

Companies House number: 11633708



**Continued strategic
progress with increased
diversification and
operational leverage**

2025 Annual Report and
Financial Statements



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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

Who we are

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

Established over 40 years ago as a family business, we now operate from 51 sites and can reach customers throughout the UK through our growing online presence.

Through our three divisions, **Merchandising, Plumbing and Heating, and Digital**, we sell to local tradespeople, small to medium-sized plumbing and heating merchants, construction companies, as well as directly to the public.

Revenue split

● Merchandising	48%
● Plumbing and Heating	47%
● Digital	5%

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.

Highlights

Financial highlights

Revenue	Adjusted EBITDA ^{1, 2}	Adjusted operating profit ^{1, 2}
£472.8m	£21.0m	£9.2m
8.3%	(6.2)%	(11.5)%
FY24: £436.7m	FY24: £22.4m	FY24: £10.4m
Adjusted profit before tax ¹	Adjusted diluted earnings per share ¹	Dividend per share
£2.8m	1.14p	0.52p
(26.3)%	(38.0)%	(38.0)%
FY24: £3.8m	FY24: 1.84p	FY24: 0.84p
Operating profit	Loss before tax	Diluted earnings per share
£1.1m	£(5.2)m	(2.68)p
(74.4)%	£2.6m increase	1.49p increase
FY24: £4.3m	FY24: £(2.6)m	FY24: (1.19)p
Net debt ¹		
£13.4m		
(58.6)%		
FY24: £32.4m		

1. See alternative performance measures (page 91).

2. Inclusive of property gains and losses.

Operational highlights

Resilience in a tough market with financial progress

- Record revenue of £472.8 million, up 8.3%, with positive like-for-like (LFL) growth (+0.7%) despite subdued end markets
- Merchanting LFL revenue growth of +3.1% driven by customer service led model, reflecting market share gains alongside disciplined pricing
- Plumbing and Heating (P&H) margins improved by 60bps, driven by product mix and margin management
- Renewables revenue up 57%, increasing margin quality
- Adjusted EBITDA of £21.0 million
- Net debt, excluding leases, reduced by 58.6% to £13.4 million, significantly strengthening the balance sheet

Strategic progress and platform strengthened – strongly positioned for market recovery

- Market leading e-commerce platform, CMO, acquired in June 2025, materially accelerating digital capability and national reach
- Three new branch openings during the year, further expanding Lords' national network
- Structural cost actions taken, in particular following the P&H strategic review, to streamline the business
- Increased operating leverage as volumes recover

Our divisions

We operate through **three** 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 33 locations in the UK.

Our brands:

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.

Our brands:

Digital

CMO Superstores is our market-leading e-commerce platform, offering construction and plumbing and heating products to homeowners and trade professionals, through nine specialist websites.

Our brands:

» Read more on pages 14 and 15.

» Read more on pages 16 and 17.

» Read more on pages 18 and 19.

Investment case

Differentiated investment opportunity

Uniquely placed Group in a large addressable market with opportunity to grow:

- › organically
- › by acquisition

Resilient core markets

- › Core exposure to UK Repairs, Maintenance and Improvement (RMI)
- › Structural housing undersupply and ageing stock
- › Revenue base underpinned across economic cycles

Structural growth drivers

- › Strong growth in renewables (+57% in FY25)
- › Increasing regulatory and consumer shift towards low-carbon heating
- › Renewables and product mix improving margin quality

Digital platform established

- › CMO enables national scale and data driven growth
- › Enhances customer acquisition, pricing insight and product reach

Operating leverage embedded

- › Established brand network with capacity for volume growth
- › Lower cost base following restructuring and efficiency initiatives
- › Incremental revenue drives disproportionate profit growth

Stronger balance sheet

- › Net debt reduced by 59% to £13.4 million
- › Significant liquidity and headroom for growth
- › Well positioned for selective acquisitions in consolidating market

Chair's statement

We have positioned the Group for profit growth when conditions improve, through disciplined cost management, strategic investment and a significant acceleration of our digital strategy.

Gary O'Brien
Independent Non-Executive Chairman

Net debt, excluding leases,
reduced by £19.0m

£13.4m

(58.6)%

FY24: £32.4m

Overview

This was a year of strategic and operational progress for the Group, contributing to a resilient financial performance in a market where other market participants have struggled. Our customer service-led model differentiates us and has enabled the Group to grow revenue without having to chase volume through aggressive pricing.

Even so, inflationary pressures on some key costs – notably Employer National Insurance, the National Minimum Wage and property costs, have affected our profitability and cash flow in the year. The Board and management have therefore remained tightly focused on costs, managing cash and on strengthening the balance sheet.

At such times, it can be tempting to pause strategic investment. However, we believe strongly that the Group has substantial growth potential and it is incumbent on us to continue to deploy our capital selectively, so we are in an even better position as the market recovers. The three new Merchanting branches we opened in the year, and a fourth location opened post period end, are testament to this.

The Board was also pleased to approve the acquisition of CMO, which has significantly accelerated the Group's digital strategy, and we are excited by the possibilities it presents.

My introduction to corporate governance on page 45 gives more detail of the Board's considerations in approving the transaction. The UK building materials market remains highly fragmented and underpenetrated from a digital perspective. We believe CMO presents a compelling opportunity to capture market share through a hybrid model, combining local service excellence with national digital reach.

Dividends

The Board recognises the importance of dividends to our shareholders, as well as our obligation to balance the dividend payout as part of a wider capital allocation policy in managing cash and continuing to invest such that the business delivers greater returns to shareholders in the years ahead. We have therefore maintained our policy of scaling the dividend in line with adjusted earnings per share. While this inevitably means dividends are lower in more difficult years, it will also result in dividend progression as the market recovers.

At the half year, we held the dividend steady at 0.32 pence per share. Adjusted earnings per share for the year was 38.4% lower at 1.14 pence (FY24: 1.84 pence) and the Board has therefore recommended a final dividend of 0.20 pence per share (FY24: 0.52 pence) to give a total in respect of the year of 0.52 pence (FY24: 0.84 pence). Information on payment, record and ex-dividend dates can be found on page 36.

People and culture

Our people and culture are significant competitive advantages for us. While the number of colleagues we employ has nearly doubled over the last five years, Shanker Patel and his team have worked hard to maintain the family and entrepreneurial culture of the business and the high levels of employee engagement and motivation. This in turn enables us to deliver consistently strong service, so our customers keep coming back.

As Shanker explains in more detail in his review, we have continued to invest in our senior leadership and this is delivering real benefits. The investment has largely been self-funded through efficiencies and has given us greater strength in depth, supporting current performance, our ability to identify and secure growth opportunities and our longer-term succession planning.

There were no changes to Board membership in the year and our annual performance evaluation showed that we continued to work well together and have a shared commitment to the Group's success. See the corporate governance section on page 46 for more information.

Chair's statement continued

Looking forward

While near-term market visibility remains limited and with the macroeconomic uncertainty facing the whole world, the near-term economic recovery supported by interest rate reductions is uncertain. The Group however is significantly better positioned than a year ago and capable of managing through these difficult periods.

We have:

- › strengthened the Group's balance sheet, with new banking facilities for the medium term;
- › expanded our network and capabilities;
- › accelerated our digital strategy; and
- › increased exposure to higher-growth, higher-margin categories such as renewables

As a result, and with enhanced capacity, we expect a disproportionate improvement in profitability as demand recovers, driven by operating leverage across both our branch network and digital platform.

We believe the actions taken during FY25 will enable the Group to emerge from the cycle as a stronger, more scalable business with structurally improved earnings potential.

Gary O'Brien

Independent Non-Executive Chairman

20 May 2026

Chief Executive Officer's Review

The actions we have taken during the year leave the Group structurally stronger, more diversified and better positioned to benefit when demand recovers.

Shanker Patel
Chief Executive Officer

Record revenue

£472.8m

8.3%

FY24: £436.7m

Structurally stronger, more diversified and positioned for growth

The actions we have taken during the year have significantly strengthened the Group operationally and structurally. We are now a more diversified, more scalable business, with enhanced capabilities that position us to capture market share and improve returns when conditions normalise.

Navigating a cyclical downturn while upgrading the platform

FY25 was a challenging year, characterised by subdued construction activity, sustained pricing pressure and higher employment costs. Against this backdrop, we focused on what we could control: protecting margins, managing costs, strengthening the balance sheet and investing selectively for growth.

While market conditions constrained short-term profitability, they also provided an opportunity to upgrade the business. The result is that the Group is better positioned operationally and strategically than at any point in its recent history.

Resilient performance and disciplined execution

Group revenue increased by 8.3% to £472.8 million, supported by a 0.7% like-for-like (LFL) uplift and contributions from new branches and CMO. This reflects the strength of our customer relationships and the effectiveness of our decentralised operating model.

Merchanting delivered revenue growth of 6.0% (3.1% LFL) despite softer trading conditions in the second half, whilst Plumbing and Heating revenues were resilient as the core boiler market remained flat. Revenues increased by 57% in renewables as Ultimate Renewables continues to perform strongly and is becoming an increasingly important contributor to the division's mix and margin profile.

Adjusted EBITDA (including property gains) was £21.0 million (FY24: £22.4 million), with margin at 4.4% (FY24: 5.1%). The margin reduction reflects a combination of market-driven pricing pressure, increased employment costs and targeted investment to position the Group for improved profitability as volumes recover.

Building a multi-channel platform

The acquisition of CMO in June 2025 was a key strategic milestone and a transformational step in our evolution. CMO is a market-leading e-commerce platform serving homeowners and trade customers nationwide. It provides scalable digital infrastructure, advanced data capability and national reach, enabling us to serve customers beyond our physical branch footprint.

We are building a multi-channel distribution platform that combines:

- › local branch density and service excellence;
- › national digital reach; and
- › an expanding specialist product range

This model enhances customer experience while improving asset utilisation and margin potential.

Integration is already creating opportunities to:

- › expand product ranges across channels;
- › leverage Group supplier relationships;
- › improve pricing through data insight; and
- › selectively fulfil digital demand through our branch network

Chief Executive Officer's Review continued

Strategy

Our long-term strategy remains unchanged: growing our geographical footprint, product range and digital revenues through disciplined organic expansion and selective acquisitions and continued investment in our '3Ps' – people, plant and premises. We allocate capital conservatively, targeting attractive returns while maintaining prudent leverage.

Geographical expansion

During FY25, we opened three Merchanting branches in Mansfield (A.W. Lumb), Maidstone (George Lines) and Bicester (a dual site housing Lords Builders Merchants and Advance Roofing). Post year end, we opened a further dual site in Bury St Edmunds. All branches have traded in line with expectations, reinforcing our confidence in measured network expansion.

Product range extension

Our decentralised structure enables branches to identify and introduce locally differentiated products, supporting customer retention and margin resilience. In P&H, distribution agreements signed in FY24 have strengthened our boiler mix and supported rapid growth in renewables, including air source heat pumps.

CMO enhances our product breadth considerably. On acquisition by the Group, CMO offered over 140,000 SKUs; we have since expanded this by approximately 15,000 products, incorporating boilers and spares from the P&H portfolio. Leveraging Group supplier relationships will further broaden the range and improve purchasing efficiency.

Enhancing digital capabilities

Digital capability is central to our evolution. We continue to invest in e-commerce and process automation with the objective of increasing digital revenues as a proportion of Group sales over the medium term. For example, the customer portal introduced in APP in FY24

gained traction during FY25, improving customer experience and driving operational efficiency.

CMO materially accelerates our digital agenda. It brings scalable technology infrastructure, advanced data analytics capability and expertise in performance marketing. To embed best practice across the Group, we have established a technology forum led by CMO, facilitating cross-divisional collaboration in areas such as pricing insight, customer data utilisation and AI-enabled workflow tools.

Our 3Ps – people, plant and premises

Our people remain the foundation of the Group. I thank all colleagues for their commitment during a demanding year. We welcomed over 100 new colleagues from CMO, whose digital expertise complements our existing operational strengths.

We continued to strengthen our senior leadership capability. Steve Durdant-Hollamby leads Merchanting, Matt Webber joined as COO of P&H in September 2025 and has already enhanced commercial focus within the division, and Dean Murray, CEO of CMO, joined the Group's Operating Board, broadening digital and e-commerce expertise at Group level.

Investment in plant includes ongoing deployment of systems and digital tools to drive efficiency. In P&H, Podfather was introduced to enhance delivery tracking, customer communication and workflow management, reducing administrative friction and improving service quality.

In premises, we are investing to support growth and rationalisation. Ultimate Renewables is relocating to a substantially larger site in 2026 to accommodate expansion.

Following a strategic review of P&H completed at the start of 2026, we will rationalise distribution centres from seven to four. This programme will enhance stock control, improve service consistency and increase operating efficiency.

Strong financial position

Cash generation and balance sheet management were priorities throughout the year. Net debt, excluding leases, reduced significantly in more than halving to £13.4 million (31 December 2024: £32.4 million). The sale and leaseback of four operating properties generated £13.1 million of gross proceeds and working capital was carefully managed during the year. On 2 April 2026, with the support of our banking group, we agreed a new three-year, £65 million refinancing, which provides the financial flexibility to support our strategy to invest in organic growth and pursue selective acquisitions, in a market where consolidation opportunities are increasing. The Group enters FY26 with a substantially strengthened balance sheet and significant liquidity.

Clear priorities for FY26

Our priorities for FY26 are clear:

- › driving like-for-like sales growth in Merchanting;
- › enhancing P&H margins through mix and efficiency;
- › scaling CMO and embedding digital capability across the Group; and
- › maintaining disciplined capital allocation

Outlook and medium term potential

Market conditions remain subdued in the near term, with ongoing uncertainty around inflation and interest rates. However, the Group is materially better positioned than a year ago. We have:

- › strengthened our balance sheet;
- › expanded our digital capability;
- › accelerated renewables growth; and
- › rationalised our cost base

As volumes recover, we expect to benefit from significantly increased operating leverage as a result of the strategic progress made during the year. With much of our cost base now established, incremental revenue should translate into a disproportionate increase in profitability.

We are therefore confident that the strategic progress made in FY25 will translate into enhanced returns and sustainable shareholder value creation over the medium term.

Shanker Patel

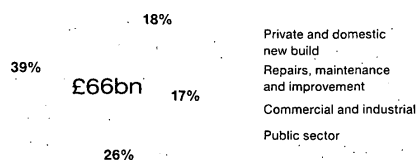
Chief Executive Officer

20 May 2026

Market opportunity

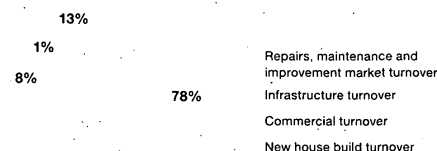
We operate in a large, growing and highly fragmented market, with important **defensive characteristics**. We are strongly positioned for **growth**, with a significant **market share opportunity**.

The building materials market¹



The UK building materials market totals £78 billion. Around £66 billion¹ of this is serviced by distributors and therefore represents our addressable market. The repairs, maintenance and improvement (RMI) market is approximately 17% of the market and generated 79% of our revenues in 2025.

The repairs, maintenance and improvement market



Housing transactions, employment levels and interest rates are short-term lead indicators for RMI spend. Longer term, the outlook for RMI remains favourable as a result of:

- › The age of the UK's housing stock, which is among the oldest in Europe. Around 78% was built before 1980 and 38% before 1946². Older homes are much likelier to be in a poor state of repair and need regular maintenance
- › Older homes also have lower energy efficiency, requiring improvements such as insulation, double glazing and low-carbon heating to reduce energy costs and carbon emissions
- › Home ownership is shifting from landlords to owner-occupiers, who have more incentive to invest in their properties. In 2024, landlords sold 5.4 houses to owner-occupiers³ for every one house they bought from owner-occupiers³, reflecting increased regulation, taxation and the high cost of finance driving landlords to reduce their holdings

1. Source: Travis Perkins plc investor website and 2025 Annual Report.

2. Source: HBF.

3. Source: Savills.

Market opportunity continued

Our other building materials markets

Target of new homes built by 2029

1.5 million

UK public sector property ownership

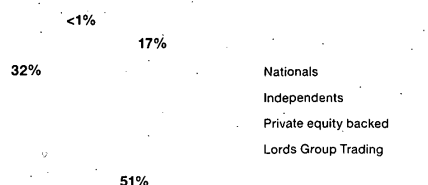
300,000 properties

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 continues to target 1.5 million new homes by 2029 and announced a series of measures in December 2025, including a consultation on the National Planning Policy Framework, to accelerate delivery. 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 all its social and economic goals and it published a 10-year investment plan in June 2025, backed by at least £725 billion of Government funding over the next decade. The recently established National Infrastructure and Service Transformation Authority published the initial pipeline of projects in July 2025. As at January 2026, this included around £530 billion of identified projects with £285 billion of Government funding or 40% of the planned total.

