and a people-focused culture

Our culture is a key strength, supporting high employee engagement and retention, which in turn contributes to impressive levels of customer satisfaction and repeat business.

Customers often require advice about what to buy, so we employ experienced people who are specialists in the products they sell. We invest in our people, help them to develop their skills, frequently promote from within and focus on their health and safety.

Colleague average length of service

6 years

FY23: 6 years

Link to ESG

Social

Investment in our locations and technology

To support the customer experience, we focus on prime locations with well-invested and modern sites, and look to add new locations over time, to serve a growing customer base.

We have invested heavily in our digital platforms, which helps us to stand out from more traditional merchants, and we continue to enhance the digital experience.

We now have nine transactional websites, developed and managed in-house. Our continual investment in technology also drives our efficiency and helps our colleagues be more productive.

Digital revenues

5.5% or £24.1m

FY23: 3.6% or £16.6m

Link to ESG

Environmental Governance

Business model continued

How we create value continued

Long-term supplier relationships

We build strong relationships with our suppliers, which help us to maintain continuity of supply for our customers and to source new products.

In Merchanting, we have a well-diversified supply chain, with some of our supplier relationships dating back more than 20 years. In P&H, we have highly collaborative relationships with a group of key suppliers who contribute to the majority of the division's sales. We believe these relationships provide a high barrier to entry in this market. We also look to sign exclusive relationships with suppliers, which further strengthen our market position.

Top 20 supplier relationships
13.7 years
FY23: 14.4 years

Link to ESG

Social

Track record of successful acquisitions

Our track record of successful acquisitions with high returns on investment is a key strength. Vendors frequently approach us, as they see us as the ideal home for their businesses.

We look for acquisitions that expand our geographical footprint, our product range or our digital sales, and have a strong cultural fit. We then look to grow and improve them through investment and synergies with our other operations. We often acquire businesses with strong brands and we can also rebrand them under one of our existing businesses.

Number of acquisitions completed
1
FY23: 2

Link to ESG

Social

The value we create

Through our business model, we create value for a wide range of stakeholders:

Customers

Customers benefit from the best buying experience we can give them, which is reflected in our consistently high customer satisfaction score.

Customer satisfaction score
4.6 out of 5.0
FY23: 4.6 out of 5.0

Colleagues

Our colleagues can develop their careers in a supportive environment that wants to bring out the best in them. We aim for them to benefit from our success, through share ownership and incentive schemes.

Employee engagement score
4.7 out of 5.0
FY23: 4.8 out of 5.0

Communities

The communities around our locations benefit from our contribution to the local economy, through the jobs we provide, our sales to local tradespeople and companies, and our donations to community projects through the Lords Group Foundation.

Number of community initiatives
23
FY23: 27

Shareholders

Shareholders benefit from our ability to grow organically and inorganically, converting profits into cash which supports our progressive dividend policy. Our cash generation underpins our ability to invest while maintaining a prudent balance sheet.

Dividend
0.84p
FY23: 2.00p

Suppliers

We offer our suppliers an important route to market and the potential to grow their businesses alongside ours.

Total spend with suppliers
£388m
FY23: £399m

For the key challenges facing our business model and how we are addressing them, see the Performance and Outlook sections of the Chief Executive Officer's review on pages 9 to 11.

Our strategy

We grow our business by expanding our geographical presence, broadening our product range and investing in our digital capabilities, underpinned by our investment in our 3Ps – **people, plant and premises.**

We understand that our business should be sustainable in the long term for all our stakeholders. We therefore take a strategic approach to managing sustainability, including incorporating it into our five-year plan for the Group. In addition to the social and environmental benefits of sustainability, we see it as an important driver of financial returns, for example through growing sales of products and services that support the energy transition, by reducing our energy use and ensuring we have a business that is resilient to climate change. For more information, see the sustainability section on pages 36 to 55.

Geographical expansion

We gain customers by opening new locations for our existing brands. We also acquire businesses that broaden our geographical reach.

Read more on page 18

Broadening our product range

We look to increase our share of the customer spend, further improve service and enhance margins by offering new products. We also acquire businesses with products that complement our existing ranges and bring new supplier relationships.

Read more on page 19

Investing in our digital capabilities

Our combined online and in-store service model drives deeper customer engagement and long-term trading relationships.

Read more on page 20

Enabling growth through the ‘3Ps’

People

Investment in our people helps them to develop their skills and careers, and to provide even better services to our customers.

Read more on page 21

Plant

Investment in our plant ensures it is modern and efficient, helping us to continue to reduce our environmental impact and make progress towards our net zero goals.

Read more on page 21

Premises

Investment in our premises ensures they remain fit for purpose, improves the environment for customers and employees, and provides capacity for growth.

Read more on page 21

Jason Dash, Lords Builders Merchants, Beaconsfield

Our strategy continued

Geographical expansion

We gain customers by **opening new locations** for our existing brands. We also **acquire businesses** that broaden our geographical reach.

Progress in FY24 organic

- Prepared to open a new George Lines branch in Maidstone, Kent, which started trading in January 2025
- Added a new branch for A.W. Lumb in Mansfield, which opened in April 2025

Progress in FY24 acquisitions

- Added a new location in Bicester, Oxfordshire, through the purchase of Ultimate Renewables

Priorities in 2025

- Consider new branches for Lords Builders Merchants, George Lines, Advance Roofing and Mr Central Heating
- Make further selective acquisitions that meet our disciplined hurdles

Our strategy continued

Broadening our product range

We look to increase our share of the customer spend, further improve service and enhance margins by offering new products. We also acquire businesses with products that complement our existing ranges and bring new supplier relationships.

Progress in FY24 organic

- Signed a number of important new distribution agreements in P&H, broadening the product range and our supplier base (see page 28)
- Continued to grow revenues from renewable products in P&H, such as air source heat pumps, underfloor heating and electric boilers
- Started to develop core product range across our Lords and Hevey brands, to drive sales and improve stock management, while helping to identify gaps in the range we can fill in partnership with suppliers

Progress in FY24 acquisitions

- Ultimate Renewables strengthens our position in sales of renewable energy products and adds a complementary service offering

Priorities in 2025

- Continue to broaden our product range organically, including growing revenues of the renewables range, and consider complementary acquisitions
- Look for further distribution agreements and form strategic relationships with suppliers, so we can grow our businesses together and be a preferred route to market for them
- Unlock sales synergies across our Merchanting brands, to increase our share of the customer wallet by making it easier for them to buy the full range of products we can offer

Our strategy continued

Investing in our digital capabilities

Our combined online and in-store service model drives deeper customer engagement and long-term trading relationships.

Progress in FY24

- Implemented a new ERP system in P&H to support business growth, and began mapping processes to deliver efficiencies and adding modules to support e-commerce functionality
- Launched a customer portal in APP, to provide real-time stock levels, which allow customers to see their specific terms and order 24/7
- Rolled out an AI-enabled telematics system in P&H to improve driver safety and deliver environmental benefits, and began trials of an AI digital assistant in Mr Central Heating, to rapidly answer customer questions and further improve service levels
- Following a successful trial, launched TradeKart in all Lords branches, a service enabling tradespeople to order products from local merchants through an app, for rapid delivery through its courier network. 'Lord's Leap' also launched, allowing for express delivery options online and in branch
- Reviewed and invested in Merchanting's marketing and digital team, to support further development of our online functionality and add expertise in digital marketing

Priorities in 2025

- Complete the rollout of the APP customer portal and further enhance the division's e-commerce capabilities, including click-and-collect and electronic proof of delivery
- Continue to assess the use of AI-enabled tools to further improve customer service
- Begin to implement our plans to enhance our online presence and drive website traffic in Merchanting
- Working to enhance the online customer experience through displaying live stock and offering full online account access

Our strategy continued

Enabling growth through the ‘3Ps’

We drive organic growth by investing in people, plant and premises, to give customers the best experience when buying from us.


Scott Nunn, A W Lumb

People

Investment in our people helps them to develop their skills and careers, and to provide even better services to our customers.

Progress in FY24

- Continued to achieve high employee satisfaction ratings in our regular surveys
- Further improved our health and safety programme, contributing to the lost time injury rate remaining low at 0.9 (FY23: 0.8)
- Continued to embed the Group’s refreshed values, as a key enabler of our culture
- Focused on succession planning and talent development, and launched a new learning management system

Priorities in 2025

- Continue to focus on talent development, including defining potential career paths through the Group
- Create a Lords Academy, to host development programmes for managers
- Complete a review of employee benefits across the Group, to ensure they are aligned
- Deliver continuous improvement in health and safety performance, overseen by newly appointed Group Health and Safety Manager

Plant

Investment in our plant ensures it is modern and efficient, helping us to continue to reduce our environmental impact and make progress towards our net zero goals.

Progress in FY24

- Further invested in energy efficiency and reducing carbon emissions, for example by continuing to replace diesel forklift trucks with electric vehicles. 65% of forklift fleet is now electric (FY23: 64%) and 92% of the company car fleet is electric or hybrid (FY23: 83%)
- Continued to focus on fleet size, efficiency and safety, including introduction of Samsara system in P&H to track driver behaviour
- Invested in new vehicles and electric forklifts in A.W. Lumb’s Tamworth and Dewsbury branches to increase the volume of business they can serve

Priorities in 2025

- Continue to optimise our vehicle fleets, including further electrification of our forklift and company car fleets
- Continue to invest in technology to improve efficiency and productivity
- Ensure our other plant is well invested

Premises

Investment in our premises ensures they remain fit for purpose, improves the environment for customers and employees, and provides capacity for growth.

Progress in FY24

- Completed refurbishment of Alloway Timber sites, helping to position the business for greater profitability in FY25
- Relocated Condell branch to Hemel Hempstead from the shared Lords site in Kings Langley, giving both businesses room to grow
- Expanded capacity of the A.W. Lumb branches in Tamworth and Dewsbury, via more storage

Priorities in 2025

- Continue to invest in existing branches to maximise use of space and further improve the customer experience
- Investments will include a roof replacement at the Lords branch in Kings Langley and designing the refurbishment of Lords’ Aylesbury location
- Installation of solar panels at four sites and commencement of selling power back to the grid

Key performance indicators

We use the following KPIs to measure progress with our strategy.

Financial KPIs

Revenue growth

2024	£436.7m
2023	£462.6m
2022	£450.0m

Definition
The percentage increase in Group revenue year-on-year.

Relevance to strategy
This is a key measure of the success of our growth strategy.

Performance in the year
Challenging market conditions affected performance, with Group revenue 5.6% lower at £436.7 million. However strong growth since 2019 with 5 year revenue CAGR at 35%.

Adjusted EBITDA[1]

2024	£22.4m
2023	£26.8m
2022	£30.0m

Definition
Earnings inclusive of property gains and losses, before interest, tax, depreciation and amortisation, excluding exceptional items and share-based payments.

Relevance to strategy
This is an important indicator of our profit generation, which is also directly linked to operating cash flow and our ability to invest in the business.

Performance in the year
Adjusted EBITDA declined from £26.8 million in FY23 to £22.4 million in FY24. The reduction reflects the operational gearing effect of lower revenue and lower gross margin in Plumbing and Heating.

Adjusted EBITDA margin[1]

2024	5.1%
2023	5.8%
2022	6.7%

Definition
Adjusted EBITDA as a percentage of revenue.

Relevance to strategy
This is a key measure of the efficiency of our operations and our ability to grow profitably.

Performance in the year
The adjusted EBITDA margin was 5.1%, down 0.7 percentage points (FY23: 5.8%), due to the operational gearing effect.

Adjusted basic earnings per share (EPS)[1]

2024	1.85p
2023	4.35p
2022	8.02p

Definition
Earnings attributed to equity holders adjusted for exceptional items, share-based payments and amortisation of intangible assets divided by closing shares in issue.

Relevance to strategy
This is a core measure of our post-tax profitability and our ability to pay dividends to shareholders.

Performance in the year
Adjusted EPS was 57.3% lower at 1.85 pence per share (FY23: 4.35 pence per share), as a result of the reduced operating profit in the year.

Operating cash flow conversion[1]

2024	71.0%
2023	92.9%
2022	76.1%

Definition
Operating cash flow as a percentage of adjusted operating profit. The definition has been updated in 2024 to include lease payments which are a material cash flow for the Group.

Relevance to strategy
Operating cash flow conversion provides a good measure of the efficiency of our cash generation, which can subsequently be reinvested to grow the Group.

Performance in the year
The Group had an operating cash flow conversion rate of 71% (FY23: 92.9%), which partially reflected stocking up ahead of winter season in Q4 2024.

Return on capital employed (ROCE)[1]

2024	6.9%
2023	11.5%
2022	22.8%

Definition
Earnings before interest and tax (EBIT) as a percentage of average capital employed (where capital employed is the sum of total equity and net debt at each period end). Net debt is defined as lender facilities utilised less cash and cash equivalents.

Relevance to strategy
ROCE is a measure of how efficiently the Group deploys its capital, which is key in a business with multiple organic and inorganic growth opportunities.

Performance in the year
ROCE was lower in FY24, reflecting the lower profitability in the year.

1. Refer to the alternative performance measures glossary for a full list of measures and their definitions.

Key performance indicators continued

Non-financial KPIs

Colleague engagement

2024	4.7/5.0
2023	4.8/5.0
2022	4.5/5.0

Definition
A measure of connection and engagement between colleagues and Lords, based on six-monthly engagement surveys to all colleagues. Results measured out of 5.0.

Relevance to strategy
People are a core enabler of our organic growth strategy and fundamental to our ability to deliver excellent customer service.

Performance in the year
Engagement remained high at 4.7 out of 5.0 (FY23: 4.8 out of 5.0). The slight reduction on the previous year reflects the impact of the difficult trading environment; however, our engagement continues to be well above the average score reported by Gallup.

Customer satisfaction

2024	4.6/5.0
2023	4.6/5.0
2022	4.7/5.0

Definition
A measure of customer satisfaction with Lords products and/or services based on feedback received through Google Reviews, Trust Pilot and Feefo. Results measured out of 5.0.

Relevance to strategy
High levels of customer satisfaction differentiate us from our competitors and help us to generate repeat business over the long term.

Performance in the year
Our score in 2024 of 4.6 shows that we continue to deliver high levels of customer service.

Lost time injury rate (LTI)

2024	0.9
2023	0.8
2022	0.8

Definition
A measure of lost time injuries per 100,000 hours worked.

Relevance to strategy
Providing a safe environment for our colleagues and customers is a moral duty for us. It also helps us to maintain high levels of colleague engagement, as well as benefiting our efficiency.

Performance in the year
The lost time injury rate remains low at 0.9, reflecting progress in our proactive approach to health and safety. While industry benchmarking varies, our performance remains broadly aligned with sector standards, and we continue to drive improvements through targeted safety initiatives.

Carbon emissions per £1.0m turnover

2024	131 tonnes CO_2e
2023	139 tonnes CO_2e
2022	140 tonnes CO_2e

Definition
The carbon emissions we generate from our operations, measured in tonnes per £1.0 million of revenue.

Relevance to strategy
Stakeholders are increasingly focused on the environmental performance of businesses and we need to do our part to maintain our reputation. In the process, we can also reduce our energy costs.

Performance in the year
The Group delivered a 6% reduction in emissions in 2024 through improved emission factor, reduced energy use and actions to generate its own renewable energy.


Aimee Wills and Steve Mummery, Lords Builders Merchants, Sutton

Operational review

Merchanting

Through our customer focus, exceptional service, superior product knowledge and highly engaged management teams, we aim to be local leaders across our locations.

Revenue
£214.3m (0.3)%
FY23: £214.9m

Adjusted EBITDA[1]
£14.4m +3.0%
FY23: £14.0m

Adjusted EBITDA margin
6.7% +0.2 pts
FY23: 6.5%

Adjusted EBITDA excluding property gains
£12.6m (8.3)%
FY23: £13.7m

Branches
31 —
FY23: 31

1. Inclusive of property gains.

Adam Boss, Hevey, Kettering

Operational review | Merchanting continued

Financial performance

In challenging market conditions, Merchanting demonstrated its resilience and finished the year with positive momentum. Adjusted EBITDA including property gains and losses was 3.0% higher at £14.4 million (FY23: £14.0 million), resulting in an adjusted EBITDA margin of 6.7% (FY23: 6.5%). Property gains in FY24 included a lease surrender premium of £1.7 million, relating to the Park Royal site, and a gain of £0.1 million on the sale and leaseback of its George Lines' Colnbrook site. For further details see the financial review. Before property gains and losses, adjusted EBITDA was £12.6 million (FY23: £13.7 million). With major competitors driving for revenue and volume at the expense of margin, we took a considered approach and adjusted pricing where it was commercially viable while maintaining service levels and propositions that we felt justified our pricing policy.

Revenue was in line with the prior year at £214.3 million (FY23: £214.9 million). After adjusting for businesses acquired in FY23, revenue was 3.6% lower. Like-for-like performance improved through the year, with the division showing 2.3% LFL growth in the second half and 11.1% LFL growth in Q4, following an LFL decline of 9.3% in the first half.

Gross margin held up well at 26.7% (FY23: 27.5%), largely driven by product mix.

Driving operational performance

Throughout the year, we focused on initiatives to drive the top line and improve our efficiency and productivity.

Strong communication has been central to this, ensuring all our teams understand our business goals and their team and personal objectives, that they feel included in our planning and have a sense of ownership for delivery, and that we share knowledge and ideas.

As part of this, our senior team has conducted a deep dive with each branch, to develop a driving performance plan for them. This included assessing financial and operational KPIs, identifying the biggest opportunities and agreeing actions, targets and the support the branch will need to succeed. The branches will regularly update their plans and review them at least monthly with the senior team. We have also introduced a monthly branch scorecard, including KPIs on colleagues, stock, fleet excellence, customers and financial results.

Our family of Merchanting brands gives us a much broader customer offer than a standard merchant, which is an important advantage for us. Two of our specialist brands, A.W. Lumb and Advance Roofing, had a particularly good year in FY24, with revenue growth of 5% and 10% respectively. The deployment of colleagues to focus purely on securing business from new customers, successfully increased revenue at Advance Roofing.

In previous years, we have leveraged our specialist brands by introducing implants to individual Lords branches, thereby increasing the product range available in that location.

In FY24, we adapted our approach to focus on synergy sales across our Merchanting businesses. This allows us to remain specialists in our individual brands while offering a seamless customer experience across these specialisms, effectively giving our customers a one-stop shop from civils and groundworks all the way through to roofing. Our marketing focus in FY25 will include raising awareness of our family of brands and the full product range we provide, as well as the breadth of our branch network.

Having the right product, in the right place and in the right quantity is fundamental and we are therefore creating a core range across our Lords and Hevey branches. This results in a more consistent customer experience across branches and online, increases sales and maximises efficiencies with stock holding. We continue to work with our suppliers to take advantage of new products and ranges as they introduce them to the market. We are also further enhancing our stock management processes, including our '10 Steps of Stock Management' guidance for branches.

We see good growth prospects for our George Lines brand and opened our fifth branch near Maidstone shortly after the year end. We also opened a dedicated Condell branch in Hemel Hempstead, which had previously shared the nearby Kings Langley site with Lords. This gives the Lords branch the space it needs to grow and introduce new product ranges, while allowing Condell to focus on its specialisms and better support its distribution model. A.W. Lumb opened a new branch in Mansfield in April 2025 In May 2025, we opened a Lords Builders Merchants and Advance Roofing branch in Bicester. We continue to look for further sites for George Lines, A.W. Lumb and Advance Roofing.

We have reviewed and invested in our marketing and digital function, to refine our approach to marketing and customer relationship management. This included creating senior marketing manager and head of digital roles, and having a dedicated team member to directly support the branches' local marketing efforts.


Sean Reed, George Lines, Aylesbury

Operational review | Merchanting continued

Driving operational performance continued

We are focusing on really understanding our customers, building even stronger relationships with the largest spenders and reactivating dormant accounts. To support this, we created an outbound call centre which has exceeded our initial goal for incremental revenue, with previously dormant customers now trading with us again and signed up for our rewards scheme. We have also developed a strategy to enhance the functionality of our brands' websites and improve the customer journey. This will allow us to make better use of digital marketing to drive customers to our websites.

During FY24, Lords' branch in Ladbroke Grove successfully trialled TradeKart. This is an app aimed at tradespeople, allowing them to order products from local merchants and have them delivered rapidly using TradeKart's network of couriers. From March 2025, all Lords branches will be featured on the TradeKart app, using its courier network and Tradeaze, a specialist delivery service for the construction industry. This will give our customers more delivery options, including speed of delivery and coverage, while helping us to optimise our use of our own vehicle fleet.

Effectively managing our vehicle fleet increases efficiency, reduces cost and carbon emissions, and improves the customer experience. In addition to trialling TradeKart, our initiatives in the year included launching an electronic proof of delivery device, introducing a range of KPIs to track fleet performance and offering a Driver of the Month award, focused on behaviour such as driving at constant speeds and avoiding speeding and idling. These actions have enabled us to increase utilisation of our fleet and reduce the number of vehicles we use. The divisional Managing Director now reviews the fleet each month, to identify opportunities for further improvements. We are currently trialling the Samsara telematics and AI technology system, which P&H introduced in FY24 (see page 30). We have also been assessing the use of hydrotreated vegetable oil as an alternative to diesel, as discussed in the sustainability section on pages 44 and 46.

The customer experience is heavily influenced by the quality of our premises, and we continue to invest in our physical infrastructure to ensure it remains at a high standard. We have analysed our previous improvement projects and reviewed our branches to identify opportunities, allowing us to develop a five-year plan for investment.

Operational review

Plumbing and Heating

P&H offers its customers specialist product knowledge, outstanding service and an attractive in-store and online proposition.

Revenue
£222.4m (10.2)%
FY23: £247.7m

Adjusted EBITDA
£8.0m (37.6)%
FY23: £12.9m

Adjusted EBITDA margin
3.6% (1.6) pts
FY23: 5.2%

Branches
16 -1
FY23: 17


Kane Brock, Mr Central Heating, Croydon

Operational review | Plumbing and Heating continued

Financial performance

This was a challenging year for P&H, reflecting continued financial pressure on consumers and, in particular, the disruption caused by the CHMM. In response to the CHMM, which was effective from 1 January 2024, manufacturers increased prices for gas boilers which led to customers accelerating purchases into Q4 2023. This had a knock-on effect on revenue in Q1 2024, which is traditionally one of our strongest quarters, and created a very strong comparative for the final quarter of FY24. During March 2024, the Government deferred the CHMM's introduction, which led to increased administration time for us, as we returned the manufacturers' price increases.

P&H revenue in FY24 was £222.4 million (FY23: £247.7 million), down 10.2%. This was in line with the wider boiler market, which was also 10.3% lower than 2023. We saw a more resilient performance in our boiler spares business and continued to grow revenue from renewables, which rose by 99%.

Reflecting lower volumes, adjusted EBITDA was £8.0 million (FY23: £12.9 million), resulting in an adjusted EBITDA margin of 3.6% (FY23: 5.2%).

Driving operational performance

We have continued to focus on broadening our product range, so we can take advantage of growth opportunities, diversify our revenue streams and increase our margins. During FY24, we signed an exclusive distribution agreement with Navien, the world's largest boiler manufacturer, providing next-day availability to over 2,500 independent plumbers merchants. We also signed new distribution agreements with Viessmann Climate Solutions, which has a portfolio of gas boilers, heat pumps and commercial heating solutions, and Termo Teknik, which has approximately 30% of the UK radiator market. APP has not previously distributed standard radiators and this is a natural extension to the product range.

In a further extension of our renewable energy products range, we were pleased to sign an exclusive agreement with Italian manufacturer Clivet, to distribute its air source heat pumps (ASHPs). We also added Samsung and Panasonic ASHPs to our range, with these agreements going live in January 2025. They are respectively number two and four in the UK ASHP market, behind our existing supplier Vaillant.

Operational review | Plumbing and Heating continued

Driving operational performance continued

Boiler spares are an attractive, higher-margin opportunity for us. We are therefore leveraging our expertise to supply boiler spares through Mr Central Heating's trade counters and website. The two Mr Central Heating branches we opened in FY23 are continuing to develop as expected and we will consider further selective branch openings as the market improves, prioritising locations where we can recruit people with experience and customer relationships in the local market.

Our new ERP system went live in the first half of the year and we are now beginning to deliver the benefits, for example by adding the modules required to support click-and-collect sales, and we are mapping processes to ensure efficiencies. It will also support the introduction of our electronic proof of delivery system in the first half of 2025.

During FY24, we launched APP's e-commerce platform and began rolling out access to it across our customer base. At the year end, we had onboarded nearly 500 customers, which had grown to more than 900 by the start of February 2025, with more being added each day. The platform allows customers to see live stock levels and has their dedicated terms built in, so they can order from us 24/7 without having to contact us to confirm their pricing. This improves customer service and our efficiency. Our other activities to drive revenues in FY24 included hiring a dedicated marketing manager for our APP business.

Customer service depends on having colleagues with the knowledge to advise customers on the best products for their needs. We have therefore increased our focus on continuous training of colleagues and begun trialling an AI-based tool to answer product questions, such as which boilers are most suited to a customer's house.

Other initiatives to improve both the customer and colleague experience include constantly improving the look and feel of our stores. We are also adapting our fleet to ensure we have the right vehicles to deliver bulkier products such as radiators and heat pumps, to avoid the need to send multiple vehicles to the same customer. Our new vehicle monitoring system (see page 30) is also delivering benefits in terms of improved driver safety and fuel efficiency. In FY25, we intend to start using our Glasgow distribution centre to service customers in the North of England, which we currently serve from Tamworth in the West Midlands. This will reduce driving time, which is better for our colleagues and will lower our fuel consumption and carbon emissions.

Acquisition of Ultimate Renewables Supplies

In October 2024, we announced that we had extended our renewables business with the acquisition of Ultimate Renewables Supplies (URS). See the case study on page 31 for more information.

Terry Coakley, Mr Central Heating, Croydon

Case study: Using technology to improve safety, efficiency and environmental performance

In FY24, our APP business introduced a new tool from leading provider Samsara, so it can optimise its drivers' performance behind the wheel. The system uses telematics to capture a wide range of data on the quality of driving, including behaviour that affects fuel efficiency, such as rapid acceleration or engine idling, and safety-related data, such as adherence to speed limits and cornering speeds.

AI-enabled cameras are a key aspect of the system, with one camera facing forward and one facing the driver.

These help drivers to develop safe habits, for example by continuously looking out for signs that they are distracted, providing real-time feedback when needed and identifying behaviours that are not in line with our policies and procedures, such as using a mobile phone or driving too close to the vehicle in front. In addition, the system helps our managers to provide video-based safety coaching to drivers.

Since introducing the system in early 2024, P&H has seen a substantial reduction in the number and severity of road traffic accidents. We can also rank managers on the quality of their coaching and produce a drivers' league table, so we can reward safe driving through our Driver of the Month awards.

"Samsara is really good for our ESG performance and particularly for safety," says Craig Stanford, Operations Director for APP. "We've seen significant improvements in driving standards and continue to raise the bar for what's required to achieve a good score. Using the latest technology significantly improves our visibility of our drivers and we've been able to coach behaviours that need improving while also recognising some great consistent behaviours."

Link to strategy

- Geographical expansion
- Broadening our product range

Case study: Supporting the energy transition

We see significant opportunities in supporting the transition to cleaner, renewable heating solutions. Our acquisition of Ultimate Renewables Supplies (URS) is an important strategic step, as it complements P&H's existing renewables range while broadening our product and service offering and increasing our customer base.

URS is based in Bicester, Oxfordshire, and specialises in the design and supply of heat pump systems and renewable energy solutions. It has a comprehensive service covering every aspect of the process, from training skilled installers to designing customised systems that meet a customers' specific needs.

Other services include Microgeneration Certification Scheme accredited commissioning, which supports customers who want to apply for grants under the Boiler Upgrade Scheme (BUS). For eligible installations, the BUS will contribute up to £7,500 to the cost of replacing a fossil fuel-based boiler with a heat pump.

In addition to offering air and ground source heat pumps, URS provides a range of other renewable energy solutions for homeowners. These include solar PV and battery storage, mechanical ventilation heat recovery and underfloor heating.

The business has grown rapidly since it was founded in 2022, with revenue of £1.1 million in FY23 increasing to more than £2.2 million in the 12 months to 31 August 2024. In addition to continuing to grow the existing business, we now have the opportunity to provide its services to our wider customer base in APP, helping to accelerate its growth and further increase our offering for our existing customers.

Link to strategy

- Geographical expansion
- Broadening our product range

Engaging our stakeholders

Customers

We want to be our customers' merchant or supplier of choice, so we look to offer the best possible service. Through regular dialogue, we can ensure we are meeting or exceeding their needs.

Stakeholder issues

- Product range, price and quality
- Convenience and accessibility
- Customer service
- Fair and accurate marketing
- Customer safety
- Responsible use of personal data
- Environment and sustainability
- Ethics

How we engage

- The CEO and divisional Managing Directors maintain direct dialogue with a large number of customers
- Directors and management visit stores regularly
- We hold regular business development meetings with customers
- We run frequent surveys of customer satisfaction
- We offer advice on products and energy efficiency

How the Board is kept informed

- Customer KPIs are reported in management and Board packs

Engagement outcomes

- Maintained a strong customer satisfaction score of 4.6 out of 5.0

Colleagues

We can only provide superior service and expert knowledge through the hard work and commitment of our colleagues. We therefore need to ensure Lords is a great place to work.

Stakeholder issues

- Fair employment, pay and benefits, including the gender pay gap
- Training, development and career opportunities
- Health and safety
- Diversity and inclusion
- Responsible use of personal data
- Environment and sustainability
- Ethics
- Ensuring all colleagues are rewarded for the Group's success

How we engage

- Directors and Executive Board members visit stores and sites regularly
- Regular communications on business performance, market conditions and financial performance, including CEO updates and newsletters
- Surveys to understand employee engagement and where we can improve. See page 52
- Commitment to training and development, with a target of 16 hours per year
- Workvivo app to enhance internal communications
- Health, wellbeing and fun initiatives for colleagues and families
- Attending industry forums and initiatives, such as the BMF's HR Forum and the Industry Coalition on Apprenticeships

How the Board is kept informed

- Colleague KPIs are reported in management and Board packs, including in the CEO's report to the Board
- Board members visit branches and meet colleagues, and receive presentations from the divisional Managing Directors
- Executive directors provide ad hoc feedback on their interactions with colleagues

Engagement outcomes

- Maintained a high employee engagement score of 4.7 out of 5.0
- Workvivo app proving highly successful, with a high proportion of colleagues using the platform

Suppliers

We rely on our suppliers for the products we sell. We therefore need to maintain strong relationships with suppliers and manufacturers worldwide, who meet our high standards.

Stakeholder issues

- Ability to grow their trading relationship with us
- Anti-bribery
- Ethics
- Preventing modern slavery
- Environment and sustainable sourcing
- Operational improvement

How we engage

- Regular strategy sessions held with key suppliers, to develop sustainable long-term relationships
- CEO is a Board member of the H&B Buying Group. We also work with other H&B members to engage suppliers on sustainability issues (see page 50)
- Our divisional teams build strong day-to-day relationships with their suppliers
- CEO holds an annual lunch for suppliers

How the Board is kept informed

- Supplier payment terms reported to the Board
- Board receives an annual presentation on ethical trading and modern slavery

Engagement outcomes

- Strong supplier relationships, with average length of relationship of 14 years for the top 20 suppliers
- Continued expansion of our product range, through suppliers who recognise our track record of taking new products to market, including signing major new distribution agreements in P&H (see page 28)
- Working with sector peers to develop a joint approach to engaging with suppliers on ESG topics (see page 50)

Engaging our stakeholders continued

Communities

We aim to be responsible members of our communities, reflecting our principle of doing the right thing. This is also important to our colleagues, customers and shareholders.

Stakeholder issues

- Charitable donations
- Employment opportunities
- Environmental impact
- Fair tax

How we engage

- Community groups are invited to apply to the Lords Group Foundation for funding for their projects (see page 55)
- CEO spends two days a year meeting with community partners
- ESG Manager meets with charity partners
- Branch managers give their time to their nominated branch charities

How the Board is kept informed

- Executive directors provide regular ESG updates to the Board, including charitable donations

Engagement outcomes

- Undertook 23 community projects during the year, through the Foundation (see page 55)

Shareholders

To succeed in the long term, we need a supportive and well-informed shareholder base. We therefore look to ensure regular and open communications with our shareholders, while delivering strong and consistent performance.

Stakeholder issues

- Financial and operational performance
- Strategy and market trends
- Balance sheet strength
- Acquisition pipeline and successful integration
- Governance, Board and management
- Sustainability and responsible business
- Management pay and incentives
- Dividend policy

How we engage

- One-to-one and group meetings, and results presentations, including retail investor engagement on the Investor Meet Company platform
- Annual general meeting
- Publication of newsflow, financial results and the annual report

How the Board is kept informed

- The executive directors engage directly with shareholders and the Board receives regular shareholder feedback

Engagement outcomes

- Topics discussed with shareholders included appropriate levels of gearing, which aligns with our focus on balance sheet discipline

Graham Lewer, Condell, Horsham

Section 172 statement

Section 172 of the Companies Act gives company directors a number of duties they need to take account of as they carry out their roles. Here we explain how the Board has considered those duties during the year.

The directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duties under section 172. They consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business, especially with regard to major decisions.

Information on our stakeholder engagement, including how the Board keeps itself informed about stakeholder views, can be found on pages 32 and 33.

Matter	Response
a) The likely consequence of any decision in the long term.	The directors prioritise a long-term view in their thinking about the business, for example in looking to develop multi-year relationships with customers and suppliers. The Chief Executive Officer has been active in the business since 1993. The Board took a number of decisions in the year which the directors determined were in the long-term interests of the Group and its stakeholders. These included approving the acquisition of Ultimate Renewables, scaling the dividend in line with earnings, and the sale and leaseback of the Group's site near Heathrow (see the case study on page 35), as part of an overall focus on preserving the Group's balance sheet strength.
b) The interests of the Company's employees.	As noted throughout this report, the directors believe the Group's employees are vital to its success. The Board receives regular reports on employee-related KPIs and the results of the six-monthly engagement surveys. In FY24, the Board also approved senior management appointments to strengthen the Group's leadership, including the recruitment of Stuart Kilpatrick as CFO and Steve Durdant-Hollamby as COO of Merchanting, and Neil Lake's promotion to Managing Director of APP.
c) The need to foster the Company's business relationships with suppliers, customers and others.	The Board is heavily focused on the Group's relationship with its customers and regularly reviews the results of customer surveys, to ensure that customer service remains strong. The acquisition and organic investments the Board approved during the year are also designed to improve the customer offer, either by increasing the product range we can provide, expanding the number of customers we can reach by adding new locations, or by enhancing our digital presence. Suppliers are critical partners for our business, particularly in P&H where we are a key route to market for a relatively small number of boiler manufacturers. Strong relationships with suppliers enabled us to continue to expand our product range during the year, including the signing of new distribution agreements in P&H.
d) The impact of the Company's operations on the community and environment.	The directors recognise the significance of protecting the environment and of being seen as good neighbours by the communities around our premises. We have continued to implement our sustainability strategy and further embedded ESG considerations throughout the business. In FY24, non-executive director Sheena Mackay joined our ESG committee, which is now made up of the Board directors, including the CEO and CFO. This ensures the Board has direct oversight of our sustainability strategy and our progress with implementing it.
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	The Group is founded on the principles of being ethical and professional in all its dealings. We have key policies in place, for example to prevent bribery and corruption or modern slavery, and the Board has kept these policies under review.
f) The need to act fairly between members of the Company.	The Board is keenly aware of the need to treat all shareholders equally. At the date of this report, the Chief Executive Officer held or controlled the voting rights of 32.4% of the Company's shares. At the time of the IPO, he therefore entered into a relationship agreement (see page 86), so the Company can carry on its business at arm's length. The independent directors form a majority on the Board, ensuring the interests of all shareholders are fully considered in decisions.

Stakeholder considerations

When making decisions, the Board considers the interests of the stakeholders affected and the impact the decision may have in the long term. Set out below is one example of a key Board decision in FY24.

Key Board decision:

Background

In October 2024, we announced that we had agreed the sale and leaseback of George Lines' site in Colnbrook, near Heathrow. George Lines has traded from this location for more than 40 years and sites in the area are highly sought after by a wide range of businesses, given the proximity to the M25, M4 and the airport. To ensure our security of tenure for this key site, we have agreed a 15-year lease on market terms.

Long-term implications of the decision

The Board considered that the transaction was in the long-term interests of all the potentially affected stakeholders. From an operational perspective the Heathrow branch is unaffected, while the financial benefits of the transaction support our strategy to scale our business.

David Rose, A.W. Lumb

Stakeholder interests

In approving the transaction, the Board took account of the following potential impacts on stakeholders:

Customers

The branch has a loyal customer base and the long lease term means we can continue to serve them for years to come. The transaction also provides funds to support our organic and inorganic growth strategy, including opening additional George Lines branches and acquiring businesses that further increase our customer offer and branch network.

Colleagues

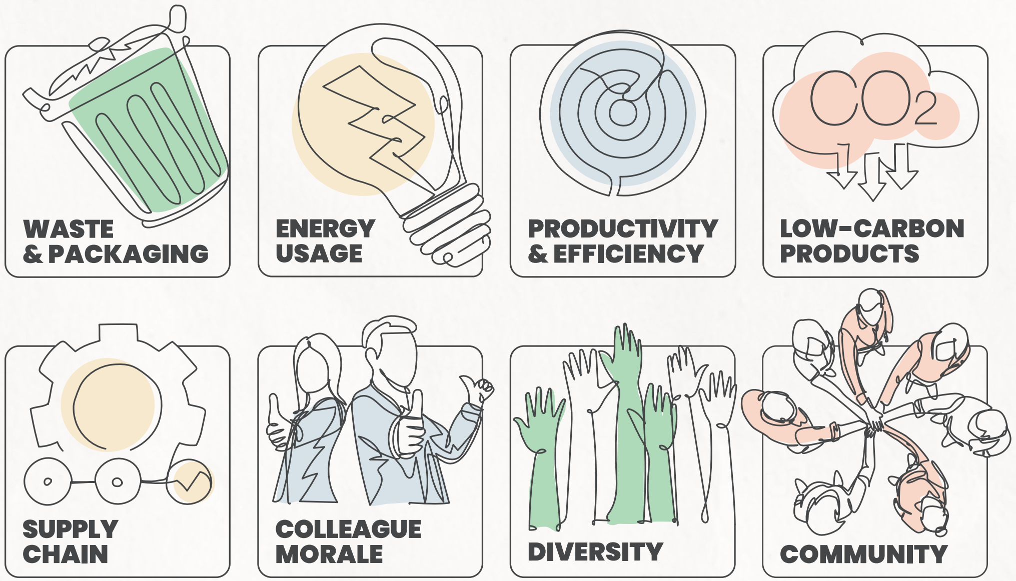
Our colleagues will benefit from the branch retaining its location for the long term, while our continued investment to grow the Group will create further opportunities for career progression and personal development.

Shareholders

The transaction represents good value for shareholders. We acquired the site in 2023 from the original owner of the George Lines business, to ensure we retained control of it. The cost was £6.3 million, of which £3.2 million had been paid, with the balance of £3.1 million falling due in January 2025. In selling the site, we received cash consideration of £7.1 million, resulting in a profit on disposal of £0.1 million and generating net proceeds of £3.9 million, after settling the outstanding balance on the original purchase. This has reduced our borrowings, improved our net cash flow and given us additional liquidity to invest in growth.

SUSTAINABILITY

Sustainability is increasingly important for us and our **stakeholders**. Our **focus** in FY24 has been on taking action to drive our performance and ensure ESG is integrated into our business operations.



Sustainability continued

OUR SUSTAINABILITY STRATEGY

Our sustainability strategy focuses on the eight material issues in the table across, which we identified through a materiality assessment in 2022. For more information on our materiality assessment, see pages 34 and 35 of the 2022 annual report. ESG forms part of our five-year business plan, ensuring that we consider it at a strategic level for the Group.

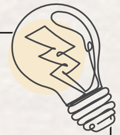
MATERIAL ISSUE 1

WASTE & PACKAGING

Strategy
Reduce the volume of waste created and improve recycling rates.

ESG aspect
Environment

Read more
Page 39



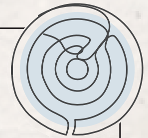
MATERIAL ISSUE 2

ENERGY USAGE

Strategy
Reduce Scope 1 and 2 energy use and increase our capacity for renewable energy generation across the Group.

ESG aspect
Environment

Read more
Page 40



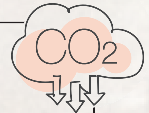
MATERIAL ISSUE 3

PRODUCTIVITY & EFFICIENCY

Strategy
Improve productivity and reduce inefficiencies, in terms of absenteeism, stock and transport.

ESG aspect
Environment, Social

Read more
Page 49



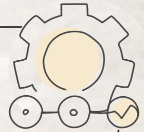
MATERIAL ISSUE 4

LOW-CARBON PRODUCTS

Strategy
Develop an energy-saving product range, where relevant, across the Group.

ESG aspect
Environment

Read more
Page 49



MATERIAL ISSUE 5

SUPPLY CHAIN

Strategy
Work with our suppliers and partners within the industry to ensure that the negative environmental and social impacts of our supply chain are continually monitored and incrementally reduced.

ESG aspect
Environment, Social, Governance

Read more
Page 50

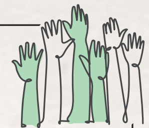
MATERIAL ISSUE 6

COLLEAGUE MORALE

Strategy
Seek to continually improve colleague morale by making the Group a desirable place to work.

ESG aspect
Social

Read more
Page 51



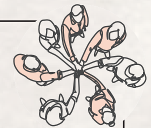
MATERIAL ISSUE 7

DIVERSITY

Strategy
To make Lords a place where everyone can fit in and enjoy working.

ESG aspect
Social, Governance

Read more
Page 52



MATERIAL ISSUE 8

COMMUNITY

Strategy
Support our local communities through the Lords Group Foundation.

ESG aspect
Social

Read more
Employee diversity page 52
Board diversity page 73

Key to ESG aspects: Environment Social Governance

Sustainability continued

OUR ESG GOVERNANCE

The governance structure for ESG mirrors our risk management structure and is summarised in the diagram below:

THE BOARD

- Ultimately responsible for the Group's ESG strategy
- Reviewing the ESG strategy's effectiveness and our progress against it
- Establishes and communicates our ESG policy
- Sets the tone and culture for ESG
- Receives ESG updates from the ESG committee

ESG COMMITTEE

- Sets and oversees the Group's ESG strategy and KPIs
- Reports to the Board on progress with the ESG strategy
- Considers ESG objectives and performance through short, medium and long-term lenses
- Devolves ESG targets to the divisions
- Highlights any non-compliance with our minimum standards
- Conducts annual horizon scanning for changes in the ESG landscape

EXECUTIVE BOARD

- Responsible for ESG prioritisation at divisional or functional level, ensuring they meet our minimum requirements
- Reviews ESG progress at divisional or functional level and escalates compliance issues to the ESG committee where necessary

GROUP ESG MANAGER

- Keeps abreast of ESG developments that may affect the Group
- Co-ordinates ESG management activities, to develop, improve and maintain the necessary infrastructure for delivering the ESG strategy
- Supports ESG divisional/business and materiality owners to embed the strategy
- Provides a consolidated ESG report to the ESG committee and Board

DIVISIONAL/ BUSINESS AND MATERIALITY OWNERS

- Responsible for ESG within their business or division
- Drive and co-ordinate divisional ESG reporting
- Evaluate, monitor and report on the material issues within the division/business
- Facilitate divisional or functional ESG discussions
- Share knowledge and best practice through the Group ESG Manager

We created the ESG committee in 2023, to enhance our Group-wide oversight of ESG issues and to provide a direct link between management and the Board on these topics. Its members are Shanker Patel (CEO), Stuart Kilpatrick (CFO) and Sheena Mackay (independent non-executive director). Sheena joined the committee in FY24, reflecting the importance the Board places on ESG topics. She has experience of ESG issues, having previously chaired the ESG Committee of Foxtons Group plc.

The committee meets quarterly and reports to the Board after each meeting, providing summaries of the matters it discussed. This enables the Board to assess our progress with key aspects of our ESG strategy, including how we are identifying and managing our climate-related risks and opportunities (see pages 40 to 49).

Sustainability continued

ENVIRONMENT

During FY24, we have continued to focus on improving our environmental performance. Our environmental policy ensures we have a clear stance on how to address our most significant environmental impacts, such as waste, energy and water use, and acknowledges the importance of our supply chain in meeting our environmental targets.

It also sets out our decarbonisation ambition, as described on page 49. The Board approved the policy in early 2024, allowing us to begin communicating and embedding it across the Group. The policy can be found at: **https://www.lordsgrouptradingplc.co.uk/about-us/esg**

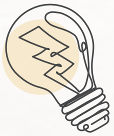
MATERIAL ISSUE 1: WASTE AND PACKAGING

Our environmental policy includes a target for 100% of our waste to be diverted from landfill. To achieve this, we promote the reduction, reuse and recycling of materials throughout our operations.

Following an audit of waste and recycling across the Group in FY23, we took a number of actions which helped us to improve our waste diversion performance in FY24. This included our A.W. Lumb business changing its waste handling provider in FY23, enabling it to divert all of its waste to recycling this year. In FY24, we have continued to work with our waste management companies, streamlining collections and reducing the number of providers we work with. This has both increased efficiency and improved our reporting. As a result of these efforts, a further 51% (FY23: 91%) reduction in Scope 3 emissions from waste was achieved in FY24.

Sustainability continued

ENVIRONMENT CONTINUED



MATERIAL ISSUE 2: ENERGY USAGE

Our use of energy is a key driver of our Scope 1 and 2 greenhouse gas (GHG) emissions. We are therefore focused on continuing to increase our energy efficiency and investing in our own renewable energy generation, and have set targets to achieve net zero carbon (see page 49).

Reducing our GHG emissions is also one element in our response to the risks and opportunities posed by climate change. In particular, GHG emissions are directly related to the risk of carbon pricing affecting our financial performance.

Reflecting these interconnections, we have integrated our reporting on climate change, GHG emissions, energy usage and our net zero ambitions. This section of the report therefore incorporates the following disclosures:

- the eight disclosures labelled (a) to (h) required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which are set out below and on the following pages; and
- the disclosures required by Streamlined Energy and Carbon Reporting (SECR), which can be found on pages 46 to 48 and include our initiatives to reduce our energy use.

a) Describe the Company's governance arrangements in relation to assessing and managing climate-related risks and opportunities

The Board monitors progress with all ESG matters, including climate, through a standing agenda item at main Board meetings. Our ESG governance structure includes the ESG committee, which is made up of Board members, and the ESG Executive Board, which comprises the senior leadership team.

The Executive Board routinely monitors our climate-related targets and risks, and enlists the assistance of external experts such as Forvis Mazars. This information is then relayed to the ESG committee, which in turn gives further guidance to the Executive Board. The CEO and ESG Manager are responsible for keeping the Board up to date. For more information on our governance structure, see the 'Our ESG governance' section on page 38.

Our environmental policy, which is described on page 39, recognises our responsibility for contributing to climate change mitigation and sets out the key steps we are taking to achieve our decarbonisation ambitions (see page 49). The Board approved the policy and monitors and reviews it, as well as our associated procedures, each year. The policy applies to all Group businesses, colleagues and contractors.

Climate change and the transition to a low-carbon economy also present opportunities for us. Our divisional management teams are primarily responsible for identifying the opportunities in their markets, ensuring they address them and include them in their strategic plans and annual budgets.

This enables divisional management, the executive directors and the Board to oversee performance.

b) Describe how the Company identifies, assesses and manages climate-related risks and opportunities

During the previous period of account, we worked with Forvis Mazars to identify the key physical and transitional risks we face and their potential impact on the Group. This project began with a workshop to identify and prioritise a longlist of potential risks, with attendees including our CEO, CFO, ESG Manager, Group Financial Controller, four of our divisional Managing Directors, two divisional Operations Directors, the divisional Commercial or Procurement Directors and the Head of Marketing for Merchanting.

Through the workshop, we selected the most significant risks using a matrix of potential financial impact against likelihood. The most material risks were then subject to further analysis by expert consultants. The analysis considered risks facing the Group as a whole, such as the introduction of carbon pricing, as well as risks specific to the divisions.

These included timber scarcity in Merchanting and other risks that varied by branch location, such as the potential impact of acute heat on revenue and our colleagues, the potential for coastal or riverine flooding, and water stress. We then aggregated these branch-level risks to determine their overall impact. The key risks identified by the analysis are summarised on pages 41 to 46, along with the mitigations we have in place to help us manage them.

For climate-related opportunities, our culture and focus on customer service mean we are constantly looking to identify emerging customer needs and expand our product range to meet those needs. The ESG strategy on page 38 specifically includes our objective to develop a low-energy product range across the Group. The renewables range in P&H is a prime example, with revenues from this range increasing by 99% to more than £5.5 million in FY24. These products can be higher margin than more traditional ranges, giving us scope to increase profitability and revenues.

Sustainability continued

ENVIRONMENT CONTINUED

b) Describe how the Company identifies, assesses and manages climate-related risks and opportunities continued

We will therefore continue to diversify our offer over time, as our customers look for new products that will help them to decarbonise buildings or adapt them so they stay fit for purpose in a warmer climate. Our net zero pathway for Scope 3 emissions also includes engaging with our supply chain and identifying opportunities to decarbonise our broader product offering.

c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Company's overall risk management process

Our risk management framework is described on page 59. Our key climate-related risks are incorporated into our risk registers and the Board reviews the Group register at least annually, with the most recent review taking place in January. This ensures that climate-related risks are now integrated into our overall risk framework and are overseen and managed in the same way as our other key risks.

We have identified sustainability and climate as a principal risk for the Group, as described on page 61.

d, e and f) Our climate-related risks and opportunities, timescales and scenarios

This section covers requirements (d), (e) and (f) in the Regulations, specifically:

d) A description of the principal climate-related risks and opportunities arising in connection with the Company's operations and the time periods by reference to which those risks and opportunities are assessed

e) A description of the actual and potential impacts of the principal climate-related risks and opportunities on the Company's business model and strategy

f) An analysis of the resilience of the Company's business model and strategy, taking into account consideration of different climate-related scenarios

Timescales

We considered the risks and opportunities at the following points in time:

- **Short term:** 2030, which is around the mid-point of our net zero target period to 2035
- **Medium term:** 2040, which is halfway between our short-term and long-term time horizons
- **Long term:** 2050, which aligns to the Paris Agreement and our net zero target (see metrics and targets on page 46), and reflects the growth period for new timber, which is a key climate-related risk for our business (see below)

Climate scenarios

In assessing the impacts of climate change, we considered the following climate scenarios.

These are taken from the Intergovernmental Panel on Climate Change's Shared Socioeconomic Pathways (SSPs):

- **SSP 1-2.6:** This scenario assumes we 'take the green road', with society shifting gradually to a sustainable path, which limits the temperature increase to 1.3°C above pre-industrial levels by 2100
- **SSP 2-4.5:** This is a 'middle of the road' scenario, which assumes current global socioeconomic trends continue. This results in a temperature increase of approximately 2.1°C by 2100
- **SSP 5-8.5:** This is a 'fossil fuelled development' scenario, in which society pushes for economic development based on exploiting fossil fuels, and people around the world adopt resource and energy-intensive lifestyles. This results in a temperature increase of +3.3°C by 2100

We selected these scenarios as they represent a broad range of plausible outcomes, with different potential impacts on our business. For example, the 1.3°C scenario requires society to make material changes as it shifts to a low-carbon economy, which increases the potential transitional risks and decreases physical risks. Conversely, the 3.3°C scenario presents few transitional risks but greater physical risks.

Our risks and opportunities

The table below describes our key risks and opportunities, the mitigations and the potential impact. Where possible, this analysis was based on financial data and asset locations we provided to our consultants, which they used to measure and rank each risk based on:

- its potential financial cost to the Group, calculated using impact curves showing the range of possible outcomes; and
- its probability of occurring, assessed using different climate and economic models to create a probability curve.

The cost and probability were then multiplied together to produce an estimate of the value at risk.

We have not been able to model some of our risks because we require further information to do so and we have noted where this is the case in the table on pages 42 to 45.

While we have modelled the transitional risk of timber scarcity, which considers factors such as the impact of rising GDP and population growth on timber prices, we did not have sufficient information to model the physical risk of timber scarcity. We are looking for ways to improve our information, which will support modelling of these risks in the future. For example, the supplier assessment survey described on page 50 has started the process of gathering sustainability-related supplier information, which we will continue to build on. More generally, industry data on product category sales is widely available but this data has not yet been linked to climate change. We are working with industry bodies such as the BMF and H&B to progress the data modelling, with the potential use of AI to help determine impact levels.

We anticipate that substantial progress will be made in 2026, to bring more accuracy to our modelling.

Sustainability continued

ENVIRONMENT CONTINUED

d, e and f) Our climate-related risks and opportunities, timescales and scenarios continued

Our risks and opportunities continued

Our analysis shows that the +3.3°C scenario presents the greatest risks to the Group, followed by the +1.3°C scenario. Among the risks we have modelled, timber scarcity is the single largest risk across all scenarios.

Risk	Potential financial impact: Low	Potential financial impact: Medium	Potential financial impact: High	Timescale of potential impact: Short term	Timescale of potential impact: Medium term	Timescale of potential impact: Long term	Mitigations and business resilience
Timber scarcity Climate change may affect the availability of some or all species of timber, resulting in increased costs and/or unreliable or disrupted supply. **Risk type:** physical and transitional **Risk category:** resilience Timber scarcity has the largest potential financial impact of all the climate-related risks we have modelled. The impact is most significant in the 'fossil fuelled development' scenario.			⬢	⬢			Our mitigations include: • Ongoing discussions and collaboration with suppliers • Diversification of the supply chain • Ongoing monitoring of the market and timber prices As we have not yet been able to model the physical risk of timber scarcity, our resilience to this risk is still to be determined.
Impact of acute heat on revenues and productivity Unusual temperature spikes could reduce general sales due to construction activity slowing down, resulting in lower demand for heating products and negatively impact transportation, causing delays in stock replenishment and deliveries to customers. Product quality and lifespan could also be affected. Extreme heat could also reduce the productivity of our colleagues and customers. **Risk type:** physical **Risk category:** resilience This is one of our top three modelled climate risks under all three scenarios, with the greatest impact in the 'fossil fuelled development' scenario.		⬢		⬢			Our current and potential mitigations include asking colleagues to wear appropriate clothing during heatwaves and ensuring our vehicles have air conditioning. We can also install cooling in branches and several already have air conditioning. The magnitude of the risk is dependent on customer behaviour during heatwaves and there is currently limited data on this. Our resilience to this risk is therefore still to be determined.

Sustainability continued

ENVIRONMENT CONTINUED

d, e and f) Our climate-related risks and opportunities, timescales and scenarios continued

Our risks and opportunities continued

	Potential financial impact			Timescale of potential impact			
Risk	**Low**	**Medium**	**High**	**Short term**	**Medium term**	**Long term**	**Mitigations and business resilience**
Carbon pricing The Government may increase carbon taxes in order to achieve the UK's 2050 net zero target, resulting in an increase in costs for us. **Risk type:** transitional **Risk category:** energy source This is one of our top three modelled climate risks under all three scenarios, with the greatest impact in the 'take the green road' scenario.		●		●			Our primary mitigations are our comprehensive net zero roadmap and yearly carbon measurement, which enable us to monitor the potential impact of changes to carbon tax across the business (see pages 48 to 49). While carbon prices are inherently difficult to forecast, as they are highly dependent on government policy, we believe our approach to decarbonising the business makes us resilient to this risk.
Climate-related impact on the supply chain Our supply chain could be affected by a range of climate-related impacts including transitional impacts, (such as carbon pricing), or physical impacts, such as damage to their assets caused by extreme weather or flooding. This could increase our costs and/or make the supply of products or materials unreliable. **Risk type:** transitional and physical **Risk category:** resilience This risk has not been modelled.				●	●		Our mitigations include: • Ongoing discussions and collaboration with suppliers • Continued diversification of the supply chain • Ongoing monitoring of the market and supply costs While we have not modelled this risk, we believe our approach to working closely with our suppliers and having a diversified supply chain mean we are resilient to it.
Restrictions on retrofitting Climate change may affect the availability of some or all species of timber, resulting in increased costs and/or unreliable or disrupted supply. **Risk type:** transitional **Risk category:** products and service This risk has not been modelled.				●	●		Our mitigations include: • Continued diversification of product lines as a core part of our growth strategy (see the operational reviews on pages 24 to 31) • Ongoing monitoring of potential legislation While we have not modelled this risk, broadening the product range is a core part of our strategy, which reduces the risk posed. We therefore believe we are resilient to this risk.

Sustainability continued

ENVIRONMENT CONTINUED

d, e and f) Our climate-related risks and opportunities, timescales and scenarios continued

Our risks and opportunities continued

Risk	Potential financial impact: Low	Potential financial impact: Medium	Potential financial impact: High	Timescale of potential impact: Short term	Timescale of potential impact: Medium term	Timescale of potential impact: Long term	Mitigations and business resilience
Changing consumer preferences Demand for more eco-friendly products, sustainable building materials and heating solutions could reduce our revenues. **Risk type:** transitional **Risk category:** products and service This risk has not been modelled.				⬢			Our mitigations include: • Supplier engagement to ensure sustainable sourcing (see page 50) • Diversification of products such as renewable product ranges and products with recycled content (see pages 24 to 31) • Ongoing engagement with customers, to ensure products are meeting demand (see page 50) While we have not modelled this risk, we believe our strategy of broadening the product range and growing our low-carbon offering makes us resilient to this risk.
Uncertainty around future fossil fuel-based transportation Reduced availability or a significant increase in the cost of fossil fuel-based energy for transport could have a detrimental effect on transportation and our business operations. This also presents an opportunity to reduce fuel costs and increase productivity (see page 45). **Risk type:** transitional **Risk category:** resource efficiency This risk has not been modelled.				⬢	⬢		Our mitigations include: • Increasing use of electric vehicles, as existing vehicles come to the end of their leases (see page 47) • Diversification of fuel sources, such as hydrotreated vegetable oil (see page 26) • Ongoing monitoring of the fuel market While we have not modelled this risk, we believe the increased electrification of our vehicle fleet and the potential to use alternative fuels such as HVO make us resilient to this risk.

Sustainability continued

ENVIRONMENT CONTINUED

d, e and f) Our climate-related risks and opportunities, timescales and scenarios continued

Our risks and opportunities continued

Opportunity	Potential financial impact			Timescale of potential impact			Actions
	Low	Medium	High	Short term	Medium term	Long term	
Changing consumer preferences Demand for more sustainable products, such as our renewables range (see page 31), could open up new and rapidly growing revenue streams, with the potential for higher margins. **Opportunity type:** transitional **Opportunity category:** products and service							• Increasing sales of low-carbon products is a core part of the ESG strategy • Group growth strategy looks to continually broaden the product range, to secure a greater share of the customer wallet • Engagement with suppliers on sustainable sourcing and with customers to understand their needs • See page 31 for information on the Ultimate Renewables acquisition
Increased efficiency and reduced costs Our work to decarbonise the business may increase our efficiency and reduce our costs, for example by cutting our energy use and increasing the generation of renewable energy on our sites. **Opportunity type:** transitional **Opportunity category:** energy source							• Energy audits to understand usage and identify reduction opportunities • Ongoing switch to electric forklifts and electric or hybrid cars • Driver training and use of telematics to adopt more fuel-efficient driving • Increased deployment of PV panels to generate renewable electricity
Increased resilience through supplier engagement and diversification We can enhance the resilience of our business by engaging with our suppliers on their decarbonisation programmes and by continuing to diversify our sources of supply. **Opportunity type:** transitional **Opportunity category:** resilience							• Engagement with suppliers, in particular at an industry level through the H&B Buying Group (see page 32) • Continuing to add new suppliers to the Group, as we broaden our product range (see page 28)

Sustainability continued

ENVIRONMENT CONTINUED

d, e and f) Our climate-related risks and opportunities, timescales and scenarios continued

Assumptions

In conducting the scenario analysis set out above, we have made a wide range of assumptions. Key examples of these assumptions include:

- Potential GDP growth rates and their impact on demand for, and prices of, key products such as timber. Potential GDP growth rates were sourced from the IPCC scenarios discussed on page 41
- The relationship between local temperatures and revenue performance for our branches. This is based on historical experience extrapolated forwards and using professional judgement where there were insufficient examples of historical experience for a particular temperature range
- Potential carbon prices and the Group's ability to reduce its carbon emissions. Potential carbon prices were sourced from the IPCC scenarios
- The relationship between temperature increases and lost working time. This was based on a widely used study called Temperature and work: Time allocated to work under varying climate and labour market conditions (Neidell M, Graff Zivin J, Sheahan M, Willwerth J, Fant C, Sarofim M, et al. (2021))

g and h) Metrics and targets

This section covers requirements (g) and (h) in the Regulations, specifically:

(g) A description of the targets used by the Company to manage climate-related risks and to realise climate-related opportunities and performance against those targets

(h) The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based

The table below shows our current metrics and targets, which specifically relate to the risk of carbon pricing and the opportunity presented by changing consumer preferences. We recognise the importance of metrics and targets for managing climate issues but as noted on page 41, we do not always have sufficient data to model and measure our climate risks and opportunities. We will consider introducing further metrics and targets when it is possible to do so.

		Performance		
Metric	Related risk or opportunity	**FY24**	FY23	Target
Risks				
Scope 1 and 2 emissions	Carbon pricing	**5,727 tonnes CO_2e**	6,201 tonnes CO_2e	Net zero by 2035
Scope 3 emissions	Carbon pricing	**50,572 tonnes CO_2e**	58,140 tonnes CO_2e	Net zero by 2050
Opportunities				
Growth in revenues from the renewables range	Changing consumer preferences	**99%**	60%	No target

Information on our performance for Scope 1, 2 and 3 emissions can be found below, along with an explanation and baseline information on our net zero targets. Information on our renewables revenues can be found on page 40.

Our actions to reduce energy use and Scope 1 emissions

Our vehicle fleet contributes 95% of our Scope 1 carbon emissions and we continue to look at ways to increase its energy efficiency. During FY24, three of our Lords Builders Merchants branches trialled hydrotreated vegetable oil (HVO) as an alternative vehicle fuel. HVO can be used as a direct replacement for diesel and its advantages include much lower net CO_2e emissions than fossil-based fuels. However, we ended the trial as a result of supply issues and rising costs. In early 2025, the same three branches will begin a new trial with a more secure HVO supply. If successful, we may expand HVO use to all Lords Builders Merchants branches.

In addition to HVO, we have other initiatives that improve our fuel efficiency, including our increasing use of telematics (see page 30).

In FY23, we carried out energy audits in several branches with the greatest energy use and carbon emissions. In FY24, we have focused on implementing the findings from those audits. Specifically, we have programmes to:

- install LED lighting across all of our warehouses;
- replace gas boilers with alternatives, such as electric boilers or heat pumps;
- install smart meters, to improve our data and provide insights into our energy use, to inform further actions; and
- install solar panels at two sites per year.

Sustainability continued

ENVIRONMENT CONTINUED

g and h) Metrics and targets continued

Our actions to reduce energy use and Scope 1 emissions continued

To date, we have completed installations of solar panels at two branches, resulting in an energy saving of 12%. In addition to generating our own renewable energy through investment in solar, we are looking at procuring electricity backed by Renewable Energy Guarantees of Origin (REGO) certificates.

In Merchanting, we continue to replace our diesel forklifts with electric vehicles as leases come up for renewal. A.W. Lumb switched almost all of its remaining diesel forklifts for electric vehicles in 2024, while all our forklifts in P&H are already electric. At 31 December 2024, 65% of the Group's forklift fleet was electric (31 December 2023: 64%).

Our company car policy also encourages us to replace petrol and diesel cars at lease renewal, and 98% of the company car fleet is now hybrid or fully electric (31 December 2023: 83%). During 2024 we also introduced a salary sacrifice scheme, to allow our colleagues to lease their own electric or hybrid car cost effectively.

Our energy use and greenhouse gas emissions

Reporting methodology

We follow the HM Government Environmental Reporting Guidelines and use the GHG Reporting Protocol – Corporate Standard to calculate emissions. We report our total emissions using the financial control boundary. Our methodology aligns with the Department for Environment, Food and Rural Affairs' (Defra) Environmental Reporting Guidelines and uses the Government's GHG reporting conversion factors to quantify emissions and energy consumption.

Scope 1 refers to direct emissions from building operations released into the atmosphere, such as emissions from plants and boilers serving our properties and emissions from company vehicles.

Scope 2 refers to indirect emissions released into the atmosphere associated with consumption of purchased electricity. Scope 3 refers to other indirect emissions that cannot be classified as Scope 2 emissions.

Data coverage and estimates

The analysis includes all companies in the Group with the exception of Ultimate Renewables Supplies, which we acquired in October 2024. This does not have a material impact on our total emissions, given Ultimate Renewables Supplies' size and the short period it was part of the Group in 2024.

We have used fuel consumption (previously miles driven) to establish our baseline energy consumption and the CO_2e emissions of our vehicles. We have used our kWh usage to establish energy consumption of electricity and gas.

Within Scope 1, we have excluded emissions from air conditioning and refrigeration units as we do not have the data. There are no process emissions within the businesses reporting.