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.

The UK merchanting market



Our market is highly fragmented, with over 2,000 merchants listed in the national directory. The national chains make up 17% of the market by turnover, with 51% 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 that we are very well placed to take further market share through consolidation, offering vendors a unique colleague and customer-first approach.

The plumbing and heating market

10.2%

Lords Group Trading

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 around 66% of P&H's revenues. Their natural replacement cycle means there is regular demand for them, and our P&H division typically has a market share of 10% to 11%. 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.

Business model

Our business model is designed to deliver our purpose (see inside front cover), by drawing on our core capabilities to deliver outstanding customer service. By consistently meeting our customers' needs, we create value for them and all our stakeholders.

Our capabilities

Identifying unmet customer needs

We have a long track record of pinpointing opportunities to serve unmet needs for both new and existing customers. We do this by:

- › Identifying locations for new branches, where our offer will stand out from the local competition
- › Continually adding to our product range
- › Investing in our digital platforms to support customers who want to buy online

See our growth strategy on page 11 for further information.

Leveraging local market expertise

As a decentralised business, our branches can use their knowledge of their customers and local competitors to tailor their product range, while still benefiting from the scale and buying power of the wider Group. This helps to differentiate us and protect gross margins by not competing purely on price.

Nurturing our people-focused culture

We employ experienced people, who are specialists in the products they sell and dedicated to our customers. They appreciate the family feel of our culture, which is a key strength. We invest in our people, develop their skills, frequently promote from within, and focus on their health and safety. This supports high employee engagement and retention, and great customer service.

Building long-term supplier relationships

We build strong relationships with our suppliers, which help us to maintain continuity of supply for our customers, particularly at times of high demand. We regularly add new suppliers to broaden our customer offer, and our reputation, and capabilities mean we are able to sign exclusive arrangements with some suppliers, particularly in the plumbing and heating market.

Accelerating our strategy through acquisitions

Successful acquisitions with high returns on investment are one of our key strengths. We acquire businesses that expand our geographical footprint, our product range or our digital sales, and have a strong cultural fit. These businesses often have great brands that complement our existing portfolio.

Continuously improving our operations

We always look to do things better for our customers and more efficiently for us. Our continual investment in technology improves the customer experience and helps our colleagues be more productive.

The value we create

For customers

As 'customer-obsessed product specialists', everything we do is geared towards delighting our customers. This differentiates us from our competitors, builds long-term relationships and generates repeat business. We see the value we provide for them in our consistently high customer satisfaction score.

Customer satisfaction score

4.6 out of 5.0

FY24: 4.6 out of 5.0

For shareholders

Our model helps us to be resilient when markets are difficult, protecting gross margins by competing through service rather than price, and enabling us to continue to invest for future growth. It also gives us the levers to rapidly increase revenue and profitability as markets improve. Our dividend policy aims to be progressive and to scale the payout with earnings.

Dividend

0.52p

FY24: 0.84p

For 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

4.8 out of 5.0

FY24: 4.7 out of 5.0

For suppliers

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

Total spend with suppliers

£382m

FY24: £388m

For 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

28

FY24: 23

› 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 6 and 7.

Our strategy

We grow our business by expanding our geographical presence, broadening our product range and investing in our digital capabilities, supported by our investment in our 3Ps – **people, plant and premises** – to give customers the best experience when buying from us.

Sustainability is a common thread running through our business, whether we are growing revenue from new products and services that support the energy transition, reducing our energy costs, ensuring we are sourcing responsibly or building a business that is resilient to climate change.

For information on our key strategic initiatives in 2025, please see the Chief Executive Officer's Review on pages 6 and 7. Further detail can be found in the operational review on pages 14 to 19 and in the sustainability section on pages 23 to 34.

Our strategic growth drivers

Geographical expansion

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

Broadening our product range

We grow our share of customer spend, enhance service and increase margins by offering new products. We also acquire businesses with complementary products and new supplier relationships.

Investing in our digital capabilities

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

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.

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.

Premises

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

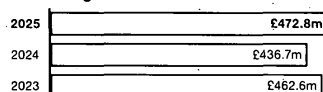
**Underpinned by our sustainability strategy
– focused on the material issues for our business**

Key performance indicators

Financial KPIs

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

Revenue growth



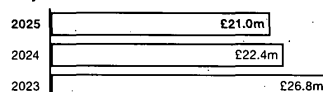
Relevance to strategy

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

Performance in the year

Record revenue of £472.8 million, up 8.3% driven by acquisitions, new branch openings and LFL growth of 0.7%.

Adjusted EBITDA¹



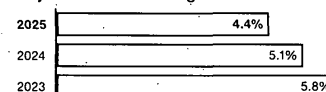
Relevance to strategy

This is an important indicator of our profit generation and is directly linked to operating cash flow and our ability to invest in the business. This is a key measure of the success of our growth strategy.

Performance in the year

Resilient performance due to proactive management of cost inflation, pricing discipline and focus on gross margin.

Adjusted EBITDA margin¹



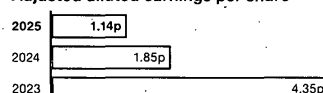
Relevance to strategy

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

Performance in the year

Adjusted EBITDA margin was 0.7 percentage points lower at 4.4% as the Group invested in new branches and in CMO.

Adjusted diluted earnings per share¹



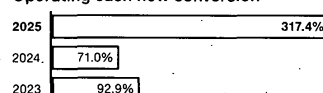
Relevance to strategy

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

Performance in the year

Adjusted diluted earnings per share were 0.7 pence per share lower at 1.14 pence, as the change in adjusted EBITDA impacted net earnings.

Operating cash flow conversion¹



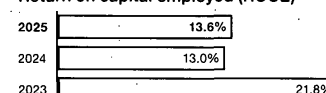
Relevance to strategy

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

Operating cash conversion increased due to strong working capital management and operating cash generation plus £11.4 million from a sale and leaseback of property.

Return on capital employed (ROCE)¹



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

Efficient working capital management improved the ROCE in FY25 to 13.6% (FY24: 13.0%).

1. See the alternative performance measures in note 4 of the consolidated Financial Statements for definitions and calculations of these metrics.

Key performance indicators continued

Non-financial KPIs

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

Colleague engagement

2025	4.8/5.0
2024	4.7/5.0
2023	4.8/5.0

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 levels remain high and have increased slightly year on year reflecting the positive impact of continued investment in communication, development, and wellbeing.

Customer satisfaction

2025	4.6/5.0
2024	4.6/5.0
2023	4.6/5.0

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

Maintaining our customer score of 4.6 highlights our ability to continually deliver high levels of customer service.

Lost time injury rate (LTI)

2025	0.4
2024	0.9
2023	0.8

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 decreased from 0.9 in 2024 to 0.4 in 2025, reflecting the positive impact of our continued focus on safety and risk prevention. We remain committed to sustaining this progress and further reducing incidents.

Carbon emissions per £1.0m turnover

2025	124 tonnes CO ₂ e
2024	129 tonnes CO ₂ e
2023	139 tonnes CO ₂ e

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 further 3.9% reduction in emissions in 2025 through continued focus on decarbonisation initiatives and energy efficiency programmes.

Definitions

Customer satisfaction is based on feedback scores received through Google Reviews, Trust Pilot and Feefo.

For information on our other non-financial KPIs, please see the following parts of the sustainability section:

- › Colleague morale: page 32
- › Health and safety performance: page 29
- › Our energy use and greenhouse gas emissions: page 27

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Operational Review

Merchanting

We combine localism with specialism, offering our customers exceptional customer service, superior product knowledge and highly engaged teams, which together make us local leaders across our branches.

Revenue	Adjusted EBITDA ¹
£227.1m	£12.5m
6.0%	(13.2)%
FY24: £214.3m	FY24: £14.4m
Adjusted EBITDA margin	Branches
5.5%	33²
(120)bps	FY24: 31
FY24: 6.7%	

Financial performance

Market conditions remained subdued during 2025. Merchanting delivered good revenue growth in the first six months despite the economic climate, but the second half was affected by a range of factors, including a weak housing market in the South East, weak construction activity and prolonged uncertainty ahead of the Government's Budget announcement. The year also saw aggressive pricing from national merchants looking to maintain volumes.

Despite this, Merchanting performed solidly with revenue of £227.1 million (FY24: £214.3 million), up 3.1% on a LFL basis. Total revenue growth was 6.0%, including the initial contributions from three branches opened in 2025, which are performing well and in line with our expectations.

Among our brands, A.W. Lumb was the strongest performer and Lords Builders Merchants, George Lines and Advance Roofing had positive years.

Our focus on customer service partly mitigated challenges from competitive pricing, and gross margin was 70 basis points lower at 26.0% (FY24: 26.7%). Adjusted EBITDA, including property gains and losses, was £12.5 million (FY24: £14.4 million), resulting in an adjusted EBITDA margin of 5.5% (FY24: 6.7%). Property gains and losses in the year were £1.4 million (FY24: £1.8 million), with the gain in FY25 arising from the sale and leaseback of four operating properties. Before property gains and losses, adjusted EBITDA was £11.1 million (FY24: £12.6 million).

Operational Review continued

Merchandising

Driving operational performance

Geographical expansion is a key part of our Merchandising strategy, and we continue to selectively open new branches after careful assessment of the local market opportunity, demographics and competition. A.W. Lumb now has three branches, with the addition of Mansfield in 2025, while George Lines has expanded to five, with its new location near Maidstone.

Part of our strategy to expand our product offering is to include specialist products alongside our builders' merchant ranges. We therefore opened a dual site for Lords and Advance Roofing in Bicester, and launched another joint site for these brands in Bury St Edmunds in March 2026. We also see opportunities to roll out other specialist offerings such as our decorating centres, which have relatively low overheads, accretive margins and attract retail customers as well as trade.

More generally, each of our branch managers looks to identify product ranges that customers need but cannot source elsewhere, and shares ideas and good practices with our other branches. This is an important aspect of our ability to compete through differentiated service, with our branch managers having considerably more control over their product ranges than the nearby branches of national chains they compete against.

Our investment in digital capabilities continues to bear fruit. Using quicker third-party delivery services is working particularly well in key conurbations, further improving service for customers. The addition of CMO to the Group also opens up exciting opportunities and offers clear synergies.

Merchandising branches are already fulfilling some orders for CMO and we are starting to draw on its knowledge and experience to support our digital presence. CMO also has a very broad product portfolio that we can now access and we are sharing procurement initiatives to benefit both businesses.

We have continued to strengthen the division's leadership, following Steve Durdant-Hollamby's appointment as Chief Operating Officer towards the end of the previous year. Senior appointments include a new Managing Director for Lords and a new Head of Distribution, appointed internally. To drive revenue with larger customers, we have recruited salespeople to offer them our complete range across our brands, through a new central sales office in London.

Tight cost control and increasing efficiency are key to protecting profitability and positioning the business for the market upturn. Initiatives in the year included: restructuring the division's central services, which we expect to save £0.6 million a year; further use of technology to streamline our back-office processes; and empowering our people to make change within their own roles, recognising that they are often best placed to identify efficiencies and savings.

The three Merchandising branches opened in 2025 are performing well and the addition of CMO to the Group opens up exciting opportunities.

Operational Review

Plumbing and Heating

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

Revenue	Adjusted EBITDA
£219.9m	£8.5m
(1.1)%	6.3%
FY24: £222.4m	FY24: £8.0m
Adjusted EBITDA margin	Branches
3.9%	16
30bps	FY24: 16
FY24: 3.6%	

Financial performance

P&H delivered a robust performance in a challenging market. Revenue was £219.9 million (FY24: £222.4 million), down 1.6% on a LFL basis.

Approximately 70% of P&H revenues are generated by boiler sales. Market volumes were 1% higher for the year as a whole, at 1.35 million units, and were down 5% in the second half compared with H2 FY24. Our estimated market share was marginally lower at 10.2% (FY24: 10.8%), but we improved our gross margin, reflecting pricing discipline and some shift in our boiler mix (see below).

Renewables continued to grow strongly, with revenues up 57% in FY25 due to our broadened product range and continued progress at Ultimate Renewables, which we acquired in FY24. Our spares and trade counters business, Direct Heating & Plumbing (DHP), continued to perform well but Mr Central Heating experienced a challenging market and was below management expectations. We are taking action to improve its performance, as set out below.

The gross margin for P&H was 13.1% (FY24: 12.5%). We continued to control costs tightly and adjusted EBITDA was £8.5 million (FY24: £8.0 million), up 6.3%.

Driving operational performance

In our H1 FY25 results, we set out three strategic goals for P&H. These are to:

- › Maximise the efficiency of the wholesale business model
- › Develop an air source heat pump (ASHP) design, supply and implementation service, to address new build as well as retrofit
- › Drive non-boiler products and the higher-margin Mr Central Heating brand

Our strengthened divisional team has made good progress with these objectives, under the leadership of Matt Webber, who joined as Chief Operating Officer for P&H in September 2025. Among other senior hires, we have recruited a highly experienced Commercial Director to play a key role in implementing our strategic goals.

Operational Review continued

Plumbing and Heating

Driving operational performance continued

Maximising the efficiency of the wholesale model

As announced in our January 2026 trading update, we have completed a strategic review of the division, with the aim of maximising efficiency and further improving customer service. During FY26, we will rationalise APP's distribution centres from the current seven to four, with two main distribution centres covering the north and south, supported by two satellite centres. This will streamline our distribution and align our capacity to the overall level of activity in the boiler market. As well as reducing costs, having fewer locations with greater utilisation will benefit customers by more efficient inventory management. In addition, we are implementing improvements to our product management systems and improving our supply chain management.

Developing our ASHP service

We have continued to grow Ultimate Renewables, including extending its offering in ASHPs and related renewables products. To support its expansion, we have upgraded its ERP system and the business has moved to a new site with more space, a showroom, training facilities and offices alongside a larger warehouse.

Driving non-boiler sales and Mr Central Heating

As noted above, boiler sales are the largest contributor to P&H's revenue. We benefited this year from several distribution agreements we signed in 2024, enabling us to improve the product mix by growing sales of higher-margin boilers from Navien and Viessmann Climate Solutions, as well as diversifying our non-boiler revenues with sales of Clivet, Samsung and Panasonic ASHPs and Termo Teknik radiators. Other product-related initiatives included APP expanding its own-brand Onyx range, which now includes cylinders, while HRP Trade has begun to offer spares for commercial heating to complement its domestic heating spares business. We have also restructured our marketing function to ensure all P&H brands receive the support they need and further increase sales of non-boiler products.

Our Mr Central Heating brand performed below our expectations in 2025 and we are taking several actions to improve it. We have appointed a highly experienced manager to lead the trade counter side of the business and our Commercial Director is overseeing a refresh of its online presence. We are also looking to take advantage of the overlap with our other trade counter business, Direct Heating, for example by deploying its point-of-sale system into Mr Central Heating and sharing best practices. As part of the rationalisation of APP's distribution network, two Mr Central Heating trade counters will relocate to nearby locations where we continue to see good prospects.

Other initiatives in FY25

Technology is key to operational improvements and customer service. The customer portal we launched in 2024 has seen pleasing take-up, allowing customers to order from us 24/7, with live information on stock levels and their dedicated terms built in. We have also implemented the Podfather system, which includes electronic proof of delivery, enhanced invoicing speed and accuracy, smarter routing of deliveries and proactive messaging with customers on the status of their order. The management information it provides helps us to identify where we are doing well and respond rapidly to any issues.

We made good progress with our strategy to maximise the efficiency of our business and to diversify our revenue base, with rapid growth in renewables and the benefits of distribution agreements signed in the previous year.

Operational Review

Digital

CMO is the UK's largest online-only retailer of construction products, operating through nine specialist websites.

Revenue	£25.8m
Adjusted EBITDA	Break-even

Financial performance

We established the Digital division by the acquisition of the trade, assets and intellectual property of CMO Group Limited, as part of a pre-pack administration process. The transaction completed on 6 June 2025 and FY25 therefore includes just under seven months of CMO's results.

Before we acquired CMO, it was highly leveraged and facing increasingly restricted credit availability from suppliers. This reduced product availability and led to falling sales and higher levels of refunds for orders that could not be delivered. Since joining the Group, the CMO team has worked diligently to rebuild revenues. While not immune to the subdued construction market, the division has increased sales week by week and achieved total revenue of £25.8 million between 6 June and 31 December 2025.

Driving operational performance

CMO delivered positive EBITDA in the second half of FY25 and break-even for the period since acquisition. We expect it to make an increased contribution in FY26.