Sustainability continued

ENVIRONMENT CONTINUED

Our energy use and greenhouse gas emissions continued

UK GHG emissions and energy use data

	2024		2023[1]		Change (2023 to 2024)		2022 (baseline)	
	Energy consumption KWh	**Emissions tonnes CO_2e**	Energy consumption KWh	Emissions tonnes CO_2e	Energy consumption KWh	Emissions tonnes CO_2e	Energy consumption KWh	Emissions tonnes CO_2e
Scope 1	**19,907,912**	**5,104**	18,991,384	5,740	5%	(11)%	22,676,546	5,811
Scope 2	**2,733,491**	**623**	2,205,241	461	24%	35%	1,924,139	373
Scope 3		**50,572**		58,140		(13)%		56,969
Total		**56,299**		64,341		(12)%		63,153
Intensity ratios								
Tonnes CO_2e per employee		**60**		69		(14)%		72
Tonnes CO_2e per £million of turnover		**129**		139		(7)%		140

1. The 2023 metrics have been restated, on the basis of more refined data points for mobile combustion emissions as a result of using litres of fuel consumed rather than distance travelled.

Although our absolute energy consumption increased in FY24 as a result of the larger Group following the acquisitions in 2023 and 2024, our absolute carbon emissions reduced reflecting the continued benefits of our actions to reduce energy use and generate our own renewable energy. A significant benefit also came from downward revisions to emission factors used to calculate the carbon footprint of specific products.

In relative terms, we continued to see the benefits of energy efficiency and emission-reduction actions, with emissions per employee reducing by 14% and emissions per £1 million of turnover declining by 7%.

Sustainability continued

ENVIRONMENT CONTINUED

Our commitment to decarbonisation

We are committed to decarbonising the business, with the ultimate aim of achieving net zero carbon emissions. Our targets are to achieve 90% reductions in Scope 1 and 2 emissions by 2035 and Scope 3 emissions by 2050. This is aligned with the requirements of the Science-based Targets initiative to reduce Scope 1, 2 and 3 emissions to zero or to a residual level consistent with reaching net zero emissions.

We have established 2022 as our baseline, with our carbon emissions for that year shown in the table above. Our Scope 3 emissions accounted for 91.5% of our total emissions in 2022, reflecting the emissions from our supply chain.

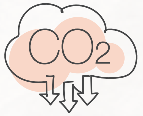
This chart illustrates our roadmap to achieving our decarbonisation goals.

We are taking a range of actions to meet our targets, which encompass several of our material issues, notably our energy efficiency and sourcing of renewable energy, our growth in low-carbon products, our operational productivity and efficiency, and reductions in waste and packaging. Working with our supply chain, particularly at an industry level through H&B and the BMF, will be critical to achieving our Scope 3 reduction goals.

To incentivise our colleagues to remain focused on minimising our emissions, we have included emissions reduction as a performance metric for all annual bonuses across the Group.

MATERIAL ISSUE 3: PRODUCTIVITY AND EFFICIENCY

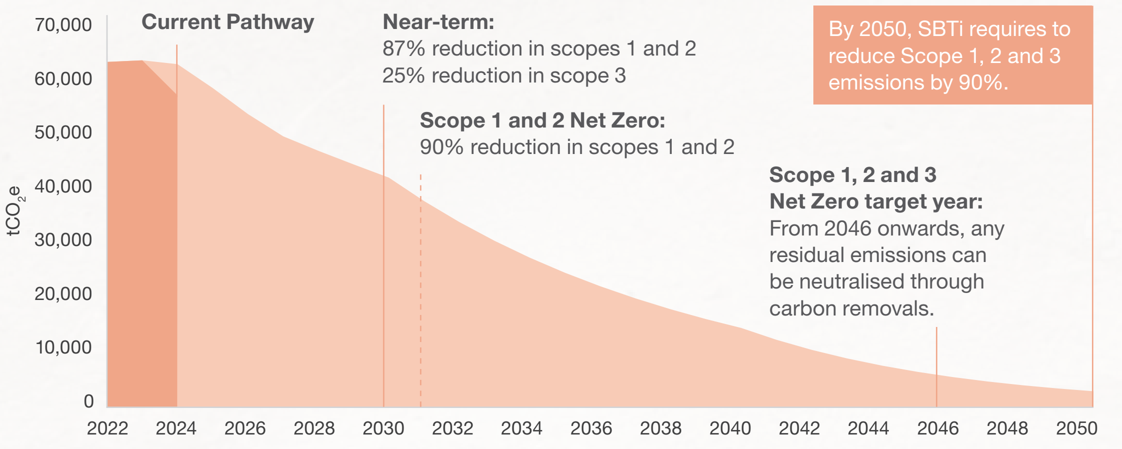
We have numerous initiatives to increase our productivity and efficiency, including by investing in technology. Key examples are discussed in the Merchanting and P&H operating reviews on pages 24 to 31.



MATERIAL ISSUE 4: LOW-CARBON PRODUCTS

We made excellent progress in FY24 with increasing revenues from P&H's renewables range and also acquired Ultimate Renewables to broaden our offering. See the P&H operational review on pages 27 to 31 for more information.

Net Zero Reduction Plan – Current Progress



Sustainability continued

ENVIRONMENT AND SOCIAL: SUPPLY CHAIN

MATERIAL ISSUE 5: SUPPLY CHAIN

We want to engage with our suppliers to understand their negative environmental and social impacts and ensure they are reducing those impacts over time. This is often best done at an industry level, since working with our peers gives us greater leverage to encourage change and reduces the burden on suppliers of responding to repeated requests for information from their customers.

During FY24, we jointly led an H&B Buying Group project to assess the 100 largest suppliers to the buying group. The assessment questionnaire covered a wide range of ESG topics, including their approach to:

Environmental topics

- Environmental responsibility
- Carbon (energy and fuel)
- Waste management and recycling
- Environmental data collection

Legal and regulatory topics

- Anti-bribery and corruption
- Competition law compliance
- Data protection

Product sourcing topics

- Timber management
- Natural material extraction
- Conflict materials

Operational topics

- Quality management and assurance
- REACH and chemical management
- Tool and equipment hire safety and quality
- Warehousing and distribution
- Product returns and recall

People topics

- Health and safety
- People, human rights, anti-slavery and human trafficking

We are in the process of collating responses. In the second phase of the project, we intend to send the questionnaire to our non-H&B suppliers, which are mainly in the P&H supply chain.

Our Group ESG Manager is a member of the BMF's sustainability forum, which is developing an ESG product data template. The aim is to use the template to obtain information from suppliers, such as the emissions associated with a particular product. This includes environmental product declarations, which describe a product's environmental impact based on a life cycle assessment.

Our Supplier Code of Conduct requires our suppliers to commit to meeting our standards in the following areas:

- Health, safety and wellbeing
- Fair working conditions
- Discrimination and harassment
- Forced labour
- Child labour and young workers
- Environment
- Fair competition
- Anti-corruption and anti-bribery
- Financial integrity
- Confidentiality and information security
- Personal information

We ask suppliers to sign the Code to confirm their agreement and we may audit their compliance. The Code also sets out when suppliers must report misconduct or a concern.

The Code of Conduct and our Modern Slavery Statement can be found on our website at: **https://www.lordsgrouptradingplc.co.uk/about-us/ethical-supply-chain**

Responsible sourcing

Ensuring we responsibly source products is important to us and all our timber is FSC or PEFC certified.

We also support our customers' ability to source responsibly. For example, Weldit manufactures in the UK, allowing its customers to avoid shipping from the Far East.

Sustainability continued

SOCIAL: PEOPLE

Our colleagues are central to our business and we work hard to attract, retain and develop the colleagues we need to succeed. At the year end, we employed 927 colleagues (31 December 2023: 958).

MATERIAL ISSUE 6: COLLEAGUE MORALE

Our culture and values

We believe that our culture is a key strength and that it differentiates us from our competitors. As the Group continues to evolve, we need to ensure we retain the aspects of our culture that our colleagues particularly value – notably the family feel of the business and the way they are empowered and accountable for delivery – while being able to embrace new opportunities.

In FY23, we formalised our cultural blueprint (see across) and refreshed our values. During FY24, we have continued to embed the values throughout the business, including:

- integrating the values into our performance management process, so we can gauge both what our colleagues achieve and how they have achieved it;
- developing a set of positive and negative behaviours associated with each of our values, so our people are clear on what we expect from them;
- aligning our recruitment materials to our values and asking values-related questions in interviews;
- using our Workvivo internal communications platform to heavily promote the values; and
- launching our All Star Awards, so colleagues can nominate each other for demonstrating a particular value.

Our Group Human Resources Director also ran a session on the values at our first-ever Lords conference in March 2024.

The Board continues to take a keen interest in overseeing the Group's culture, as the Chairman describes in his introduction to governance on page 67.

Our cultural blueprint

Our vision

EMPOWERING PROGRESS, BUILDING FUTURES

Our vision is to be at the forefront of the building material supply industry, driving progress through a commitment to excellence in service, products and relationships

The roof is the overarching purpose

Our values: we are...

Family
We care for each other – even when it's not easy

Empowered
We are trusted and accountable for our actions

Continuously improving
We are committed to growing our business

Customer focused
We treat every customer interaction with the same care and attention

Learning always
We know we can be better, so we have a growth mindset

Adaptable and flexible
We embrace change and the opportunities it brings

The walls are our behaviours which demonstrate our values inside

Our support systems

INVESTMENT
We invest in our people, plant and property

WELLBEING AND SAFETY
We know we are happier and more productive when we are safe and well

DOING THE RIGHT THING
We are committed to being professional, respectful and honest

The foundations underpin all we do

Sustainability continued

SOCIAL: PEOPLE CONTINUED

MATERIAL ISSUE 6: COLLEAGUE MORALE CONTINUED

Our culture and values continued

We run a programme of regular engagement surveys, to understand how our colleagues are feeling and identify where we are doing well and any issues to address. All colleagues are offered the chance to take part. Having previously run these surveys each quarter, in FY24 we moved them to every six months in response to feedback from colleagues. This also gives us more time to act on the responses we receive. The questions are unchanged, allowing us to monitor trends.

Our most recent survey showed that engagement remains high, with a score of 4.7 out of 5.0 (FY23: 4.8 out of 5.0). While this is slightly down on the previous year, reflecting the impact of the difficult trading environment, it continues to be well above the average engagement score reported by Gallup.

Following the surveys, we create and publish action plans. Initiatives this year arising from colleague feedback include our new learning management system (LMS) and the All Star Awards. We are also reviewing benefits across the Group, such as healthcare and holiday entitlements, to ensure they are aligned. This is supported by the job grading exercise we completed in FY24, through which we worked with Korn Ferry to assess the comparative size of roles and their relative position in our organisation structure. This helps us to ensure our colleagues are appropriately rewarded.

MATERIAL ISSUE 7: DIVERSITY

As an equal opportunity employer, we recognise the importance of diversity and inclusion, and the business benefits that diverse teams can bring. At the year end, our gender diversity was as follows:

	Female	Male
Board	1	4
Senior management	2	9
Other colleagues	152	759
	155	**772**

Approximately 17% of our workforce is female. This low level of representation is standard in the industry and we continue to look to recruit more women into roles at all levels across the Group.

Ethnic diversity is also an essential consideration for us. At the year end, 87% of our workforce identified as white and 10% as non-white. We strive to reflects our local communities.

We remain committed to driving further diversity across our Group. During FY24, our Group HR Director met with female colleagues from across the business to understand what they like about working at Lords and the messaging that would help to attract female applicants.

We are also looking to work with external organisations and announced in September 2024 that we had joined the Construction Inclusion Coalition. This is a network of like-minded organisations formed in 2023, which aims to raise sector standards on equity, diversity and inclusion, with an immediate focus on gender representation. In addition, we are building links with schools to get more young people from all backgrounds interested in our industry.

Developing our colleagues

Succession planning is an important part of our overall approach to people development. We review our succession plans twice a year, covering all grades from assistant branch manager upwards, as well as the ‘rising stars’ who are potential managers of the future.

We are now working on building an external talent pipeline that matches the needs we have identified in our succession plans. One of our priorities for FY25 is to create a framework for career development and the paths colleagues could take as they progress. We are also working on a Lords Academy, to host the development resources managers and potential managers could need.

Our new LMS went live shortly after the year end. The initial content includes courses on our values, mandatory compliance training and all our safety-related material. We are adding courses on technical skills and looking at a wide range of other content, such as training on using AI.

We identify individual training needs through our performance and development reviews but our colleagues can also access all the content in the LMS, including training that will help them outside work such as improving interpersonal skills or managing their finances.

The LMS also includes modules on our leadership competencies, which we introduced during FY24. The four competencies are strategic thinking, leading change, winning hearts and minds, and delivering results. We have identified the key elements of each one and what they look like in practice, ranging from demonstrating competence to being a role model. We are developing all our senior leaders against the competencies and will continue to monitor them through our performance review process.

Sustainability continued

SOCIAL: PEOPLE CONTINUED

MATERIAL ISSUE 7: DIVERSITY CONTINUED

Recruitment and retention

As part of our focus on efficiency, we now have an in-house recruitment manager and a LinkedIn licence, allowing us to do our own headhunting through the platform. This has saved us considerable amounts in external fees and our recruitment manager gets excellent feedback from candidates.

Bringing fresh talent into the Group is also important and we have pledged to employ 50 apprentices over the period to 2030, as part of the BMF's initiative to promote apprenticeships in the industry.

We recruit apprentices throughout the year and currently have 10 working in different parts of the business, putting us on track to meet our 2030 pledge.

While we have many long-serving colleagues, as reflected in our average length of service of six years, our attrition rate is higher than we would like in some parts of the business, particularly for drivers and in our warehouses. Many of the actions described above support colleague retention and we are also trialling initiatives such as more flexible working patterns in our branches.

Health and safety

Our business involves handling and transporting significant volumes of heavy and bulky materials. This means we must have a rigorous approach to health and safety.

Ultimate responsibility for health and safety rests with the Board, which receives monthly reports on our performance. The Operations Director in P&H and the Managing Director General Merchanting lead on safety within their divisions. They are both members of the Group Safety Board, which reviews actions across the Group each month and ensures continuity of focus and messaging. In Merchanting, we have appointed a dedicated Health and Safety Manager, who is also a member of the Group Safety Board and is responsible for enhancing our overall approach and working with the branches to help them improve their performance. P&H has created a similar role, overseeing health, safety and environmental initiatives. Branch management are responsible for day-to-day safety and discuss their performance on a weekly basis. In addition to these formal responsibilities, we expect every colleague in the business to look out for each other, work safely and ensure we maintain the required standards.

The Group has a formal health and safety policy, which is reviewed annually, and carries out risk assessments for each location and for specific tasks. Our health and safety management system, Safety Cloud, contains all our certifications, licences, training and reporting.

The Group has a range of health and safety training for colleagues, including an e-learning suite approved by the Royal Society for the Prevention of Accidents (RoSPA) covering numerous topics, such as manual handling, loading and unloading, and fire hazards. This training is mandatory for colleagues and must be completed every year.

Our health and safety initiatives in FY24

One of our health and safety goals is to move from focusing on compliance to really embedding a culture of safety throughout the business. We carry out safety audits at all branches to identify areas for continuous improvement and this was the first year in which the audits focused on culture as well as compliance. In 2025, we are adopting a risk-based approach to scheduling audits, allowing us to identify and rectify issues more quickly. The best-performing branches will still be audited at least annually, with those where we have identified specific concerns having more regular audits.

Our focus on culture also included safety resets in Merchanting, spending a day with every branch manager and covering a wide range of safety topics. The branches we acquired with Alloway Timber and Chiltern Timber in FY23 were also an important area of focus in FY24, as we worked to align their safety culture with ours and ensure they have the right systems and processes in place.

We are reviewing alternatives to Safety Cloud but we have not yet identified a solution that offers both the full functionality we need and an improved user experience. The launch of our new LMS (see page 52) is beneficial here, as it now contains all the health and safety training we previously hosted on Safety Cloud, making it more accessible to colleagues.

Training is key for strong performance. Merchanting now has a dedicated training manager for health and safety, who has completed face-to-face training for more than 300 colleagues on manual handling, which we had identified as a cause of minor injuries. We are also rolling out training in areas such racking inspections and awareness of asbestos and legionella.

Sustainability continued

SOCIAL: PEOPLE CONTINUED

MATERIAL ISSUE 7: DIVERSITY CONTINUED

Health and safety continued

Our health and safety initiatives in FY24 continued

P&H has introduced training for managers through IOSH, which will give them a formal qualification in safety management.

The Samsara system we implemented in P&H is one of our most significant safety initiatives in the year. See the case study on page 30 for more information. We are reviewing the potential for a similar system for our warehouses, so we can use camera systems to identify issues such as near misses or unsafe behaviour.

Health and safety performance

Our key performance indicator for health and safety is the lost time injury frequency rate, with the Group recording a rate of 0.9 in FY24 (FY23: 0.8). This was a good performance but we will continue to focus on reducing it.

We closely monitor the outcomes of our safety audits. Following the introduction of our new scoring system in FY24, covering both culture and compliance, we are working to ensure that we have consistent scoring across every audit.

Our colleagues and ethics-related policies

We have a full suite of formal HR policies, including those covering equality and dignity at work, disciplinary procedures, preventing discrimination, bullying and harassment, and use of computers and IT. Line managers throughout the business are responsible for ensuring compliance with our policies, with performance reported to the Board.

In FY24 we reviewed and updated a number of our colleagues policies, to ensure they remain up to date and fully reflect our culture and values. We used Workvivo to communicate with colleagues following each policy review and the policies are all hosted on the platform.

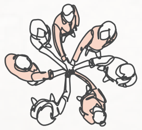
Maintaining an ethical culture

Doing the right thing is one of the foundations of our culture (see page 51), making explicit our commitment to being professional, respectful and honest in everything we do. The HR policies described above are designed to reinforce this within our business, while our Supplier Code of Conduct (see page 50) aims to ensure ethical behaviour within our supply chain. In addition, we have long-standing policies in place covering anti-bribery and corruption, whistleblowing, anti-money laundering and share dealing.

Ian Findlater, Reina Reeves, Ryan Carne, Lords Builders Merchants, Beaconsfield

Sustainability continued

SOCIAL: COMMUNITY



MATERIAL ISSUE 8: COMMUNITY

Being local leaders in our markets is fundamental to our business. This comes with the responsibility to be a good neighbour and to have a positive impact on the surrounding communities. One way we do this is by supporting the local economy, both directly through the people we employ and indirectly by helping our customers' businesses to succeed, by providing the products they need with outstanding service.

We also look to give back to our communities through the Lords Group Foundation. The Foundation aims to build stronger communities and improve people's quality of life, by supporting projects and helping to provide facilities for community groups who need them. This can include supporting youth groups, older people, people with infirmities or disabilities, or those facing financial hardship or difficult social circumstances.

The Group aims to donate £200,000 per annum to the Foundation and we work with our colleagues, suppliers and customers to raise even more. The Foundation provides an opportunity for our colleagues to determine how we support their local communities, with teams identifying partner projects close to their branches. We also look to harness their passion for local causes by offering matched funding for their own charitable initiatives, up to a value of £1,000. In FY24, the Foundation distributed £70,000 in grants and matched funding, supporting projects benefiting more than 1,800 people.

CASE STUDIES

ADHD Embrace

ADHD Embrace supports families and professionals who live and work with children and young people with attention deficit hyperactivity disorder (ADHD), which affects 5% of the UK population. People with ADHD can face a range of challenges throughout their life, as they have difficulty concentrating and often struggle with organisational skills and controlling their emotions.

The Foundation's grant to ADHD Embrace has contributed towards delivering the charity's services in the Borough of Kingston. This includes visiting local schools and providing community support via informal meet ups. Lords Kingston is also working with ADHD Embrace to raising awareness of ADHD.

As one example, the charity supported a parent whose daughter struggled with concentration, making friends and often felt anxious and sad. After a long wait for an assessment, she was diagnosed with ADHD.

The family accessed various ADHD Embrace services including a post-diagnosis workshop, helping them to understand more about her condition. ADHD Embrace also provided training to her teachers on how to better support pupils with ADHD.

Her parent said: "I look at the resources on the ADHD Embrace website and I always recommend it to those who might have children with ADHD. It's an invaluable local resource!"

Sutton United Foundation

Sutton United Foundation aims to benefit the local area through community participation in healthy recreational activities. All activities are free and make everyone welcome.

The Foundation's grant contributed towards hiring an apprentice coach. He has been able to add more clubs and activities for underprivileged young people in the local area.

One young player, Joe, aged 11, is autistic, often has mood swings and can easily become angry. When he first joined the football club, he was very quiet and reserved and could intimidate others. Within a couple of months, he has softened and has become a natural leader within the group. His people skills are amazing, and his footballing ability has gone through the roof!

Aimee Wiles, Dean Seymour and Shanker Patel

Financial review

The Group delivered a resilient performance, as we focused on costs and efficiency, carefully managing cash and pragmatically supporting strategic growth initiatives.

Stuart Kilpatrick
Chief Financial Officer

In challenging market conditions, the Group delivered a resilient performance in FY24, as we focused on managing costs, driving efficiencies, carefully managing cash and pragmatically supporting strategic initiatives to drive organic and acquisitive growth. The business is well positioned to deliver financial growth as market conditions improve.

More information on divisional financial performance in FY24 can be found in the operating reviews on pages 24 to 31.

Revenue

Group revenue was £436.7 million (FY23: £462.6 million), down 5.6%. On a LFL basis, revenue was 7.0% lower, with the difference primarily reflecting the contribution from acquisitions made in FY23.

After a challenging first half, Merchanting built momentum through the second half of the year and LFL revenue was 2.3% higher than the second half of FY23. Overall for the year, the division's revenues were similar to FY23 but 3.6% lower on a LFL basis.

P&H saw revenue decline by 10.2% in FY24, or 10.4% LFL, in line with the reduced activity in the UK boiler market during the year. This in part reflected the very strong end to FY23, which saw accelerated activity ahead of the introduction of the Clean Heat Market Mechanism on 1 January 2024.

Gross margin

Gross margins across the Group held up reasonably well, with a modest reduction from 20.0% in FY23 to 19.5% in FY24, primarily due to the challenging UK boiler market. Merchanting achieved a gross margin of 26.7% (FY23: 27.5%), mainly driven by product mix, while the gross margin in P&H was 12.6% (FY23: 13.4%).

Income statement

We have represented our income statement in FY24 to align our disclosure with listed peers in the sector and show property gains of £1.8 million (FY23: £0.3 million) on the face of the income statement. Property gains in FY24 included a lease surrender premium of £1.7 million, relating to Merchanting's Park Royal site. This followed the local authority's redesignation of the area and the landlord's intention to redevelop the site on the expiry of our lease in 2026. The surrender premium arises from a commercial negotiation to balance the benefit of securing the site at nil rental in the short term, while compensating us for anticipated disruption and potential loss of trade as the branch looks for an alternative location.

In addition, the Group sold and leased back its George Lines' Colnbrook site, resulting in a gain of £0.1 million.

Operating expenses and EBITDA

Operating expenses in the year were £1.2 million lower at £64.6 million (FY23: £65.8 million). Excluding the impact on operating expenses of businesses acquired in FY23 and FY24, on a LFL basis costs were 6.5% lower. This reflects our rigorous approach to managing costs in the year, particularly in the light of the increased minimum wage and rental increases at some properties following their five-yearly rent reviews.

Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) inclusive of property gains/losses was £22.4 million (FY23: £26.8 million). Excluding property gains and losses, adjusted EBITDA was £20.6 million (2023: £26.6 million).

The table below shows adjusted EBITDA by division:

Adjusted EBITDA	**FY24 £m**	**FY24 margin**	FY23 £m	FY23 margin
Merchanting	**14.4**	**6.7%**	14.0	6.5%
Plumbing and Heating	**8.0**	**3.6%**	12.9	5.2%
Total Group	**22.4**	**5.1%**	26.8	5.8%

Presented numbers are based on underlying, not rounded, figures and inclusive of property gains and losses.

Financial review continued

Operating profit

Depreciation and amortisation was £12.0 million (FY23: £10.3 million) and adjusted operating profit is set out below:

	FY24 £m	FY23 £m	Change
Adjusted operating profit inclusive of property gains/(losses)	**10.4**	16.5	(37.0%)
Adjusted operating profit excluding property gains/(losses)	**8.6**	16.3	(47.2%)
Operating profit	**4.3**	9.1	(53.1%)

Operating profit, which is after amortisation of intangible assets, exceptional items and share-based payments, declined by 53.1% to £4.3 million (FY23: 9.1 million).

Adjusting items

Adjusting items (note 6) include exceptional items, share-based payments and amortisation of acquired intangible assets.

Exceptional items of £0.6 million (FY23: £2.8 million) comprised £0.8 million of redundancy and restructuring costs and £0.1 million of acquisition related costs. A further £1.5 million was due to non-cash impairment charges (FY23: £0.5 million) relating to leased right-of-use assets.

Net finance costs

Net finance costs were £6.9 million (FY23: £6.2 million), comprising £4.1 million (FY23: £3.7 million) in respect of bank borrowings, £2.8 million (FY23: £2.3 million) related to lease liabilities and £0.2 million (FY23: £0.2 million) to unwind discounted future liabilities.

Finance costs increased mainly due to higher interest rates, which were on average 40bps up on FY23, and the higher level of average borrowings during the year. Interest in relation to lease liabilities increased by £0.5 million, reflecting the full-year impact of the Alloway Timber and Chiltern Timber branches acquired during 2023.

Profit before tax and earnings per share

Adjusted profit before tax was £3.8 million (FY23: £10.4 million). Statutory loss before tax for the year was £2.6 million (FY23: profit of £3.0 million). Adjusted earnings per share (as defined on page 141) was 1.85 pence (FY23: 4.35 pence). Basic loss per share was (1.19) pence (FY23: earning per share of 0.84 pence).

Dividend

The Board has carefully considered the interests of the Group's stakeholders, and while our dividend policy through the cycle will continue to be progressive as the market recovers, the Board has taken a prudent approach to the dividend for FY24 and scaled it in line with the change in adjusted earnings per share.

The Board has therefore recommended a final dividend of 0.52 pence per share (FY23: 1.33 pence per share), which will be paid on 4 July 2025 to shareholders on the register at the close of business on 30 May 2025. The Company's shares will be marked ex-dividend on 29 May 2025.

We paid an interim dividend of 0.32 pence per share (H1 2023: 0.67 pence per share) in October 2024. The total dividend in respect of FY24 is therefore 0.84 pence per share (FY23: 2.0 pence per share), which is 2.2 times covered by adjusted earnings per share (FY23: 2.2 times). The cash cost of the total dividend in respect of FY24 is £1.4 million (FY23: £3.3 million).

At the year end, the Company had distributable reserves of £14.2 million (31 December 2023: £15.8 million).

Debt financing and liquidity

As at 31 December 2024, the Group has debt facilities totalling £95.0 million with HSBC, NatWest and BNP Paribas. The facilities comprised £70.0 million revolving credit facility (RCF), and a £25.0 million receivables financing facility.

During 2024, the term of the Group's bank facilities was extended to April 2027, and in April 2025, the Group requested that the RCF be reduced by £20.0 million, which will reduce non-utilisation costs.

At 31 December 2024, the Group had net debt (defined as borrowings less cash and cash equivalents, and before recognising lease liabilities) of £32.4 million (31 December 2023: £28.5 million). The Group had substantial headroom within its debt facilities of £52.3 million at the year end (31 December 2023: £46.7 million) and a further £10.3 million of accessible cash (31 December 2023: £19.8 million).

Cash flow

Adjusted cash generated by operating activities was £17.4 million (FY23: 22.5 million) while free cash flow was £3.1 million (FY23: £8.7 million). Free cash flow, which is the net cash flow before payments for business acquisitions and dividends, was lower in FY24 mainly due to the lower EBITDA in the year. Operating cash flow conversion, which is operating cash flow as a percentage of adjusted operating profit, was 71.0% (FY23: 92.9%).

We continued to invest in our 3P's in the year as we refurbished the Alloway branches acquired in 2023 and established a new ERP system in Plumbing and Heating. Total capital expenditure in FY24 was £2.8 million (FY23: £4.9 million). In addition, the Group invested £1.1 million (FY23: £0.7 million) on in digital development, ERP and rebate tracking software.

In October 2024, we completed a sale and leaseback transaction for the Heathrow site, as part of our focus on cash generation. This resulted in cash proceeds of £3.9 million, while ensuring we retain secure tenure on this key location. See the case study on page 35 for more information.

Other important uses of cash during FY24 included:

- deferred consideration for prior-year acquisitions: £2.3 million (FY23: £6.4 million);
- consideration for acquisitions in the year: £0.6 million (FY23: £5.2 million), comprising the initial consideration for Ultimate Renewables Supplies and the repayment of its existing debt; and
- dividends, comprising the final dividend for the prior year and the interim dividend for the current year: £2.7 million (FY23: £3.3 million).

Working capital

Inventory was unchanged at £49.3 million (31 December 2023: £49.3 million). The year-end balance equated to 57 days of stock (31 December 2023: 50 days). The increase in stock days is primarily due to investing in advance of the winter season in P&H, and final quarter sales being lower than anticipated.

Financial review continued

Working capital continued

Creditor days decreased by two to 59 (31 December 2023: 61 days) and debtor days were 46 at the year end (31 December 2023: 44 days). The ratio of working capital to sales increased from 7.6% to 8.9% in the year.

Net assets

	FY24 £m	FY23 £m
Property, plant and equipment	**14.1**	20.2
Inventories	**49.3**	49.3
Trade and other receivables	**76.2**	81.2
Trade and other payables	**(86.6)**	(95.3)
Operating capital employed	**53.0**	55.4
Deferred consideration	**(3.3)**	(9.5)
ROU assets	**52.7**	47.4
Lease liabilities	**(60.0)**	(51.8)
Goodwill, intangible assets, tax provision, other	**37.6**	38.2
Net debt	**(32.4)**	(28.5)
Shareholders' funds	**47.6**	51.2

Operating capital employed reduced by £2.4 million in the year as reduced property, plant and equipment, following the Colnbrook sale and leaseback, was partly offset by higher working capital in our P&H division. Deferred consideration decreased by £6.2 million following the sale and leaseback of Colnbrook (£2.6 million), payments of £3.2 million and adjustments to forecast liabilities of £0.4 million).

ROU assets and related lease liability movements mainly relate to Colnbrook referred to above.

Post balance sheet events

Since the end of FY24:

- the Group completed the sale and leaseback of four of the Group's freehold properties for a cash consideration of £13.1 million. The four sites within the Merchanting division at Tamworth, Dewsbury, Luton and Ilkeston will be leased back for 15 years on market terms. The net proceeds from the sale have been applied towards reducing Group borrowings:
- the Group with the agreement of its banks, reduced its Revolving Credit Facility by £20.0 million to £50.0 million, securing reduced non-utilisation costs.

Stuart Kilpatrick
Chief Financial Officer

7 May 2025

Dean Seymour,
Lords Builders Merchants, Sutton

Principal risks and uncertainties

Effective risk management is key to delivering our strategy, requiring us to have a robust framework for identifying, managing and mitigating the principal risks we face, and ensuring we identify emerging risks on a timely basis.

Information on our work to enhance risk management in FY24 can be found in the governance section on page 72.

Our risk management framework

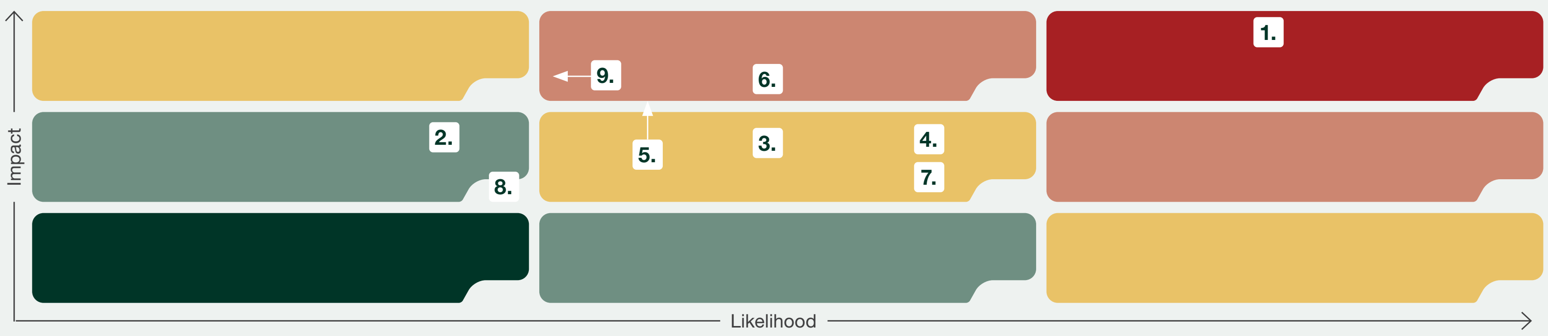
The Group's risk management framework has four layers:

The Board	One of the Board's key roles is to understand, evaluate and monitor the Group's key risks and internal controls. The Board review the Group risk register annually and its oversight is supported by Board papers, which explain the effectiveness of particular controls and recommendations for developing them. Board members then use their experience to push these developments forwards. Annually, the Board is also responsible for determining our risk appetite.
Audit & Risk committee	The Audit & Risk committee monitors and reviews our internal control systems (see page 76), guided by the Chief Financial Officer and the Group Financial Controller. The committee receives reports from management on risk management and controls, approves the external audit scope and receives reports from the auditor on internal controls. The Audit & Risk committee also received two reports from its outsourced internal auditor during the year. The committee also monitors emerging risks.
Executive management team	Our executive management team implements the Group's strategy, within the risk appetite set by the Board. It has overall responsibility for managing risks day to day and for implementing actions requested by the Board and the Audit & Risk committee.
Business units, Group functions and colleagues	Everyone in the Group has a responsibility for sharing and identifying risk and reporting anything that concerns them.

Heatmap key

1. Macroeconomic conditions in the UK
2. Colleagues
3. Competition in our markets
4. Sustainability and climate
5. Technology and IT infrastructure
6. Health and safety
7. Acquisition and integration
8. Supplier management
9. Finance and liquidity

Risk heatmap



Principal risks and uncertainties continued

The Board's assessment of the Group's principal risks and uncertainties and the mitigations in place are set out below:

1. Macroeconomic conditions in the UK

Inherent risk: High
Trend: Stable
Impact: Adverse effect on financial performance

Description:

Our markets are cyclical and a proportion of our revenue depends on households' willingness to spend on home improvements. Economic conditions can therefore affect demand.

Our customers are mainly tradespeople engaged in RMI activity and these markets are influenced by trends in home improvements and maintenance.

Demand is also linked to inflation, interest rates, change in property values, demographic trends, employment levels and consumer savings.

Mitigation:

- The Group has less than 1% of the market, giving us opportunities to grow by taking market share even in difficult economic conditions. Our mitigation strategy also includes cost controls in response to changing market conditions
- Our business is intentionally exposed to the less cyclical element of our market, RMI. Demand for boilers, which provide 70% of sales in P&H, is even less cyclical, reflecting the natural replacement cycle of these products
- We have continued to diversify our activities by product category, sector, channel and geographical reach
- Our management has experienced multiple downturns and understands that capital allocation, efficiency and customer service are key
- Assessment of macro trends helps inform capital allocation and cost control measures

2. Colleagues

Inherent risk: Medium
Trend: Stable
Impact: Adverse effect on customer service, leading to reduced financial performance

Description:

We have 927 highly engaged colleagues across the Group. They are fundamental to our success, as they drive market opportunities using their experience and knowledge. We need to continue to attract, retain and invest in our colleagues, particularly in the current tight labour market and ensure they are appropriately incentivised.

Mitigation:

- We are committed to high standards of employment practice
- We apply significant resources to training, development, mentoring, 360 feedback, incentive structures, safety and mental health
- The majority of our colleagues are shareholders, through the Share Incentive Plan set out at IPO
- We carry out regular surveys across all colleagues and act on their feedback
- We benefit from an average length of service of six years and look to promote from within
- The remuneration committee reviews all key aspects affecting the workforce
- We continue to improve the way we manage every aspect of the employment life cycle. See pages 51 to 54 for more information

3. Competition in our markets

Inherent risk: Medium
Trend: Stable
Impact: Adverse effect on financial performance

Description:

We face competition across the Group. Our competitors' actions apply price pressure and we need to remain competitive.

In Merchanting, we compete with builders' merchants and retailers of varying sizes, while P&H competes with plumbers' merchants in the B2C market and one other national distributor in the independent B2B channel.

Some competitors have greater financial resources and economies of scale, which may give them an advantage.

New business models also pose a threat, alongside changing customer behaviours enabled by technology.

Mitigation:

- As a service-led group, we look to compete on our customer proposition rather than solely on price
- We continually monitor gross margins and have an effective strategy for passing through inflation
- Digital is a strength of our business and we have invested in our in-house expertise
- We have invested in our marketing function, to drive our value message rather than price
- Our membership of a buying group helps offset the scale gap
- We conduct regular customer surveys and have received a Trusted Partner award from Feefo for our outstanding customer service

Principal risks and uncertainties continued

4. Sustainability and climate

Inherent risk: High

Trend: Stable

Impact: Adverse effect on our reputation and our financial performance

Description:

We recognise the need to be a responsible business, including minimising the environmental impact of our operations. ESG is an increasing focus for our stakeholders and we therefore need an ethical and sustainable model to deliver long-term growth.

Mitigation:

- We have a clear ESG strategy focused on the material ESG issues facing the business (see page 37), which includes growing our revenues from low-carbon products, such as the renewables range in P&H
- We have established our decarbonisation commitments (see page 49) and undertaken considerable work to understand our climate-related risks and opportunities (see page 40)
- We are developing environmental KPIs to allow us to set targets and incentivise performance at Group and divisional levels
- The Lords Foundation supports charitable causes in the 47 local communities we serve
- We have Group-wide policies in place for anti-bribery, modern slavery and timber sourcing. All our timber has FSC and PESC accreditation

5. Technology and IT Infrastructure

Inherent risk: Medium

Trend: Rising

Impact: Adverse effect on customer service and financial performance

Description:

Our ability to trade depends on our IT infrastructure and we are therefore exposed to the risk of system failure. Over time, the pace of technology change could mean our systems become outdated, making our business processes inefficient, or that they become more vulnerable to unauthorised access.

Mitigation:

- We rigorously test system changes and ensure business acceptance prior to launch
- Our brands operate on different ERP systems, which would limit the consequences to the Group if one of these systems suffered an outage
- We provide colleague training on information security to raise awareness of the potential threats
- BDO provides internal audit services and will conduct a 'deep dive' on cyber security during FY25

6. Health and safety

Inherent risk: Medium

Trend: Stable

Impact: Adverse effect on colleagues, our reputation and our financial performance

Description:

Our operations have inherent health and safety risks to colleagues, customers and third parties on site. Prevention of injury and death is an absolute Board priority.

The primary health and safety risks in our operations are manual handling, slips, trips, falls, transferring materials, road traffic incidents, and incidents involving mechanical handling equipment and delivery vehicles.

Mitigation:

- Health and safety is a Board priority and an agenda point at all of its meetings
- Our external advisers help us to drive improved reporting, risk assessment and safety control across the Group
- We have a Group-wide training programme on health and safety, incorporating culture and change, risk management, accident investigation and governance
- We complete external safety audits of our sites twice a year
- We have an established process for reporting near misses and accidents, allowing us to apply lessons learned to prevent future incidents
- We have invested significant resources in our individual businesses on awareness, training, management, risk assessment and corrective actions
- Our safety programme drives overall progress and co-ordinates continuous improvement

Principal risks and uncertainties continued

7. Acquisition and integration

Inherent risk: High
Trend: Stable
Impact: Adverse effect on financial performance

Description:

Acquisitions are a key element of our growth strategy and the Group's development. We may not be able to identify targets on acceptable terms, that are sufficiently accretive and cash generative, or that meet our return on investment criteria. Failure to effectively integrate our acquisitions may delay or reduce the expected returns.

Larger transactions carry an elevated risk, given their increased importance relative to the Group as a whole.

Mitigation:

- We have significant in-house resource, with a dedicated M&A team and a long-established and experienced integration team
- Our acquisition decision-making is underpinned by strategic and financial criteria and Board approval
- We conduct regular post-investment reviews, for the first five years post-transaction

8. Supplier management

Inherent risk: High
Trend: Stable
Impact: Adverse effect on customer service and financial performance

Description:

Consistent product availability is key. If suppliers fail to deliver the products we need on a timely basis, it will impact our customer proposition and our sales volumes.

Mitigation:

- We maintain strong relationships with our key suppliers and work closely with them to agree mutually beneficial contracts, and conduct due diligence in line with our commitment to responsible sourcing
- To ensure continuity of supply, where possible we contract with more than one supplier for key products, to reduce our dependency on a sole supplier
- We keep stock levels under constant review and, helped by our market position, we have a track record of effectively managing availability issues in conjunction with supplier
- We have exclusive distribution arrangements with certain suppliers (see page 28), which means we are not competing with other distributors for the available supply of those products

9. Finance and liquidity

Inherent risk: Medium
Trend: Decreasing
Impact: Adverse effect on financial performance

Description:

We face the following financial risks:

- Credit risk – the risk that accounts receivable will not be settled, leading to financial loss
- Liquidity risk – the risk that we have insufficient funds to finance our operations or growth strategy
- Interest rate risk – increases in interest rates would raise the cost of servicing debt

Mitigation:

- Credit risk: we manage this locally in each subsidiary, with oversight by the Chief Financial Officer. We utilise credit insurance and perform credit limit reviews, based on each customer's creditworthiness
- Liquidity risk: we undertake rigorous forecasting and regularly model severe downside scenarios, to ensure we maintain sufficient funding and facilities
- Interest rate risk: our operations are financed by a mix of retained profits and bank borrowings based on floating rates. We model interest rates in severe downside scenarios. Our focus on balance sheet discipline limits the impact of higher interest rates

This strategic report has been approved by the Board and signed on its behalf by:

Stuart Kilpatrick
Chief Financial Officer

7 May 2025

Governance

What's in this section?

Jason Dash, Lords Builders Merchants, Beaconsfield

Board of Directors

We have a strong and experienced Board, with a good balance of backgrounds, knowledge and skills.

Board activities

A	Strategy	35%
B	Business update	20%
C	ESG	30%
D	Financial performance and budgeting	10%
E	Investor relations	5%

Board skills and experience

	Gary O'Brien	Shanker Patel	Stuart Kilpatrick	Sheena Mackay	Andrew Harrison
Digital	●	●	●	●	
M&A	●	●	●	●	●
Climate change & sustainability		●		●	●
Strategy	●	●	●	●	●
Distribution	●	●	●	●	●
Emerging markets		●	●	●	●
Service industry	●		●		
Finance	●	●	●	●	●
Supply chain	●		●	●	
Customers	●	●	●	●	●

N A R

Gary O'Brien

Independent Non-Executive Chairman

Appointed to the Board: 1 July 2020

Skills and experience

- One of the most seasoned leaders in the retail sector, having held numerous senior roles in major retail businesses
- Extensive public company experience, as a director of both Main Market and AIM companies
- Significant experience of business transformations, including refinancings
- Management and advisory expertise in private businesses across corporate finance, telecommunications, IT and financial services marketing
- Excellent understanding of the Group, having worked with the business since 2014, contributing financial acumen and strategic guidance

Other current appointments

- Director of several private property and investment funds

Past appointments

- Chairman, John Lewis of Hungerford; CFO, Signet Group; Deputy CFO of Burton Group plc; Deputy Managing Director and Finance Director, Max Factor Corporation

Shanker Patel

Chief Executive Officer

Appointed to the Board: 22 October 2018

Skills and experience

- Deep understanding of the Group and its markets, having worked within the business since 1993 and as CEO since 2001
- Successfully driven the Group's growth strategy, with a strong track record of delivering both organic and acquisitive growth
- Committed to developing colleagues and maintaining a strong culture
- BSc from the London School of Economics, Law degree and an Exec Ed from Harvard Business School

Other current appointments

- Designated member of the H&B Buying Group that represents Lords
- Chair of West London Business

Past appointments

- Managing Director of Lords Group Trading, prior to appointment as CEO

N Nomination committee member

A Audit & Risk committee member

R Remuneration committee member

Committee Chair

Board of Directors continued

Stuart Kilpatrick
Chief Financial Officer
Appointed to the Board: 4 June 2024

Skills and experience
- Highly experienced and commercial CFO, with a strong track record of delivering growth in shareholder value across support services, staffing, manufacturing, distribution and transport, in both listed and private equity environments
- Expertise includes capital allocation, business transformation, M&A and integration, investor relations, debt and equity financing, and international tax and treasury
- Strong leadership skills, including delivering change management through clear direction and team motivation

Other current appointments
- None

Past appointments
- CFO, Systal Technology Solutions Limited; CFO/Group Finance Director, James Fisher & Sons plc; Group Finance Director, Empresaria Group plc; other senior roles at Vodafone, Elementis plc and Charles Baynes
- Non-executive director and Audit Chair of Windward Ltd

N A R

Andrew Harrison
Senior Independent Director
Appointed to the Board: 1 March 2021

Skills and experience
- Highly experienced in the merchant industry, with an executive career spanning more than 45 years
- Held strategic roles in sales, marketing and operations, and has run sector-leading teams such as procurement, supply chain, international sourcing and category management
- Headed up numerous business acquisitions and their integration into the Travis Perkins Group
- Deep experience and knowledge of business transformation, governance and customer relationship strategy, across the home improvement, timber and builders merchant sector

Other current appointments
- None

Past appointments
- Chief Executive Officer of the Plumbing and Heating division, Travis Perkins; Chief Operating Officer, Travis Perkins; Managing Director of Keyline, Benchmarx and CCF
- Director of Builders Merchants Federation

N A R

Sheena Mackay
Non-Executive Director
Appointed to the Board: 6 September 2023

Skills and experience
- Executive career of more than 30 years in human capital management, including culture and business transformation
- Led global human resources functions across a range of FTSE 100 and FTSE 250 businesses
- Experienced non-executive director

Other current appointments
- Non-executive director at Porvair plc
- External adviser at Bain

Past appointments
- Non-executive director and ESG Committee Chair at Foxtons Group plc
- Group Human Resources Director at Smiths Group plc, Aggreko plc, BBA Aviation plc and SSL International Group plc

Other Board members in 2024
- Chris Day stepped down from the Board as Chief Financial Officer on 17 May 2024

N Nomination committee member
A Audit & Risk committee member
R Remuneration committee member
Committee Chair

Our Operating Board

In addition to Shanker Patel and Stuart Kilpatrick, whose biographies are on pages 64 and 65 respectively, the following senior leaders are members of our Operating Board, which is responsible for day-to-day management of the Group under Shanker Patel's leadership.

Steve Durdant-Hollamby

Chief Operating Officer, Merchanting

Skills and experience

- Extensive sector knowledge gained through 30 years in the UK and international construction markets, across civils, infrastructure and water management
- Public company experience, leading divisions with multiple brands
- Senior leadership roles, covering both builders' merchants and suppliers
- Committed to developing high-performing teams and maintaining a strong culture
- Active officer within the Worshipful Company of Builders Merchants
- Steering group member of the Maddierose Campaign for Construction Youth Trust
- Member of the Institute of Exports

Past appointments

- Executive Director of Genuit Plc, responsible for Water Management Division and International
- Managing Director of Alumasc Plc

Neil Lake

Managing Director, APP Wholesale

Skills and experience

- Strong entrepreneurial skills, having founded and sold two successful businesses to Lords Group: HRP Trade (specialist supplier of spare parts and components for the HVAC industry) and The Direct Group (leading provider of heating and plumbing products)
- Two decades of industry knowledge, including continued leadership of the two firms sold, and a demonstrated track record of driving growth
- Natural leader with a proven ability to inspire and motivate diverse teams across multiple locations nationwide, driving business transformation
- Financially astute, having worked as a broker and underwriter in the insurance sector for close to 20 years

Past appointments

- Managing Director of Swift Insurance Brokers
- Managing Director of Planet Underwriting Agency
- Managing Director of Premier Line (HSBC) Ltd

Anne Prince

Group Human Resources Director

Skills and experience

- Highly effective senior HR leader, with experience of delivering significant business improvement and change programmes within the private and public sectors
- Commercial focus and proven ability to apply broad business knowledge and experience to support delivery of strategic, transformation and operational objectives, resolve issues and deliver bottom-line benefits
- Engaging and trusted leader and a genuine team builder, to achieve sustainable results

Past appointments

- HR Director for North West Europe at Exolum Group
- Head of HR at Ardent Hire Solutions
- Interim HR Director at Charles Wells
- HR Director for the UK at Hayward Taylor
- Range of increasingly senior HR roles at Allied Bakeries, PPD, North Hertfordshire District Council and J Sainsbury plc

Chairman's introduction to corporate governance

"The Board has focused on supporting and overseeing management's response to the challenging market conditions in FY24."

Gary O'Brien
Independent Non-Executive Chairman

Continued compliance

I am pleased to introduce our corporate governance report for FY24. We have continued to follow the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'), which is specifically designed for small to mid-sized companies with ambitions to grow. The Company followed the 2018 version of the QCA Code during FY24 and we complied with all of its requirements, as set out on page 69.

The 2023 edition of the QCA Code will apply to us from FY25. It has more emphasis on areas such as risk, internal controls, ESG and remuneration. We are already reporting ahead of time in some areas such as ESG, as well as developing our approach in other areas as necessary. Our new directors' remuneration policy (see page 80) is one example of how we are adapting to the new requirements.

Strengthening the business during a challenging year

As the CEO, and as I explain in the strategic report, market conditions remained challenging in FY24. The Board's focus was therefore on supporting and overseeing management's response to these conditions, including rigorous cost control, managing margins and preserving our balance sheet strength.

In these circumstances, it is easy to stop investing in the management structure. However, cost control should never be at the expense of running the business effectively and we recognised that strengthening the team would help us through this difficult period. We were therefore pleased to approve the appointment of Steve Durdant-Hollamby as COO of Merchanting. Steve is extremely experienced in the sector and with Neil Lake having been promoted to head P&H, we have strong operational leadership to support Shanker Patel and enable him to spend more time on strategic issues.

More generally, one of our priorities for FY24 was to ensure there were plans in place to develop managers throughout the Group, so we have the leadership we need to support our strategy. The nomination committee focused on succession planning and talent in FY24 and you can read more about this on page 73.

Another priority for the Board in FY24 was to ensure a smooth transition to a new CFO, after Chris Day informed us in January 2024 that he was leaving to take up another role. While we started the recruitment process immediately, we saw that there could be a gap of several months between Chris leaving and a new CFO being in place. My finance background meant I was the best-placed Board member to bridge that gap if it arose, so I effectively embedded myself in the finance team for around three months, holding regular meetings and calls with our divisional finance directors to discuss the issues they were facing and their progress with reducing costs. Ultimately, Stuart Kilpatrick was able to join us within three weeks of Chris's departure and his considerable experience has enabled him to get to grips with the business very quickly.

Chairman's introduction to corporate governance continued

Governance aligned to our purpose

Our purpose is to be a key partner to our trade and retail customers, helping them to deliver their projects on time and on budget. We do this by supporting our colleagues to give the best customer experience, both in store and online.

Our business model (see pages 15 to 16) and strategy (see pages 17 to 21) both reflect this purpose, since they are fundamentally focused on delivering for our customers now and ensuring we continue to do so in future. We therefore have strong governance structures and oversight around all the key aspects of our business model and strategy – in particular our approach to strategic planning, annual budgeting and performance monitoring, as described in the internal controls section on page 72 – ensuring our governance is aligned to delivering our purpose.

Our colleagues and culture are also key to achieving our purpose. Shanker Patel plays a vital role in setting the tone from the top, with the time he spends out in the business contributing to the continued 'family feel' that our colleagues value so highly. The Board monitors the culture closely by reviewing the results of the regular employee surveys, and we receive monthly reports that include key performance indicators providing insight into aspects of our culture, such as health and safety performance and employee churn rates. The work this year on rolling out and fully embedding the Group's values, defining our management grading structure and reviewing our people-related policies also helps to reinforce our culture. See pages 51 to 54 in the strategic report for more information.

A robust and effective Board

The directors continue to work well together and we have a good blend of skills, experience and professional backgrounds, which supports our discussions and decision-making. Reflecting this, and the strong results from our FY23 Board evaluation, we agreed that we did not need to conduct a formal evaluation of the Board and its committees during FY24. We intend to conduct an intensive externally facilitated review in FY25, to independently evaluate the performance of the Board, its committees and individual directors.

Reinforcing our risk management and internal controls

Since the IPO, we have put considerable time and effort into embedding an effective risk management structure throughout the Group and this continued in FY24. The Board has also set our appetite for different types of risk. For example, we have very low tolerance for risks related to health and safety. The principal risks section on pages 59 to 62 provides more information on our appetite for specific risks.

During FY24, BDO began to provide internal audit services to the Group. In addition to reviewing our overall controls, BDO is conducting deep dives on key areas, starting with inventory management. See the audit & risk committee report on page 75.

Understanding shareholder views

The directors pay close attention to shareholders' views. In addition to the executive directors' ongoing investor relations programme, I met major shareholders during the year and introduced them to Sheena Mackay, our most recently appointed non-executive director. I also attended Group meetings with current and potential shareholders. During these discussions they also confirmed their support of management's approach to tight cost control.

Our priorities for FY25

The Board's priority for the year ahead is to manage debt levels and to continue to ensure that the business is lean and fit, that we have the right colleagues and that they remain motivated and engaged. This will position us to take full advantage when the market recovers.

Gary O'Brien
Independent Non-Executive Chairman

7 May 2025

Compliance with the QCA Corporate Governance Code

The table below sets out where the information required by the 2018 version of the QCA Code can be found within this annual report.

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

Purpose	page 8
Business model	pages 15 and 16
Strategy	pages 17 to 21
Challenges to business model and strategy	page 11

Principle 2

Seek to understand and meet shareholder needs and expectations

Stakeholder engagement	pages 32 and 33

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholder engagement	pages 32 and 33
s172 statement	page 34
Sustainability	page 36

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Principal risks and uncertainties	pages 50 to 62
Internal controls	page 72
Audit & Risk committee report	pages 75 to 77

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chairman

Board biographies	pages 64 and 65
Board composition and diversity	page 73
Chairman's introduction	pages 67 and 68
Directors' roles	page 70
Directors' time commitment	page 71
Non-executive director independence	page 71

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Board biographies	pages 64 and 65
Nomination committee report	pages 73 to 74
Company Secretary and advice for directors	page 71
Audit & risk committee report	pages 75 and 77
Remuneration committee report	pages 78 to 84

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Chairman's introduction	pages 67 and 68

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

Our culture and values	page 51
Maintaining an ethical culture	page 54
Chairman's introduction	pages 67 and 68

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Corporate governance statement	pages 70 to 72

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Stakeholder engagement	pages 32 and 33
Audit & Risk committee report	pages 75 to 77
Remuneration committee report	pages 78 to 84
Nomination committee report	pages 73 to 74

A statement of compliance with the QCA Code is available from the corporate governance section of the Company's website.

Corporate governance statement

The Board's role

The Board is responsible for the Group's overall management, including formulating and approving the Group's long-term objectives and strategy, approving budgets, overseeing the Group's operations, maintaining sound internal control and risk management systems, and implementing the Group's strategy, policies and plans.

There is a formal schedule of matters reserved for the Board's decision. This encompasses:

- strategy and management;
- structure and capital;
- financial reporting and controls;
- internal controls;
- major contracts and projects;
- Board membership and other appointments;
- remuneration of directors and senior management;
- delegation of authority;
- corporate governance matters;
- policies; and
- other matters, including appointment of advisers, litigation and insurance matters.

A full schedule of matters reserved for Board decision is available from the corporate governance section of the Company's website.

The Board also delegates specific responsibilities to senior management. This is governed by a formal policy and a delegated authority matrix.

Board committees

The Board has audit & risk, remuneration and nomination committees, with formally delegated duties and responsibilities. Their composition and work are described in their respective reports on pages 73 to 84.

The directors' roles

The directors' respective roles are set out in the following table. The roles of the Chairman and CEO are clearly defined and set out in writing. A more detailed description of their responsibilities is available from the corporate governance section of the Company's website.

Role	Key responsibilities
Chairman	• Board oversight • Ensuring that the whole Board participates in a full and constructive manner to developing and determining the Group's strategy and overall commercial objectives • Acting as guardian of the Board's decision-making processes
Chief Executive Officer	• Running the Group's business • Proposing and developing the Group's strategy and overall commercial objectives, in close consultation with the Chairman and the Board • With the executive team, implementing the decisions of the Board and its committees
Chief Financial Officer	• Supporting the Chief Executive Officer in developing the strategy and objectives • Managing the Group's financial performance • Managing the Group's financial resources and liquidity
Senior Independent Director	• Acting as a sounding board for the Chairman • Acting as an alternative line of communication between the Chairman and other directors • Acting as an alternative line of communication for shareholders as required • Appraising the Chairman's performance
Non-executive directors	• Acting as a sounding board for the Chairman and a source of reciprocal feedback for other members of the Board and shareholders, where required

Corporate governance statement continued

Board and committee meetings

The table below shows attendance at Board and committee meetings during the year.

Only the non-executive directors are members of the Board's committees. Where appropriate, Shanker Patel and Stuart Kilpatrick are invited to attend committee meetings, to provide input and support the committees' discussions.

Director	Board	Audit & Risk committee	Remuneration committee	Nomination committee
Gary O'Brien	7/7	3/3	3/3	2/2
Shanker Patel	7/7	—	—	—
Stuart Kilpatrick[1]	4/4	—	—	—
Andrew Harrison	7/7	3/3	3/3	2/2
Sheena Mackay	7/7	3/3	3/3	2/2
Chris Day[2]	3/3	—	—	—

1. Appointed to the Board on 4 June 2024.
2. Stepped down from the Board on 17 May 2024.

Provision of information to the directors

The directors receive appropriate and timely information in advance of Board and committee meetings. A calendar of meetings and the principal matters to be discussed are agreed at the beginning of each year. This enables the authors of documents for the Board and committees to be informed of deadlines for submission.

Board and committee papers and presentations are focused on key issues requiring decisions to be made. Papers are collated by the Board or committee Chair, the Company Secretary and the Chief Financial Officer. The papers are then compiled into a pack and circulated at least five working days before meetings, allowing time for full consideration.

Management supplies the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. Committee Chairs report to the Board after each committee meeting and at Board meetings.

Where a director is unable to attend a Board or committee meeting, he or she is provided with all relevant papers and information relating to that meeting and is encouraged to discuss issues arising with the respective Chairs and other Board and committee members.

Company Secretary and advice for directors

One Advisory Limited is the Company Secretary. The Company Secretary is available to advise all the directors and ensure that the Board's procedures are followed and that applicable rules and regulations are complied with.

The Company also has procedures to enable the directors to obtain independent professional advice, at the Company's expense, if required to enable the directors to fulfil their duties.

Non-executive director independence

Factors that can affect a director's independence include the length of their Board tenure, the size of their shareholding, any prior or current commercial or contractual relationships with the Company or with executive directors, and significant incentive pay arrangements beyond a director's fee.

The Board has considered these issues and confirms that it considers Gary O'Brien, Andrew Harrison and Sheena Mackay to be independent. The Board therefore meets the QCA Code recommendation of having at least two independent non-executive directors.

Directors' time commitment

All the non-executive directors must be able to devote sufficient time to the Group to discharge their duties effectively, with their letters of appointment specifying a minimum time commitment. This includes preparing for and attending scheduled Board and committee meetings, as well as other meetings or calls as necessary. The Board confirms that all the non-executive directors are able to commit the time required to fulfil their roles.

Any proposed external roles for Board members must be discussed with the Chairman and approved. This is to ensure the individual can still carry out their responsibilities to the Company, in terms of both their time commitment and avoiding conflicts of interest.

Corporate governance statement continued

Service agreements and letters of appointment

Information on the service agreements for the executive directors and the letters of appointment for non-executive directors can be found in the remuneration committee report on pages 78 to 84.

Election by shareholders

Under the Company's Articles of Association, one-third of the directors are required to stand for re-election each year. However, the QCA Code recommends that all directors are re-elected on an annual basis and as a result, all the directors will be standing for re-election at the 2025 AGM.

Internal controls

The Board is responsible for establishing and maintaining the Company's system of internal financial controls. The audit & risk committee assists the Board in discharging these duties.

Internal financial control systems are designed to meet the Company's particular needs and the risks it faces. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The controls in place include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, compliance matters and ensuring proper accounting records are maintained.

During FY24, the Group continued to implement improvements to controls (see the audit & risk committee report on pages 75 to 77). Following this work, the directors have reviewed the effectiveness of the Group's internal controls and consider that they are appropriate to the nature and scale of the Group's operations.

Conflicts of interest

The directors are required to disclose any conflicts of interest at the start of all Board and committee meetings and this is a formal agenda item.

For information on the relationship agreement between the Company, Cavendish Capital Markets and Shanker Patel, see the directors' report on pages 85 and 86.

Annual general meeting (AGM)

The AGM provides opportunities for dialogue between the Board and the Company's shareholders. The AGM will be held on 20 June 2025 at the offices of Cavendish Capital Markets, One Bartholomew Close, London, EC1A 7BL. Shareholders can also access the meeting online via the Investor Meet Company platform.

The Notice of Meeting, setting out the resolutions proposed, is contained in a separate document and is available on the Group's website.

Nomination committee report

> In FY24, the committee led the process for recruiting our new CFO and made good progress with succession planning and reviewing the talent pipeline.

Sheena Mackay
Nomination committee Chair

Committee membership and meetings

All the committee members are independent directors. I am the committee Chair and the other members are Gary O'Brien and Andrew Harrison. Details of the committee members' attendance at our meetings can be found on page 71. Shanker Patel and the Group Human Resources Director also attend our meetings by invitation.

The committee's role

Our role is described in detail in our terms of reference, which are available on the corporate governance section of the Company's website. In summary, our key responsibilities are to:

- regularly review the Board's structure, size and composition, including skills, knowledge, experience and diversity;
- consider succession planning for directors and other senior executives, including the skills and expertise the Board will need in the future;
- identify and nominate candidates when Board vacancies arise, taking into account the skills, knowledge, experience and diversity on the Board;
- review the results of the Board performance evaluation process related to the Board's composition; and
- make recommendations on re-appointing non-executive directors at the end of their term and for the annual re-election of directors by shareholders.

Board composition and diversity

We reviewed the Board's composition during the year and concluded that the Board remains the right size for this stage of the Group's development and that our skill base is strong across most of the areas we require.

Our executive directors have decades of experience in their respective fields, while the non-executive directors also have relevant and complementary skills and experience, including in strategy, finance, human resources, operations, the merchanting industry, and corporate governance.

We do not have a formal diversity policy or targets for the Board. Our diversity was unchanged in 2024, with one female director (out of five directors in total) and one from an ethnic background.

The Board is very aware of the importance of diversity and the benefits of differing experiences and perspectives. We fully consider diversity as part of appointments to the Board, as discussed below. We also receive reports on diversity in the organisation and review this as a matter of course, being particularly mindful of diversity in our management positions. We believe the Group does a good job of promoting diverse candidates while recognising that it can be more challenging to find senior women with experience in the industry.

Succession planning

We continued to review our succession plans for both Board and management positions. Our longest-serving non-executive director is the Chairman, Gary O'Brien, who was appointed to the Board in July 2020 and was also an adviser to the management team prior to the Group's IPO. Andrew Harrison and I have been on the Board for around four years and 18 months respectively. We do not therefore have an imminent need to rotate any of the non-executive roles but we discuss this regularly during the year.

Nomination committee report continued

Succession planning continued

Shanker Patel is integral to the business and it is vital that we have suitable emergency cover for him. As the Chairman discusses in his introduction, the changes to the senior leadership team in FY24 mean we have highly experienced operators heading up our Merchanting and P&H divisions. They would be well placed to provide cover for Shanker, with the oversight of our Senior Independent Director Andrew Harrison, who spent more than 45 years in the industry.

The committee has also looked at the future leadership needs of the business. The Group now has a clear grading structure, which sets out the level and size of each role, and this was an important input to our management succession planning. We have thoroughly reviewed our leadership talent and the pipeline of colleagues who can move up into leadership positions. We also looked at the interchangeability of our senior divisional leaders, resulting in some changing roles to help their development and growth.

Director recruitment and induction

There was one change to Board membership during the year, with Stuart Kilpatrick joining as CFO in June 2024. Details of the recruitment process can be found in the nomination committee report in the FY23 annual report.

When considering appointments to the Board, our terms of reference require us to:

- consider candidates from a wide range of backgrounds;
- take account of the benefits of diversity on the Board, including gender, ethnicity and socioeconomic background; and
- assess candidates on merit and against objective criteria.

We are always keen to receive a diverse slate of candidates for a role but ultimately we have to select the best appointee. Stuart stood out with his significant experience as a public company CFO.

As outlined on page 67, Gary O'Brien spent considerable time ensuring a smooth transition between CFOs in FY24. This enabled Stuart to complete a thorough induction, which included:

- meetings with the Chair and other non-executive directors;
- numerous meetings with finance and operational teams around the Group;
- meetings with the Group HR Director, ESG team and other key functions;
- visits to Lords, George Lines, Hevey, A.W. Lumb, Chiltern Timber and Advance Roofing branches, and to APP branches and distribution centres;
- attending Merchanting, APP, A.W. Lumb and Weldit board meetings; and
- meetings with the Company's advisers, external and internal auditors, bankers and other key service providers.

Directors' training

The FY23 Board evaluation identified continuous professional development for the directors as an area for improvement. While the individual directors are responsible for identifying and organising their own training needs, we have also looked to take advantage of learning opportunities provided by our advisers and other organisations.

The Group became a member of the QCA during FY24 and this has given us access to seminars on different aspects of the QCA Code, which both Gary O'Brien and I have attended. I also arranged for the Board to receive training on remuneration.