CMO has been successful in re-establishing its supply chain, with 96% of its previous suppliers now supporting the business again. Its strengthened position as part of the Group has enabled it to bring on new suppliers, and it is also benefiting from access to the Group's supply chain. This has allowed CMO to add around 15,000 products to its existing catalogue of more than 140,000 items, with the additions including boilers and boiler spares stocked by our P&H brands.

Operational Review continued

Digital

Driving operational performance continued

The business predominantly utilises a 'drop-ship' model, in which suppliers deliver products directly to the end customer. This accounts for more than 70% of CMO's revenues, limiting its need to hold stock while allowing it to provide everything needed to build or improve a home. The model also creates opportunities to deploy the Group's existing infrastructure to generate efficiencies, and we have already begun to use our branches and distribution centres to fulfil orders for products that the Group stocks.

One of the key attractions of acquiring CMO was its bespoke technology platform, which it has invested in and developed over more than a decade. The CMO team is helping to establish a Group technical roadmap to utilise this tech stack and CMO's development capabilities, so we can drive online revenues across the Group as a whole. At the same time, CMO is enjoying the benefits of being part of a larger business and it is now integrated with the Group's HR and health and safety systems, for example.

The division is continuing to invest in its platform, with further technical improvements planned for 2026 to enhance the customer experience, including the launch of a mobile app. CMO is also working to launch more online superstores, with the aim of introducing the next store as market conditions allow.

We have successfully returned CMO to profitability and further improvements in its performance, along with leveraging its technology across the Group, position it as a key driver of our growth.

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 expectations.

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 leadership 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 customer satisfaction score of 4.6 out of 5.0
- › Strong customer relationships supported our ability to protect margins
- › Continued to add to our product ranges in response to customer demand

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
- › Ensuring all colleagues are rewarded for the Group's success
- › Training, development and career opportunities
- › Health and safety
- › Diversity and inclusion
- › Responsible use of personal data
- › Environment and sustainability
- › Ethics

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 32)
- › 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 leadership
- › Executive Directors provide ad hoc feedback on their interactions with colleagues

Engagement outcomes

- › Maintained a high employee engagement score of 4.8 out of 5.0
- › Reduced lost-time accidents by 58.8% and total accidents by 26.7% reflecting the effectiveness of our safety engagement initiatives

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
- › 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
- › The 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
- › CMO re-established its supply chain and expanded its supplier base, following its acquisition by the Group

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 34)
- › CEO spends two days a year meeting with community partners
- › Head of Group Sustainability 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 28 community projects during the year, through the Foundation (see page 34)

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
- › 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 the current market backdrop, the potential for growth when the RMI segment improves and our strategic development opportunities, including acquisitions

Image: Tradectory Media

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 20 and 21.

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 several 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 CMO, scaling the dividend in line with earnings, the property sale and leaseback transaction, and the continued investment in new branch openings.
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 FY25, the Board also approved senior management appointments to strengthen the Group's leadership, including the recruitment of Matt Webber as COO of P&H and Neil Lake's transition to the new Group Business Development Director role.
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 adding substantially to CMO's product catalogue (see page 7).
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. During the year, the Group improved carbon emissions intensity by 3.9% and progressed a range of decarbonisation and energy efficiency initiatives. The Group is also supporting the transition to a low-carbon economy through the growth of its renewables offering and the development of lower-carbon product ranges. Alongside this, the Lords Group Foundation delivered 28 community initiatives, supporting local charities and organisations.
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 keeps 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 33.22% of the Company's shares. At the time of the IPO, he therefore entered into a relationship agreement (see pages 64 and 65), 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.

For further information on the Board's key decisions in the year, including the factors they took into account in making them, please see the Chair's introduction to corporate governance on page 45.

Sustainability

Our sustainability strategy is shaping a more resilient Lords Group Trading, positioning us to lead responsibly while creating long-term value for all stakeholders.

Our sustainability strategy

Our sustainability strategy addresses eight material issues identified through our materiality assessment¹ and reflects the priorities most relevant to our stakeholders and business. Sustainability is embedded across daily operations and is integrated into our five-year business plan, enabling long-term value creation while strengthening operational resilience.

Key to ESG aspects:

- Environment
- Social
- Governance

1. Further information on our materiality assessment is available on pages 34 and 35 of the 2022 Annual Report.

Material issue 1: Waste and packaging

Reduce the volume of waste created and improve recycling rates.

ESG aspect

[Read more](#)
Page 26

Material issue 5: Supply chain

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

[Read more](#)
Page 31

Material issue 2: Energy usage

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

ESG aspect

[Read more](#)
Pages 26 to 28

Material issue 6: Colleague morale

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

ESG aspect

[Read more](#)
Page 32

Material issue 3: Productivity and efficiency

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

ESG aspect

[Read more](#)
Page 29

Material issue 7: Diversity

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

ESG aspect

[Read more](#)
Page 33

Material issue 4: Low-carbon products

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

ESG aspect

[Read more](#)
Page 30

Material issue 8: Community

Support our local communities through the Lords Group Foundation.

ESG aspect

[Read more](#)
Page 34

Sustainability continued

TCFD disclosure

Lords Group Trading has prepared its 2025 climate-related disclosures and integrated them into this report. The Group considers the climate-related information presented below to be aligned with the 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD).

Detailed climate scenario analysis is provided in the appendix on pages 121 to 124.

TCFD pillar	Status	Link to information on Lords Group response
Governance Disclose the organisation's governance around climate-related risks and opportunities	 Compliant	Describe the Board's oversight of climate-related risks and opportunities. › Page 25 Describe management's role in assessing and managing climate-related risks and opportunities. › Page 25
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities	 Compliant	Describe the climate-related risks and opportunities identified over the short, medium and long term. › Pages 121 to 124 (Appendix – climate scenario analysis) Describe the impact of these risks and opportunities on the organisation's business, strategy and financial planning. › Pages 121 to 124 (Appendix – climate scenario analysis) Describe strategy resilience under different climate scenarios (including a 2°C or lower scenario). › Pages 121 to 124 (Appendix – climate scenario analysis)
Risk management Disclose how climate-related risks are identified, assessed and managed	 Compliant	Describe processes for identifying and assessing climate-related risks. › Pages 25 and 121 Describe processes for managing climate-related risks. › Page 121 Describe how climate-related risk processes are integrated into overall risk management. › Pages 25 and 39
Metrics and targets Disclose metrics and targets used to assess and manage climate-related risks and opportunities	 Compliant	Describe the metrics used to assess climate-related risks and opportunities in line with strategy and risk management. › Pages 27, 28 and 124 Disclose Scope 1 and Scope 2 GHG emissions, and, if appropriate, Scope 3 emissions and related risks. › Page 27 Describe the climate-related targets and performance against those targets. › Pages 27 and 28

Key to Status:



Compliant



Working towards

Sustainability continued

Our ESG governance

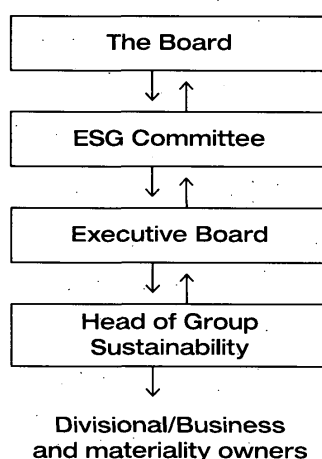
The Board has the ultimate responsibility for oversight of ESG matters, including climate-related risks and opportunities. Progress on climate and sustainability is monitored through a standing agenda item at Board meetings and is fully integrated into the Group's enterprise risk management framework.

The Board is supported by the ESG Committee, comprising Board members (ESG Committee membership details can be found on Board of Director Activities on page 44), which meet quarterly to oversee ESG priorities, including climate-related risks, opportunities, targets and performance. Meeting outcomes are reported to the Board to enable effective monitoring, challenge and escalation.

Day-to-day responsibility for identifying, assessing and managing climate-related risks and opportunities sits with the Senior Leadership Team, supported by the Head of Group Sustainability, divisional management teams, and external experts such as Forvis Mazars where appropriate. Management monitors climate-related targets and KPIs, implements mitigation and adaptation actions, and identifies emerging risks and commercial opportunities. To reinforce accountability and drive progress, emissions reduction has been incorporated into the annual bonus metrics for colleagues across the Group.

Climate-related risks are identified through regular divisional and Group risk assessments and are assessed using the same processes, criteria, and controls applied to other principal risks, including consideration of likelihood, potential impact and time horizon. Sustainability and climate change are recognised as principal risks for the Group and are reviewed by the Board at least annually through the Group risk register, with the most recent review taking place in April 2026 (see pages 26 to 30).

The Group's Environmental Policy, approved by the Board, applies to all Group businesses, colleagues and contractors. The policy recognises the Group's responsibility to contribute to climate change mitigation and sets out the key actions being taken to deliver the Group's decarbonisation ambitions (see Environmental Policy at <https://www.lordsgrouptradingplc.co.uk/about-us/esg>).



The Board

- › Ultimately responsible for the Group's ESG strategy, including climate-related risks and opportunities
- › Reviews 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 and climate risks and opportunities

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

Head of Group Sustainability

- › 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 the Board
- › Responsibility for the day-to-day identification, assessment, communication and management of climate-related risks and opportunities

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 Head of Group Sustainability

Sustainability continued

Environment

Material issue 1: Waste and packaging

In this area, our target is to divert 100% of our waste from landfills. To support this goal, we continue to prioritise the reduction, reuse and recycling of materials across our operations.

In addition to working with our suppliers to minimise unnecessary packaging, we are also reviewing and improving our own practices.

Example during the year:

In our Plumbing and Heating division, we **replaced plastic tape with paper tape** incorporating the company logo, removing the need for separate plastic branding stickers and traditional plastic tape. This has reduced overall plastic use and generated labour efficiencies.

Our Merchandising division signed a contract to **consolidate waste collection under a single provider**. This initiative will enable improved oversight and management of waste streams and contractually guarantees 100% diversion from landfill. To support this transition, targeted training sessions will be delivered to colleagues, reinforcing correct waste handling practices and promoting waste minimisation.

As a result of our efforts, a further 16.3% reduction in Scope 3 emissions from waste was achieved in FY25.

16.3%

decrease on waste emissions (Scope 3)

Material issue 2: Energy usage

Energy use is a key contributor to our Scope 1 and Scope 2 emissions. We continue to prioritise opportunities to improve energy efficiency, minimise waste, and expand the use of renewable sources; including investment in on-site generation. These measures reinforce our ongoing commitment to achieving net zero and support more efficient, resilient operations (see page 28). This section includes the Streamlined Energy and Carbon Reporting (SECR) disclosures on page 27, detailing our energy usage and efficiency initiatives.

Reporting methodology

We calculate and report our greenhouse gas (GHG) emissions in line with HM Government's Environmental Reporting Guidelines and the GHG Protocol. Emissions are reported using the financial control boundary, ensuring that all entities over which the Group has operational and financial control are included. Our methodology aligns with the Department for Environment, Food and Rural Affairs' (Defra) Environmental Reporting Guidelines and applies to the Government's annual GHG reporting conversion factors to quantify emissions and energy consumption.

Under the GHG Protocol:

- › Scope 1 covers direct emissions from building operations and company-controlled sources, including gas boilers, plant equipment and company vehicles
- › Scope 2 covers indirect emissions associated with the consumption of purchased electricity
- › Scope 3 covers other indirect emissions not included in Scope 2

Data coverage and estimates

Our analysis covers all companies within the Group, including CMO which was acquired in June 2025 and Ultimate Renewables acquired in October 2024. For vehicle-related emissions, we use fuel consumption data to calculate baseline energy use and associated CO₂e emissions. Electricity and gas consumption are based on metered kWh usage.

Within Scope 1, emissions from air conditioning and refrigeration units are excluded as data is not currently available. There are no process emissions within the business' operations.

Sustainability continued

Environment

Material issue 2: Energy usage continued

Our energy use and greenhouse gas emissions

Our carbon emissions intensity improved again in FY25, decreasing by 3.9% year on year to 124 tCO₂e per £1.0m of revenue and by 11.4% against our 2022 baseline of 140 tCO₂e. Emissions per employee also fell by 6.7% compared with FY24 and are now 22.2% below the 2022 baseline. These improvements reflect the continued impact of our energy efficiency programmes and decarbonisation initiatives across the Group.

Our absolute emissions rose to 58,854 tCO₂e in FY25, up from 56,299 tCO₂e in FY24. This reflects the expansion of the Group during the year, including the acquisition of CMO in June 2025, Ultimate Renewables in October 2024, and the opening of new branches – all of which brought additional energy consumption into our reporting boundary. Overall, our emissions efficiency continued to improve.

	2025		2024		Change (2024 to 2025)		2022 (baseline)	
	Energy consumption kWh	Emissions tonnes CO ₂ e	Energy consumption kWh	Emissions tonnes CO ₂ e	Energy consumption kWh	Emissions tonnes CO ₂ e	Energy consumption kWh	Emissions tonnes CO ₂ e
Scope 1	21,352,476	5,179	19,907,912	5,104	1,444,564	75	22,676,546	5,811
Scope 2	3,046,410	554	2,733,491	623	312,919	(69)	1,924,139	373
Scope 3		53,121		50,572		2,549		56,969
Total		58,854		56,299		2,555		63,153
Intensity ratios								
Tonnes CO ₂ e per employee		56		60		(4)		72
Tonnes CO ₂ e per £m of turnover		124		129		(5)		140

Increase driven by the opening of three new branches and incorporation of CMO emissions from June 2025 to the Lords Group emissions.

Within Scope 1, emissions from air conditioning and refrigeration units are excluded as consumption data is not currently available across all sites. We are working to collect this data and expect to include it in future reporting periods. We estimate these emissions to be immaterial relative to our total.

Intensity ratios are calculated as follows:

- › Emissions per employee: total Scope 1 and Scope 2 emissions (tCO₂e) ÷ average full-time equivalent headcount for the year
- › Emissions per £1.0m of revenue: total Scope 1 and Scope 2 emissions (tCO₂e) ÷ total Group revenue (£m)

The 2022 baseline figures have not been restated for acquisitions made since that year.

Our commitment to decarbonisation

Our targets are to reduce Scope 1 and Scope 2 emissions by 90% by 2035 and Scope 3 emissions by 90% by 2050. These targets align with the Science Based Targets initiative requirements, which call for organisations to reduce Scope 1, 2 and 3 emissions to zero or to a residual level consistent with achieving net zero.

We have set 2022 as our baseline year, with the associated carbon emissions shown in the table above. In that year, Scope 3 emissions represented 91.5% of our total footprint, underscoring the significance of our supply chain in achieving long-term reductions.

Sustainability continued

Environment

Material issue 2: Energy usage continued

Our commitment to decarbonisation continued

The chart below outlines our decarbonisation pathway, including our medium and long-term targets. These include improvements in energy efficiency, investment in renewable energy, expansion of our low-carbon product offering, operational efficiency measures, reductions in waste and packaging, and diversion of waste from landfill.

The operational actions underpinning these targets are described in detail in the energy, fleet and waste sections on pages 26 to 28, while performance against these actions is reported through the metrics and targets set out on page 27.

Looking ahead, we are developing a new supplier engagement programme, scheduled to launch in early 2026.

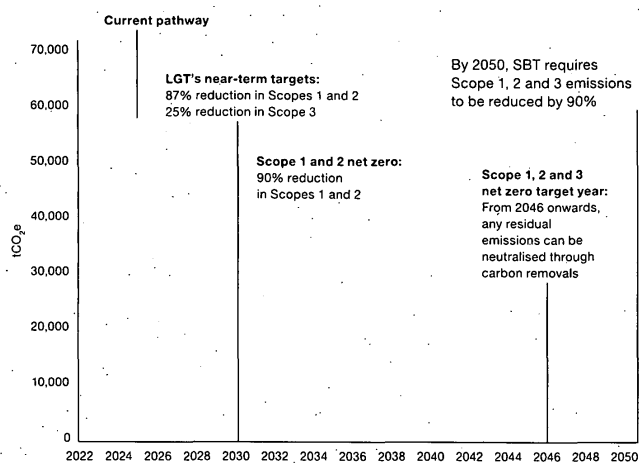
This initiative will help us build a more accurate understanding of our Scope 3 emissions, while also providing a competitive advantage by mapping low-carbon product attributes available within our supply chain. This work will support the launch of a dedicated low-carbon product line and will include training for our sales teams on the sustainability attributes of a wide range of products that improve efficiency and reduce our and our customers' emissions.