Other examples of directors' training include Shanker Patel attending and speaking at BMF events, as well as attending HSBC's seminars on the UK macro outlook. I attended a wide range of events arranged by leading financial services firms and other organisations, such as Women on Boards. The topics covered included remuneration trends, ESG reporting, the changing governance landscape for AIM-listed businesses, the impact on business of macroeconomics and the changing political landscape, directors' responsibilities – risks and liabilities — and macro themes for boards in 2025 and beyond.

Looking forward, we intend to use nomination committee meetings to share the takeaways from the events we have each attended.

Policies

One of the committee's priorities for FY24 was to oversee a review of the Group's people-related policies and make sure they were comprehensive and up to date. We have made good progress with this, for example reviewing the policies on grading and promotion, and the process is ongoing.

FY25 priorities

In FY25, the committee will continue to work on succession planning, both at Board level and ensuring we have succession cover for key operational roles. We will also focus on the Group's retention of talent as the market picks up.

Sheena Mackay
Nomination committee Chair
7 May 2025

Audit & Risk committee report

> The committee plays an important part in the Group's governance, with our primary focus in the year being the Group's risk management and internal controls.

Gary O'Brien
Audit & Risk committee Chair

Committee membership

All the committee members are independent non-executive directors. I chair the committee and its other members are Andrew Harrison and Sheena Mackay. The Company Secretary acts as secretary to the committee.

I am considered to have recent and relevant financial experience, given my background as the finance director of public companies. The other committee members also bring valuable experience and perspectives to our work. Andrew Harrison has deep knowledge of the industry and the control environment that is necessary to operate successfully in our sector. Sheena Mackay has senior management experience in major public companies, giving her insight into how successful businesses operate and the issues they face.

The committee's role

The committee's responsibilities include:

- monitoring the integrity of the Group's financial statements, including its annual and half-yearly reports and any other formal statements relating to its financial performance;
- reviewing significant financial reporting issues and judgements;
- reviewing and challenging accounting policies;
- reviewing the effectiveness of the Group's internal control and risk management systems;
- overseeing the relationship with the external auditor, including advising on its appointment, agreeing the scope of the audit and reviewing the audit findings;
- reviewing the adequacy and security of whistleblowing arrangements and ensuring proportionate and independent investigation of any matters; and
- agreeing annual programme of work with the internal auditor, reviewing its findings and ensuring they are appropriately followed up by management.

A full list of the committee's responsibilities can be found in its terms of reference, which are available from the corporate governance section of the Company's website.

Committee meetings

The committee meets at least three times a year, at appropriate intervals in the financial reporting and audit cycle. Attendance at the committee's meetings can be found on page 71.

In addition to the committee members, Stuart Kilpatrick and the Group Financial Controller attend meetings at the committee's invitation. We also meet the Group's external auditor to discuss the scope and findings from the audit, as well as meeting the lead audit partner without management being present.

Audit & Risk committee report continued

Internal controls and internal audit

In FY22 and FY23, we worked with KPMG to ensure the Group had an effective risk management structure in place. At the start of FY24, we carried out a full review of this framework, to make sure it was operating effectively and that it was embedded in the divisions, as well as at Group level. As part of our ongoing oversight of risk, the committee receives a detailed risk management report at the start of each year, which summarises the controls the divisions are applying. This allows us to ensure that all the major risk areas are covered, to confirm where there are sufficient controls in place and identify where more controls may be needed. As a result of this work, we believe risk is being well controlled throughout the organisation. We have a procedure in place to ensure we constantly review the risk landscape and allow us to confirm that the risk framework is being properly applied. The Board has also set our risk appetite for different categories of risk, with more information provided in the principal risks section on pages 59 to 62.

Cyber security is an area of focus for us. The Group has expert third-party support, which considers both our overall framework for cyber security and whether the divisions are applying the controls as required. The committee will work with the Group's IT and finance teams during FY25 to review cyber security arrangements.

As noted in last year's report, we appointed BDO to provide internal audit services to the Group from FY24, with a multi-year plan to cover all the major areas of risk. The programme started with a high-level review of our financial controls, which confirmed that our controls were much tighter following the improvements made in response to audit issues in previous years, and further recommendations have since been implemented within the business. BDO has since conducted a deep dive on inventory management, looking at how we control stock within each of the major divisions. This report is currently with our divisional management, to enable them to respond to its findings, and will then be presented to the audit & risk committee. Our aim is for BDO to conduct two deep dives per year and we will consider one on cyber security, once we have completed our review as outlined above.

Financial reporting and significant judgements

One of the committee's key responsibilities is to consider the significant areas of complexity, judgement and estimation that have been applied in preparing the financial statements for the year under review.

For FY24, the key areas were as follows:

Inventory

Inventory is a significant asset for the Group, representing £49.3 million of the Group's total assets of £49.3 million at 31 December 2024. Calculating inventory provisions, to ensure stock is held at the lower of cost and net realisable value, involves significant estimation and judgement, including consideration of expected future losses on the sale of inventory and any inventory obsolescence. In addition, due to the number of locations which hold inventory, there is a risk of a mismatch between physical stock and the Group's stock records.

Gain on lease renegotiation

As discussed in the financial review on page 56, the Group recorded a gain of £1.7 million in FY24, following the renegotiation of a lease for the Merchanting division's Park Royal site. As the Group has fully completed its obligations in respect of the renegotiation, the gain has been fully recognised and £1.5 million received in cash during the year. As property is one of our '3Ps', and in line with its publicly listed competitors, the Group has included the gain within adjusted EBITDA but disclosed its APM's both inclusive and exclusive of this gain. As part of the consideration around presentation of APMs, the presentation of the statement of comprehensive income has been simplified to only report performance measured under IFRS.

Impairment review

In light of the difficult trading conditions experienced in FY24, there continue to be indicators of a potential risk of impairment. The committee has focused on the carrying value of the Group's tangible and intangible assets, including goodwill and right-of-use-assets, and ensuring they are appropriately tested for any impairment. In order to eliminate judgement in assessing the indicators of impairment for assets other than goodwill, impairment reviews were conducted for all branch-level cash-generating units. The reviews involve significant levels of management estimations and judgements surrounding discount and growth rates applied to the cash-generating units, and focus was placed on considering the sensitivity of the outcome of impairment testing to the use of different assumptions.

The Board concluded that there was no impairment of goodwill in the year but that right-of-use assets, in respect of two branches, should be impaired by £1.3 million (2023: £0.5 million). This has no impact on the underlying profitability of the Group and represents a point in time assessment of revenue growth required to support the IFRS 16 right-of-use asset.

Audit & Risk committee report continued

The committee's conclusions

We discussed the areas outlined above with management and with the auditor. In considering the treatment of these items, we also took into account, where necessary, advice from internal and external advisers, common practice within the industry and its knowledge of the business. We concluded that the treatment of these items was appropriate.

External auditor

The Group appointed RSM as external auditor in 2021. The auditor typically attends two to three of our committee meetings during the year, so we can discuss:

- the audit plan for the full-year results, including the overall planning materiality and the auditor's assessment of the audit risks; and
- its findings from the audit.

As part of the committee's formal meetings with the auditor, we receive a report from it that formally confirms its independence, which we can challenge if necessary. While we do not have a written policy regarding the auditor providing non-audit services and can consider any proposed work on a case-by-case basis, in practice we do not ask RSM to tender for other consultancy projects and it did not conduct any non-audit work in FY24. We are therefore satisfied that the auditor remains independent.

Priorities for FY25

The committee's priorities for FY25 are to complete the review of the Group's cyber security arrangements and to have BDO conduct two internal audit deep dives, on topics to be agreed by the committee.

Gary O'Brien
Audit & Risk committee Chair

7 May 2025

Remuneration committee report

"This was a busy year for the committee, which included developing a new directors' remuneration policy."

Sheena Mackay
Remuneration committee Chair

Annual statement

I am pleased to present this remuneration report for FY24. While we are not required to report in the same depth as a Main Market company, it is important to be transparent about our remuneration arrangements and the principles underlying them. We therefore follow the QCA Remuneration Committee Guide.

In last year's report, I set out two priorities for the committee. The first of these was to oversee the completion of the management grading exercise, which was successfully concluded and is discussed in the strategic report on page 52.

Our second priority was to review the directors' remuneration policy and consider the need to set out the Group's approach in specific areas, such as recruitment, shareholding guidelines and pensions. We have therefore developed a new remuneration policy that supports the Group's strategy and reflects the value we place on entrepreneurialism, integrity, innovation and resilience.

The policy is based on the following principles:

- Remuneration should be set at levels that reflect the competitive market in which we operate
- Reward elements should be designed to link remuneration with performance and the achievement of appropriate performance targets that promote long-term value creation, aligned with our corporate strategy
- Executive directors' incentives should align with shareholders' interests, both through performance targets that are set to deliver an increase in shareholder value and through share ownership by the executive directors
- Employees below executive director level should have a lower proportion of incentive-based remuneration, with remuneration based on market comparators and the employee's role
- Participation in long-term incentive plans should be limited to individuals with the potential to influence delivery of the Group's strategy and our medium-term financial performance

In drafting the new policy, we have considered pay and conditions across the Group's workforce, taken account of the requirements in the 2023 edition of the QCA Code and reflected changes to market practice that we expect to see in the future. For example, the policy brings pension contributions for the executive directors in line with those for the wider workforce. To encourage strong delivery, the policy includes performance criteria for variable pay, based on financial performance, strategic delivery and ESG metrics, particularly relating to the environment. The full policy can be found on pages 80 to 82 of this report.

We also carried out a comprehensive benchmarking exercise on executive director pay in FY24, with the support of Korn Ferry. We considered the size of the roles and looked at a wide range of comparator groups, including Main Market, small cap and AIM-listed companies, as well as private businesses. This resulted in some changes to Shanker Patel's remuneration package, as described on page 83.

As noted in his introduction to governance, our Chairman Gary O'Brien spent considerable time in FY24 supporting the smooth transition to our new Chief Financial Officer. After carefully considering Gary's contribution and his contractual entitlements, the Board agreed that it would recognise his efforts and remunerate him for some of the additional hours he spent. We formed a sign-off team comprising the CEO, the CFO and myself, and having performed a detailed calculation of his extra work, we concluded that a one-off payment of £30,000 would be appropriate. While this did not reflect the full value of the time Gary spent, we were also aware of the need to balance his remuneration with the Group's focus on controlling costs in the difficult market environment.

Remuneration committee report continued

Annual statement continued

I also want to recognise the personal gesture from our CEO Shanker Patel, who voluntarily took a pay holiday in the final quarter of 2024, in light of the challenging business circumstances. This is another demonstration of his considerable commitment to the Group, having foregone his annual bonus for FY23 so it could be reinvested in training our colleagues.

As described in last year's report, the Board created a separate nomination committee in FY23, to take on some of the work that the remuneration committee had previously performed. Following this separation, we continued to refine our governance structures around remuneration this year, for example by reviewing the scope of the committee's authority for remuneration of senior management below Board level, the timing of bonus payments and the scheduling of the committee's meetings. The committee's ToR were changed in January 2025. The new version should be on the website.

For FY25, the committee's priority is to review long-term incentive arrangements for the executive directors and senior management, to support the retention of our key colleagues.

Committee membership and meetings

I am the committee Chair, and the other members are Gary O'Brien and Andrew Harrison.

Details of the committee members' attendance at our meetings can be found on page 71. The executive directors attend our meetings by invitation but are not involved in any discussion regarding their own pay. Similarly, none of the non-executive directors are involved in determining their own fees. The Group Human Resources Director also attends our meetings by invitation.

The committee's role

The committee's responsibilities include determining, and agreeing with the Board, the remuneration framework for all the directors and other designated senior management and ensuring that remuneration packages for any new appointments are appropriate and objective. Full details of our remit can be found in our terms of reference, which are available from the corporate governance section of the Company's website.

Advisers to the remuneration committee

The committee receives support and information from the executive directors and the Group Human Resources Director and is also authorised to obtain outside professional advice and expertise as needed. The committee does not have a retained remuneration adviser but we did receive advice on an ad hoc basis from Korn Ferry during the year, both in relation to the new remuneration policy and the benchmarking exercise.

Executive directors' remuneration

For FY24, the executive directors' remuneration package included the following elements:

Salary

The base salaries of the executive directors are set at levels considered to be appropriate when they enter into service agreements with the Company. The base salaries are reviewed by the remuneration committee annually and any increases are awarded having regard to performance and salary levels in comparable organisations, along with those of the wider workforce.

Benefits in kind

A range of taxable benefits are available to the executive directors. These benefits primarily comprise private healthcare, life assurance and the provision of a car or car allowance.

Performance-related bonuses

The Company operates bonus arrangements for the executive directors, with the primary measures being the achievement of financial targets and personal performance.

Deferred Bonus Plan

The Group operates a Deferred Bonus Plan, under which certain directors and senior management have been granted options to subscribe for ordinary shares. All options were equity settled. The options are subject to service and performance conditions.

Pension contributions

The Company makes contributions into personal pension schemes or makes payments in lieu of contributions.

Non-executive directors' remuneration

The non-executive directors receive an annual fee. The fee is approved by the Board, taking into account the time commitment and responsibilities of the roles and current market rates for comparable organisations and appointments. The non-executive directors are also reimbursed for travelling and other minor expenses incurred.

Review of directors' emoluments in FY24

Following the benchmarking exercise described on page 83, the committee agreed to make some adjustments to Shanker Patel's remuneration package, primarily to bring his pension contribution in line with the wider workforce. As a result, the contribution was reduced from 10% of base salary to 6% from 1 July 2025, with a further reduction to 3% from 1 July 2025. Stuart Kilpatrick already receives a 3% pension contribution.

To compensate Shanker for this reduction, he received an increase in base salary of 6% from 1 July 2025, comprising the standard 2% pay award for the wider workforce and 4% to offset his lower pension contribution.

The non-executive directors' fees are typically reviewed in December, with the increase applying from January. Given the current difficult trading environment, the directors agreed that they would not increase the fees in January 2025 and that they would review them again in July 2025.

Remuneration arrangements for the CFO

Stuart Kilpatrick was appointed CFO on 4 June 2024. On appointment, his base salary was £300,000, with maximum bonus opportunity of up to 100% of salary and potential annual LTIP awarded of up to 150% of salary.

Payments to past directors

Chris Day stepped down as a director on 17 May 2024. He continued to receive base salary, benefits and pension contributions until his departure date. He did not receive a bonus or an award under the LTIP in respect of FY24 and his unvested LTIP awards lapsed when he left the Group. Information on the amounts paid to Chris in FY24 can be found in the table on page 83.

Remuneration committee report continued

Directors’ remuneration policy

Set out below is the directors’ remuneration policy approved by the remuneration committee on 22 April 2025.

The remuneration policy is set out below and will be put to an advisory shareholder vote at the 2025 AGM. It is intended that the policy will apply for three years.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	Designed to attract, retain, motivate and reward the necessary high-calibre individuals.	Salaries are a fixed annual sum and payable monthly. Salaries are reviewed each year, recognising the individual’s performance and experience and developments in the relevant employment market, as well as comparing to market data.	No prescribed maximum salary or salary increase. Salaries are generally set for each executive director within a range around the market median for similar positions. The committee considers the general increase for the employee population, although increases may be higher or lower than this to recognise a change in scope or responsibility of an individual.	Not applicable.
Pension	To offer competitive retirement benefits.	Executive directors are eligible to join the Group’s defined contribution scheme, receive a Company contribution into a personal pension scheme or be paid a cash supplement in lieu of pension.	In line with the workforce average (currently 3% of salary).	Not applicable.
Benefits	To offer a competitive benefit package.	Benefits provisions include, but are not limited to, the following: a company car or cash alternative, life assurance and healthcare insurance. Executive directors will be eligible for any other benefits or allowances which are introduced for the wider workforce on broadly similar terms. Additional benefits or allowances might be provided from time to time, if the committee decides payment of such benefits is appropriate and in line with market practice. Any reasonable business-related expenses can be reimbursed and any tax thereon met, if determined to be a taxable benefit.	No prescribed maximum.	Not applicable.
Annual bonus	To incentivise and reward the executive directors to deliver annual financial and operational targets.	Payable on the achievement of financial and non-financial objectives. The remuneration committee can require that a proportion of any bonus paid is deferred into shares, with deferred share awards vesting after two years. The committee may also deem that deferred shares are forfeitable if the individual leaves as a ‘bad leaver’. Dividend equivalent payments may be awarded (in cash or shares) on deferred shares that vest. Malus and clawback provisions operate.	Up to 100% of salary.	The majority of the bonus potential is based on financial targets derived from the annual plan. The balance of the bonus potential is based on other non-financial objectives, such as strategic objectives. Generally, no more than 60% of the bonus will be paid for target performance.

Remuneration committee report continued

Directors' remuneration policy continued

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Long-Term Incentive Plan (LTIP)	To align the interests of the executive directors with delivering the Group's long-term performance and strategy, and the interests of shareholders.	Annual grant of conditional share awards. LTIP awards are subject to performance conditions, normally measured over three years. The remuneration committee will have the discretion to implement an additional post-vesting holding period, typically not exceeding two years. This holding period may apply to either a portion of the award or the entire award. Dividend equivalents may be awarded (in cash or shares) on shares that vest. Malus and clawback provisions operate.	Up to 150% of salary.	Awards will be subject to financial, share price and/or strategic performance conditions. Where practicable, no more than 25% of an award vests at threshold, increasing to 100% vesting at maximum.
All-employee share schemes	To encourage employees to build a stake in the future of the Company.	The executive directors can participate in any HMRC-approved all-employee plans operated by the Company.	Subject to prevailing HMRC limits.	Not applicable.
Share ownership	To ensure alignment between the interests of executive directors and shareholders.	Executive directors are expected to build a holding of 1x salary.	100% of salary for all executive directors.	Not applicable.
Non-executive directors' fees	To provide fees that reflect the time commitment and responsibilities of each role, in line with those provided by similarly sized companies.	Fees are normally paid monthly in cash and are typically reviewed annually. Additional fees may be paid in relation to extra responsibilities undertaken, such as chairing certain Board subcommittees. The committee determines the Chairman's fees. The Chairman and executive directors determine fees for the other non-executive directors.	No prescribed maximum fee or fee increase, (although fees are limited by the Company's Articles of Association). Fee levels are guided by market rates, time commitments and responsibility levels.	Not applicable.

Notes:

1. The choice of the performance metrics applicable to the annual bonus reflects the committee's belief that any incentive targets should be appropriately challenging and tied to the delivery of both financial and strategic objectives.
2. LTIP performance conditions are selected based on the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's strategy.
3. The committee operates its share plans in accordance with the plan rules. The committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans (for example treatment of awards for leavers or on a change of control and/or adjustments to performance targets).
4. The committee retains the right to exercise discretion to override formulaic outcomes and ensure that the level of bonus or LTIP awards payable is appropriate. It may use its discretion to adjust outcomes to ensure that any payments made reflect overall Company performance. Where exercised, the rationale for this discretion will be fully disclosed in the relevant directors' remuneration report.
5. For the avoidance of doubt, under this directors' remuneration policy, authority is given to the Company to honour any past commitments entered into with current or former directors or that was made the time when the relevant individual was not a director of the Company (including the vesting of share awards granted in the past).

Remuneration committee report continued

Malus and clawback provisions

Malus and clawback provisions operate in respect of the annual bonus and LTIP awards, with committee discretion to apply them in the event of a material misstatement in the Company's financial results, miscalculation, serious reputational damage to the Company, in the event it is discovered that the participant committed serious misconduct that could have warranted summary dismissal, or a corporate failure or insolvency.

Approach to recruitment

New executive directors will be appointed on remuneration packages with the same structure and elements set out in the directors' remuneration policy table. Ongoing incentive pay and share-based awards will be limited to:

- maximum annual bonus of 100% of salary; and
- LTIP award of up to 150% of salary.

For external appointments, the committee may offer additional cash or share-based elements to replace deferred or incentive pay forfeited by an executive when leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

Shareholders will be informed of any such payments as soon as practicable following the appointment.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided they are put to shareholders for approval at the earliest opportunity if these remain outside of policy limits.

For external and internal appointments, the committee may agree that the Company will meet certain relocation and incidental expenses as appropriate.

Service contracts

The Board's policy is that executive directors are employed on contracts subject to no more than six months' notice from either side. The service agreements do not have a fixed term. If it becomes necessary to consider termination of a service contract, the committee will have regard to all the circumstances of the case, including mitigation, when determining any compensation to be paid.

Details of the current service contracts are as follows:

	Contract date	Notice period
Shanker Patel	14 July 2021	6 months
Stuart Kilpatrick	4 June 2024	6 months

Non-executive directors do not have service contracts but have a letter of appointment setting out their terms and conditions. Non-executive directors are appointed each year for up to 12 months (subject to re-election at the AGM) and are entitled to three months' prior written notice of early termination, for which no compensation is payable.

Details of the letters for the current non-executive directors are set out below:

	Date of appointment	Date of (re-)election
Gary O'Brien	1 July 2020	20 June 2024
Sheena Mackay	6 September 2023	20 June 2024
Andrew Harrison	1 March 2021	20 June 2024

Loss of office

In relation to executive directors leaving the Company, the committee is committed to applying a consistent and equitable approach to ensure the Company is fair and appropriate but pays no more than necessary. The loss of office policy is in line with market practice and will be dependent on whether the individual is deemed a 'good leaver' or 'bad leaver'.

The 'good leaver' policy includes:

- If notice is served by either party, the executive director can continue to receive base salary, benefits and pension for the duration of their notice period. The executive director may be asked to perform their normal duties during their notice period, or they may be put on garden leave
- The Group may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary. Payment in lieu of notice is equal to six months' basic salary or, if termination is part way through the notice period, the amount of salary relating to any unexpired notice to the date of termination
- Bonus payments, normally pro-rated for the period of active service, may be made, subject to the original performance targets, at the discretion of the committee. Any such payments would be made on the normal payment date
- Vesting of share scheme awards is not automatic and the committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. For a 'good leaver': (i) deferred bonus awards will normally vest in full at the normal vesting date (although they may vest earlier, including at cessation); and (ii) LTIP awards will normally vest at the normal vesting date (although they may vest earlier, including at cessation) subject to performance against the performance targets. LTIP awards will normally be pro-rated for time
- The 'good leaver' reasons are death, injury, illness or disability, redundancy, retirement, transfer of business resulting in cessation of the individual's employment and any other reason at the committee's discretion
- Executive directors will also be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination
- A contribution to legal fees and outplacement support may be paid by the Company where appropriate. No compensation is paid for summary dismissal, save for any statutory entitlements

Remuneration committee report continued

Remuneration outcomes for FY24

In determining remuneration outcomes for the year, the committee took into account the Group's financial and operational performance and the remuneration principles outlined above.

The conditions for the FY24 performance-related bonus were partially met, but the receipt of a bonus was waived by the CEO and the CFO.

Directors' emoluments

	Salary/fee		Bonus		Benefits		Remuneration for qualifying services		Pension benefit		Gain on share options exercised		Total	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Shanker Patel	**327**	428	**—**	—	**18**	8	**345**	436	**35**	39	**—**	—	**380**	475
Stuart Kilpatrick[1]	**172**	—	**—**	—	**7**	—	**179**	—	**23**	—	**—**	—	**202**	—
Gary O'Brien	**125**	94	**—**	—	**—**	—	**125**	94	**—**	—	**—**	—	**125**	94
Andrew Harrison	**60**	59	**—**	—	**—**	—	**60**	59	**—**	—	**—**	—	**60**	59
Sheena Mackay[2]	**55**	17	**—**	—	**—**	—	**55**	17	**—**	—	**—**	—	**55**	17
Former directors														
Chris Day[3]	**124**	263	**—**	19	**4**	8	**128**	290	**9**	24	**—**	—	**137**	314
Dawn Moore[4]	**—**	25	**—**	—	**—**	—	**—**	25	**—**	—	**—**	—	**—**	25
	863	886	**—**	19	**29**	16	**892**	921	**67**	63	**—**	—	**959**	984

1. Appointed to the Board on 4 June 2024.
2. Appointed to the Board on 6 September 2023.
3. Stepped down from the Board on 17 May 2024.
4. Stepped down from the Board on 20 June 2023.

Directors' interest in shares under the Long-Term Incentive Plan

There were no awards under the LTIP in FY24. All of Chris Day's unvested awards lapsed when he left the Group on 17 May 2024.

Director	Number at 1 January 2024	Awarded in year	Exercised in year	Lapsed in year	Number at 31 December 2024	Date of grant
Chris Day[1]	2,105	—	—	(2,105)	—	20/09/2021
Chris Day[2]	13,158	—	—	(13,158)	—	01/10/2021
Chris Day[3]	238,950	—	—	(238,950)	—	30/06/2022
Chris Day[4]	276,073	—	—	(276,073)	—	20/09/2023
	530,286	**—**	**—**	**(530,286)**	**—**	

1. 2021 Share Incentive Plan.
2. 2021 Deferred Bonus Plan.
3. 2022 Long-Term Incentive Plan.
4. 2023 Long-Term Incentive Plan.

Remuneration committee report continued

Directors' interest in shares under the Long-Term Incentive Plan continued

On 7 February 2025, the Group's remuneration committee has approved the award of nil cost options over an aggregate of 400,000 new ordinary shares to Stuart Kilpatrick, the Company's Chief Financial Officer. This award is being granted to replace certain interests held by Stuart Kilpatrick in connection with his former role and which were forfeited on joining the Company.

The award will vest two and a half years from grant at nil pence per ordinary share subject to performance criteria based on adjusted earnings per share for the financial year ending 31 December 2026 and the Group's total shareholder return performance in the period from H2 2024 to the year ending 31 December 2026.

2021 Share Incentive Plan

On listing on AIM, all employees with over six months' service were awarded 2,105 options. All options vested automatically at no cost to the employee on 30 September 2024, as long as they were still employed by the Group. The options must be exercised before 30 September 2031.

2021 Deferred Bonus Plan

The Group issued a Deferred Bonus Plan to certain key management personnel. Under the 2021 Deferred Bonus Plan, options vested automatically at no cost to the employee on 30 January 2024, as long as they are still employed by the Group. The options must be exercised before 1 October 2031.

2022 Long-Term Incentive Plan

The options vest from 1 April 2025 subject to continued service and achieving certain market and non-market conditions relating to earnings per share and total shareholder return.

2023 Long-Term Incentive Plan

The performance targets attached to the 2023 LTIP awards are based on the EBITDA of the awardee's respective division achieving a minimum growth rate over a three-year performance period to 31 December 2025. For the awards issued in September 2023, the performance conditions are based on adjusted earnings per share and total shareholder return, over the three-year performance period to 31 December 2025. Subject to the conditions being met, 50% of the LTIP awards vest after three years, with a further 25% vesting after four years and five years respectively.

Directors' interests in the Company's shares

At 31 December 2024, the directors had the following interests in the Company's shares:

Director	Number of shares
Shanker Patel[1]	53,821,386
Stuart Kilpatrick	–
Gary O'Brien[2]	229,442
Andrew Harrison[3]	283,679
Sheena Mackay	–

1. Includes ordinary shares held by his related trust and children.
2. On 8 July 2021, Gary O'Brien entered into an agreement to transfer the ordinary shares he acquired at admission to trading on AIM to his Small Self Administered Scheme (SSAS) at the placing price. Gary remains the beneficial owner.
3. Includes ordinary shares held by Ruth Harrison (Andrew Harrison's wife).

Sheena Mackay
Remuneration committee Chair
7 May 2025

Directors' report

Principal activity

The Company is incorporated and registered in England and Wales, with registered number 11633708. Its shares are traded on the Alternative Investment Market of the London Stock Exchange.

The Company is the ultimate holding company of the Group. The Group's principal activities are described in the strategic report on pages 15 to 31.

Statutory information contained elsewhere in the annual report

Information required to be part of this directors' report can be found elsewhere in the annual report and is incorporated into this report by reference, as indicated below:

- financial results and dividends, pages 56 to 58;
- future developments, page 11;
- carbon reporting disclosures, pages 39 to 49;
- corporate governance statement, pages 70 to 72;
- directors' names and biographies, pages 64 and 65;
- directors' interests in shares, page 84;
- engagement with suppliers, customers and others with business relationships with the Company and impact on key decisions made in the year, pages 32 and 33 and page 35;
- engagement and communication with employees and consideration of employee interests in decision-making, pages 32 to 33, page 35 and pages 51 to 53;
- Share Incentive Plan, page 84;
- financial risk management, including credit, interest rate, foreign exchange and liquidity risks, page 62;
- financial instruments, note 33, pages 129 to 131;
- share capital, note 28, page 125;
- events subsequent to the year-end date, note 37, page 132; and
- annual general meeting, page 72.

Qualifying third-party indemnity provisions

The Company had qualifying third-party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the date of signing these financial statements.

Restrictions on transfer of securities in the Company

There are no restrictions on transfer of securities in the Company.

Voting rights and securities carrying special rights

The holders of ordinary shares are entitled to one vote per share at the Company's general meetings.

No person holds securities in the Company carrying special rights with regard to control of the Company.

Change of control

The Company is not aware of any person who directly owns or controls the Company, or of any arrangements whose operations may give rise to a change in control of the Company. As described in the Company's admission document, there is a concert party of founding shareholders, who owned 51.1% of the Company's shares as at 31 December 2024. The concert party is therefore considered the Company's ultimate controlling party, for the purposes of IAS 24: Related Party Disclosures.

Substantial shareholdings

Based on the share register analysis as at 31 December 2024, and as far as the Company is aware, the following represents interests in excess of 3% of its ordinary share capital:

Shareholder	Investment style	Shares	%
Mr Shanker Patel	—	53,821,386	32.4
Mr Allan Pierce	—	17,890,860	10.8
Mr Rajen Patel	—	15,204,540	9.2
Mr Nilesh Patel	—	15,204,540	9.2
Premier Miton Investors	Multi style	12,763,999	7.7
Charles Stanley	Private client broker	12,220,618	7.4
Schroder Investment Mgt	Growth	8,360,500	5.0
Hargreaves Lansdown Asset Mgt	Private client broker	8,094,559	4.9
Slater Investments	Multi style	6,780,000	4.1

Directors’ report continued

Relationship agreement

On 14 July 2021, the Company, Cenkos (now Cavendish Capital Markets) and Shanker Patel entered into a relationship agreement pursuant to which Mr Patel has undertaken that, inter alia, the Group and the business shall be managed for the benefit of the shareholders as a whole and independently of him and his associates, and all transactions, agreements and arrangements between any member of the Group and him and his associates shall be on an arm’s length basis and on normal commercial terms.

Mr Patel and his associates will also, inter alia:

a) exercise their respective voting rights to ensure that the independence of the Board is maintained; and

b) not exercise their voting rights in favour of any resolution to cancel the Company’s admission to trading on AIM.

Mr Patel has also undertaken to the Company and Cavendish Capital Markets that he shall, and in relation to his associates, procure (so far as he is reasonably able to do so) that each of his associates shall ensure that no contract or arrangement between the Company or any member of the Group and Mr Patel or (so far as he is able) his associates shall be entered into or varied after admission unless it has been approved by a majority of the independent directors and (if Mr Patel is a director at such time) he shall abstain from voting on any resolution of the Board relating to any such contract or arrangement.

The agreement will terminate automatically upon:

a) the ordinary shares ceasing to be traded on AIM; or

b) Mr Patel, together with his associates, ceasing to have, in aggregate, an interest in 20% or more of the voting rights attaching to the Company’s ordinary shares.

Policy on employment of disabled people

The Group is an equal opportunities employer and its policies for the recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned. It recognises its responsibilities towards disabled people and gives full and fair consideration to applications for employment from them, having regard to their aptitudes and abilities. So far as particular disabilities permit, the Group will continue to employ and arrange appropriate training for any existing employee who becomes disabled. The Group’s policy is that the training, career development and promotion of disabled persons should as far as possible be identical to that of other employees.

Political donations

The Company made no political donations during the year.

Auditor

RSM UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming AGM.

Going concern

After making enquiries and as more fully explained in the going concern review on page 100, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this directors’ report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group’s auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group’s auditor is aware of that information.

Approval

This directors’ report was approved on behalf of the Board on 7 May 2025.

Stuart Kilpatrick
Chief Financial Officer

7 May 2025

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;

d. for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and

e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Lords Group Trading plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Gary O'Brien
Independent Non-Executive Chairman

7 May 2025

Financial Statements

What's in this section?