Fleet:

Our fleet accounts for approximately 95% of our Scope 1 carbon emissions, so we are actively improving fleet efficiency and reducing emissions through several initiatives:

- › Fleet optimisation: Telematics have been implemented across the Group to maximise utilisation and identify efficiency and fuel-saving opportunities
- › The P&H division implemented Podfather, an application designed to improve route planning and delivery efficiency
- › Company car policy: Our policy encourages the replacement of passenger vehicles with hybrid or fully electric models. As of 31 December 2025, 92% of our vehicles were hybrid or electric
- › Low-emission fuels: Piloting the use of hydrotreated vegetable oil (HVO) in suitable vehicles
- › Forklift electrification: Diesel forklifts are being replaced with electric models as leases are renewed. 100% of forklifts in our P&H and Digital divisions are already powered by electricity or battery
- › Electric truck trial: We are negotiating and designing specifications for a trial with Volvo, aiming to finalise agreements and begin the trial in 2026
- › Making available a salary sacrifice scheme, allowing colleagues to lease their own electric or hybrid cars cost effectively

Net zero reduction plan – current progress



Increase driven by the opening of three new branches and incorporation of CMO emissions from June 2025 to the Lords Group emissions.

Our actions to reduce our emissions: Premises:

Backed by energy audits, we identified opportunities to reduce electricity usage through operational improvements and behavioural changes, which we are now implementing across the Group.

While we are focusing on energy efficiency and savings, we are also advancing our transition to renewable energy. This includes evaluating the economic feasibility of switching to green electricity and expanding on-site solar generation. Currently, solar panels are installed in 14% of our locations and feasibility studies have been commissioned for all sites, where possible. As part of our ongoing plan, we aim to install solar panels at a minimum of two additional suitable locations each year.

To improve energy monitoring and management, smart meters have been installed at 60% of our sites, with a target of reaching 100% coverage by the end of Q1 2026. We continue the replacement of lamps to LED lighting across all premises and gas boilers for alternative solutions.

Sustainability continued
Environment

Material issue 3:
Productivity and efficiency

Improving productivity and operational efficiency remains a key priority across the Group. During the year, we progressed a number of initiatives designed to support safer, more efficient and lower-impact operations.

The continued rollout of fleet telematics enables detailed monitoring of vehicle performance and usage, helping to reduce fuel consumption, optimise routes, lower accident risk, and reduce insurance costs. By year end, 100% of the Group's fleet was equipped with telematics.

Our P&H division implemented a route management application, Podfather, enhancing the digital customer journey. The app provides real-time delivery updates, enabling small merchant customers to manage stock more effectively and improving the overall customer experience for next-day deliveries. Integrated planning and route optimisation ensure jobs are allocated efficiently, taking into account time windows, customer requirements and vehicle capacity. This improves service levels while reducing wasted miles and associated emissions.

The division also introduced a pallet wrapping machine, which has improved operational efficiency and reduced manual handling injuries. These machines allow a single operator to wrap pallets while undertaking other tasks, significantly reducing physical strain on employees. In addition, they use plastic far more efficiently, enabling approximately 2.5 pallets to be wrapped using the amount of plastic previously required to wrap one pallet manually.

Looking ahead to 2026, the Group will introduce a focus on minimising miles per delivery and will continue to engage in ways to drive productivity and efficiency, empowering the colleagues to come up with suggestions, solutions and share ideas.

Health and safety

The health, safety and wellbeing of our colleagues remain our highest priority. As people is one of our 3Ps strategic pillars, in 2025, we strengthened our approach through investment in capability, enhanced governance, and development of a sustainable Group-wide Health & Safety Management System.

Through ongoing investment in our 3Ps we remain committed to our goal of Everybody Safe, Every Day.

Our main achievements:	As a result, performance improved across several key measures:	Looking ahead to 2026:
› Safety Board provided leadership, oversight, and alignment across all divisions › Integrated safety expectations, behavioural standards, and wellbeing principles into management programmes › Group-wide audits focused on governance, leadership visibility, cultural maturity, and control effectiveness › Rolled out a new digital safety management system to improve reporting, action tracking, and visibility of risk	26.7% reduction in total accidents 58.8% reduction in Lost Time Accidents¹ 26.7% reduction in days lost 33.3% reduction in RIDDORs² 22.3% increase in safety observations	› Embed the digital safety system › Strengthen leadership capability › Improve investigation closeout and continue developing a proactive safety culture

¹ Lost Time Injury Frequency Rate (LTIFR) is a standard health and safety performance metric used across the construction and builders' merchant sector. It measures how often work-related injuries occur that result in an employee being unable to return to their normal duties for at least one full shift following the day of the incident.

² RIDDOR refers to the 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013' and covers reporting of specific serious workplace accidents, occupational diseases and near misses ('dangerous occurrences') to the Health and Safety Executive.

Sustainability continued

Environment

Material issue 4: Low-carbon products

We continue to strengthen our strategic response to the transition to a low-carbon economy by expanding our portfolio of lower-emission products and solutions.

In 2025, a key priority was the growth of our primary low-carbon product range, Ultimate Renewables. Our renewables offering within the P&H division delivered strong performance, with revenue increasing by 57% in FY25.

In parallel, we progressed the development of a cross-divisional programme aimed at increasing the availability and visibility of low-carbon alternative products across all divisions. This programme is scheduled for full implementation in 2026.

During 2025, we also established the foundations for a structured supplier engagement programme, launching in Q1 2026. This initiative will be supported by a new system designed to capture and monitor product-level environmental data, including Environmental Product Declarations (EPDs). The system will improve the quality, consistency, and comparability of emissions data, enabling more informed customer decision-making and ensuring alignment with evolving market and regulatory expectations.

We also welcome the industry-wide Data Yard initiative led by the Builders Merchant Federation (BMF), which will provide standardised product sustainability data. This is expected to enhance transparency, support more robust product comparisons, and improve the quality of information available to both customers and the wider market.

As part of the supplier engagement programme, we will build internal capability by delivering targeted training to our teams. This will focus on the sustainability attributes and performance benefits of lower-carbon and carbon-saving products.

Overall, this approach supports broader sector decarbonisation goals while strengthening the Group's competitive position in a growing market segment. We see significant opportunities to increase market share through the supply of innovative low-carbon alternatives and by providing customers with transparent and reliable product information.

Sustainability continued

Governance: Supply chain

Material issue 5: Supply chain

Supply chain management and responsible sourcing

During FY25, we continued to strengthen the transparency, resilience, and sustainability of our supply chain. In collaboration with H&B, we engaged 54 of 92 priority suppliers (approximately 59%) through our assessment programme, significantly improving visibility across our supplier network. This process confirmed that our key suppliers are primarily located in Ireland and the UK, supporting our commitment to a strong, regionally focused supply base.

Initial assessments identified a high proportion of suppliers in elevated risk categories, particularly within the critical tier. Through targeted engagement and structured follow-up, we have driven measurable improvement across the supplier base. Notably, the number of suppliers classified as critical risk decreased by 64%, with many transitioning into lower risk categories.

Approximately one-third of assessed suppliers now meet or exceed minimum client requirements. These outcomes demonstrate tangible progress in building a more resilient and responsible supply chain.

Our supplier assessment questionnaire covered a wide range of ESG topics, including:

- › Environmental: carbon and energy management, waste and recycling, and data collection
- › Legal and regulatory: anti-bribery and corruption, competition law compliance, and data protection
- › Product sourcing: timber management, natural material extraction, and conflict materials
- › Operational: quality assurance, REACH and chemical management, product recall and distribution
- › People: health and safety, human rights

Following our exit from the buying group, we no longer have direct oversight of subsequent assessments conducted under that programme. However, to ensure continuity and strengthen our approach, in 2026 we will implement and expand our own supplier risk management programme across all three divisions, broadening coverage and enhancing consistency. This will support improved visibility and transparency across the supply chain. The programme will be enabled by digital tools to provide more timely data insights and strengthen ongoing supplier management.

Responsible sourcing remains central to our approach. All timber purchased is certified by FSC or PEFC, ensuring products are sourced from responsibly managed forests.

Supplier Code of Conduct

All suppliers are required to sign the Code to confirm compliance, and we reserve the right to audit adherence. The Code also provides clear procedures for suppliers to report misconduct or concerns. Both the Supplier Code of Conduct and our Modern Slavery Statement are publicly available at:

www.lordsgrouptradingplc.co.uk/about-us/ethical-supply-chain

Our Supplier Code of Conduct reinforces our ethical and sustainability standards. It sets clear expectations for suppliers in the following areas:

- | | |
|------------------------------------|--|
| › Health, safety and wellbeing | › Forced labour and child labour |
| › Fair working conditions | › Financial integrity |
| › Anti-corruption and anti-bribery | › Confidentiality and information security |
| › Fair competition | › Protection of personal information |
| › Discrimination and harassment | › Environmental responsibility |

Sustainability continued

Social: People

Material issue 6: Colleague morale

Our colleagues are central to our business; it is one of the 3Ps that underpin our strategy, and we work hard to attract, retain, develop, and welcome our colleagues. At the end of 2025, we employed 1,042 colleagues (31 December 2024: 927). Our colleague engagement score continues to be high at 4.8 out of 5.0 (2024: 4.7), and the average years of service of our colleagues is 5.4 years.

In 2025, we proudly:

- › Continued to achieve high employee satisfaction ratings in our regular surveys
- › Completed a review of employee benefits across the Group
- › Drafted career paths ready for promotion in 2026 to support growing the skills of our employees and ensuring succession readiness
- › Launched a Warehouse to Wheels apprenticeship programme to support colleagues who wish to become HGV drivers
- › Updated the Colleague Guide to reflect our culture and high standards
- › Commenced the development of our Employer Brand and Employee Value Proposition

Priorities in 2026

- › Launch the Lords Academy – a development programme for managers
- › Focus on wellbeing to support improved employee retention
- › Refresh and update the HR strategy to support the delivery of the divisional strategies and reflect changes in the market and employment rights

Our culture continues to be one of our key differentiators. Following several acquisitions, we have worked hard to ensure we manage the development of our culture and that the impact of new colleagues improves and enhances, rather than weakens or dilutes, our culture. This is achieved by working closely with the acquired businesses to ensure they are inducted to Lords and can embrace our values while remaining authentically themselves. We are keen not to be seen as a corporate environment but appreciate and embed the need to be professional at all times.

FY25 has focused on colleague morale, mainly through development opportunities for growth and promotion:

- › We have joined the 5% Club – committing to working towards having a minimum of 5% of our workforce on apprenticeships or formal training
- › Our Learning@Lords learning management system launched – this now houses our safety and other mandatory training and enhances our ability to develop our own in-house bespoke training packages
- › Succession planning now takes place routinely across the Group, enabling us to identify potential for the future and any potential gaps early

In addition to this, we have enhanced our colleagues' benefits by adding a healthcare cash plan in our largest, more established divisions which includes cash back for routine medical services, health advice and guidance and discounts at high-street stores. We will be seeking to roll this out to the Digital division in due course.

Our work experience programme was enjoyed by 21 students to date, of which two joined as employees. Together with our participation at careers fairs and arranging branch visits for students, we see this as a key route to raising awareness about the huge variety of opportunities there are to work in our industry and business.

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

The walls are our behaviours which demonstrate our values inside

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

Our support systems

Investment

Wellbeing and safety

Doing the right thing

The foundations underpin all we do

Sustainability continued

Social: People

Material issue 7: Diversity

We are an equal opportunities employer and recognise that diversity and inclusion are fundamental to building a strong, high-performing organisation. Diverse teams bring broader perspectives, better decision-making and stronger outcomes for our colleagues, customers and communities.

At the end of the year, approximately 18.6% of our workforce was female, an increase from 17% in 2024 and above the industry average. While this represents positive progress, we remain focused on creating further opportunities to enhance gender balance across the organisation. To support this, we are currently piloting the Springboard Development Programme, designed to help women build confidence and develop the skills needed to lead in a traditionally male-dominated industry.

Ethnic diversity is also a priority. At year end, 10.1% of colleagues identified as non-white. We continue to work towards building a workforce that better reflects the communities we serve.

At Board level, 20% of Directors were female.

Recruitment and retention

We have further developed our recruitment capabilities and now have an active talent pipeline for Merchanting, which has been very successful this year. This will be rolled out across the other divisions over the next year. We continue to recruit directly where possible rather than through recruitment agencies.

Apprenticeships continue to be an important focus for us and we now have 16 across the business. We are on target to meet our commitment to employing 50 apprentices by 2030 as part of the BMF's initiative to promote apprenticeships in the industry.

The average tenure of colleagues has fallen this year which reflects attrition rates that are average for our industry but are much higher than we would like. In difficult trading conditions, we try to balance controlling costs with ensuring we are competitive in terms of our remuneration. This is not the sole factor contributing to high labour turnover, however. We are committed to supporting colleagues from outside our industry to consider careers here and motivating and engaging with our workforce to improve retention.

Workforce profiled (end of 2025)

Board		Senior management		Other colleagues	
20%		13%		19%	
80%		87%		81%	
Female	1	Female	2	Female	192
Male	4	Male	13	Male	836

Sustainability continued

Social: Community

Material issue 8:
Community

We support local organisations to empower the communities we serve.

When the Lords Group Foundation launched in 2021, it started with a simple idea: channel the Company's goodwill and the energy of our colleagues into local charities and causes that truly matter. Four years on, this idea has grown into a living network of small acts and meaningful partnerships – from supporting hospice care and children's play projects to carrying out local refurbishments and enabling employees to fundraise for causes close to their hearts. This year, as we celebrate four years since the Foundation's inception, we consolidate the impact data collected through a survey at the end 2025, which captured responses from supported charities and colleagues across the Lords Group.

In 2025, 87% of charities reported that our funding was significant or transformational, while 93% said our support enabled or amplified their impact. Partnering with the Lords Group Foundation enhances trust with other funders and helps secure community support. Our flexible funding approach is highly valued and our non-financial support – such as volunteering, mentoring and hands-on involvement – adds further value. Supporting small, local charities also significantly increases our impact; in many cases, even modest grants can make a transformational difference.

Our impact to date:

Over 20,000
beneficiaries supported across
the UK and beyond

80 charities
supported in total

58 charities
supported through direct funding

214 employees
involved in charitable activities

£338,000
in grants and matched funding distributed

One of the 26 charities supported in
2025 was **Teddy's Wish**

Teddy's Wish is a charity that supports families who have experienced baby loss, providing specialist emotional care during an extremely difficult time. The Lords Group Foundation funded 83 counselling sessions for bereaved families, directly enabling 14 parents to access fully funded support at a time when NHS waiting lists are long and private therapy is often unaffordable. Parents received timely, specialist emotional care, helping them regain confidence, return to work, and manage daily challenges more effectively. The programme also reduced the long-term mental health burden on healthcare systems and lowered the risk of depression and anxiety among bereaved parents. The Lords Group Foundation support enabled Teddy's Wish to expand its reach, assisting more families than would otherwise have been possible. The collaboration strengthened staff and volunteer commitment, providing the team with renewed purpose and validation.

Teddy's Wish was a much-needed support for us at a very difficult time. As much as we dreaded the sessions, we gained so much out of them. We both felt we came out after 12 weeks with a sense of peace and clarity. Without them, I do not think we would have had the difficult conversations we had to have as a couple, supported each other at the hardest point of our lives, and dealt with our grief.

Teddy's Wish beneficiary

Financial Review

We delivered a solid financial performance while strengthening the balance sheet, giving us the financial flexibility to support our strategic initiatives.

Stuart Kilpatrick
Chief Financial Officer

Net cash generated by
operating activities

£29.4m

75.0%

FY24: £16.8m

The Group delivered a solid financial performance in FY25 despite challenging market conditions, particularly in the second half of the year. Our focus on pricing discipline and customer service helped to protect gross margins, and we continued to carefully control overheads, in the face of cost pressures. We ended the year with a strong balance sheet, following the sale and leaseback transaction in April 2025, giving us the financial strength to continue selective investment in organic and acquisitive growth initiatives.

More information on divisional financial performance in FY25 can be found in the operating review on page 14 to 19.

Revenue

Group revenue was £472.8 million (FY24: £436.7 million), up 8.3%. On a LFL basis, revenue was 0.7% higher with the difference, reflecting the acquisition of CMO in June 2025 and three new branches opened during the year.

Merchanting had a strong first six months in FY25, but trading was affected by the market backdrop, combined with prolonged pre-Budget uncertainty in H2 FY25 that ultimately led to the deferral of end-customer decisions. Revenue in the year grew by 6.0% to £227.1 million (FY24: £214.3 million), with the division's LFL growth of 3.1% indicating increased market share.

P&H was resilient in a flat boiler market, with revenue 1.1% lower in FY25 at £219.9 million (FY24: £222.4 million). LFL revenue was 1.6% down on the prior year. Renewables revenues continued to grow strongly, with a 57% increase.