Fred Harris, Lords Builders Merchants, Sutton

Independent auditor's report

to the members of Lords Group Trading plc

Opinion

We have audited the financial statements of Lords Group Trading plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise of the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	**Group** • Valuation of inventory • Supplier rebates • Impairment of goodwill, intangible assets, tangible assets and right-of-use assets • Accounting for lease surrender premium at Park Royal branch **Parent company** • None
Materiality	**Group** • Overall materiality: £900,000 (2023: £925,000) • Performance materiality: £675,000 (2023: £601,000) **Parent company** • Overall materiality: £500,000 (2023: £915,000) • Performance materiality: £375,000 (2023: £594,000)
Scope	Our audit procedures covered 96.9% of revenue, 97.1% of total assets and 86.3% of adjusted EBITDA.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

to the members of Lords Group Trading plc

Key audit matters continued

Valuation of inventory

Key audit matter description

At 31 December 2024, the Group consolidated statement of financial position recorded inventory of £49.3 million (2023: £49.3 million). This amount is net of an inventory provision of £1.8 million (2023: £2.5 million).

As described in note 3 to the financial statements, 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.

There is significant estimation involved in the calculation of inventory provisions to ensure that inventory is held at the lower of cost and net realisable value. This involves consideration of information relating to when sales were last made in relation to each item of inventory held and also when purchases were last made.

The cost of inventory, pre any provision, is determined on the first-in, first-out (FIFO) method. Inventory values are also reduced by the amount of supplier rebates receivable in proportion to the value of purchases still in inventory to total purchases.

Due to the factors explained above, as well as the fact this area of work took up a significant amount of audit resource, we have identified the valuation of inventory as a key audit matter.

How the matter was addressed in the audit

In respect of inventory valuation, we:

- Assessed the appropriateness of management's inventory provision calculations, including testing the accuracy and completeness of the data used and the mathematical accuracy of the provisioning model
- Critically challenged the assumptions made in the inventory provision models based on sales post year end, using data analytics techniques, and other data available
- Performed substantive testing in respect of the cost of inventory by verifying to a sample of stock items to purchase invoices
- In respect of rebates held against inventory at the year end, we recalculated the adjustments made by management for the total rebates held in stock based on the average rebates received across the year and included in cost of sales or verified to a sample of underlying agreements where appropriate
- Assessed the accuracy of the prior year inventory provision estimate for the largest component in the Group
- Assessed the disclosures in the financial statements to ensure appropriate disclosure of the judgements and estimates involved in the Group's inventory provisioning

Supplier rebates

Key audit matter description

The Group accrues for rebates due from its suppliers at the period end. At 31 December 2024, the Group consolidated statement of financial position recorded supplier rebates of £8.3 million (2024: £8.3 million).

As described in note 2 to the financial statements, rebates received from suppliers for the purchase of inventory are netted off against purchases. Rebates are accrued in accordance with rebate agreements and recognised in the period to which they relate. Inventory values are reduced by the amount of rebates receivable in proportion to the value of purchases still in inventory to total purchases. The remainder of the rebate is released to and reduces cost of sales.

Management must calculate the value of the rebates which are yet to be received at the year end. This can be complex to calculate given the number of agreements and suppliers the Group have in place. They also can significantly impact one of the Group's primary measures for assessing performance, adjusted EBITDA.

Due to the factors explained above, we have identified accounting for supplier rebates as a key audit matter.

How the matter was addressed in the audit

In respect of supplier rebate accruals, we:

- Obtained confirmations from a sample of suppliers of the year-end balances recognised. Variances were followed up and corroborated as required
- Examined supplier rebate agreements and determined whether rebates have been recognised in line with these for a sample of suppliers
- Verified a sample of rebates accrued for to post year-end credit notes from suppliers
- Confirmed rebates accrued to after-date cash receipt in relation to these rebates

In addition, we performed work over rebates netted off against inventory as set out in the Valuation of inventory section above.

Independent auditor's report continued

to the members of Lords Group Trading plc

Key audit matters continued

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

Key audit matter description

As at 31 December 2024, the Group has the following non-current assets:

- Goodwill and intangible assets of £44.3 million (2023: £46.2 million)
- Property, plant and equipment of £14.1 million (2023: £20.2 million)
- Right-of-use assets of £52.7 million (2023: £47.4 million)

We identified the carrying value of these non-current assets as a significant risk of material misstatement due to the level of estimation required in forecasting profitability levels supporting the cash-generating units (CGUs) to which these are assets are allocated. This arises from the challenging economic environment in the UK and wider merchanting and plumbing and heating market in which the Group operates. This is detailed within note 3 to the financial statements.

Under International Accounting Standard (IAS) 36: Impairment of Assets, management is required to test goodwill annually for impairment and assess whether the other assets have any indicators of impairment annually. Determining whether the carrying value of these non-current assets is recoverable is a significant judgement based on forecast cash flows, relying on several key assumptions including sales growth, EBITDA growth and appropriate discount rates for each CGU.

Due to the factors explained above, we have identified the impairment of goodwill, intangible assets, tangible assets and right-of-use assets as one of the most significant matters in the Group audit and it is therefore considered to be a key audit matter.

How the matter was addressed in the audit

We challenged the significant assumptions within management's models through:

- Critically challenging whether the assumptions in management's forecasts appear realistic, achievable and consistent with other internal and external evidence, including market and industry data.
- Assessing whether management's calculations, including the methodology upon which they are based, have been made in accordance with IAS 36: Impairment of Assets.
- Testing whether the assumptions applied in management's forecasts were consistent with those applied elsewhere in the financial statements, such as for going concern.
- Comparing forecast sales and EBITDA with recent historical information to assess whether they are consistent with those assumed in management's forecasts.
- Comparing the discount rate used with that independently calculated by our internal valuation expert.
- Challenging management's sensitivity analysis and performing our own analysis based on further sensitising of the models to take account of reasonably possible scenarios that could arise from the risks identified.
- Critically evaluating the appropriateness of the disclosures made, including in respect of the key source of estimation uncertainty and sensitivity analysis.

We assessed whether the disclosures within the financial statements comply with the requirements of IAS 36.

Key observations

As a result of our challenges, management reconsidered the assumptions used in their impairment review, which resulted in a revised impairment charge of £1.46 million being recognised against the carrying value of right-of-use assets.

Independent auditor's report continued

to the members of Lords Group Trading plc

Key audit matters continued

Accounting for lease surrender premium at Park Royal branch

Key audit matter description	A £1.7 million gain has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2024 in respect of the lease surrender premium for the Park Royal branch. See note 3 for details. The accounting for the lease surrender payment is complex on the basis there is no direct guidance on this exact scenario within IFRS 16: Leases. It also has a significant impact on the adjusted EBITDA for the year including property gains and losses. Due to the factors explained above, as well as the fact this area of work took up a significant amount of audit resource, we have identified the accounting for this transaction as one of the most significant matters in the Group audit and it is therefore considered to be a key audit matter.
How the matter was addressed in the audit	In respect of accounting for lease surrender premium at Park Royal branch we: • Examined the accounting treatment for this gain and challenged management in this process. We also involved a specialist from our audit technical team to help advise us on this issue, given its unusual nature and complexity • Examined the appropriateness of the critical judgement disclosed

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users, we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£900,000 (2023: £925,000)	£500,000 (2023: £915,000)
Basis for determining overall materiality	4.4% of adjusted EBITDA excluding property gains and losses.	4.4% of net assets (capped based on overall materiality available split between different full scope components).
Rationale for benchmark applied	Adjusted EBITDA excluding property gains and losses is a key performance indicator reported in the consolidated financial statements.	The parent company does not trade and therefore net assets is considered to be the most appropriate benchmark.
Performance materiality	£675,000 or £585,000 depending on financial statement area (2023: £601,000).	£375,000 or £325,000 depending on financial statement area (2023: £594,000).
Basis for determining performance materiality	75% of overall materiality with the exception of 65% being applied to the balance sheet and in respect of the cut-off assertion for financial statement areas in the statement of comprehensive income.	75% of overall materiality with the exception of 65% being applied to the balance sheet and in respect of the cut-off assertion for financial statement areas in the statement of comprehensive income.
Reporting of misstatements to the Audit & Risk Committee	Misstatements in excess of £45,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £25,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report continued
to the members of Lords Group Trading plc

An overview of the scope of our audit
The Group consists of eight components, all of which are based in the UK.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Adjusted EBITDA
Full scope audit	4	90.8%	93.6%	86.3%
Specific audit procedures	2	6.1%	3.5%	0%
Total	**6**	**96.9%**	**97.1%**	**86.3%**

Of the above, full scope audits for one component were undertaken by component auditors.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the forward-looking assumptions used by management in their assessment of going concern and challenging these based on current year financial performance and expected growth and other changes expected in the industry in which the Group operates
- Considering the adequacy of management's sensitivity analysis including the impact on management's covenant calculations
- Checking the integrity and mechanism of the forecast model provided by management
- Obtaining evidence of Board approval of the budgets and forecasts
- Obtaining evidence of the revision of the Group's financing arrangement post year end
- Re-calculating management's covenant calculations to assess the risk of forecast non-compliance, including assessing the forecast headroom against covenant calculations
- Evaluating the adequacy of going concern related disclosures in the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor’s report continued

to the members of Lords Group Trading plc

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 87, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team and component auditor:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operate in and how the Group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to the component auditor. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

Independent auditor's report continued

to the members of Lords Group Trading plc

The extent to which the audit was considered capable of detecting irregularities, including fraud continued

The most significant laws and regulations were determined as follows:

Legislation/ Regulation	Additional audit procedures performed by the Group audit engagement team and component auditor included:
Tax compliance regulations	Inspection of tax computations from external tax advisers.
UK-adopted IAS, FRS 102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Obtaining an understanding of the processes and controls around revenue recognition. Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified using a data analytic tool and investigated. Performing substantive testing in respect of the cut-off assertion for transactions around the year end for direct sales.
Inventory valuation	Performing work in respect of inventory provisions and inventory cost as set out in the key audit matters section above.
Supplier rebate accruals	Performing work in respect of supplier rebates not received at 31 December 2024 as set out in the key audit matters section above.
Management override of controls	Testing the appropriateness of journal entries and other adjustments. Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **http://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

EUAN BANKS (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

7 May 2025

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 £'000	2023 (re-presented)[1] £'000
Revenue	4, 5	**436,684**	462,601
Cost of sales		**(351,452)**	(370,238)
Gross profit		**85,232**	92,363
Operating expenses		**(65,953)**	(69,157)
Property gains	9	**1,812**	252
Depreciation, amortisation and impairment		**(16,806)**	(14,325)
Operating profit		**4,285**	9,133
Finance income	11	**320**	196
Finance expense	12	**(7,214)**	(6,356)
(Loss)/profit before taxation		**(2,609)**	2,973
Taxation	13	**824**	(1,273)
(Loss)/profit for the year		**(1,785)**	1,700
Other comprehensive income		**—**	—
Total comprehensive (expense)/income		**(1,785)**	1,700

	Note	2024 £'000	2023 (re-presented)[1] £'000
Total comprehensive (expense)/income for the year attributable to:			
Owners of the parent company		**(1,970)**	1,382
Non-controlling interests		**185**	318
		(1,785)	1,700
Earnings per share			
Basic (loss)/earnings per share (pence)	15	**(1.19)**	0.84
Diluted (loss)/earnings per share (pence)	15	**(1.19)**	0.82

1. For details of re-presentation of the consolidated statement of comprehensive income, please see note 9.

The results for the year arise solely from continuing activities.

The notes on pages 100 to 132 form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2024

	Note	2024 £'000	2023 £'000
Non-current assets			
Intangible assets	16	**44,284**	46,205
Property, plant and equipment	17	**14,081**	20,233
Right-of-use assets	18	**52,654**	47,364
Other receivables	21	**236**	200
Investments	19	**130**	180
		111,385	114,182
Current assets			
Inventories	20	**49,252**	49,292
Trade and other receivables	21	**76,215**	81,171
Cash and cash equivalents	24	**10,312**	19,811
		135,779	150,274
Total assets		**247,164**	264,456
Current liabilities			
Trade and other payables	23	**(88,238)**	(98,915)
Borrowings	24	**(11,946)**	(9,507)
Lease liabilities	18	**(8,310)**	(7,815)
Current tax liabilities		**–**	(7)
Total current liabilities		**(108,494)**	(116,244)

	Note	2024 £'000	2023 £'000
Non-current liabilities			
Other payables	23	**(1,540)**	(5,917)
Borrowings	24	**(30,119)**	(38,239)
Lease liabilities	18	**(51,732)**	(43,953)
Other provisions	26	**(1,581)**	(1,565)
Deferred taxation	27	**(6,082)**	(7,373)
Total non-current liabilities		**(91,054)**	(97,047)
Total liabilities		**(199,548)**	(213,291)
Net assets		**47,616**	51,165
Equity			
Share capital	28	**829**	828
Share premium	30	**28,412**	28,293
Merger reserve	30	**(9,980)**	(9,980)
Share-based payments reserve	30	**1,459**	1,009
Retained earnings	30	**25,078**	29,386
Equity attributable to owners of the parent company		**45,798**	49,536
Non-controlling interests	31	**1,818**	1,629
Total equity		**47,616**	51,165

The financial statements on pages 96 to 132 were approved and authorised for issue by the Board and were signed on its behalf on 7 May 2025.

Stuart Kilpatrick
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Equity attributable to owners of the parent company £'000	Non-controlling interests £'000	Total equity £'000
As at 1 January 2024	**828**	**28,293**	**(9,980)**	**1,009**	**29,386**	**49,536**	**1,629**	**51,165**
(Loss)/profit for the financial period and total comprehensive income	**—**	**—**	**—**	**—**	**(1,970)**	**(1,970)**	**185**	**(1,785)**
Share-based payments	**—**	**—**	**—**	**753**	**—**	**753**	**—**	**753**
Exercise of share-based payments	**—**	**—**	**—**	**(303)**	**303**	**—**	**—**	**—**
Share capital issued	**1**	**119**	**—**	**—**	**—**	**120**	**—**	**120**
Put and call options over non-controlling interests	**—**	**—**	**—**	**—**	**92**	**92**	**—**	**92**
Acquisition of non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**4**	**4**
Dividends paid	**—**	**—**	**—**	**—**	**(2,733)**	**(2,733)**	**—**	**(2,733)**
As at 31 December 2024	**829**	**28,412**	**(9,980)**	**1,459**	**25,078**	**45,798**	**1,818**	**47,616**

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Equity attributable to owners of the 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

Consolidated statement of cash flows

For the year ended 31 December 2024

	2024 £'000	2023 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	**(2,609)**	2,973
Adjusted for:		
Depreciation of property, plant and equipment	**2,321**	2,610
Amortisation of intangibles	**3,667**	3,515
Amortisation of right-of-use assets	**9,355**	7,699
Impairment	**1,463**	501
Profit on disposal of property, plant and equipment	**(285)**	(368)
Profit on sale of business	**(385)**	(119)
Write-off of investment	**—**	56
Share-based payment expense	**753**	513
Finance income	**(320)**	(196)
Finance expense	**7,214**	6,356
Operating cash flows before movements in working capital	**21,174**	23,540
Decrease in inventories	**184**	5,199
Decrease/(increase) in trade and other receivables	**5,908**	(8,067)
(Decrease)/increase in trade and other payables	**(9,933)**	2,112
Cash generated by operations	**17,333**	22,784
Corporation tax paid	**(521)**	(3,124)
Net cash generated by operating activities	**16,812**	19,660
Cash flows from investing activities		
Purchase of intangible assets	**(1,150)**	(734)
Business acquisitions (net of cash acquired)	**(607)**	(5,150)
Deferred consideration paid	**(716)**	(3,116)
Purchase of property, plant and equipment	**(2,802)**	(4,905)
Purchase of investments	**—**	(150)
Proceeds on disposal of property, plant and equipment	**3,909**	4,160
Cash received on sale of business	**—**	340
Interest received	**320**	196
Net cash used in investing activities	**(1,046)**	(9,359)

	2024 £'000	2023 £'000
Cash flows from financing activities		
Principal paid on lease liabilities	**(8,381)**	(6,912)
Interest paid on lease liabilities	**(2,761)**	(2,340)
Issue of share capital	**—**	15
Dividends	**(2,733)**	(3,311)
Purchase of non-controlling interest	**(1,594)**	(2,126)
Capital repayment to non-controlling interests	**—**	(17)
Proceeds from borrowings	**33,648**	109,116
Repayment of borrowings	**(39,405)**	(97,853)
Bank interest paid	**(3,210)**	(2,917)
Interest paid on invoice discounting facilities	**(829)**	(805)
Net cash outflow from financing activities	**(25,265)**	(7,150)
Net (decrease)/increase in cash and cash equivalents	**(9,499)**	3,151
Cash and cash equivalents at the beginning of the year	**19,811**	16,660
Cash and cash equivalents at the end of the year	**10,312**	19,811

Notes to the financial statements

For the year ended 31 December 2024

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 Second 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 7 May 2025. The directors have the power to amend and reissue the financial statements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS).

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. 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 2024, the Group had £52.3 million of undrawn facilities and £10.3 million of cash. In line with accounting standards the Board has considered cash flow projections over an extended period greater than 12 months from the date of approval of the financial statements, until December 2026. In April 2025 the Group entered into a revised facility agreement reducing its Revolving Credit Facility by £20.0 million to £50.0 million until April 2027, and completed the sale and leaseback of four freehold properties. The cash consideration of £13.1 million, was applied against the Group's borrowings and following the transaction the Group now enjoys greater headroom against its banking covenants.

The cash flow forecasts have been stress tested by considering the most likely risks impacting the Group. These are considered to be sales growth below the base case, and sensitivity to interest rate changes. 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 46% relative to the base case. Interest rates would have to increase by in excess of 5% ahead of market forecasts. While none of these are likely to occur, the Group also has mitigating actions at its disposal that it can take in downside scenarios, such as delaying capital expenditure, restructuring the Group to reduce costs, and maintaining a strong credit control function across the Group.

In considering the sensitivity analysis, the Board was also mindful of the complementary characteristics of the two divisions, with a seasonally stronger Merchanting division between March and October, whereas Plumbing and Heating is typically stronger during the winter months.

The Board considers that this natural hedge reduces the likelihood of the worst case sensitivities and this was reflected in 2024 performance, where P&H sales were 10% down but overall LFL sales were 7% below 2023.

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 with no material uncertainties and the Board is satisfied that the Company and the Group have adequate resources to continue operations for the foreseeable future. The Board therefore considers it appropriate to 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 2024.

Amendments to standards

The amendments relevant to the Group are:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and 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

By adopting the above, there has been no material impact on the financial statements other than the additional disclosure requirements around covenants as part of the amendments to IAS 1.

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:

- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability
- Amendments to IAS 21 – Lack of Exchangeability
- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

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

International Financial Reporting Standards in issue but not yet effective continued

The adoption of IFRS 18 (effective from 1 January 2027) will not have any impact on the Group's net profit but will introduce disclosure of management defined performance measures. While there will not be a significant change in the information currently disclosed, the revised grouping of items of income and expense, as well as lines on other primary financial statements will impact how certain KPIs (including operating profit) are calculated and presented. Further impact assessment will be undertaken prior to the effective date of 1 January 2027.

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

2.4 Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries as if they form a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.5 Revenue recognition

IFRS 15: Revenue from Contracts with Customers is a principle-based model of recognising revenue from contracts with customers. It has a five-step model that requires revenue to be recognised when control over goods and services is transferred to the customer.

The Group operates through branch point of sale transactions, website and telephone orders. Revenue is recognised when the Group delivers a product to the customer, whether this be at point of sale or delivery. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery or, in the case of certain Group transactions, payable on set credit terms.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. Customers have a right of return within a specified period and this gives rise to variable consideration under IFRS 15. The right of return asset is recognised within inventory less any expected costs to recover those products (including potential decreases in the value to the Group of returned products), with the refund liability due to customers on return of their goods recognised within trade and other payables.

Amounts received in advance for future sales are recorded as contract liabilities and revenue is recognised as the performance obligations are met.

2.6 Other operating income

Other operating income represents all other income received by the Group.

Commissions are accrued into the period in which they are due in accordance with when the sale was made within the branch.

2.7 Rebates

Rebates received from suppliers for the purchase of inventory are netted off against purchases. Rebates are accrued in accordance with rebate agreements and recognised in the period to which they relate.

Inventory values are reduced by the amount of rebate receivable in proportion to the value of purchases still in inventory to total purchases. The remainder of the rebate is released to and reduces cost of sales.

Rebates payable on sales are offset against turnover. Rebates are accrued in accordance with rebate agreements and recognised in the period to which they relate. Any rebates for which a credit note from the supplier is not received at the balance sheet date are accrued for and presented in Trade and other receivables.

2.8 Employee benefits: pension obligations

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Net finance costs

Finance income

Finance income relates to bank deposit income.

Finance expense

Finance expense comprises of borrowing costs and lease costs which are expensed in the period to which they relate. Upfront facilitation fees are spread over the borrowing period.

2.10 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.10 Current and deferred taxation continued

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all temporary differences under IFRS that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met;
- where they relate to temporary differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future; and
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

2.11 Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is considered to have an indefinite useful life.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit or loss as an expense as incurred.

Other acquired intangible assets and software are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to administrative expenses in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. The Group has no assets with indefinite lives, other than goodwill, throughout the reporting periods. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows on a straight-line basis:

The estimated useful lives range as follows:

Trade names	9-14 years
Computer software	3-10 years
Customer relationships	9-14 years

The estimated useful lives are as estimated based upon management's best estimate of the expected life of the asset. Useful lives are reconsidered if circumstances relating to the asset change or if there is an indication that the initial estimate requires revision.

2.12 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	2%
Leasehold property	In accordance with the leasing arrangements
Plant and machinery	20%
Motor vehicles	20%
Fixtures and fittings	20%
Office equipment	10%-33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.13 Impairment of tangible and intangible assets and right-of-use assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

Assets that do not generate independent cash inflows are grouped together to form a cash-generating unit (CGU). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

2.14 Valuation of investments

Investments in listed company shares are remeasured to market value at each statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

The Group places seed investments in promising new companies through Lords Group Ventures Ltd. These investments represent financial assets measured at fair value through other comprehensive income as they represent equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value, where net realisable value is an estimate of the selling price less cost to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling costs directly attributable to bringing the inventories to their present location and condition.

2.16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: a physically distinct asset can be identified; and the Group has the right to obtain substantially all of the economic benefits from the asset throughout the period of use and has the ability to direct the use of the asset over the lease term, being able to restrict the usage of third parties as applicable.

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to leases of assets below £5,000.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Lease liabilities are initially measured at the present value of the lease payments that are due over the lease term, discounted using the Group's incremental borrowing rate. The Group's incremental borrowing rate is the rate that would have to be paid for a loan of a similar term, and with similar security, to obtain an asset of similar value. The Group's borrowing rate is appropriate as all Group companies are able to borrow from the Group company.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to take that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.16 Leases continued

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate representing the incremental borrowing rate at the date of reassessment. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use asset obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Right-of-use assets include assets associated with the long-term lease commitments of the Group. Any leasehold improvements made to the assets, typically buildings, are included within property, plant and equipment. The costs of the improvements are depreciated over the remaining lifespan of the lease.

A sale and leaseback transaction is one in which the Group sells an asset for consideration and then immediately reacquires the use of the asset by entering into a lease arrangement with the buyer. The sale occurs when the control of the underlying asset passes to the buyer. Where the transaction is judged to reflect the asset's fair value, any gain or loss that arises on rights transferred to the buyer are recognised in the income statement. If sale proceeds received were determined to not be at the asset's fair value, any below-market terms would be recognised as a prepayment of lease payments, and above-market terms recognised as additional financing provided by the lessor.

In the Group cash flow statement, sale and leaseback proceeds received are classified as investing cash flows, unless the proceeds exceed the fair value of the asset sold, in which case the excess proceeds are classified as financing cash flows.

In October 2024, the Group sold its freehold property at its site at Colnbrook near Heathrow and immediately entered into a contract to lease back the site for a term of 15 years at market rentals. The proceeds of £7.1 million are deemed to be equal to the fair value of the property. The transaction resulted in a gain of £0.1 million in the income statement, presented under the property gains line. The cash flows are presented in the proceeds from disposal of property, plant and equipment. The transaction also resulted in a reduction in the ROU asset recognised of £0.6 million relative to the recognised lease liability as part of the sale and leaseback accounting.

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances, and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.19 Financial assets

Management determines the classification of its financial assets at initial recognition.

Financial assets recognised at amortised cost

The Group's financial assets held at amortised cost comprise trade and other receivables, cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (for example trade receivables).

They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed using a provisions matrix using fixed rates of credit loss provisioning where the provisions are representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group has the option to invoice finance, with recourse, a proportion of up to 90% of its trade receivables. Trade receivables are stated gross of all amounts received for invoice financing and the invoice financing is recorded in other loans within borrowings falling due within one year.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, the Group follows the three-stage approach to expected credit losses. Step one is to estimate the probability that the debtor will default over the next 12 months. Step two considers if the credit risk has increased significantly since initial recognition of the debtor.

Finally, step three considers if the debtor is credit impaired, following the criteria under IFRS 9.

2.20 Financial liabilities

The Group measures its financial liabilities, other than put and call options over non-controlling interest (see note 2.28), at amortised cost. Financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost

The Group's financial liabilities held at amortised cost comprise trade payables and other short-dated monetary liabilities, and bank and other borrowings, in the consolidated statement of financial position.

Trade payables and other short-dated monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

2.21 Borrowing costs

Upfront borrowing costs are capitalised and amortised at a consistent rate over the term of the loan.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.23 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Group. The Group will provide information to the CODM on the basis of products and services; being the sale and distribution of plumbing and heating goods, and the sale and distribution of all other merchanting services.

2.24 Equity

Equity comprises the following:

- 'called up share capital' represents the nominal value of equity shares;
- 'share premium' represents amounts paid for shares in excess of nominal value;
- 'merger reserve' represents reserves created instead of share premium in accordance with section 612 of the Companies Act;
- 'share-based payments reserve' represents the value of share options awarded to employees. See note 2.25;
- 'retained earnings' represents retained earnings less retained losses; and
- 'non-controlling interests' represents the amount not attributable to the parent company.

2.25 Share-based payments

The Group awards share options to some employees in exchange for the services rendered, which are equity settled. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. A binomial model is used to value options with no market performance conditions and a Monte Carlo model is used where there are market performance conditions.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Deferred tax is recognised on share-based payments based on the expected number of options to vest multiplied by the share price on the last day of the financial year. The calculated cost is spread over the number of years from granting the options to vesting and charged to retained earnings.

2.26 Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation. Provisions are measured at the present value of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Finance costs are incurred over the life of the provision. When payments are made, they are charged to the provision carried in the statement of financial position.

2.27 Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss

On the acquisition of a business, the acquirer assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Notes to the financial statements continued

For the year ended 31 December 2024

2. Accounting policies continued

2.27 Business combinations continued

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability are recognised in profit or loss.

Deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value after being discounted to present value. The discounting unwinds over the period of the deferment and costs are included within finance expenses.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

2.28 Accounting for written put and call options over shares held by non-controlling interests

The Group gives precedence to IFRS 10 over IAS 32 in determining the accounting for put and call arrangements over non-controlling interests. When a put and call option is put in place, a liability equal to the present value of the exercise price of the put option is recorded. A risk and rewards analysis is undertaken regarding the ownership of non-controlling interest shares.

Where the Group does not have the risks and rewards of the non-controlling interest's shares, the 'debit' arising on recognition of the put option liability is recognised in the Group's retained earnings and a non-controlling interest is also recognised in equity. Subsequently, profits and losses (and where relevant, dividends) are allocated to the non-controlling interests and subsequent changes in the present value of the put option liability are recorded in the Group's equity.

Where the Group is assessed as having the risks and rewards of the non-controlling interest's shares, the put option liability forms part of the acquisition consideration of 100% of the business and no non-controlling interest is recognised. Subsequent changes in the present value of the put option liability are recorded as a finance cost within the income statement and changes in the forecast payment within adjusting items in the income statement.

Any amounts payable under the put and call arrangements that, in substance, represent compensation for employee services, are excluded from the accounting described above. Such amounts payable are separately accounted for as employee benefit plans and are recognised over the service period as a long-term or short-term benefit.

2.29 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lords Group Trading plc, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2.30 Materiality

In preparing the financial statements, the Board considers both quantitative and qualitative factors in forming its judgements, and related disclosures, and is 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 financial statements.

Notes to the financial statements continued

For the year ended 31 December 2024

3. Critical accounting judgements and estimates

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

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 that 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 25 October 2024, the Group acquired 90% of the issued share capital of Ultimate Renewables Supplies Ltd, with put and call options over the remaining interest. The purchase price is based on a formula based on future financial performance of the entity and subject to service conditions designed to incentivise former owners to remain with the business. This variable price as part of the option has led the Group to assess that the risk and rewards remain with the non-controlling interest.

In 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 rewards remain with the non-controlling interest.

In April 2021, the Group acquired a 75% interest in Condell Limited with put and call options 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 rewards remain with the non-controlling interest.

Lease surrender premium at Park Royal branch

The Merchanting division renegotiated the terms of its Park Royal branch lease in February 2024 due to the landlord's intention to redevelop the property at the expiry of the lease in 2026. In doing so, the Merchanting division exchanged certainty of vacant possession for improved terms and flexibility, allowing the business to relocate during a three-and-a-half-year period following the agreement. This resulted in an upfront payment of £1.5 million in the period followed by a three-year lease at peppercorn rent and a £0.25 million payment on exit.

Management has determined that the transaction is a lease modification that reduces scope of the lease as it had the effect of taking the lease out of the Landlord and Tenant Act 1954 and in doing so shortening the expected life of the lease. Although there is no direct guidance on this exact scenario, which resulted in a longer accounting lease term, management has applied the principles surrounding lease modifications established within IFRS 16 and determined that immediate recognition of the gain is appropriate.

The gain of £1.7 million recognised in 2024 reflects the consideration received for taking the lease outside of the Landlord and Tenant Act. This aligns with the substance of the transaction, a commercial deal to forgo legal and economic rights in exchange for consideration. The transaction resulted in reduction in respective carrying values of the lease liability and right-of-use asset both being reduced by £1.0 million to a balance of £nil as at 31 December 2024, in addition to the recognition of £1.7 million gain in the income statement.

Notes to the financial statements continued

For the year ended 31 December 2024

3. Critical accounting judgements and estimates continued

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.

Inventories

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

In arriving at their conclusion, the directors consider inventory ageing and turn analysis. The inventory provision is 3.7% of inventory (2023: 5.0%, 2022: 3.8%), reflecting recovery in Merchanting trading activity in Q4 2024. Doubling the provision would increase cost of sales/reduce the carrying value of inventory by £1,810,000 in 2024 (2023: £2,489,000).

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 which are able to generate cash inflows. As a result of continued softer market conditions and 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 12 months. Changing the assumptions selected by management could significantly affect the amount of any impairment.

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

For the individual branch CGU right-of-use asset and property, plant and equipment 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	4.1%-12.3%
Long-term growth rate	2.0%
Discount rate	16.6%

The results of the review indicated that no goodwill or intangible assets required any impairment. Impairment charges were however recorded against right-of-use assets at three of the branches within the Merchanting division which had previously been acquired as part of the Alloway acquisition in 2023. Details of the CGUs and the impairment charges are set out in note 18. Results of sensitivity analysis are set out in note 16.

4. Revenue

All of the Group's revenue was generated from the sale of goods in the UK and was recognised at a point in time (rather than over time). No one customer makes up 10% or more of revenue in the year (2023: none).

Notes to the financial statements continued

For the year ended 31 December 2024

5. 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. Inter-segment revenue between the two segments is not material. Any transactions are conducted on arms length basis. See note 6 for further details on adjusting items.

2024	Merchanting £'000	Plumbing and Heating £'000	Total £'000
Revenue	214,299	222,385	436,684
Gross profit	57,316	27,916	85,232
Operating expenses	(44,749)	(19,891)	(64,640)
Adjusted EBITDA before property gains	12,567	8,025	20,592
Property gains	1,812	—	1,812
Adjusted EBITDA	14,379	8,025	22,404
Depreciation, amortisation and impairment	(8,651)	(3,356)	(12,007)
Adjusted operating profit	5,728	4,669	10,397
Adjusting items	(4,716)	(1,396)	(6,112)
Operating profit	1,012	3,273	4,285
Finance income			320
Finance expense			(7,214)
Loss before taxation			(2,609)
Taxation			824
Loss for the year			(1,785)
Additions to non-current assets	13,943	4,968	18,911

2023	Merchanting £'000	Plumbing and Heating £'000	Total £'000
Revenue	214,934	247,667	462,601
Gross profit	59,129	33,234	92,363
Operating expenses	(45,421)	(20,374)	(65,795)
Adjusted EBITDA before property gains	13,708	12,860	26,568
Property gains	252	—	252
Adjusted EBITDA	13,960	12,860	26,820
Depreciation, amortisation and impairment	(6,832)	(3,477)	(10,309)
Adjusted operating profit	7,128	9,383	16,511
Adjusting items	(5,561)	(1,817)	(7,378)
Operating profit	1,567	7,566	9,133
Finance income			196
Finance expense			(6,356)
Profit before taxation			2,973
Taxation			(1,273)
Profit for the year			1,700
Additions to non-current assets	28,670	5,281	33,951

Notes to the financial statements continued

For the year ended 31 December 2024

6. Adjusting items

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

	2024			2023		
	Merchanting £'000	**Plumbing and Heating £'000**	**Total £'000**	Merchanting £'000	Plumbing and Heating £'000	Total £'000
Share-based payments	**545**	**208**	**753**	357	156	513
Exceptional items:						
Restructuring	**562**	**264**	**826**	594	—	594
Stock theft/obsolescence	**—**	**—**	**—**	763	619	1,382
Profit on disposal of business	**—**	**(385)**	**(385)**	(119)	—	(119)
Business combinations	**124**	**95**	**219**	936	—	936
Retention employment costs on acquisitions	**117**	**201**	**318**	219	—	219
National Insurance recovery	**—**	**—**	**—**	(13)	—	(13)
Adjustment to contingent consideration	**(361)**	**(57)**	**(418)**	(150)	—	(150)
Adjusting items within EBITDA[1]	**987**	**326**	**1,313**	2,587	775	3,362
Amortisation of acquired intangible assets	**2,266**	**1,070**	**3,336**	2,473	1,042	3,515
Impairment charge	**1,463**	**—**	**1,463**	501	—	501
Adjusting items within operating profit	**4,716**	**1,396**	**6,112**	5,561	1,817	7,378
Unwinding of deferred consideration and call and put options			**248**			—
Adjusting items within profit before taxation			**6,360**			7,378
Tax on adjusting items			**(1,310)**			(1,617)
Adjusting items within profit after taxation			**5,050**			5,761

1. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment charge, inclusive of property gains and losses.

During 2024, the Group continued to restructure and rationalise its operations. Additionally, following the 2023 hive ups of Hevey Building Supplies, Alloway Timber and Chiltern Timber Supplies businesses into Carboclass Limited, 2024 saw the consolidation of A.W. Lumb operations within one legal entity. The cost of these restructuring programmes and exercises amounted to £826,000. (2023: £594,000), mainly comprising redundancy.

In 2023 the Group reassessed its estimation basis for stock provisioning and 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.

On 31 December 2024, the Group sold its subsidiary Ultimate Discount Heating Limited, which contained its Billericay branch. In 2023, the Group disposed of its Lords at Home business. The profit on disposal represents the excess consideration over the carrying value of the net assets of the sold company of £385,000 (2023: £119,000).

The costs associated with the business combinations detailed in note 34 have been expensed and disclosed as exceptional items. The total expense, which amounts to £219,000 (2023: £936,000), 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 £318,000 (2023: £219,000).

Notes to the financial statements continued

For the year ended 31 December 2024

6. Adjusting items continued

In 2024 adjustments to contingent consideration payable in relation to historic acquisitions resulted in a credit of £418,000 (2023: £150,000) in the income statement. This included the second instalment of the contingent consideration for the purchase of Chiltern Timber Supplies (£158,000) which was due in April 2025, but considered unlikely that the future EBITDA target would be met, and a reduction of £34,000 related to the deferred consideration for the acquisition of Alloway, which was due in September 2024, but no longer payable as a result of conditions on the recoverability of certain assets acquired on the balance sheet date.

Further details of the impairment charge are set out in note 18.

From 2024 the Group treats unwinding of deferred consideration and put and call options, consistently with other acquisition related transactions. The unwind related to deferred consideration and options in relation to the acquisitions of A.W. Lumb, Direct Heating & Plumbing, Condell, and Ultimate Renewables Supplies, was £248,000. In 2023 the equivalent interest charge of £236,000 was recorded within interest but not as an adjusting item.

7. Employee benefit expenses

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

	2024 £'000	2023 £'000
Wages and salaries	**37,418**	36,864
Social security costs	**3,826**	3,749
Defined contribution costs	**877**	999
Share-based payments	**753**	513
	42,874	42,125

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

	2024	2023
Management and administration	**133**	127
Sales, retail and manufacturing	**812**	799
	945	926

8. Directors' and key management remuneration

Statutory directors of Lords Group Trading plc

	2024 £'000	2023 £'000
Remuneration for qualifying services	**892**	921
Company contributions to money purchase pension schemes	**67**	63
	959	984

Directors participating in defined benefit pensions as at the period end 2024 was none (2023: none). Directors participating in money purchase schemes as at the period end 2024 was one (2023: one).

No director (2023: none) exercised share options during the year. See the Remuneration committee report on page 83 for details.

Remuneration disclosed above includes the following amounts paid to the highest-paid director:

	2024 £'000	2023 £'000
Remuneration for qualifying services	**345**	436

The highest-paid director did not exercise any share options during the year.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including all executives of the Group. The Group directors and Managing Directors of each division are deemed to be the key management of the Group.

	2024 £'000	2023 £'000
Remuneration for qualifying services	**2,062**	1,872
Social security contributions and similar taxes	**263**	342
Company contributions to money purchase pension schemes	**63**	80
Share-based payments	**(13)**	101
	2,375	2,395

Notes to the financial statements continued

For the year ended 31 December 2024

9. Operating profit

Operating profit is stated after charging/(crediting):

	2024 £'000	2023 £'000
Depreciation of property, plant and equipment	**2,321**	2,610
Amortisation of intangible assets	**3,667**	3,515
Amortisation of right-of-use assets	**9,355**	7,699
Impairments	**1,463**	501
Inventories recognised as an expense	**351,452**	370,238
Short-term and low-value lease payments	**176**	114
Profit on disposal of property, plant and equipment	**(285)**	(286)
Commission income	**(489)**	(437)
Other operating income	**(255)**	(329)

Presentation of statement of comprehensive income

In the year ended 31 December 2023, the statement of comprehensive income separately disclosed measures of financial performance that, in the opinion of the directors, provided the reader of the financial statements with an understanding of the Group's underlying trading performance. For the year ended 31 December 2024, the presentation of the statement of comprehensive income has been simplified to only report performance measured under IFRS, further aligning with the principles of ESMA guidelines on presenting alternative performance measures of financial performance. The directors continue to consider that the presentation of alternative performance measures provides additional and useful information to readers of the financial statements and accordingly continues to present alternative performance measures of performance, as set out in the alternative performance measures section of the annual report. This voluntary change in presentation has been applied consistently in both periods.

Property gains and losses are presented on the face of the income statement, as a key component of the 3Ps that underpin the Group strategy. This line includes the gains and losses on significant property transactions in the year. In 2024, this related to the lease surrender premium at Park Royal branch for £1.7 million and £0.1 million from the sale and leaseback transaction for Colnbrook. In 2023, the gain of £0.3 million related to the sale of freehold property at Aylesbury.

Other operating income has also been re-presented in the statement of comprehensive income with £0.7 million (2023: £0.8 million) now included within the operating expenses line.

10. Auditor's remuneration

For the year ended 31 December 2024, the remuneration provided to the auditor, RSM UK Audit LLP, was as detailed below.

	2024 £'000	2023 £'000
Audit services – statutory audit of the parent and consolidated financial statements	**213**	221
Statutory audit of subsidiary companies	**397**	598
Audit-related assurance services	**–**	29
	610	848

£40,000 of the audit fees in 2024 relate to additional costs incurred to complete the statutory audits in 2023. (2023 included £234,000 of additional costs in relation to 2022.)

11. Finance income

	2024 £'000	2023 £'000
Bank interest receivable	**320**	196

12. Finance expense

	2024 £'000	2023 £'000
Bank loans and overdrafts	**3,313**	2,917
Invoice discounting facilities	**829**	805
Unwinding of deferred consideration and call and put options	**248**	236
Interest on dilapidation provision	**64**	58
Lease liabilities	**2,760**	2,340
	7,214	6,356

Notes to the financial statements continued

For the year ended 31 December 2024

13. Taxation

	2024 £'000	2023 £'000
Corporation tax		
Current tax on loss/profit for the year	**1,328**	1,975
Adjustments in respect of previous periods	**(864)**	(28)
	464	1,947
Deferred tax		
Originating and reversal of temporary differences	**(1,688)**	(289)
Adjustments in respect of previous periods	**400**	(346)
Effect of changes in tax rates	**–**	(39)
	(1,288)	(674)
Total tax (credit)/charge	**(824)**	1,273

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower (2023: higher than) the standard rate of corporation tax in the UK of 25.0% (2023: 23.5%). The difference is explained below:

	2024 £'000	2023 £'000
(Loss)/profit before taxation	**(2,609)**	2,973
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 25.0% (2023: 23.5%)	**(652)**	699
Adjustments in respect of previous periods	**(464)**	(374)
Expenses not deductible	**846**	1,306
Income not taxable	**(370)**	(284)
Changes in tax rates	**–**	(39)
Share-based payments	**(184)**	(35)
Total tax (credit)/charge for the year	**(824)**	1,273

Factors that may affect future tax (credit)/charge

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

14. Dividends

	2024 £'000	2023 £'000
Interim paid	**531**	1,109
Final paid	**2,202**	2,202
	2,733	3,311

In 2024 dividends paid per share was 1.65 pence (2023: 2.00 pence). The final dividend proposed but unpaid for 2024 was 0.52 pence (2023: 1.33 pence).

Notes to the financial statements continued

For the year ended 31 December 2024

15. Earnings per share

	2024	2023
Basic earnings per share		
(Loss)/earnings from continuing activities (pence)	**(1.19)**	0.84
Diluted earnings per share		
(Loss)/earnings from continuing activities (pence)	**(1.19)**	0.82

Weighted average number of shares for basic earnings per share	**165,763,977**	164,340,814
Number of dilutive share options	**813,859**	3,750,887
Weighted average number of shares for diluted earnings per share	**166,577,836**	168,091,701
(Loss)/earnings attributable to the equity holders of the parent (£'000)	**(1,970)**	1,382

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 as the numerator, meaning no adjustment to profit was necessary in either year. Statutory diluted earnings per share calculation uses the 165,763,977 as a denominator as dilutive shares would not increase loss per share.

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 adjusting items (see note 6).

	2024 £'000	2023 £'000
(Loss)/earnings attributable to the equity holders of the parent	**(1,970)**	1,382
Adjusting items	**5,035**	5,761
Adjusted earnings	**3,065**	7,143
Adjusted basic earnings per share		
Earnings from continuing activities (pence)	**1.85**	4.35
Adjusted diluted earnings per share		
Earnings from continuing activities (pence)	**1.84**	4.25

Notes to the financial statements continued

For the year ended 31 December 2024

16. Intangible assets

	Software £'000	Customer relationships £'000	Trade names £'000	Goodwill £'000	Total £'000
Year ended 31 December 2024					
Opening net book value	**1,604**	**23,550**	**2,617**	**18,434**	**46,205**
Additions	**1,150**	**—**	**—**	**—**	**1,150**
Acquired through business combinations	**—**	**—**	**—**	**596**	**596**
Amortisation charge	**(331)**	**(2,988)**	**(348)**	**—**	**(3,667)**
Closing net book value	**2,423**	**20,562**	**2,269**	**19,030**	**44,284**
At December 2024					
Cost	**3,593**	**34,722**	**3,741**	**19,030**	**61,086**
Accumulated amortisation and impairment	**(1,170)**	**(14,160)**	**(1,472)**	**—**	**(16,802)**
Net book value	**2,423**	**20,562**	**2,269**	**19,030**	**44,284**
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

Software intangible assets include ERP, inventory management systems and other related system enhancements of subsidiary undertakings, created by an external development firm for the subsidiary's specific requirements. During 2024 capital expenditure of £1,150,000 within software included the upgrade to Business Central integrated ERP system and customer portal within Plumbing and Heating, as well as rebate and other system enhancements within Merchanting. The assets on the balance sheet as at 31 December 2024 have remaining amortisation periods of between 2-10 years.

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.

Notes to the financial statements continued

For the year ended 31 December 2024

16. Intangible assets continued

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:

	2024 £'000	2023 £'000
Merchanting	**32,706**	34,847
Plumbing and Heating	**11,578**	11,358
	44,284	46,205

The total recoverable amount in relation to these CGUs at 31 December 2024 was £253,537,000 (2023: £299,884,000). 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 2024 and 2023 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:

	Merchanting	Plumbing and Heating
Five-year sales growth	4.1%-12.3%	4.3%-5.1%
Terminal sales growth	2.0%	2.0%
Discount rate	16.6%	16.6%

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 2024. 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.

	Merchanting	Plumbing and Heating
Recoverable amount of CGU	£153,230,000	£100,307,000
Current headroom	£74,509,000	£73,532,000
Five-year sales growth[1]	<0%-3%	<0%
Terminal sales growth	<0%	<0%
Discount rate	>30%	>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 1% per annum in order to support a value-in-use higher than the carrying value
   - One further CGU requires growth rate of 3% per annum. This is well within anticipated market recovery over the coming years following the wider contraction of builders' merchanting market since its peak in 2022
   - The recoverable amount of these CGUs is £33,908,000 and the base headroom is £13,255,000

Notes to the financial statements continued

For the year ended 31 December 2024

17. Property, plant and equipment

	Land and buildings £'000	Land and building leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Office equipment £'000	Total £'000
Year ended 31 December 2024							
Opening net book value	**12,975**	**3,064**	**1,212**	**646**	**1,583**	**753**	**20,233**
Additions	**21**	**1,100**	**695**	**148**	**266**	**322**	**2,552**
Disposals	**(6,311)**	**(10)**	**(19)**	**(50)**	**(6)**	**(14)**	**(6,410)**
Reclassification	**(20)**	**761**	**(779)**	**(72)**	**103**	**7**	**—**
Acquired through business combinations	**—**	**10**	**—**	**9**	**7**	**1**	**27**
Depreciation charge	**(161)**	**(818)**	**(247)**	**(202)**	**(496)**	**(397)**	**(2,321)**
Closing net book value	**6,504**	**4,107**	**862**	**479**	**1,457**	**672**	**14,081**
At 31 December 2024							
Cost	**7,076**	**8,955**	**2,408**	**2,305**	**3,560**	**2,201**	**26,505**
Accumulated depreciation and impairment	**(572)**	**(4,848)**	**(1,546)**	**(1,826)**	**(2,103)**	**(1,529)**	**(12,424)**
Net book value	**6,504**	**4,107**	**862**	**479**	**1,457**	**672**	**14,081**
Year ended 31 December 2023							
Opening net book value	6,962	2,542	1,451	832	1,275	585	13,647
Additions	6,494	1,077	211	85	735	373	8,975
Disposals	(3,838)	—	(12)	(34)	—	—	(3,884)
Acquired through business combinations	3,600	142	190	38	140	72	4,182
Impairment	—	(7)	(14)	—	(43)	(13)	(77)
Depreciation charge	(243)	(690)	(614)	(275)	(524)	(264)	(2,610)
Closing net book value	12,975	3,064	1,212	646	1,583	753	20,233
At 31 December 2023							
Cost	13,539	7,471	2,962	1,286	4,337	1,703	31,298
Accumulated depreciation and impairment	(564)	(4,407)	(1,750)	(640)	(2,754)	(950)	(11,065)
Net book value	12,975	3,064	1,212	646	1,583	753	20,233

In 2024, the freehold property at Colnbrook site near Heathrow, with book value of £6.0 million, was sold at market value of £7.1 million, and immediately leased back at a market rental for a term of 15 years.
In 2023, as part of the acquisition of Alloway Timber, the acquired freehold property was immediately sold back to the vendor at market value of £3.6 million, and the Group entered into a leasing arrangement for the property. This was accounted for as a sale of fair value, included within disposals in the table above, and as an addition to right-of-use assets and lease liabilities.

Notes to the financial statements continued

For the year ended 31 December 2024

18. 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.

	2024	2023
Number of active leases	**298**	289

Description of payments

	2024 £'000	2023 £'000
Principal lease payments	**8,381**	6,912
Interest on dilapidation provision	**64**	58
Interest payments on leases	**2,760**	2,340
Short-term and low-value lease costs	**176**	114
	11,381	9,424

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

Right-of-use assets

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Year ended 31 December 2024				
Opening net book value	**39,252**	**1,743**	**6,369**	**47,364**
Additions	**7,675**	**535**	**6,149**	**14,359**
Acquired through business combinations	**134**	**–**	**93**	**227**
Lease modifications	**2,519**	**423**	**(1,420)**	**1,522**
Impairment	**(1,463)**	**–**	**–**	**(1,463)**
Amortisation charge	**(5,121)**	**(1,266)**	**(2,968)**	**(9,355)**
Closing net book value	**42,996**	**1,435**	**8,223**	**52,654**

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 31 December 2024				
Cost	**67,357**	**4,362**	**14,188**	**85,907**
Accumulated amortisation and impairment	**(24,361)**	**(2,927)**	**(5,965)**	**(33,253)**
Net book value	**42,996**	**1,435**	**8,223**	**52,654**
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

Impairment of right-of-use assets

As set out in note 3.2, as a result of the CGU level impairment review, it was identified that the right-of-use assets at three of the branches within the Merchanting division should be impaired resulting in impairment charges in 2024 of £1,463,000 (2023: £424,000). The 2024 charges related to three sites which had been acquired as part of the Alloway Timber acquisition in 2023, with a view to turning around the branches which were loss making prior to joining the Group. Of the three sites, one has now closed and therefore subject to a full write off of the associated right-of-use asset. Although progress has been made in the turnaround of the other two branches, they continue to be impacted by the adverse market conditions.

Notes to the financial statements continued

For the year ended 31 December 2024

18. Leases and right-of-use assets continued

Impairment of right-of-use assets continued

The impairment charges have been recorded within the depreciation, amortisation and impairment line in the income statement and treated as an adjusting item in the Group's APMs.

The carrying amount of the assets attributable to the branches which have been impaired, after impairment, is £2,801,000, equivalent to the recoverable value, based on value-in-use calculations.

Lease liabilities

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
At 1 January 2024	**44,166**	**1,544**	**6,058**	**51,768**
Additions	**8,627**	**63**	**6,515**	**15,205**
Acquired through business combinations	**126**	**—**	**93**	**219**
Lease modifications	**2,228**	**423**	**(1,420)**	**1,231**
Interest expenses	**2,181**	**86**	**494**	**2,761**
Lease payments (including interest)	**(6,896)**	**(898)**	**(3,348)**	**(11,142)**
At 31 December 2024	**50,432**	**1,218**	**8,392**	**60,042**
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

Reconciliation of minimum lease payments and present value

	2024 £'000	2023 £'000
Within 1 year	**11,213**	9,769
Later than 1 year and less than 5 years	**30,918**	26,182
Later than 5 years and less than 10 years	**23,560**	19,303
Later than 10 years and less than 15 years	**8,057**	7,878
After 15 years	**5,590**	5,709
Total including interest cash flows	**79,338**	68,841
Less interest cash flows	**(19,296)**	(17,073)
Total principal cash flows	**60,042**	51,768

Reconciliation of current and non-current lease liabilities

	2024 £'000	2023 £'000
Current	**8,310**	7,815
Non-current	**51,732**	43,953
Total	**60,042**	51,768

19. Investments

	2024 £'000	2023 £'000
Cost		
Listed investments	**1**	1
Other investments	**129**	179
	130	180

20. Inventories

	2024 £'000	2023 £'000
Raw materials and consumables	**298**	298
Finished goods and goods for resale	**48,954**	48,994
	49,252	49,292

The difference between the purchase price or production cost of stock and their replacement cost is not material.

Notes to the financial statements continued

For the year ended 31 December 2024

20. Inventories continued

Group inventories are stated after a provision for impairment of £1,810,000 (2023: £2,489,000). Inventory provisions are based on estimates and assumptions by management and include consideration of slow-moving items, damaged items and possibility of theft.

Movement in the inventory provision is recognised in cost of sales in the statement of comprehensive income.

21. Trade and other receivables

	2024 £'000	2023 £'000
Non-current		
Other receivables	**236**	200
Current		
Trade receivables	**61,935**	68,083
Other receivables	**1,879**	1,640
Supplier rebates	**8,286**	8,267
Prepayments	**4,084**	3,181
Corporation tax	**31**	–
	76,215	81,171

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

The Group has recognised a loss of £57,000 (2023: £111,000) in the profit or loss in respect of the expected credit losses for the year ended 31 December 2024.

Analysis of trade receivables based on age of invoices:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Not overdue	**0.2%**	0.2%	**27,159**	32,830	**52**	63
31-60 days	**0.3%**	0.3%	**29,353**	29,713	**98**	86
61-90 days	**2.6%**	2.3%	**3,623**	4,237	**94**	98
Greater than 90 days	**16.4%**	31.4%	**2,444**	2,261	**400**	711
			62,579	69,041	**644**	958
Less bad debt provision			**(644)**	(958)		
Trade receivables			**61,935**	68,083		

Notes to the financial statements continued

For the year ended 31 December 2024

21. Trade and other receivables continued

Movements in the allowance for expected credit losses are as follows:

	2024 £'000	2023 £'000
Opening balance	**958**	847
Additional provisions recognised	**370**	958
Receivables written off during the year as uncollectable	**(507)**	(756)
Unused amounts reversed	**(177)**	(91)
Closing balance	**644**	958

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward-looking information utilising management knowledge.

22. Disposal of subsidiary

On 31 December 2024, the Group sold its wholly owned subsidiary undertaking, Ultimate Discount Heating Limited, which contained the trading operations of the branch at Billericay. The subsidiary, which held net assets of £296,000 at the disposal date. The sale was for cash consideration of £681,000 received in January 2025.

On 2 February 2023, the Group sold its wholly owned subsidiary undertaking, Lords at Home Ltd ('Lords at Home') including the Lords at Home brand. The subsidiary, which had 31 employees, was considered non-core to the Group's principal focus of building, plumbing, heating and DIY goods. The sale was for cash consideration of £805,000 settled in full on completion.

23. Trade and other payables

Other payables comprise deferred consideration relating to various acquisitions and the anticipated cost of acquiring non-controlling interests where put and call options are in place. Other payables due after one year is discounted using discount rates which reflect the relevant costs of financing when material.

Amounts falling due within one year:	2024 £'000	2023 £'000
Trade payables	**77,980**	82,645
Other taxation and social security	**1,759**	4,485
Other payables	**1,999**	3,880
Accruals	**6,500**	7,905
	88,238	98,915

Amounts falling due after one year:	2024 £'000	2023 £'000
Other payables	**1,540**	5,917

The directors consider that the carrying value of trade and other payables approximates to their fair value. Other payables greater than one year includes deferred and contingent consideration, and options to acquire non-controlling interests of acquired subsidiaries.

At the request of one of the former owners of A.W. Lumb acquisition made in 2022, the remaining contingent consideration due to this individual was agreed to be settled in a fixed amount of shares. This resulted in 255,319 shares being issued in May 2024, with further issues subject to service conditions being met. As a result of the change, the balance accrued as at 31 December 2023 was satisfied via the share issues in 2024, and further amounts due in line with service conditions now sit within the share-based payment reserve.

24. Cash and borrowings

	2024 £'000	2023 £'000
Current		
Other loans	**11,946**	9,507
Total current borrowings	**11,946**	9,507
Non-current		
Bank loans	**30,119**	38,239
Total non-current borrowings	**30,119**	38,239
Total borrowings	**42,065**	47,746
Cash at bank	**(10,312)**	(19,811)
Capitalised debt costs	**605**	580
Net borrowings	**32,358**	28,515

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

	2024 £'000	2023 £'000
Less than 1 year	**11,946**	9,507
Later than 1 year and less than 5 years	**30,119**	38,239
Total borrowings	**42,065**	47,746

Total unamortised transaction costs of £605,000 (2023: £580,000) have been offset against the bank loans.

Notes to the financial statements continued

For the year ended 31 December 2024

24. Cash and borrowings continued

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

	2024 £'000	2023 £'000
Total facilities		
Revolving credit facility	**70,000**	70,000
Invoice drawdown facility	**25,000**	25,000
	95,000	95,000
Used at 31 December		
Revolving credit facility	**30,724**	38,819
Invoice drawdown facility	**11,946**	9,507
	42,670	48,326
Unused at 31 December		
Revolving credit facility	**39,276**	31,181
Invoice drawdown facility	**13,054**	15,493
	52,330	46,674

The Group banking facilities are with a syndicate of three banks. On 1 May 2024, the term of the facilities were extended such that at 31 December 2024, the facilities had an expiry date of 5 April 2027.

Details of the facilities are:

- An invoice financing facility of £25.0 million attracting an interest rate of UK base rate +1.4%
- On 30 April 2025, the Group reduced its Revolving Credit Facility by £20.0 million to £50.0 million, securing reduced non-utilisation costs
- Covenants on the RCF facility require that the ratio of adjusted EBITDA to net debt (excluding lease liabilities) and ratio of adjusted EBITDA to net finance costs are within pre-defined thresholds at each quarter end date. Each testing date covers results for the previous 12 months. As at 31 December 2024, the Group was in compliance with its covenant thresholds, and therefore continues to classify the borrowings under the facility as non-current liabilities
- From April 2025 the £50.0 million Revolving Credit Facility is also subject to covenant tests as described above. The Group is not expected to have any difficulties in remaining within its banking covenants at future quarterly testing dates
- The banking facilities are subject to cross guarantees from the relevant Group undertakings, and secured by fixed and floating charges over the land, tangible and other assets and insurances

Notes to the financial statements continued

For the year ended 31 December 2024

25. Reconciliation of liabilities arising from financing activities

	Current liability		Non-current liability		Total	
	Borrowings £'000	Lease liability £'000	Borrowings £'000	Lease liability £'000	Borrowings £'000	Lease liability £'000
At 1 January 2024	**9,507**	**7,815**	**38,239**	**43,953**	**47,746**	**51,768**
Acquired through business combinations	**—**	**20**	**76**	**199**	**76**	**219**
Proceeds from borrowings	**2,439**	**—**	**31,209**	**—**	**33,648**	**—**
Repayment of borrowings	**—**	**—**	**(39,405)**	**—**	**(39,405)**	**—**
Lease payments	**—**	**(11,142)**	**—**	**—**	**—**	**(11,142)**
Interest	**—**	**2,761**	**—**	**—**	**—**	**2,761**
New leases	**—**	**1,004**	**—**	**14,201**	**—**	**15,205**
Modifications/remeasurement and transfers from current to non-current	**—**	**7,852**	**—**	**(6,621)**	**—**	**1,231**
At 31 December 2024	**11,946**	**8,310**	**30,119**	**51,732**	**42,065**	**60,042**
At 1 January 2023	10,348	5,496	25,086	37,024	35,434	42,520
Acquired through business combinations	—	574	1,049	5,319	1,049	5,893
Proceeds from borrowings	—	—	109,116	—	109,116	—
Repayment of borrowings	(841)	—	(97,012)	—	(97,853)	—
Lease payments	—	(9,252)	—	—	—	(9,252)
Interest	—	2,340	—	—	—	2,340
New leases	—	8,752	—	1,500	—	10,252
Disposal of leases	—	(906)	—	—	—	(906)
Modifications/remeasurement and transfers from current to non-current	—	811	—	110	—	921
At 31 December 2023	9,507	7,815	38,239	43,953	47,746	51,768

Notes to the financial statements continued

For the year ended 31 December 2024

26. Other provisions

	2024 £'000	2023 £'000
Lease liability dilapidations	**1,444**	1,565
Branch rationalisation	**137**	—
	1,581	1,565

	Lease liability dilapidations £'000	Branch rationalisation £'000	Total £'000
At 31 December 2023	1,565	—	1,565
Additions	**18**	**137**	**155**
Acquired through business combinations	**8**	**—**	**8**
Modifications	**(211)**	**—**	**(211)**
Interest	**64**	**—**	**64**
As at 31 December 2024	**1,444**	**137**	**1,581**

As part of the Group's property leasing arrangements there is an obligation to repair damages which occur during the life of the lease, such as wear and tear. The cost is charged to profit or loss as the obligation arises. The provision is expected to be utilised between 2025 and 2129 as the leases terminate. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates.

During the year the Group announced its intention to rationalise some of its branches. The branch rationalisation provision reflects committed costs as at 31 December 2024 in relation to these activities. In February 2025, trading activity ceased at two branches.

27. Deferred taxation

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2024 £'000	2023 £'000
Accelerated capital allowances	**3,593**	3,010
Leases	**(2,329)**	(1,325)
Intangible assets arising on business combinations	**5,159**	5,774
Losses	**—**	71
Share-based payments	**(341)**	(157)
Net deferred tax liability	**6,082**	7,373

Movement in period

	2024 £'000	2023 £'000
At beginning of the year	**7,373**	7,022
Charged to income statement	**(1,288)**	(674)
Credited to equity	**—**	515
Movement arising from business combinations	**(3)**	510
Net deferred tax liability	**6,082**	7,373

28. Share capital

	2024 £'000	2023 £'000
Allocated, called up and fully paid		
165,886,539 (2023: 165,532,849) ordinary shares of £0.005 each	**829**	828

Movements in the year

	2024 Nominal value £'000	2024 Shares '000
Beginning of the year	**828**	**165,533**
Issue of share capital	**1**	**256**
Shares issued on exercise of share options	**—**	**98**
	829	**165,887**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Notes to the financial statements continued

For the year ended 31 December 2024

29. Share-based payments

A share option plan has been established by Lords Group Trading plc whereby at the discretion of the remuneration committee it may grant options over ordinary shares in the Company to certain key management personnel. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the remuneration committee.

Set out below are summaries of options granted under the plan:

2024

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Forfeited	Balance at end of year
01/10/2021	01/10/2031	0p	424,131	—	(98,371)	(57,895)	267,865[2]
15/05/2022	15/05/2032	0p	92,231	—	—		92,231[3]
30/06/2022	30/06/2032	0p	59,738	—	—	(59,738)	—[4]
30/06/2022	30/06/2032	83.7p	179,212	—	—	(179,212)	—[4]
25/05/2023	25/05/2033	0p	4,034,125	402,000	—	(802,000)	3,634,125[5]
20/09/2023	20/09/2033	0p	276,073		—	(276,073)	—[5]
			5,065,510	402,000	(98,371)	(1,374,918)	3,994,221
Weighted average exercise price			2.961	—	—	10.910	—

2023

Grant date	Expiry date	Exercise price	Balance at start of year	Granted	Exercised	Forfeited	Balance at end of year
27/06/2019	26/12/2029	0.005p	8,950,171	—	(3,021,478)	(5,928,693)	—[1]
01/10/2021	01/10/2031	0p	435,974	—	—	(11,843)	424,131[2]
15/05/2022	15/05/2032	0p	106,796	—	—	(14,565)	92,231[3]
30/06/2022	30/06/2032	0p	59,738	—	—	—	59,738[4]
30/06/2022	30/06/2032	83.7p	179,212	—	—	—	179,212[4]
25/05/2023	25/05/2033	0p	—	4,034,125	—	—	4,034,125[5]
20/09/2023	20/09/2033	0p	—	276,073	—	—	276,073[5]
			9,731,891	4,310,198	(3,021,478)	(5,955,101)	5,065,510
Weighted average exercise price			1.546	—	0.005	0.005	2.961

1. 2016 Company Share Option Plan.
2. 2021 Deferred Bonus Plan.
3. 2022 Deferred Bonus Plan.
4. 2022 Long-Term Incentive Plan.
5. 2023 Long-Term Incentive Plan.

The table excludes SIP awards to all Company employees on 30 September 2021, who had been with the Company for six months prior to IPO. These shares were issued and held in trust, with no potentially dilutive impact to earnings per share.

Notes to the financial statements continued

For the year ended 31 December 2024

29. Share-based payments continued

2016 Company Share Option Plan

The CSOP was based on Group EBITDA growth in the five-year period commencing from the vesting commencement date and running to 31 December 2021 and 31 December 2022.

2021 and 2022 Deferred Bonus Plans

The Group issued a Deferred Bonus Plan to certain key management personnel. Under the Deferred Bonus Plan, options vest automatically at no cost to the employee after a three-year holding period. The 2021 options were fully exercisable as at 31 December 2024. The 2022 options vested in January 2025 following satisfaction of continued service conditions. The awards had previously achieved certain market and non-market conditions relating to earnings per share and total shareholder return.

2022 Long-Term Incentive Plan

The options were forfeit in January 2024 due to lapse of service condition, having additionally been subject to certain market and non-market conditions relating to earnings per share and total shareholder return.

Contingent consideration in relation to A.W. Lumb

At the request of one of the former owners of A.W. Lumb acquisition made in 2022, in May 2024, it was agreed that the remaining contingent consideration due to this individual was agreed to be settled in a fixed amount of shares. This resulted 255,319 shares issued in May 2024, in settlement of the liability as at 31 December 2023, with further amounts due in each of 2025, 2026 and 2027 modified to reflect that they will be settled with further fixed issues of 255,319 shares.

2023 Long-Term Incentive Plan

The performance targets attached to the LTIP awards are based on the earnings before interest, tax, depreciation and amortisation (EBITDA) of the awardee's respective division achieving a minimum growth rate of 25% over a three-year performance period from January 2023 to December 2025. The growth rate targets account for EBITDA growth stemming from acquisitions through a calculation factoring in a cost of capital charge. The awards will not vest if the division performs below the minimum target. The vesting of the final number of LTIP awards granted after the three-year performance period will be split with 50% of the final LTIP awards vesting and will be exercisable any time from May 2026, with a further 25% of the final LTIP awards vesting from May 2027, and the remaining 25% of the final LTIP awards vesting from May 2028.