The Group acquired CMO on 6 June 2025 (see page 18). It successfully implemented its plan to rebuild its supply chain post-acquisition, resulting in an improving trend in revenues and a profitable second half of the year. In total, the Digital division contributed £25.8 million to Group revenue for the year.

Gross margin

Gross margins across the Group improved, slightly to 19.7% (FY24: 19.5%). At a divisional level, gross margin improved by 60 basis points in Plumbing and Heating, following strategic positioning. Merchanting margin reduced by 70 basis points as our competition looked to gain market share, particularly in the second half.

Operating expenses

Adjusted operating expenses in the year were £73.4 million (FY24: £64.6 million) and the main movements are set out below:

Operating expenses	£m
FY24	64.6
Acquisitions/new branches	7.0
Employers' NIC/National Minimum Wage	0.7
Like for like increase	1.1
	73.4

Strategic expansion of the business added £7.0 million to overheads, through the three new Merchanting branches opened in FY25, the addition of operating expenses from CMO (acquired in June 2025) and the full-year impact of Ultimate Renewables (acquired in October 2024). Changes in the rate of Employer's National Insurance and National Minimum Wage increases increased operating expenses by £0.7 million. Excluding these items, underlying costs increased by 1.7% despite inflationary pressure as our supply chain sought to pass on their own cost increases.

Financial Review continued

Adjusted EBITDA

Adjusted EBITDA (as defined and calculated on page 92) was £21.0 million (FY24: £22.4 million). This includes property gains of £1.4 million (FY24: £1.8 million), shown on the face of the income statement. The gain in FY25 arose from the sale and leaseback of four operating properties for gross proceeds of £13.1 million. In FY24, the gain of £1.8 million primarily related to a lease surrender premium for our Park Royal site. Excluding property gains and losses, adjusted EBITDA was £19.6 million (FY24: £20.6 million).

The table below shows adjusted EBITDA by division:

	FY25 £m	FY25 margin	FY24 £m	FY24 margin
Merchanting	12.5	5.5%	14.4	6.7%
Plumbing and Heating	8.5	3.9%	8.0	3.6%
Digital	—	—%	—	—%
Total Group	21.0	4.4%	22.4	5.1%

Adjusted operating profit, which includes the charge for depreciation and amortisation, was £9.2 million in FY25 (FY24: £10.4 million).

Adjusting items

Adjusting items before tax amounted to £8.0 million (FY24: £6.4 million), comprising:

- › amortisation of acquired intangibles: £3.4 million (FY24: £3.3 million);
- › share-based payments: £0.2 million (FY24: £0.8 million);
- › exceptional items: £1.3 million (FY24: £0.6 million), which primarily related to restructuring costs; and
- › Branch right of use asset impairment charges in relation to 9 branches where the carrying value of the branch's tangible and right of use assets exceeded the forecast value of future cash flows. The total non-cash impairment charge was £2.7 million (FY24: £1.5 million). The majority of these branches are forecast to deliver a positive EBITDA contribution in FY26 and beyond, based on prudent planning assumptions over the remaining lease period.
- › Non-cash goodwill and trade name impairment charge of £0.4 million (FY24: £nil) in respect of Chiltern Timber, which is being repositioned under the Lords Builders' Merchants brand.

Net finance costs

Net finance costs were £6.3 million (FY24: £6.9 million), comprising:

- › £3.1 million (FY24: £4.1 million) in respect of bank borrowing, less bank interest received of £0.3 million (FY24: £0.3 million);
- › £3.6 million (FY24: £2.8 million) related to lease liabilities; and
- › a credit of £0.1 million (FY24: charge of £0.3 million) to unwind discounted future liabilities

The sale and leaseback transaction in April 2025 contributed to reduced interest on bank borrowings, as a result of lower net debt and higher interest on lease liabilities, due to the new leases on these properties.

Profit before tax and earnings per share

Adjusted profit before tax, which excludes the adjusting items above, was £2.8 million (FY24: £3.8 million). Statutory loss before tax for the year was £5.2 million (FY24: £2.6 million) reflecting non-cash impairments in respect of right-of-use assets, goodwill and trade names referred to above within adjusting items.

Adjusted diluted earnings per share (as defined on page 93) was 1.14 pence (FY24: 1.85 pence). Basic diluted loss per share was 2.68 pence (FY24: loss of 1.19 pence).

Dividend

The Board has carefully considered the interests of the Group's stakeholders and continued to follow its policy of scaling the full-year dividend in line with adjusted earnings per share.

The Board has therefore recommended a final dividend of 0.20 pence per share (FY24: 0.52 pence per share), which will be paid on 6 July 2026 to shareholders on the register at the close of business on 29 May 2026. The Company's shares will be marked ex-dividend on 28 May 2026.

We paid an unchanged interim dividend of 0.32 pence per share (H1 FY24: 0.32 pence per share) in October 2025. The total dividend declared in respect of FY25 is therefore 0.52 pence per share (FY24: 0.84 pence per share), which is 2.2 times covered by adjusted earnings per share (FY24 2.2 times). The cash cost of the total dividend in respect of FY25 is £0.9 million (FY24: £1.4 million).

At the year end, the Company had distributable reserves of £13.6 million (31 December 2024: £14.2 million).

Financial Review continued

Debt financing and liquidity

On 2 April 2026, the Group refinanced its banking facilities, which are committed until 1 April 2029, with extension options. The facilities comprise a £20.0 million committed revolving credit facility (RCF) and a £45.0 million receivables financing facility.

At 31 December 2025, the Group had net debt (defined as borrowings less cash and cash equivalents, and before recognising lease liabilities) of £13.4 million (31 December 2024: £32.4 million), headroom of £46.5 million within its debt facilities (31 December 2024: £52.3 million) and a further £15.0 million of accessible cash (31 December 2024: £10.3 million). Had the new facilities been in place, the Group would have had £51.5 million of available liquidity.

Cash flow

Net cash generated by operating activities was £29.4 million (FY24: £16.8 million). Operating cash conversion, which is the ratio of operating cash flow to adjusted operating profit, was 317% (FY24: 71%) due to strong working capital management and reflecting the proceeds of property disposals.

The net inflow from investing activities was £6.3 million (FY24: £1.0 million outflow), which comprised inflows of £13.1 million (FY24: £4.2 million) from the sale and leaseback, interest and a business disposal, net of outflows on current and prior year acquisitions of £2.6 million (FY24: £1.3 million). Capital expenditure was £3.1 million (FY24: £2.8 million), largely relating to the three branch openings in the year. Investment in systems and digital tools totalled £1.1 million (FY24: £1.1 million).

Overall, the Group achieved a reduction in net debt, before leases reduction of £19.0 million (FY24: increase of £3.9 million).

Summary Balance Sheet

	31 December 2025 £m	31 December 2024 £m
Summary balance sheet		
Tangible assets	9.6	14.1
Inventory	51.3	49.3
Trade receivables	54.8	61.9
Other working capital	(81.7)	(72.3)
Operating capital employed	34.0	53.0
Deferred consideration	(1.2)	(3.3)
Right-of-use and other net assets	94.1	90.3
Lease liabilities	(71.5)	(60.0)
Net debt	(13.4)	(32.4)
Net assets	42.0	47.6

Tangible assets reduced from £14.1 million at 31 December 2024 to £9.6 million. This largely reflects the sale and leaseback of freehold properties, which was offset by an increase in other net assets. The Group also acquired a long leasehold property valued at £1.2 million through the CMO acquisition.

Net debt reduced by £19.0 million to £13.4 million reducing the ratio of net debt to operating capital employed to 39.4% (FY24: 61.1%). Trade receivables of £54.8 million (FY24: £61.9 million) underpins the refinanced bank facilities and strong working capital management reduced the ratio of working capital to sales to 5.2% (FY24: 9.0%).

Stuart Kilpatrick

Chief Financial Officer

20 May 2026

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 FY25 can be found in the governance section on page 51.

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 reviews 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 forward. The Board is also responsible for determining our risk appetite on an annual basis.
Audit & Risk Committee	The Audit & Risk Committee monitors and reviews our internal control systems (see page 55), 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, receives reports from the auditor on internal controls, and oversees the work of the co-sourced internal audit function (see page 55). 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.

The Group's principal risks and uncertainties and the mitigations in place are:

1 Macroeconomic conditions in the UK

Inherent risk	High
Trend	Increased post year end
Impact	Adverse effect on financial performance
Risk appetite	Actively Seeking

Description

The Group is exposed to changes in UK macroeconomic conditions which may impact construction activity and demand across its end markets. Factors including inflation, interest rates, availability of credit, and overall economic confidence influence activity levels in new build, RMI and commercial sectors.

These conditions may be exacerbated by geopolitical developments. Disruption arising from international conflicts, trade restrictions, sanctions or changes in global trading relationships may affect key supply chains and increase input costs, particularly in categories such as timber, steel and energy-related products. Geopolitical uncertainty may also contribute to inflationary pressures and higher interest rates, further impacting demand.

Mitigation

- › We adjust our capital allocation and cost control measures to reflect macroeconomic conditions
- › The Group has less than 1% of the market, giving us opportunities to take market share even in difficult economic conditions
- › Our business is intentionally exposed to the less cyclical RMI element of our market. Demand for boilers, which provide 66% of sales in P&H, is even less cyclical, reflecting the natural replacement cycle of these products
- › We continue to diversify our activities by product category, sector, channel and geographical reach, including significantly expanding our digital revenues through the acquisition of CMO
- › Our management has experienced multiple downturns and understands that capital allocation, efficiency and customer service are key

Principal risks and uncertainties continued

2 Colleagues

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

Description

We have over 1,000 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 people and ensure they are appropriately incentivised.

Mitigation

- › We apply significant resources to training, development, mentoring, 360 feedback, incentive structures, safety and mental health
- › 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
- › Many of our colleagues are shareholders through the Share Incentive Plan set out at IPO
- › We are committed to high standards of employment practice and continue to improve the way we manage the employment life cycle. See page 32 for more information
- › The Remuneration Committee reviews key aspects affecting the workforce

3 Competition in our markets

Inherent risk	Medium
Trend	Stable
Impact	Adverse effect on financial performance
Risk appetite	Cautious

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.

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 significantly increased our in-house expertise through the CMO acquisition
- › We continue to invest in our marketing function, to drive our value message rather than price
- › We conduct regular customer surveys and received an Exceptional Service – Sustained Progress Award from Feefo in January 2026

4 Sustainability and climate

Inherent risk	Medium
Trend	Stable
Impact	Adverse effect on our reputation and our financial performance
Risk appetite	Open

Description

We recognise the need to be a responsible business, including minimising the environmental impact of our operations. ESG is an important focus area 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 issues facing the business (see page 23), which includes growing our revenues from low-carbon products, such as renewables in P&H
- › We have established our decarbonisation commitments (see page 27) and undertaken considerable work to understand our climate-related risks and opportunities (see page 121)
- › We are developing environmental KPIs to allow us to set targets and incentivise performance at Group and divisional levels
- › The Lords Group Foundation supports charitable causes in the 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

Principal risks and uncertainties continued

5 Technology and IT infrastructure

Inherent risk	Medium/High
Trend	Stable
Impact	Adverse effect on customer service and financial performance
Risk appetite	Open

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
- › During FY25, we conducted two detailed cyber security assessments using third-party experts and established a steering committee for cyber security (see page 55)
- › CMO has significantly strengthened our internal technology expertise, including in cyber security

6 Health and safety

Inherent risk	Medium
Trend	Stable
Impact	Adverse effect on colleagues, our reputation and our financial performance
Risk appetite	Open

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 an agenda item at every Board meeting
- › 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

7 Acquisitions and integration

Inherent risk	Medium
Trend	Stable
Impact	Adverse effect on financial performance
Risk appetite	Actively Seeking

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

Principal risks and uncertainties continued

8 Supplier management

Inherent risk	High
Trend	Stable
Impact	Adverse effect on customer service and financial performance
Risk appetite	Open

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. This includes signing exclusive distribution arrangements with certain suppliers, which means we are not competing with other distributors for the available supply of those products
- › 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 suppliers
- › We conduct supplier due diligence, in line with our commitment to responsible sourcing

9 Finance and liquidity

Inherent risk	Medium
Trend	Increasing
Impact	Adverse effect on financial performance
Risk appetite	Open

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. The sale and leaseback transaction in FY25 (see page 105) significantly reduced our net debt and increased our debt facility headroom
- › 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
- › Performance against covenants related to our debt facilities are reviewed regularly by management

This Strategic Report has been approved by the Board and signed on its behalf by:

Stuart Kilpatrick
Chief Financial Officer
20 May 2026

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Governance

What's in this section?

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Board of Directors

We have a strong and experienced Board, with complementary backgrounds, knowledge and skills.



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

Previous 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

- › Chair of West London Business

Previous appointments

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

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

Previous appointments

- › CFO, Systat 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

Key:  Nomination Committee member
 Audit & Risk Committee member
 Remuneration Committee member
 Committee Chair

Board of Directors continued



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 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

Previous appointments

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



Sheena Mackay

Non-executive Director
Appointed to the Board: 6 September 2023

Skills and experience

- Over 30+ years leading Human Resources functions in complex, global FTSE 100 and 250 companies
- Over eight years' experience as a FTSE Non-executive Director
- Deep domain knowledge in HR including people strategy, remuneration policy, talent development, culture and employee engagement, business transformation/organisational change linked to organic and non-organic growth, acquisitions and disposals, including Class 1 transactions and IPO preparation

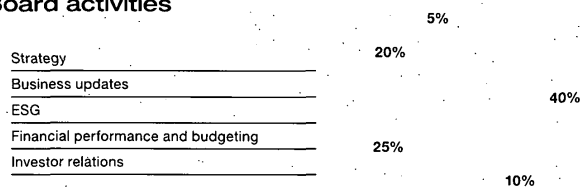
Other current appointments

- Senior Independent Director and Remuneration Committee Chair at Porvair plc
- Non-executive Director at King's College Hospital NHS Foundation Trust and Chair of People Committee; Non-executive Director at National Energy Systems Operator (NESO)

Previous appointments

- Group Human Resources Director at Smiths Group plc, Aggreko plc, BBA Aviation plc and SSL International Group plc
- Non-executive Director at Foxtons Group plc (two terms)

Board activities



Board skills and experience

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

Chair's introduction to corporate governance

The Board's focus in the year was to support management with its focus on margins, controlling costs and strengthening the balance sheet, while ensuring we continued to invest for the long term.

Gary O'Brien

Independent Non-Executive Chairman

I am pleased to introduce our Corporate Governance Report for FY25. 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. This was our first year of following the 2023 version of the QCA Code, which applies for financial years starting after 1 April 2024. We were already in a good position to comply with its additional requirements, which cover areas such as risk, internal controls, ESG and remuneration, having implemented many of the changes ahead of time. I am therefore pleased to confirm that we have complied in full with the QCA Code during FY25.

Steering the Group through challenging conditions

This helped the Group to deliver creditable financial results in FY25, despite the continued difficult markets and additional costs arising from Government policy, notably increases to Employer's National Insurance, the minimum wage and business rates. Several of our key decisions related directly to protecting or enhancing the Group's cash position and balance sheet strength. These included approving the property sale and leaseback announced in April 2025, which generated cash consideration of £13.1 million, and the level of the final dividend in respect of the year, which we have scaled in line with earnings (see page 36). We also carefully considered management's proposals to open new branches, which made up the bulk of the £4.2 million of capital expenditure during the year, and concluded that it was appropriate to continue to invest in the Group's long-term growth.

Our other key decision was to approve the acquisition of CMO. We agreed that the business was a strong strategic fit, given the Group's focus on growing digital revenues. It adds a skill base that we believe will be very advantageous across the Group in further developing the online revenues of Merchants and P&H. Although the acquisition cost was low for a business of this scale and potential, the Board did carefully consider its investment needs and management's ability to return it to profit. We were satisfied that CMO was already well invested and that the plan to turn it around was robust, meaning it would not absorb cash and affect our ability to invest elsewhere in the Group.

An appropriate and successful strategy We continued to review and oversee the implementation of the Group's strategy, including holding our annual Board away day to discuss strategic matters. We concluded that the strategy remains appropriate, that our continued investment to support it would position the Group well for the eventual market upturn, and that it would contribute towards achieving the long-term revenue and margin objectives set out in our five-year plan. Having previously considered strategy primarily at Group level, we also increased our focus on the divisional strategies. The senior teams of Merchants and P&H presented their strategic plans to the Board, giving us the opportunity to scrutinise them and provide input.

In my report to you last year, I said that one of the Board's priorities for FY25 was to manage debt and ensure the business is lean and fit. We have continued to oversee and support management's work to protect margins and reduce costs.

Chair's introduction to corporate governance continued

Culture is central to our business

The Group's culture is one of the keys to our success, emphasising the delivery of customer service and looking after and motivating our people. Shanker Patel continues to play a vital role in setting the tone from the top and he typically visits all our locations at least once a year. This helps to maintain the family feel that so many of our colleagues value.

The Board monitors the culture through the regular employee surveys and monthly reports that provide indicators of our culture, such as health and safety performance and employee churn rates. We are also spending more time out in the business, having visited the HRP site in Chelmsford and Hevey Building Supplies in Northampton. We find these visits particularly useful, as each location has its own identity and product portfolio, and we gain an insight into the talent and capability around the business and how well the operations are run.

Investing in our management team

Our second Board priority for FY25 was to ensure we have the right colleagues across the Group. We recognise the critical importance of strong leadership, and we are pleased that the business has continued to invest in talented people, including a new Chief Operating Officer for P&H and a range of other key hires across the divisions. We have also continued to focus on succession planning and cover for all senior management roles. The Nomination Committee Report has more information (see page 53).

Board evaluation

Towards the end of the year, we conducted an internally facilitated evaluation of the Board. Ahead of this, we considered commissioning an externally facilitated evaluation for the first time. However, we concluded that, in the current trading environment, the proposed cost did not represent the best value for shareholders. We will keep this under review in FY26.

The evaluation used a set of online questionnaires, covering topics such as Board composition, responsibilities, culture, quality of information and individual performance. The results showed that the Board and Committees are all performing well, with upper quartile performance overall. We identified one issue to address in the coming year, which is for Board members to receive reports from management further ahead of our meetings to give more time to fully digest their contents and make enquiries if necessary. Our previous evaluation had noted the Directors' desire for more training opportunities, which has been successfully addressed, as set out on page 53.

Our priorities for FY26

The Board has two priorities for the next financial year. These are to continue to manage costs and margins, and to bring CMO back to its previous levels of performance. CMO's turnaround has started well, and we are encouraged that it will be an important contributor to the Group in the coming years.

Gary O'Brien

Independent Non-Executive Chairman
20 May 2026

Compliance with the QCA Corporate Governance Code

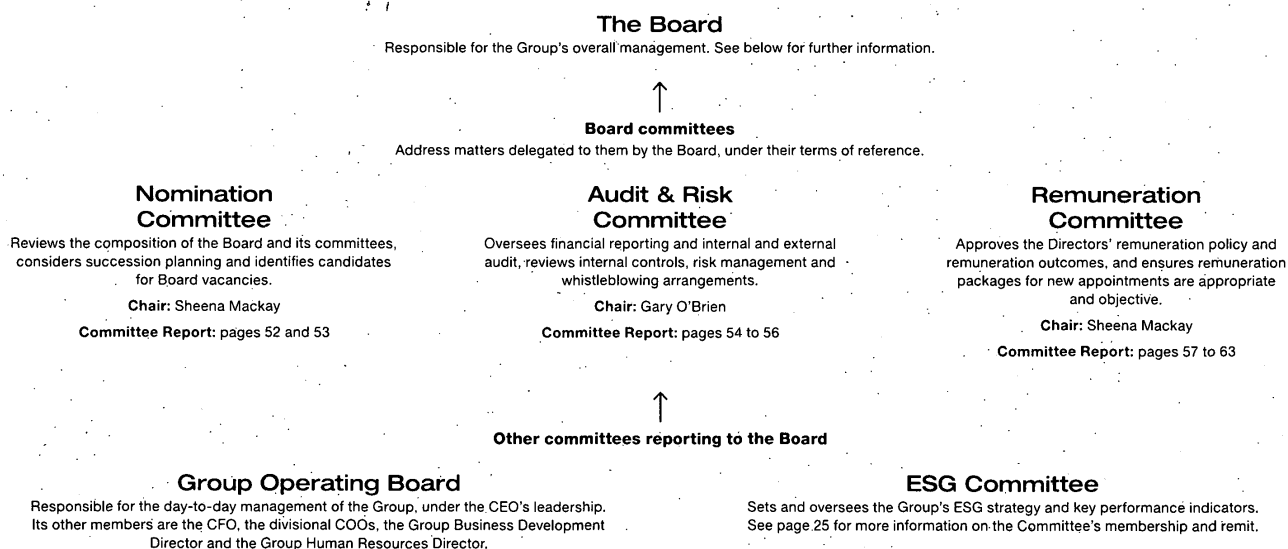
The table below sets out where the information required by the 2023 version of the QCA Code can be found within this Annual Report.

Principle	Application	Principle	Application	Principle	Application
Principle 1 Establish a purpose, strategy and business model which promote long-term value for shareholders		Principle 4 Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success		Principle 7 Maintain appropriate governance structures and ensure that, individually and collectively, the Directors have the necessary up-to-date experience, skills and capabilities	
Purpose	inside front cover	Stakeholder engagement	pages 20 and 21	Corporate governance framework	page 48
Business model	page 10	s172 statement	page 22	Nomination Committee Report	pages 52 and 53
Strategy	page 11	Sustainability	pages 23 and 24		
Chair's introduction	pages 4 and 5				
Chief Executive Officer's Review	pages 6 and 7				
Principle 2 Promote a corporate culture that is based on ethical values and behaviours		Principle 5 Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation		Principle 8 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	
Our culture and values	page 32	Principal risks and uncertainties	pages 38 to 41	Chair's introduction	page 5
Maintaining an ethical culture	page 33	Internal controls	page 51		
Chair's introduction	page 4	Climate-related risks and opportunities	pages 121 to 124	Principle 9 Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose, strategy and culture	
		Audit & Risk Committee Report	pages 54 to 56	Remuneration Committee Report	pages 57 to 63
Principle 3 Seek to understand and meet shareholder needs and expectations		Principle 6 Establish and maintain the Board as a well-functioning, balanced team led by the Chairman		Principle 10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders	
Stakeholder engagement	pages 20 and 21	Board biographies	pages 43 and 44	Chair's introduction	pages 4 and 5
		Board composition and diversity	page 52	Stakeholder engagement	pages 20 and 21
		Chair's introduction	page 4	Audit & Risk Committee Report	pages 54 to 56
		Directors' roles	page 49	Remuneration Committee Report	pages 57 to 63
		Directors' time commitment	page 50		
		Non-executive Director independence	page 50		

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

Corporate governance statement

The diagram below shows the key elements of our corporate governance framework.



Corporate governance statement continued

The Board's role

The Board is responsible for the Group's overall management and has a formal schedule of matters reserved for its decision. This encompasses:

- › Strategy and management, including setting or amending the Group's purpose, values, business model and strategy
- › The Group's capital, corporate, management and control structures
- › Financial reporting and controls, including approving results announcements, the Annual Report and Accounts, and the dividend policy and declaring dividends
- › The Group's system of internal control, assurance and risk management
- › Material contracts, capital projects, investments (including acquisitions and disposals) and other significant commitments
- › Determining the Group's key stakeholders and ensuring satisfactory dialogue with them, and approving resolutions, circulars, prospectuses and regulatory announcements
- › The Board's structure, size and composition, succession planning, appointments to the Board and membership of its committees
- › Remuneration of Directors and senior management
- › Delegation of authority, including the division of responsibilities between the Chair and CEO, approving delegated levels of authority, and establishing Board committees and their terms of reference
- › Corporate governance matters, including Director independence, Board evaluations, and the Group's approach to relevant environmental and social issues
- › The process and authority levels for approving material Group policies, which are required to manage key risks to the business or legally require Board approval
- › Other matters, including appointment of advisers, litigation and insurance

A full schedule of matters reserved for Board decision is available from the corporate governance section of the Company's website, along with the terms of reference for the Audit & Risk, Remuneration and Nomination Committees. The Board reviewed and approved the latest versions of the matters reserved and the terms of reference in January 2025.

The Directors' roles

The Directors' roles are set out in the following table. A more detailed description of the Chair's and CEO's responsibilities is available from the corporate governance section of the Company's website.

Roles and key responsibilities

Chair

- › Effective running of the Board
- › Ensuring the whole Board plays a full and constructive part in developing and determining the Group's purpose, strategy, culture and overall commercial objectives
- › Acting as guardian of the Board's decision-making processes

Chief Executive Officer

- › Running the Group's business
- › Proposing, developing and delivering on the Group's purpose, strategy, culture and overall commercial objectives, in close consultation with the Chair and the Board
- › With the executive team, implementing the decisions of the Board and its committees

Chief Financial Officer

- › Supporting the CEO in developing the Group's 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 Chair
- › Acting as an alternative line of communication between the Chair and other Directors
- › Acting as an alternative line of communication for shareholders as required
- › Appraising the Chair's performance

Non-executive Directors

- › Acting as a sounding board for the Chair 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 sets out the number of scheduled meetings held during the reporting period. Committee Chairs report to the Board after each committee meeting and at Board meetings. The Board and its Committees met on a scheduled basis during the year and convened additional ad hoc meetings as required.

Only the Non-executive Directors are members of the Board's committees. Shanker Patel and Stuart Kilpatrick are invited to attend committee meetings where appropriate to provide input and support the Committees' discussions.

Director	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Gary O'Brien	6/6	3/3	4/4	1/1
Shanker Patel	6/6	—	—	—
Stuart Kilpatrick	6/6	—	—	—
Andrew Harrison	6/6	3/3	4/4	1/1
Sheena Mackay	6/6	3/3	4/4	1/1

Provision of information to the Directors

The Directors receive papers from management in advance of Board and committee meetings. The Directors are also free to seek any further information they consider necessary.

Board and committee papers and presentations are focused on key issues requiring decisions. The authors of these papers are informed of the deadlines for submission, based on the calendar of meetings and the principal matters to be discussed, which are agreed at the beginning of each year. Papers are collated by the Board or Committee Chair, the Company Secretary and the CFO, compiled into a pack and circulated at least five working days before meetings, allowing time for full consideration.

Where a Director is unable to attend a Board or committee meeting, he or she is provided with all relevant papers and information and 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 ensures that the Board's procedures and 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.

There are no factors that could affect the independence of Andrew Harrison or Sheena Mackay. As noted in his biography on page 43, Gary O'Brien had a consultancy relationship with the Group, prior to being appointed as Chair. In this role, he advised on business strategy, acquisitions and the Group's admission to AIM. He was not involved in the Group's day-to-day management and the relationship did not involve a significant time commitment from him. The Board considers that this prior arrangement does not affect his independence and believes that the Board's work has benefited from Gary's knowledge of the business.

The Board therefore confirms that it considers Gary O'Brien, Andrew Harrison and Sheena Mackay to be independent and it 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.

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 page 63.

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, the Directors will continue their practice of standing for re-election at the 2026 AGM.

Corporate governance statement continued

Internal controls

The Board is responsible for establishing and maintaining the Company's system of internal financial controls, assisted by the Audit & Risk Committee.

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. Management also updates its forecasts of Group performance as the year progresses and the Board monitors progress against these revised forecasts.

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.

For more information, see the Audit & Risk Committee Report on page 55.

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 64 and 65.

Annual general meeting (AGM)

The AGM provides opportunities for dialogue between the Board and the Company's shareholders. The AGM will be held on 18 June 2026 at the offices of Burson Buchanan, Rose Court, 2 Southwark Bridge Road, London SE1 9HS. 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 Company's website.

Nomination Committee Report

We have continued to focus on succession planning and the strengthening of the Senior Leadership Team means the Group now has highly experienced operators supporting the CEO.

Sheena Mackay
Nomination Committee Chair

Committee membership and meetings

All the Committee members are independent Directors. I chair the Committee 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 50. 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 the Board reviewed and approved during the year. 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 that 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's performance evaluation process related to the Board's composition
- › Make recommendations on re-appointing Non-executive Directors at the end of their term and for the annual re-election of Directors by shareholders

Our full terms of reference are available on the corporate governance section of the Company's website.

Our priorities for FY25

In last year's report, I set out two priorities for the Committee for FY25. These were to:

- › continue to work on succession planning, both at Board level and ensure we have succession cover for key operational roles; and
- › focus on the Group's retention of talent as the market picks up

We made good progress with our succession planning, as described below. Although the market remains difficult, we also considered the need to motivate and retain our senior management and put in place restricted stock options for 16 members of our team, as discussed in my annual statement in the Remuneration Committee Report.

Board composition, skills and diversity

We reviewed the Board's composition during the year and concluded that it remains appropriate. Our Executive Directors are highly experienced and the skills and backgrounds of the Non-executive Directors complement each other well. Between us, our non-executives have deep expertise in operations, finance and human resources, as well as strategy and corporate governance.

Towards the end of the year, we completed a Board skills matrix, which we subsequently reviewed in early 2026. The purpose of the matrix exercise was to identify any areas we may look to address. Our belief is that it is not always necessary for the Board itself to have expertise in every subject, but it is vital that we have the necessary skills within the senior management team, which the Board can draw on as needed.

For example, the acquisition of CMO has significantly strengthened the Group's in-house technology capabilities, including in cyber security, and the Group also recruited an excellent ESG lead in FY25. Whilst seen as important steps in the evolution of the Group, they also address Principle 7 of the QCA Code.

Whilst we do not have a formal diversity policy or targets for the Board, we are in a good position with one female Director (out of five Directors in total) and one from an ethnic background. This is consistent with prior years.

The Board is committed to the importance of diversity and the benefits that differing experiences and perspectives can bring, and we fully consider diversity as part of appointments to the Board. At the operational level, it can be more challenging to find senior women with experience in the industry. The Group therefore has its own diversity initiatives (see page 33), and the Board routinely monitors and reviews diversity across the organisation.

Nomination Committee Report continued

Succession planning

Succession planning was an important area for us in FY25 for both executive and non-executive positions. This included considering emergency cover for Shanker Patel, reflecting his key role in the business. Following the appointment of Steve Durdant-Hollamby as Merchandising Chief Operating Officer (COO) towards the end of 2024, the Group further strengthened its senior leadership in FY25, with Matt Webber joining us as COO of P&H. He succeeded Neil Lake, who has become Group Business Development Director. Both Steve and Matt had increased exposure to the Board this year, for example when presenting their divisional strategies, and this will continue in FY26. They will also be mentored by members of the Board, and we will consider their personal development needs.

We therefore have highly experienced operators supporting Shanker on the Group Operating Board, while our Senior Independent Director Andrew Harrison has also spent more than 45 years in the industry. We are therefore confident that we have appropriate short-term cover for Shanker, should the need arise.

Among the Non-executive Directors, Gary O'Brien joined the Board in July 2020, with Andrew Harrison and I being appointed in March 2021 and September 2023 respectively. We do not therefore have an imminent need to rotate any of these roles, although we keep this under review. We did consider emergency cover for Gary's role as Chair of the Board and concluded that the other non-executives had sufficient capacity and knowledge of the business to step in, if required.

We also focus on the pipeline of talent below Board level. The Board reviews succession planning for senior management on an annual basis and receives a presentation on this from the Group Human Resources Director. This covers all roles from branch manager upwards and identifies who could take over on an interim basis and their suitability as permanent replacements.

Directors' training

Individual Directors are responsible for identifying and organising their own training needs, and we also look to take advantage of learning opportunities provided by our advisers and other organisations. Examples during FY25 included:

- › Shanker Patel attending several HSBC seminars, covering topics such as the implications of the Government's Budget, macroeconomic forecasts and the state of the housing market. He also attended a Harvard seminar and Fujitsu conference, both on AI in the workplace
- › Stuart Kilpatrick attending a KPMG update session on accounting, tax and legal matters, and a fraud awareness webinar organised by Barclays

FY26 priorities

Our priority for FY26 is to continue our work on succession planning at Board and senior management levels.

Sheena Mackay

Nomination Committee Chair

20 May 2026

Audit & Risk Committee Report

Cyber security is a priority for the Committee. The Group has continued to enhance its approach and the acquisition of CMO has further strengthened the Group's technology expertise.

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
- › Agreeing the 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. The Board reviewed and approved the terms of reference during the year.

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 50.

The CFO 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 risk management

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. Management reviews and monitors these controls to ensure they are being applied correctly.

As a result of this work, we believe risk is being well controlled throughout the organisation. We receive further assurance from the internal audit (see below) and through the external audit process.

The Board has set our appetite for different categories of risk, with more information provided in the principal risks section on pages 38 to 41. Our review of the risks facing the Group shows that the categories of risk are unchanged from the previous year, although our assessment is that the risk relating to macroeconomic conditions in the UK has increased.

The QCA Code requires us to have risk governance and processes that support the Board's assessment of the Group's prospects, viability and resilience. We consider a number of risks that could affect our trading performance in determining that the Group remains a going concern.