For the 2023 LTIP issued in September 2023, the performance conditions are based on adjusted earnings per share and total shareholder return, over the three-year performance period to 31 December 2025. These shares have been forfeited.

Notes to the financial statements continued

For the year ended 31 December 2024

29. Share-based payments continued

Other share-based payment information

267,865 options were exercisable at the end of the financial year (2023: nil).

The weighted average share price during the year was 43.77 pence (2023: 64.64 pence). The options were exercised in the year when the share price was between 37.24 and 53.15 pence.

The weighted average remaining contractual life of the remaining options outstanding at the end of the financial year was 8.3 years (2023: 9.2 years).

The 402,000 share awards granted during the 2024 calendar year related to the 2023 scheme awards granted on 25 May 2023, and the valuation model inputs used to determine the fair value at grant date were the same as those presented in 2023:

2023 Grant date	Expiry date	Options issued	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/05/2023	25/05/2033	4,034,125	0.685	—	35.00%	2.90%	4.40%	0.593-0.628

The expected volatility reflects the assumption that the historical volatility over a period, similar to the life of the options, is indicative of future trends, which may not necessarily be the actual outcome.

A binomial model is used to value options with no market performance conditions and a Monte Carlo model is used where there are market performance conditions.

30. Reserves

Share premium

The share premium account represents the excess of the amount raised from issuing shares above their nominal value less costs associated with the capital raise.

Merger reserve

Merger reserve relates to non-distributable amounts in excess of the nominal value of ordinary shares issued in connection with the share-for-share exchange with Lords Builders Merchants Holdings Limited.

Share-based payment reserve

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

Retained earnings

Retained earnings relate to cumulative net gains and losses less distributions made. Movements in put and call options where risk is deemed to be with the Group are included within retained earnings.

Notes to the financial statements continued

For the year ended 31 December 2024

31. Non-controlling interests

A complete list of subsidiary companies with non-controlling interests is included in note 42.

	2024 £'000	2023 £'000
At 1 January	**1,629**	1,328
Total comprehensive income	**185**	318
Arising on business combinations	**4**	–
Capital repayment	**–**	(17)
At 31 December	**1,818**	1,629

The Group has non-controlling interests in Condell Limited, Direct Heating & Plumbing Merchants Limited, Direct Heating & Plumbing Trade Counters Limited, Weldit Limited Liability Partnership and Ultimate Renewables Supplies Ltd, which was acquired on 25 October 2024.

32. Retirement benefit scheme

	2024 £'000	2023 £'000
Defined contribution scheme		
Charge to income statement	**877**	999

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The outstanding pension contributions at each year end were £191,000 (2023: £139,000).

33. Financial instruments

Financial assets

Financial assets measured at amortised cost comprise trade receivables, other receivables, accrued income and cash. It does not include prepayments. The carrying amount is a reasonable approximation of fair value.

	2024 £'000	2023 £'000
Trade receivables	**61,935**	68,083
Other receivables	**2,115**	1,840
Supplier rebates	**8,286**	8,267
Cash at bank and in hand	**10,312**	19,811
	82,648	98,001

Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market-observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial assets and liabilities measured at fair value include derivative financial assets and liabilities, as follows:

Fair value measurement	Level	2024 £'000	2023 £'000
Listed investments	1	**1**	1
Unlisted investments	3	**129**	179
		130	180
Call and put options	3	**1,195**	1,283

The Group holds call and put options over shares held by some of its non-controlling interests. The purchase price is at market value or a multiple of earnings before interest, tax, depreciation and amortisation (EBITDA). At year end the option price is reassessed and any increase or decrease charged or credited to retained earnings. See note 2.28 for the accounting policy on call and put options.

Notes to the financial statements continued

For the year ended 31 December 2024

33. Financial instruments continued

Fair value measurement continued

The movement in call and put options in the year was as follows:

	2024 £'000	2023 £'000
Balance at 31 December 2023	**1,283**	1,362
Options added by business acquisition	**20**	—
Reassessment of amount payable	**(108)**	(79)
Balance at 31 December 2024	**1,195**	1,283

One of the Group's subsidiaries sometimes makes international purchases in foreign currencies; the subsidiary may seek to reduce the foreign exchange risk by entering into forward contracts. At year end, the Group had no forward contracts with sterling equivalent.

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and borrowings. It does not include deferred income and other taxation and social security or liabilities held for sale. The fair value of the Group's borrowings at 31 December 2024 was £42,670,000 (31 December 2023: £48,326,000). For the other financial liabilities presented below, the carrying amount is a reasonable approximation of fair value.

Financial liabilities	2024 £'000	2023 £'000
Trade payables	**77,980**	82,645
Other payables	**3,539**	9,797
Accruals	**6,500**	7,905
Lease liabilities	**60,042**	51,768
Borrowings	**42,065**	47,746
	190,126	199,861

Financial risk management

The Group is exposed through its operations to the following financial risks: credit risk, interest rate risk, foreign exchange risk and liquidity risk. Risk management is carried out by the directors of the Group. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from the Group's operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In order to minimise the risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the gross debt before provisions of trade and other receivables and cash and cash equivalents as disclosed in notes 21 and 24.

The Group seeks to obtain charging orders over the property of trade receivables, where appropriate. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information. Further disclosures regarding trade and other receivables are provided in note 21.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating B+ are accepted.

Currently, all financial institutions whereby the Company holds significant levels of cash are rated from AA- to A+.

Interest rate risk

The Group's current main interest rate risk arises from long-term borrowings which are financed at interest rates between SONIA +2.0% and SONIA +2.8%, and an invoice financing facility at a rate of UK base rate +1.4%. Bank and other borrowings outstanding at 31 December 2024 amounted to £42,065,000 (2023: £47,746,000). An increase/decrease in interest rates of 1.0% would decrease/increase profit before tax by £421,000 (2023: £477,000).

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions in a currency other than its functional currency. The Group's policy is, where possible, to settle liabilities denominated in a currency other than its functional currency with cash already denominated in that currency.

Liquidity risk

The Group seeks to maintain sufficient cash balances. Management reviews cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Notes to the financial statements continued

For the year ended 31 December 2024

33. Financial instruments continued

Liquidity risk continued

A maturity analysis of the Group's non-derivative liabilities within trade and other payables and loans is shown below. A maturity analysis of leases is set out in note 18.

Liquidity risk	2024 £'000	2023 £'000
Less than one year	**100,784**	103,937
Between 1 and 2 years	**1,450**	758
Between 2 and 5 years	**32,986**	40,048
	135,220	144,743

The only derivate liabilities within the Group are put and call options to acquire non-controlling interests which are included within other creditors. A maturity analysis of the Group's derivative liabilities is shown below:

Liquidity risk	2024 £'000	2023 £'000
Less than one year	**882**	–
Between 1 and 2 years	**341**	–
Between 2 and 5 years	**20**	1,474
	1,243	1,474

Capital disclosures

The capital structure of the business consists of cash and cash equivalents, debt and equity. Equity comprises share capital, share premium and retained profits and losses and is equal to the amount shown as 'Equity' in the balance sheet. Cash and cash equivalents comprise cash and bank accounts and marketable securities that can be converted into cash within 90 days. Debt comprises various items which are set out in further detail above and in the notes to the accounts.

The Group's current objectives when maintaining capital are to:

- safeguard the Group's ability to continue as a going concern so that it can continue to pursue its growth plans;
- maintain its credit rating status while investing in organic developments and acquisition opportunities that are expected to generate attractive returns; and
- maintain a progressive dividend policy which provides a reasonable expectation of future returns to shareholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group has reduced its total dividend for the year to 0.84 pence per share in 2024 (2023: 2.00 pence per share) scaled in line with the change in adjusted earnings per share.

These capital management policies have remained unchanged from the prior year.

34. Business combinations

Ultimate Renewables Supplies Ltd

On 25 October 2024, the Group acquired 90% of the issued share capital of Ultimate Renewables Supplies Ltd, for an initial consideration of £632,000. A further consideration of £196,000 is payable two years from completion, and is contingent on certain service conditions being met.

Ultimate Renewables Supplies Ltd is a single-site operation based in Bicester, providing a full range of design and commissioning services for renewable energy products. The acquisition extends the market offering of the Plumbing and Heating division and supports the energy transition to renewable products.

The acquired business contributed revenues of £764,000 and a profit before tax of £292,000 to the consolidated entity for the period from acquisition to 31 December 2024. If the acquisition had been completed on the first day of the financial year, the business would have contributed £3,077,000 to the Group's revenue and £240,000 to the Group's profit before tax. The following table summarises the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair value £'000
Property, plant and equipment	27
Right-of-use assets	227
Inventories	144
Trade and other receivables	599
Cash	25
Borrowings	(76)
Trade and other payables	(683)
Dilapidation provision	(8)
Lease liabilities	(219)
Total fair value	**36**
NCI 10%	4
Consideration	632
Goodwill	**596**

Acquisition costs totalled £89,000 and are disclosed within operating expenses in the statement of comprehensive income. The non-controlling interest valuation has been calculated using the share of net assets method. Put and call options have been put in place for the remaining 10% non-controlling interests.

Notes to the financial statements continued

For the year ended 31 December 2024

34. Business combinations continued

Ultimate Renewables Supplies Ltd continued

The Group directors assessed that the risks and rewards of the remaining 10% lay with the non-controlling interests and non-controlling interests have been recognised with the transaction.

The net cash expended on the acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	632
Less cash acquired at acquisition	(25)
Net cash movement	**607**

35. Commitments and contingencies

At 31 December 2024, the Group had the following capital commitments:

Contracts for future capital expenditure not provided in the financial statements:

	2024 £'000	2023 £'000
Property, plant and equipment	**67**	—

As previously disclosed, in 2021 the Group reported to HMRC a potential historic breach of anti-money laundering regulations in relation to one of its acquired subsidiaries. It is not practicable to identify the likely outcome or estimate the potential financial impact with any certainly, and the Group has not had any correspondence on the matter from HMRC since May 2021.

36. Related party transactions

Parent entity

Lords Group Trading plc is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 42.

Key management personnel

Disclosures relating to key management personnel are set out in note 8.

Transactions with related parties

Gempoint 2000 Limited and Old Oak Wharf Limited, companies of which Shanker Patel is also a director, owned properties leased by operating branches of the Group. The Group was charged rentals by these related parties of £663,000 (2023: £1,020,000), and at 31 December 2024, the Group owed Gempoint £130,000 (2023: £140,000) and Old Oak Wharf Limited £nil (2023: £87,700).

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

	2024 £'000	2023 £'000
Shanker Patel	**888**	1,034
Stuart Kilpatrick	**—**	—
Chris Day	**—**	34
Andrew Harrison	**5**	6
Gary O'Brien	**4**	3
Sheena Mackay	**—**	—

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

Condell Limited paid management fees of £129,000 (2023: £130,000), made purchases of £116,726 (2023: £101,000) and sales of £452,808 (2023: £494,000) from wholly owned Group companies, and was owed a net balance of £245,267 (2023: £47,000) on these transactions at 31 December 2024.

Weldit LLP paid management fees of £27,000 (2023: £27,000), interest of £23,000 (2023: £24,000) and made purchase of £nil (2023: £nil) and sales of £99,980 (2023: £22,013) to wholly owned Group companies. At 31 December 2024, Weldit LLP owed £648,000 (2023: £679,000) to wholly owned Group companies.

Direct Heating and Plumbing purchased £3,486,630 (2023: £4,065,000) and sold £203,636 (2023 £919,000) to wholly owned Group companies. At 31 December 2024, Direct Heating and Plumbing was owed £1,421,477 (2023: £12,000) including interest receivable of £73,112 to wholly owned Group companies.

Ultimate Renewables Supplies Ltd purchased £115,194 (2023: £nil) and sold £3,374 to wholly owned Group companies at 31 December 2024. Ultimate Renewables Supplies Ltd owed £204,390 (2023: nil) to wholly owned Group companies.

37. Post balance sheet events

On 30 April 2025, the Group completed the sale and leaseback of four of the Group's freehold properties to Gempoint 2000 Limited for a cash consideration of £13.3 million. Following the sale, the four properties will be leased back to the Group on a 15 year lease on market terms. The four properties are within the Merchanting division and locations at which the Group's businesses currently operate at Tamworth, Dewsbury, Luton and Ilkeston. Shanker Patel, the Group's CEO, is majority owner and a director of Gempoint 2000 Limited. As a result, Gempoint 2000 Limited is a related party of the Company, and the sale and leaseback is therefore a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies.

The net proceeds from the sale will be applied towards reducing Group borrowings, and in anticipation of this transaction, on 30 April 2025, the Group, with the agreement of its banks, reduced its Revolving Credit Facility by £20.0 million to £50.0 million, securing reduced non-utilisation costs after completion of this transaction.

Parent company statement of financial position

For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Investments	42	**48,791**	48,202
		48,791	48,202
Current assets			
Debtors	43	**256**	1,440
Cash at bank and in hand		**290**	145
		546	1,585
Creditors: amounts falling due within one year	44	**(1,219)**	(782)
Net current (liabilities)/assets		**(673)**	803
Total assets less current liabilities		**48,118**	49,005
Creditors: amounts falling due after more than one year	45	**(3,215)**	(3,075)
Net assets		**44,903**	45,930
Capital and reserves			
Called up share capital	28	**829**	828
Share premium	30	**28,412**	28,293
Share-based payments reserve	30	**1,459**	1,009
Retained earnings	30	**14,203**	15,800
Total equity		**44,903**	45,930

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 from presenting its own income statement in these financial statements. The Company's profit after tax for the financial period was £833,000 (2023: loss of £397,000).

The parent company financial statements on pages 133 to 139 were approved and authorised for issue by the Board and were signed on its behalf on 7 May 2025.

Stuart Kilpatrick
Director

Registered number 11633708

The notes on pages 135 to 139 form part of these financial statements.

Parent company statement of changes in equity

For the year ended 31 December 2024

	Called up share capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2024	**828**	**28,293**	**1,009**	**15,800**	**45,930**
Profit for the financial period and total comprehensive income	**—**	**—**	**—**	**833**	**833**
Taxation on share options exercised	**—**	**—**	**—**	**—**	**—**
Transactions with owners in their capacity as owners					
Share capital issued	**1**	**119**	**—**	**—**	**120**
Share-based payments	**—**	**—**	**753**	**—**	**753**
Exercise of share-based payments	**—**	**—**	**(303)**	**303**	**—**
Dividends paid	**—**	**—**	**—**	**(2,733)**	**(2,733)**
As at 31 December 2024	**829**	**28,412**	**1,459**	**14,203**	**44,903**

	Called up share capital £'000	Share premium £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2023	813	28,293	496	19,508	49,110
Loss for the financial period and total comprehensive expense	—	—	—	(397)	(397)
Taxation on share options exercised	—	—	—	—	—
Transactions with owners in their capacity as owners					
Share capital issued	15	—	—	—	15
Share-based payments	—	—	513	—	513
Dividends paid	—	—	—	(3,311)	(3,311)
As at 31 December 2023	828	28,293	1,009	15,800	45,930

Notes to the parent company financial statements

For the year ended 31 December 2024

38. General information

Lords Group Trading plc is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The registered office is Second Floor, 12-15 Hanger Green, London, England, W5 3EL. The Company's principal activity is to act as the holding company of the Group.

39. Accounting policies

39.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland (FRS 102) and the requirements of the Companies Act 2006.

39.2 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies.

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 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 40.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation and share option information, as required by FRS 102 paragraph 33.7; and
- from section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.

The following principal accounting policies have been applied consistently.

39.3 Going concern

The parent company financial statements are prepared on a going concern basis as set out in note 2.2 of the consolidated financial statements.

39.4 Share-based payments

The Company issues from time-to-time equity-settled share-based payments to certain directors and employees of the Company and its subsidiaries. Grants made to subsidiary employees will not result in a charge recognised in the income statement. Any charges for share-based payments are recognised as an increase in the cost of investment in subsidiaries (as a capital contribution), with the corresponding credit going to equity.

Non-market vesting conditions are not taken into account in determining grant date fair value. Instead, they are taken into account by adjusting the number of equity instruments to vest. At the end of each reporting period the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. Any revisions, if any, are recognised in profit and loss with an adjustment to equity.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the binomial model.

39.5 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the parent company financial statements continued

For the year ended 31 December 2024

39. Accounting policies continued

39.6 Investment in subsidiaries

Interests in subsidiary undertakings are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary undertaking is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

39.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

39.8 Impairment of investment in and loans to subsidiary undertakings

Interests in subsidiaries are assessed for impairment at each reporting date. If an indication of impairment is identified, the Company performs an impairment test to assess the recoverable amount of the subsidiary. An impairment loss is recognised for the amount by which the subsidiary undertaking's carrying amount, being the sum of investments and loans, exceeds its recoverable amount.

Recoverable amount is the higher of the subsidiary undertaking's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the subsidiary undertaking using a pre-tax discount rate.

39.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

39.10 Creditors

Short-term creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

39.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Borrowings are initially recognised at the transaction price, including transaction costs (unless the arrangement constitutes, in effect, a financing transaction, in which case it is initially recognised at the present value of future payments discounted at a market rate of interest for a similar debt instrument) and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar expenses.

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the parent company financial statements continued

For the year ended 31 December 2024

39. Accounting policies continued

39.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

39.13 Equity

Equity comprises the following:

- ‘called up share capital’ represents the nominal value of equity shares;
- ‘share premium’ represents amounts paid for shares in excess of nominal value;
- ‘retained earnings’ represents retained earnings less retained losses; and
- ‘share-based payments reserve’ represents charges in relation to equity-settled share-based payments.

40. Critical accounting judgements and estimation of uncertainty

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.

40.1 Critical judgements in applying the accounting policies

There are no critical judgements in the parent company financial statements.

40.2 Key accounting estimates and assumptions

Impairment of investment in and loans to subsidiary undertakings of the Company

Each year the Company considers whether there are any indications that the investments or loans in its subsidiary undertakings are impaired. Some indications of impairment are both external, such as changes in technology and interest rates on the subsidiary undertaking, and internal, such as losses incurred in the year. In the event indicators of impairment are identified, the Company performs stress-tested net cash flow assessments on the forecasted cash flow projections of the subsidiary undertaking and provides for any shortfall in the carrying value of the subsidiary undertaking against future cash flow projections.

See note 42 for the carrying amount of the asset, note 43 for amounts owed by Group undertakings and note 39.8 for the accounting policies. No impairment has been recognised as a result of the Company’s assessment.

41. Employees and directors

The average number of employees in the Company during the year (including directors) was 14 (2023: 13) and the aggregate employee costs relating to these persons were:

	2024 £’000	2023 £’000
Wages and salaries	**1,579**	2,040
Social security costs	**202**	265
Defined contribution costs	**31**	27
Share-based payments	**2**	66
	1,814	2,398

Details of the directors’ remuneration can be found in the Remuneration committee report.

42. Investments

	2024 £’000	2023 £’000
Subsidiary undertakings	**48,791**	48,202

The movement on the investment in subsidiary undertakings relates to the share-based payment charge which is a capital contribution to the Company’s subsidiary undertakings.

Notes to the parent company financial statements continued

For the year ended 31 December 2024

42. Investments continued

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Parent company	Segment	Entity type	Class of shares	Holding	Registered numbers	Parental guarantee
A.W. Lumb & Co. Limited	Lords Builders Merchants Holdings Limited	Merchanting	Trading	Ordinary	100%	00799448	
Carboclass Limited	Lords Builders Merchants Holdings Limited	Merchanting	Trading	Ordinary	100%	01906203	
Condell Limited	Carboclass Limited	Merchanting	Trading	Ordinary	75%	05701638	Yes
Weldit Limited Liability Partnership	Carboclass Limited	Merchanting	Trading	Ordinary	75%	OC303415	Yes
A P P Wholesale Limited	Lords Builders Merchants Holdings Limited	Plumbing and Heating	Trading	Ordinary	100%	06552800	
Direct Heating & Plumbing Merchants Limited	DH&P HRP Holdings Limited	Plumbing and Heating	Trading	Ordinary	90%	04039026	Yes
Direct Heating & Plumbing Trade Counters Limited	DH&P Trade Counters Holdings Limited	Plumbing and Heating	Trading	Ordinary	90%	12888477	Yes
Ultimate Renewables Supplies Ltd	A P P Wholesale Limited	Plumbing and Heating	Trading	Ordinary	90%	14551374	Yes
A.W. Lumb (Northern) Limited	A.W. Lumb & Co. Limited	Merchanting	Non-trading	Ordinary	100%	01487194	Yes
A.W. Lumb (Midlands) Limited	A.W. Lumb & Co. Limited	Merchanting	Non-trading	Ordinary	100%	01270417	Yes
AWLC Limited	Lords Builders Merchants Holdings Limited	Merchanting	Non-trading	Ordinary	100%	10551863	Yes
Lords Group Ventures Limited	Lords Group Trading plc	Merchanting	Non-trading	Ordinary	100%	12956319	Yes
Lords Builders Merchants Holdings Limited	Lords Group Trading plc	Merchanting	Non-trading	Ordinary	100%	10058191	Yes
Fastlane Investments Limited	Lords Builders Merchants Holdings Limited	Merchanting	Non-trading	Ordinary	100%	03619301	Yes
DH&P HRP Holdings Limited	A P P Wholesale Limited	Plumbing and Heating	Non-trading	Ordinary	90%	12888160	Yes
DH&P Trade Counters Holdings Limited	A P P Wholesale Limited	Plumbing and Heating	Non-trading	Ordinary	90%	12888351	Yes
Advance Roofing Supplies Limited	Carboclass Limited		Dormant	Ordinary	100%	02971503	Yes
Alloway Holdings Limited	Carboclass Limited		Dormant	Ordinary	100%	12540950	Yes
Alloway Properties Limited	Carboclass Limited		Dormant	Ordinary	100%	12552646	Yes
Alloway Timber Limited	Alloway Timber (Southern) Limited		Dormant	Ordinary	100%	01010692	Yes
Alloway Timber (Southern) Limited	Carboclass Limited		Dormant	Ordinary	100%	01019516	Yes
Chiltern Timber Supplies Limited	Carboclass Limited		Dormant	Ordinary	100%	08415193	Yes
Ebuildingsupplies Ltd	Lords Builders Merchants Holdings Limited		Dormant	Ordinary	100%	06814518	Yes
Hevey Building Supplies Limited	Carboclass Limited		Dormant	Ordinary	100%	04251567	Yes
Putney Builders Merchants Limited	Carboclass Limited		Dormant	Ordinary	100%	04589342	Yes

The Group agreed a parental guarantee with those companies shown above, and as a result those companies were exempt from audit under section 479A-479C of the Companies Act 2006 for the annual financial statements for the year ended 31 December 2024. All the companies classified as dormant are exempt from audit by virtue of section 479A of the Companies Act 2006.

All companies are incorporated in England and Wales with their registered office at Unit 1, Radford Industrial Estate, Goodhall Street, London, NW10 6UA.

The directors believe that the investment in subsidiaries is supported by their value-in-use and no impairment has therefore been recognised.

On 13 November 2024, the Group incorporated subsidiary company Ultimate Discount Heating Limited (16078239) which it subsequently sold on 31 December 2024 as part of the disposal of the Billericay branch.

Notes to the parent company financial statements continued

For the year ended 31 December 2024

43. Debtors

	2024 £'000	2023 £'000
Amounts falling due after more than one year		
Amounts owed by Group undertakings	**60**	1,296
Amounts falling due in less than one year		
Prepayments	**196**	144
	256	1,440

All amounts owed by Group undertakings are repayable on 31 December 2026. All amounts owed are unsecured borrowings, attracting an interest rate of SONIA +2.8% as at 31 December 2024.

44. Creditors: Amounts falling due within one year

	2024 £'000	2023 £'000
Trade payables	**305**	214
Corporation tax	**450**	137
Other taxation and social security	**275**	173
Accruals and deferred income	**189**	258
	1,219	782

45. Creditors: Amounts falling due after more than one year

	2024 £'000	2023 £'000
Amounts owed to Group undertakings	**3,215**	3,075

All amounts owed to Group undertakings are repayable on 31 December 2026. All amounts owed are unsecured borrowings, attracting an interest rate of SONIA +2.8% as at 31 December 2024.

46. Employee share schemes

Employees of the Company's subsidiaries have at various times been granted awards in the form of nil cost options over ordinary shares in Lords Group Trading plc. Refer to note 29 of the consolidated financial statements for more detail on these schemes. The cost of the share-based remuneration is passed to the relevant subsidiary in the form of a capital contribution.

Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group uses alternative performance measures (APMs) as part of its financial reporting, which are designed to assist with the comprehension of the performance of the Group by improving the comparability of information between reporting periods and divisions, and to aid the reader in further understanding the activities taking place within the Group. These measures are not defined under IFRS and therefore may not be directly comparable with other companies' APMs, and can exclude significant recurring business expenses. The adjusted measures below exclude amortisation of intangibles acquired in business combinations but include the revenues and benefits from the acquired operations. APMs should therefore be considered in addition to, and are not designed to be a substitute for any of the IFRS measures of performance.

The alternative view presented by these APMs is consistent with how management views the business, and how it is reported internally to the Board of Directors for performance analysis, planning, reporting, decision-making and incentive-setting purposes.

For further information on the Group's adjusting items, see note 6.

Income statement APMs

EBITDA

Adjusted EBITDA

Adjusted EBITDA excluding property gains and losses

- EBITDA is defined as earnings before interest, tax, depreciation, amortisation and impairment charge, inclusive of property gains and losses
- Adjusted EBITDA is EBITDA, inclusive of property gains and losses, but excluding exceptional items and share-based payments
- Adjusted EBITDA excluding property gains and losses is adjusted EBITDA excluding the impact of gains and losses from property transactions
- The closest IFRS measure is operating profit
- The Group uses EBITDA as it is a metric widely used by analysts, investors and other users of the financial statements to evaluate profitability of companies. Property is one of the 3Ps outlined in the Group's strategy, and integral to the business performance of the Group. The Group monitors performance with and without the impact of these transactions. Property gains and losses represents the gains and losses from significant property transactions

	2024 £'000	2023 £'000
Operating profit	**4,285**	9,133
Depreciation	**2,321**	2,610
Amortisation	**13,022**	11,214
Impairment charge	**1,463**	501
EBITDA	**21,091**	23,458
Exceptional items	**560**	2,849
Share-based payments	**753**	513
Adjusted EBITDA	**22,404**	26,820
Less: property gains	**(1,812)**	(252)
Adjusted EBITDA excluding property gains and losses	**20,592**	26,568

Adjusted operating profit

Adjusted operating profit excluding property gains

- Adjusted operating profit is operating profit, but excluding exceptional items and share-based payments
- The closest IFRS measure is operating profit
- The Group uses adjusted operating profit as indicator of the Group's profit generation after the impact of depreciation, including on right-of use assets, which is more closely linked to cash generation of the business after lease payments. As above the Group monitors performance with and without the impact of property transactions

	2024 £'000	2023 £'000
Operating profit	**4,285**	9,133
Amortisation of acquired intangible assets	**3,336**	3,515
Impairment charge	**1,463**	501
Exceptional items	**560**	2,849
Share-based payments	**753**	513
Adjusted operating profit	**10,397**	16,511
Less: property gains	**(1,812)**	(252)
Adjusted operating profit excluding property gains and losses	**8,585**	16,259

Alternative performance measures continued

Income statement APMs continued

			2024 £'000	2023 £'000
Adjusted profit before tax	• Adjusted profit before tax is defined as profit before tax before exceptional items, share-based payments, amortisation of intangible assets and impairment charges. From 2024 the Group consistently treats acquisition-related unwinding of deferred consideration and put and call options amounting to £0.2 million (2023: £0.2 million) as an adjusting item • The closest IFRS measure is profit before taxation	**(Loss)/profit before tax**	**(2,609)**	2,973
		Exceptional items	**560**	2,849
		Share-based payments	**753**	513
		Impairment charge	**1,463**	501
		Amortisation of acquired intangible assets	**3,336**	3,515
		Unwinding of deferred consideration and call and put options	**248**	—
		Adjusted profit before tax	**3,751**	10,351

			2024 £'000	2023 £'000
Adjusted basic earnings per share	• Earnings attributed to equity holders adjusted for exceptional items, share-based payments, impairment charges and amortisation of intangible assets divided by the weighted average number of shares in the year. From 2024 the Group consistently treats acquisition-related unwinding of deferred consideration and put and call options amounting to £0.2 million (2023: £0.2 million) as an adjusting item. Adjusted diluted earnings per shares uses the diluted weighted average number of shares as a denominator	**(Loss)/earnings attributable to the equity holders of the parent**	**(1,970)**	1,382
		Exceptional items	**560**	2,849
		Share-based payments	**753**	513
		Amortisation of acquired intangible assets	**3,336**	3,515
Adjusted diluted earnings per share	• Adjusted EPS is a core measure of the Group's post-tax profitability and the ability to pay dividends to shareholders. This is a key management incentive metric	Impairment charge	**1,463**	501
		Unwinding of deferred consideration and call and put options	**248**	—
		Tax impact of adjustments	**(1,310)**	(1,617)
		Less: adjusted earnings attributable to non-controlling interest	**(15)**	—
		Adjusted earnings attributable to equity holders of the parent	**3,065**	7,143
		Weighted average number of shares	**165,763,977**	164,340,814
		Adjusted basic earnings per share (pence)	**1.85**	4.35
		Weighted average number of shares – diluted	**166,577,836**	168,091,701
		Adjusted diluted earnings per share (pence)	**1.84**	4.25

Alternative performance measures continued

Balance sheet APMs

			2024 £'000	2023 £'000
Net debt	• Net debt is defined as lender facilities utilised less cash and cash equivalents before recognising lease liabilities • Net debt is a useful measure to assess the outcome of the Group's cash-generating activities and efforts strengthening its balance sheet position. It is a measure widely used by credit rating agencies	Short-term borrowings	**(11,946)**	(9,507)
		Long-term borrowings	**(30,119)**	(38,239)
		Cash and cash equivalents	**10,312**	19,811
		Add back: capitalised debt costs	**(605)**	(580)
		Net debt	**(32,358)**	(28,515)

Cash flow APMs

			2024 £'000	2023 £'000
Adjusted cash generated by operating activities	• Adjusted cash generated from operating activities is defined as net cash generated by operating activities plus exceptional items	**Net cash generated by operating activities**	**16,812**	19,660
Free cash flow	• Free cash flow is defined as adjusted EBITDA, after movements in working capital movement, capital expenditure, taxation, interest paid and lease payments	Exceptional items	**560**	2,849
Operating cash flow conversion	• Operating cash flow conversion is operating cash flow as a percentage of adjusted operating profit	**Adjusted cash generated by operating activities**	**17,372**	22,509
	• The updated definition of free cash flow and the use of operating cash flow conversion in 2024, include lease payments within the performance measure, as these are material cash flows for the Group, and therefore more closely reflect its core activities	**Adjusted EBITDA**	**22,404**	26,820
	• The closest IFRS measure for adjusted cash generated by operating activities is net cash generated by operating activities. There is no direct IFRS comparison for free cash flow	Working capital movement	**(3,841)**	(756)
	• Using the APMs for cash flow provides a view on cash flow generated by the Group's operations which is more predictable and comparable over time, and accordingly reflects the generation of cash available to shareholders	Net capital expenditure	**(43)**	(1,479)
		Lease payments	**(11,142)**	(9,252)
		Operating cash flow	**7,378**	15,333
		Net tax and interest paid	**(4,240)**	(6,650)
		Free cash flow	**3,138**	8,683
		Adjusted operating profit	**10,397**	16,511
		Operating cash flow conversion	**71.0%**	92.9%

Alternative performance measures continued

Financial calculations and ratios

Adjusted EBITDA margin	• Adjusted EBITDA as a percentage of revenue • This metric is a key measure of the efficiency of the Group’s operations and ability to grow profitability
Return on capital employed (ROCE)	• ROCE is defined as operating profit as a percentage of capital employed (where capital employed is the sum of total equity and net debt at each period end) • ROCE is a measure of how efficiently the Group deploys its capital, which is key in a business with multiple organic and inorganic growth opportunities
Like-for-like sales	• Sales growth excluding the impact of acquisitions and new locations, by adjusting for their incremental sales relative to the prior year • Like-for-like revenue growth effectively shows comparable organic sales growth for the business as existed at the start of the year

	2024 £’000	2023 £’000
Revenue	**436,684**	462,601
Adjusted EBITDA	**22,404**	26,820
Adjusted EBITDA margin	**5.1%**	5.8%
Operating profit	**4,285**	9,133
Total equity	**47,616**	51,165
Net debt	**32,358**	28,515
Capital employed	**79,974**	79,680
ROCE	**5.4%**	11.5%

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Financial calendar

8 May 2025
Final results

20 June 2025
Annual general meeting

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