Management also has regular interactions with our banking syndicate around compliance with our banking covenants, as part of which we consider risks to trading and cash flow, and the size of the banking facilities that the Group needs.

Reviewing the Group's cyber security was a Committee priority for FY25. During the year, the Group conducted two detailed assessments of its cyber security, with the support of third-party experts. The reviews covered the Plumbing and Heating division and Carboclass Limited, which is the holding company for Lords Builders Merchants, George Lines, Advance Roofing and Hevey, and therefore encompasses much of the Merchanting division.

The Committee asked the CFO to create a steering committee for cyber security, which is now in place. The CFO leads the steering committee, which is made up of senior divisional management and the heads of IT in the businesses. The steering committee is in the process of gathering data for each business to ensure commonality of procedures across the Group and addressing current and expected future cyber risks as they emerge.

In addition, the acquisition of CMO has strengthened the Group's internal technology expertise, including in cyber security. This is helping us to further enhance our approach.

Internal audit

BDO provides internal audit services to the Group and our aim is for it to conduct two deep dives per year. In FY25, we asked BDO to focus on reviewing the implementation of points raised in its FY24 reports, which included a deep dive on inventory management and an in-depth assessment of the Group's management of supplier rebates. We were pleased to confirm that the Group has implemented substantially all of BDO's FY24 recommendations and the Committee will agree appropriate control improvements with management following review of BDO's supplier rebate report in April 2026.

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 FY25, the key areas were as follows:

Impairment review

The continued difficult trading conditions in FY25 meant that impairment reviews were an area of increased scrutiny for the Committee. We have 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. 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 we considered the sensitivity of the outcome to different assumptions.

Non-cash impairment charges in relation to nine branches where the carrying value of the branch's tangible and right of use assets exceeded the forecast value of future cash flows amounted to £2.7 million (FY24: £1.5 million) in the year. The majority of these branches are forecast to deliver a positive EBITDA contribution in FY26 and beyond, based on prudent planning assumptions over the remaining lease period.

Audit & Risk Committee Report continued

Financial reporting and significant judgements continued

Inventory

Inventory is a significant asset for the Group, representing £51.3 million of the Group's total assets of £247.2 million at 31 December 2025. There is a risk of slow-moving stock in certain branches or that intra-branch stock transfers are not accurately recorded. 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.

Following a review of the provisioning policy in FY24, the Committee is satisfied that the policy remains appropriate. Stocks are tightly managed and one of management's key actions in the year was to reduce slow-moving stock, thereby releasing cash.

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 considered, 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

During FY25, we conducted a formal tender for the external audit, as a result of which the Board appointed Grant Thornton to be the Group's external auditor. It replaces RSM, which had been the external auditor since 2021. While we were satisfied with the quality of RSM's work, and thank them for their support over recent years, we believed it was an appropriate time to ensure the Group was receiving the best value and to identify how audit services were changing, for example through the use of AI to improve efficiency and effectiveness. We therefore asked four firms to tender, including RSM, and received high-quality proposals at significantly lower fees than our existing arrangement. Shareholders will be asked to re-appoint Grant Thornton at the forthcoming AGM.

The auditor typically attends two or 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, the auditor's assessment of the audit risks and its findings from the audit.

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 the external auditor to tender for other consultancy projects. With Grant Thornton only having been recently appointed, no other circumstances have arisen that could compromise its independence with the committee noting that Grant Thornton provide non-audit debt advisory services to the Group. We are therefore satisfied that the auditor remains independent.

Whistleblowing arrangements

The Group has a whistleblowing policy, which we review annually. The most recent review took place in January 2026.

The policy requests anyone with concerns to tell their line manager, either in person or in writing, or to contact the CEO or Group Human Resources Directors in situations where this is not appropriate. The policy commits the Group to protect whistleblowers from retaliation and to treat disclosures in confidence. It also sets out the process for investigation and reporting of outcomes, and provides information on where to seek confidential advice if required.

Priorities for FY26

Our priorities for FY26 are to:

- › continue to review and improve the Group's cyber security arrangements;
- › ensure the Group continues to tightly control inventory; and
- › ensure the Group manages credit risk and supports stakeholders in the supply chain, when they credit insure

Gary O'Brien

Audit & Risk Committee Chair

20 May 2026

Remuneration Committee Report

Our remuneration framework is designed to incentivise near-term performance, while encouraging investment in our long-term growth, in line with our strategy.

Sheena Mackay
Remuneration Committee Chair

Annual statement

I am pleased to present this Remuneration Report for FY25. We follow the QCA Remuneration Committee Guide, reflecting our aim to be transparent about our remuneration arrangements and the principles underlying them.

This was a busy year for the Committee. At the start of FY25, we developed and implemented a new Directors' remuneration policy, which can be found on pages 59 and 60. Our intention is that the policy will apply for three years and given that it functioned as expected in FY25, it will be unchanged for FY26.

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 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

The Group's long-term success depends on providing outstanding customer service through highly engaged colleagues. This is at the heart of our business model and is reflected in our purpose and culture. Our purpose and culture are therefore directly linked to our financial performance, which in turn determines the funds we have available to invest in our '3Ps' and our strategic growth initiatives.

Our remuneration structures contain elements which incentivise financial performance in both the short and long term, through the annual bonus and LTIP. These elements therefore require management to deliver our purpose and maintain our culture, and to enable the successful operation of our business model. They also encourage investment in the Group's long-term growth, in line with our strategy.

In addition, the annual bonus conditions for the Executive Directors and other senior management team include personal objectives, which align with our strategic goals. We are therefore confident that our remuneration structures and practices support the delivery and attainment of the Company's purpose, business model, strategy and culture.

One of our priorities for the year was to review long-term incentive arrangements to support the retention of key colleagues. For the Executive Directors and the divisional executives, we consider that the existing Long-Term Incentive Plan (LTIP) continues to appropriately align senior executives with the Group's medium to long-term success. We therefore granted options under the LTIP in March 2025, as described later in this report.

Remuneration Committee Report continued

Committee membership and meetings

I chair the Committee 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 50.

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. The Board reviewed and approved the terms of reference during the year.

Advisers to the Remuneration Committee

The Committee receives support and information from the Executive Directors and the Group Human Resources Director and is authorised to obtain outside professional advice and expertise as needed. The Committee does not have a retained remuneration adviser and we did not receive external advice during the year.

Review of Directors' emoluments in FY25

We consider pay and conditions for colleagues across the Group when determining remuneration for the senior team, as well as the market outlook. The Executive Directors received an increase in base salary of 2% on 1 July 2025, in line with the increase for the wider workforce.

The Non-executive Directors' fees are typically reviewed in December, with the increase applying from January. Given the difficult trading environment at the end of 2024, we did not increase these fees in January 2025 and deferred the review until later in the year. Having subsequently assessed the fees, the Board considered it appropriate to introduce additional fees to reflect the extra responsibilities of the Committee Chairs and the Senior Independent Director. As a result, the Non-executive Directors' annual fees are as follows, from 1 July 2025:

	£'000
Chair of the Board	95
Senior Independent Director	10
Non-executive Director	45
Additional fee for chairing the Audit & Risk Committee	10
Additional fee for chairing the Nomination and Remuneration Committees	10

Remuneration outcomes for FY25

In determining remuneration outcomes for the year, the Committee considered the Group's financial and operational performance.

In the first quarter of 2025, Shanker Patel voluntarily reduced his base salary by £112,000, which was in line with a similar reduction volunteered in 2024. In view of the trading outcome in 2025, the Executive Directors waived bonuses amounting to £62,000.

Remuneration Committee Report continued

Directors' remuneration policy

Set out below is the Directors' remuneration policy approved by the Remuneration Committee on 22 April 2025.

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:

- 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.
- 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.
- 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).
- 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.
- 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 at 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. The Committee has discretion to apply them in the event of:

- › A material misstatement in the Company's financial results
- › Miscalculation
- › Serious reputational damage to the Company
- › Discovering that the participant committed serious misconduct that could have warranted summary dismissal
- › A corporate failure or insolvency

Approach to recruitment

Remuneration packages for new Executive Directors will follow the structure set out in the Directors' remuneration policy table. In line with the policy, ongoing incentive pay and share-based awards will be limited to 100% of salary for the annual bonus and 150% of salary for LTIP awards.

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 their previous employer. Where possible, these awards will be consistent with the awards forfeited in terms of vesting periods, expected value and performance conditions. Shareholders will be informed of any such payments or awards 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. Any other remuneration obligations existing prior to appointment may also continue, provided they are put to shareholders for approval at the earliest opportunity if they are outside the policy limits.

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

Loss of office

If an Executive Director leaves the Company, we are committed to applying a consistent and equitable approach to their remuneration, while paying no more than necessary. The Group's loss of office policy is in line with market practice and the approach will depend on whether the individual is deemed a 'good' or 'bad' leaver. 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.

The policy states that:

- › 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 Directors 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 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 may be made at the Committee's discretion. Any such payments will normally be pro-rated for the period of active service, will be subject to the original performance targets and will be made on the normal payment date
- › Vesting of share scheme awards is not automatic and the Committee has discretion to prevent awards from lapsing, depending on the circumstances of the departure and the Group's best interests
- › For a 'good leaver', deferred bonus awards will usually vest in full at the normal vesting date (although they may vest earlier, including at cessation). LTIP awards will usually vest at the normal vesting date (although they may vest earlier, including at cessation), subject to performance against the relevant targets. LTIP awards will normally be pro-rated for time
- › Executive Directors will be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination
- › The Group may contribute to legal fees and outplacement support, where appropriate
- › No compensation is paid for summary dismissal, save for any statutory entitlements

Remuneration Committee Report continued

Directors' emoluments

	Salary/fee		Bonus		Benefits		Remuneration for qualifying services		Pension benefit		Gain on share options exercised		Total	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Shanker Patel	347	327	—	—	39	18	386	345	—	35	—	—	386	380
Stuart Kilpatrick ¹	303	172	—	—	17	7	320	179	9	23	—	—	329	202
Gary O'Brien	103	125	—	—	—	—	103	125	—	—	—	—	103	125
Andrew Harrison	63	60	—	—	—	—	63	60	—	—	—	—	63	60
Sheena Mackay	58	55	—	—	—	—	58	55	—	—	—	—	58	55
Former directors														
Chris Day ²	—	124	—	—	—	4	—	128	—	9	—	—	—	137
	874	863	—	—	56	29	930	892	9	67	—	—	939	959

1. Appointed to the Board on 4 June 2024.

2. Stepped down from the Board on 17 May 2024.

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

Shanker Patel	Number at 1 January 2025	Awarded in year	Exercised in year	Lapsed in year	Number at 31 December 2025	Date of grant
2025 Long-Term Incentive Plan	—	1,628,073	—	—	1,628,073	14/03/2025
Total	—	1,628,073	—	—	1,628,073	
Stuart Kilpatrick	Number at 1 January 2025	Awarded in year	Exercised in year	Lapsed in year	Number at 31 December 2025	Date of grant
Replacement award on appointment	—	400,000	—	—	400,000	07/02/2025
2025 Long-Term Incentive Plan	—	1,090,909	—	—	1,090,909	14/03/2025
Total	—	1,490,909	—	—	1,490,909	

Remuneration Committee Report continued

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

Replacement award for Stuart Kilpatrick

On 7 February 2025, the Remuneration Committee approved the award of nil cost options over 400,000 new Ordinary shares to Stuart Kilpatrick, our Chief Financial Officer. This award replaced interests he held in connection with his former role, which he forfeited on joining the Company.

The award will vest two and a half years from grant, subject to performance criteria based on adjusted earnings per share (50%) and total shareholder return (50%). The performance period runs from H2 2024 to the year ending 31 December 2026.

2025 Long-Term Incentive Plan awards

On 14 March 2025, the Remuneration Committee granted nil cost options under the terms of the LTIP. The performance targets shown below are based on a three-year performance period from 1 January 2025 to 31 December 2027. The number of shares vesting between minimum and full vesting is calculated on a straight-line basis.

Performance metric	Performance	Vesting
Organic earnings per share growth	Below 9.5%	Nil
	9.5%	25%
	15.8%	100%
Total shareholder return versus comparator group	Below median	Nil
	Median	25%
	Top quartile	100%

For the purposes of the LTIP award, organic growth excludes any benefit of acquired earnings during the performance period.

The Remuneration Committee has discretion to amend these terms to ensure that any performance targets remain appropriate.

Directors' interests in the Company's shares

At 31 December 2025, the Directors had the following interests in the Company's shares:

Director	Number of shares
Shanker Patel ¹	55,239,177
Stuart Kilpatrick	75,000
Gary O'Brien ²	229,442
Andrew Harrison	230,770
Sheena Mackay	64,695

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.

Service contracts

Our policy is to employ Executive Directors on contracts, subject to no more than six months' notice from either side. The service contracts do not have a fixed term. If it becomes necessary to terminate a service contract, the Committee will take all the circumstances of the case into account, including mitigation, when determining any compensation to be paid.

The Executive Directors' current service contracts are as follows:

Director	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. They are appointed each year for up to 12 months (subject to re-election at the AGM) and are entitled to three months' written notice of early termination, for which no compensation is payable.

The Non-executive Directors' letters of appointment are as follows:

Director	Date of appointment	Date of re-election
Gary O'Brien	1 July 2020	20 June 2025
Andrew Harrison	1 March 2021	20 June 2025
Sheena Mackay	6 September 2023	20 June 2025

Sheena Mackay

Remuneration Committee Chair
20 May 2026

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 10 to 19.

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 35 to 37
- › Future developments, page 7
- › Carbon reporting disclosures, pages 26 to 30
- › Corporate governance statement, pages 48 to 51
- › Directors' names and biographies, pages 43 and 44
- › Directors' interests in shares, pages 62 and 63
- › Engagement with suppliers, customers and others with business relationships with the Company and the impact on key decisions made in the year, pages 20 and 21 and page 23
- › Engagement and communication with employees and consideration of employee interests in decision-making, pages 20 and 21, page 23 and pages 32 and 33
- › Share Incentive Plan, pages 62 and 63
- › Financial risk management, including credit, interest rate, foreign exchange and liquidity risks, page 41
- › Financial instruments, note 26, pages 110 to 112
- › Share capital, note 25, page 109
- › Events subsequent to the year-end date, note 29, page 115
- › Annual general meeting, page 51

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 51.4% of the Company's shares as at 31 December 2025. 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 2025, 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	—	55,221,386	33.2
Mr Allan Pierce	—	17,340,860	10.4
Mr Rajen Patel	—	15,204,540	9.1
Mr Nilesh Patel	—	15,204,540	9.1
Hargreaves Lansdown Asset Management	Private Client Broker	11,102,412	6.7
Charles Stanley	Private Client Broker	10,519,025	6.3
Schroder Investment Mgt (London)	Growth	8,057,500	4.8
Slater Investments	Multi Style	6,780,000	4.1
Premier Miton Investors	Multi Style	6,522,578	3.9

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.

Directors' Report continued

Relationship agreement continued

The agreement will terminate automatically upon:

- a) the Ordinary shares ceasing to be traded on AIM; and
- 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

Grant Thornton UK 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

At 31 December 2025, the Group had £46.5 million of undrawn facilities and £15.0 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 2027.

The cash flow forecasts have been stress tested by considering the most likely risks impacting the Group in a severe but plausible scenario and a reverse stress test scenario. These are considered to be sales below the base case, interest rate changes and additional operating expenses. 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 38% relative to the base case over a twelve month period. While unlikely to occur, the Group also has mitigating actions at its disposal that it can take in downside scenarios, such as delaying capital expenditure, restructuring to reduce costs, improving inventory turns, exiting branches with below target returns and to sell long leasehold properties. 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 downside sensitivities.

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 reports 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 Group has 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.

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 19 May 2026.

Stuart Kilpatrick

Chief Financial Officer

20 May 2026

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have to prepare the Financial Statements in accordance with UK-adopted international accounting standards and have elected to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company and Group for that period. In preparing these Financial Statements, the directors are required to:

- › select suitable accounting policies and then apply them consistently;
- › make judgements and accounting estimates that are reasonable and prudent;
- › for the Group Financial Statements, state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- › for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.

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

The directors confirm that:

- › so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- › the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's 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

20 May 2026

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Independent Auditor's Report

to the members of Lords Group Trading plc

Opinion

Our opinion on the financial statements is unmodified

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 2025, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, notes to the financial statements, including material accounting policy information, the parent company statement of financial position, parent company statement of changes in equity and notes to the parent company financial statements, including material accounting policy information. 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 2025 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report.

However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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.

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 and the parent company's ability to continue as a going concern for a period of at least twelve 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.

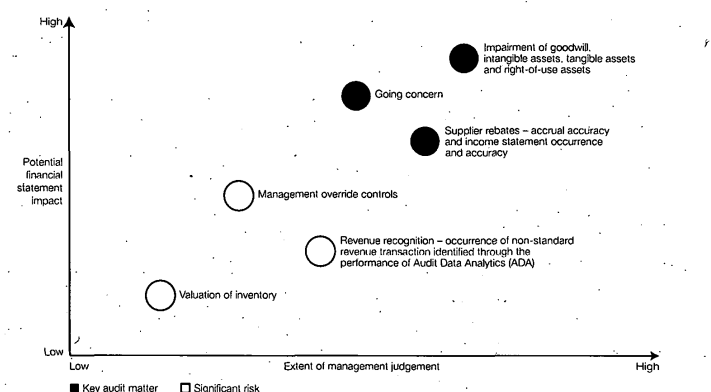
Independent Auditor's Report continued to the members of Lords Group Trading plc

Our approach to the audit

Materiality	Key audit matters
Scoping	Overall materiality: Group: £2,315,000, which represents approximately 0.5% of the group's total revenue. Parent company: £502,000, which represents approximately 1% of the parent company's total assets. Key audit matters were identified as: ➤ Impairment of goodwill, intangible assets, tangible assets and right-of-use assets; ➤ Supplier rebates – accrual accuracy and income statement occurrence and accuracy; and ➤ Going concern. The auditor's report for the year ended 31 December 2024 included two key audit matters that have not been reported as key audit matters in this report. These items relate to accounting for lease surrender premium at Park Royal branch which is not applicable to the current year and the valuation of inventory, which is not deemed an area of complexity or risk commensurate with a key audit matter. ➤ We performed an audit of the entire financial information using component performance materiality for the parent company and two other subsidiaries in the group. ➤ Specified procedures were performed over four other components, which were either financially significant or were required to obtain sufficient appropriate audit evidence. ➤ This above audit procedures yielded coverage of 85% of the group's revenue and 74% of the group's profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 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

Key Audit Matter – Group

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

We identified impairment of goodwill, intangible assets, tangible assets and right-of-use assets as one of the most significant assessed risks of material misstatement due to error.

The process for assessing whether an impairment exists under International Accounting Standard ('IAS') 36 'Impairment of Assets' is complex.

The directors consider each individual branch to be a separate cash generating unit ("CGU").

When carrying out the impairment review, determining the recoverable amount for each CGU requires management to make judgements over several key inputs in the value-in-use ("VIU") discounted cash flow models. These include revenue growth, discount rates, long-term growth rates and the key assumption of margin growth.

Due to the high level of estimation uncertainty present in the impairment test, underperformance of actual results to forecasts in the period, the challenging economic environment the group continues to operate in and the sensitivity of the related assumptions in management's model, we identified the valuation of goodwill, intangible assets, tangible assets and right-of-use assets as a significant risk.

As at 31 December 2025, the Group has the following non-current assets: Goodwill and intangible assets of £43.7 million (2024: £44.3 million). Property, plant and equipment of £9.6 million (2024: £14.1 million) and right-of-use assets of £56.8 million (2024: £52.7 million)

We have pinpointed our significant risk on branches with the following characteristics:

- › A proposed impairment based on management's base case; and
- › A significant indicative impairment when managements base case model was sensitised with reference to industry-based revenue growth rates.

We have pinpointed our significant risk on the following CGU / Groups of CGU's:

- › Carboclass
- › Condell
- › Chiltern Timber

Relevant disclosures in the Annual Report

- › Financial statements: Note 2.16 – Accounting policy – Impairment testing of goodwill, other intangible assets and property, plant and equipment; Note 3 – Significant management judgement in applying accounting policies and estimation uncertainty; Note 16 – Intangible assets; Note 17 – Property, plant and equipment; Note 18 – Leases and right-of-use assets
- › Audit & Risk Committee Report: Impairment review

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- › Gained an understanding of the impairment process and controls and performed walkthroughs to assess the design and implementation effectiveness of relevant controls;
- › Reviewed management's papers and corroborated comments made by management in their assessment of the impairment indicators set out in IAS 36 with reference to our understanding of the business and audit work performed;
- › Reviewed and challenged the judgements made by management in their identification of the CGUs and the allocation of goodwill and other assets to the CGUs / group of CGUs against the requirements of IAS 36;
- › Checked the mathematical accuracy of the underlying VIU calculations and models, including the calculation of the terminal value;
- › Challenged the appropriateness of key assumptions, such as the discount rate, growth rate, and cash flow assumptions such as sales, gross margin and cost base;
- › Compared management's assumptions against uncertainties inherent within the current economic environment and against industry data;
- › Agreed inputs to the VIU calculations by reference to the forecasts and corroborated them by comparing them to those used in the going concern assessment to ensure consistency of forecasts used;
- › Compared prior period forecasts to actual results to assess management's forecasting accuracy and assessed the reasonableness of forecasts used for the impairment calculations;
- › Engaged our auditors' valuation experts to corroborate the inputs into the discount rate calculation, benchmarking the figures against other comparable companies;
- › Assessed the sensitivity analysis performed by management and performed our own sensitivity analysis to consider the impact of changes in key assumptions such as discount rate, sales price increases, and inflation rates on cost elements of the CGUs;
- › Obtained corroborative evidence supporting management's judgement used, with additional consideration on branches in the significant risk categories specifically focusing on historical, current and anticipated financial performance, correspondence with divisional, regional or branch managers and evidence of operational changes made;
- › Where fair value less costs of disposal was higher than VIU, we assessed the reasonableness of management's estimate against comparable market data; and
- › Assessed the adequacy of disclosures, including those relating to reasonably possible changes in assumptions, against the requirements of IAS 1 and IAS 36.

Key observations

Based on our audit work no material misstatement in relation to impairment of goodwill, intangible assets and right-of-use assets was identified.

Independent Auditor's Report continued

to the members of Lords Group Trading plc

Key audit matters continued

Key Audit Matter – Group

Supplier rebates – accrual accuracy and income statement occurrence and accuracy
We identified supplier rebates as one of the most significant assessed risks of material misstatement due to error.

The Group accrues for supplier rebates at each reporting date. As at 31 December 2025, the consolidated statement of financial position included supplier rebates of £9.2 million (2024: £8.3 million). Rebates are recognised in line with the respective supplier agreements, which may operate on monthly, quarterly or annual cycles, and are recorded in the period to which they relate.

Inventory values are reduced by the proportion of rebates relating to purchases still held in stock, with the remaining rebate recognised within cost of sales.

There is a risk that management may inaccurately assess the recoverability of supplier rebates at year end given the volume and complexity of rebate agreements across the Group due to errors within their calculations.

We have pinpointed this risk to rebate agreements considered complex being those which contain variable amounts with targets which can vary throughout the period.

Errors in calculation or judgement could also have a material impact on one of the Group's key performance measures, adjusted EBITDA. Accordingly, we have identified this as a key audit matter.

Relevant disclosures in the Annual Report

- › Financial statements: Note 2.7 – Rebates; Note 20 – Trade and other receivables.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- › Gained an understanding of each component's processes and controls with respect to supplier rebates as part of our overall understanding of the entity and business process and assessed the design and implementation of those controls through walkthroughs;
- › Reviewed supplier contracts to identify the nature of rebates (eg volume based, performance linked) and their terms. We then traced these terms into management's calculations to evaluate if they were consistent;
- › Calculated an expectation for a sample of suppliers based on purchasing activity for the full year and compared this against amounts recognised in the year and at year end;
- › For those suppliers where a signed agreement or other appropriate documentation was not available, we obtained confirmations for a sample of the year end balances and in year charges recognised. We evaluated all responses and investigated any exceptions to determine the effect on reported income or on our confirmation sampling plan;
- › Evaluated the year end supplier rebates accrual to assess whether performance obligations had been fulfilled where they had been invoiced subsequent to year end; and
- › Where relevant, confirmed rebates accrued to after date cash receipts in relation to these rebates.

Key observations

Based on our audit work, no material misstatement in relation to supplier rebates was identified.

Independent Auditor's Report continued

to the members of Lords Group Trading plc

Key audit matters continued

Key Audit Matter – Group

Going concern

We identified going concern as one of the most significant assessed risks of material misstatement due to error.

Due to the group's current trading performance and the industry it operates in, there are challenges in the future outlook including the impact of macro-economic and geopolitical factors. These factors include persistent high inflation and interest rates, reduced consumer confidence in the UK housing and repairs, maintenance and improvements (RMI) market and the wider ongoing of global conflicts. As a result, we have determined that there is a significant risk to the group that the going concern assumption adopted in the preparation of the financial statements may be impacted.

Management makes significant judgements in respect of assessing the going concern assumption, including forecasting future cash flows amidst wider estimation uncertainty. This includes a base case assessment, severe but plausible downside scenario and a reverse stress test.

Under the base case assessment and severe but plausible downside scenario, the group remains liquid, has adequate headroom on its covenant ratio tests and is able to meet all liabilities as they fall due in the period to 31 December 2027. As such the directors have concluded that there are no material uncertainties relating to the going concern assumptions employed.

Due to the high level of estimation uncertainty, the wider macroeconomic and geopolitical environment as it pertains to financial performance and underperformance of actual results to forecasts in the current period, we identified the going concern assumption as a significant risk.

Relevant disclosures in the Annual Report

- › Directors' Report: Going concern
- › Notes to the financial statements: 2.2 - Going concern

We did not identify any key audit matters relating to the audit of the financial statements of the parent company only.

How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- › Obtained management's forecasts covering the period to 31 December 2027, which included a base case assessment, a severe but plausible downside scenario and a reverse stress test. These forecasts were evaluated to confirm the mathematical accuracy of the models;
- › Obtained and considered the appropriateness of management's assessment in support of the going concern assumption including the following:
 - › evaluation of the rationale for the selection of an appropriate going concern period;
 - › consideration of the economic conditions relevant to the industry in which the group operates; and
 - › tested the underlying data used to prepare the forecast scenarios; and
 - › applied professional judgement to determine whether there was adequate support for the assumptions underlying the forecast.
- › Inspected loan agreements to understand repayment terms, covenants, and restrictions. Recalculated covenant compliance tests;
- › Obtained and compared analyst reports and industry data with management's estimates used within forecasting. This included considering whether the data provided corroborative or contradictory evidence in relation to management's assumptions;
- › Considered the inherent risks associated with the group's business model including effects arising from macro uncertainties on the forecasting period and assessed if they had been appropriately incorporated into management's assessment and related forecasting;
- › Assessed and challenged the reasonableness of estimates made and the related disclosures and analysed how those risks might affect the group in the going concern period;
- › Compared management's forecasting to historical financial information for the past three financial periods and to post period end results to assess the accuracy of that forecasting;
- › Considered the reasonableness of any mitigating actions available to management should trading performance reduce to levels included in the severe but plausible or reverse stress test scenarios; and
- › Evaluated the group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of Financial Statements'.

Key observations

We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.

Independent Auditor's Report continued

to the members of Lords Group Trading plc

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2,315,000 (2024: £900,000), which represents approximately 0.5% of the group's total revenue.	£502,000 (2024: £500,000), which represents approximately 1% of total assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: - Revenue is reflective of the underlying trading conditions and results / success of the business, and is less volatile than a profitability benchmark; and - Revenue remains a key performance indicator. Materiality for the current year is higher than the level that was determined for the year ended 31 December 2024 to reflect the change in materiality benchmark to revenue from profit as this is considered more reflective of the nature of the group's operations, where revenue is a more stable and relevant measure of size and performance.	In determining materiality, we made the following significant judgements: - An asset based benchmark was considered the most appropriate benchmark for a holding company; and 97% of the parent entity's total assets relate to its investments in subsidiaries, which is consistent with the entity's role as the group's holding company and reinforces the need for a balance sheet driven benchmark. Materiality for the current year is higher than the level that was determined for the year ended 31 December 2024 to reflect the change to a total asset benchmark from net assets, as this is considered to be the most appropriate benchmark for the entity.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1,389,000, which is 60% of financial statement materiality. The range of component performance materialities used across the group was £763,950 to £1,111,200.	£301,000, which is 60% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: - this is a first year audit with some unadjusted misstatements and control findings identified in the prior year audit thus it was considered that this indicated that a lower level of performance materiality is appropriate. In determining component performance materiality, we made the following significant judgements: - extent of disaggregation of financial information across components, including the relative risk and size of a component to the group; and - for each component in scope for our group audit, we allocated a performance materiality that is less than our overall group performance materiality.	In determining performance materiality, we made the following significant judgements: this is a first year audit with some unadjusted misstatements and control findings identified in the prior year audit thus it was considered that this indicated that a lower level of performance materiality is appropriate.

Independent Auditor's Report continued

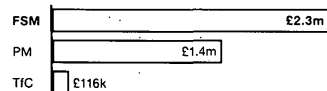
to the members of Lords Group Trading plc

Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: › Directors' remuneration disclosure; and › Related party transactions outside the normal course of business.	We determined a lower level of specific materiality for the following areas: › Directors' remuneration disclosure; and › Related party transactions outside the normal course of business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£115,800, which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£25,100, which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graphs below illustrate how performance materiality interacts with our overall materiality and the threshold for communication to the audit committee.

Overall materiality – Group

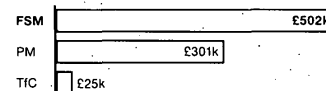
0.5%



● Total Revenue	£472.8m
● FSM	£2.3m

Overall materiality – Parent

1%



● Total Assets	£50m
● FSM	£502k

FSM: Financial statement materiality, PM: Performance materiality, TIC: Threshold for communication to the audit committee.

Independent Auditor's Report continued

to the members of Lords Group Trading plc

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, their environments, and its system of internal control including common controls

- As group auditor we have obtained an understanding of the group and its environment, including common controls, and assessed the risks of material misstatement at the group level. We obtained an additional understanding of each component's key business processes through walkthroughs with local management, review of process documentation where available, and observation of the systems and controls in operation.
- Group financial reporting occurs centrally, each component provides its final financial results to group management, who then compile and consolidate the information manually using Excel, including intercompany eliminations and required adjustments.
- For significant components requiring a full-scope audit approach, we or the component auditors obtained an understanding of the relevant controls over the entity-specific financial reporting systems identified as well as the centralised financial reporting system as part of our risk assessment.

Identifying components at which to perform audit procedures

Component significance was determined based on their relative share of key group financial metrics including revenue, profit before tax and total assets.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

In order to address the audit risks identified during our planning procedures, the group and component auditors performed the following audit procedures:

- Full-scope audit procedures on the financial information of the parent company and two other components being the parent, APP Wholesale Limited and Carboclass Limited. Each of the Key Audit Matters identified above was either addressed at group level or as part of full scope audit procedures.
- Specific-scope audit procedures on financial statement line items of four components to ensure we achieved sufficient coverage; and
- Analytical procedures using group materiality on the financial information of all remaining group components.

Performance of our audit

Further audit procedures performed on components subject to specific scope and specified procedures may not have included testing of all significant account balances of such components, but further audit procedures were performed on specific accounts within that component that we, the group auditor, considered had the potential for the greatest impact on the group financial statements either due to risk, size or coverage.

The components within the scope of further audit procedures accounted for the following percentages of the group's results on an absolute basis, including the key audit matters identified:

Audit approach	No. of components	% coverage revenue	% coverage PBT
Full-scope audit	3	74%	12%
Specific scope procedures	4	11%	62%
Full-scope & specific scope procedures coverage	7	85%	74%
Analytical procedures	20	15%	16%
Total	27	100%	100%

Communications with component auditors

Planning for the audit was performed at the group level, with further detail and clarification obtained on a component by component basis to ensure an appropriate understanding of each component's operations, risks and scoping conclusions.

Communication with the component auditors has been frequent and ongoing throughout the audit cycle. As all component auditors are from Grant Thornton UK (London and Leeds), coordination has been efficient, with regular interactions taking place and shared documentation platforms.

Group instructions were communicated clearly to the component teams, including expectations around scoping, risk assessment, documentation standards, and timelines. Where component scoping work was performed by the component auditor, this was reviewed at group level to confirm alignment with group materiality levels and risk considerations.

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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.

Independent Auditor's Report continued to the members of Lords Group Trading plc

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 on page 66, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- › We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and sector in which they operate and how they comply with those legal and regulatory frameworks, through our commercial and sector experience, making enquiries of management and those charged with governance, and inspection of the parent company's and the group's key external correspondence. We further corroborated our enquiries through our inspection of board minutes and other information obtained during the course of the audit.
- › Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks to be those related to the financial reporting framework, being UK-adopted international accounting standards for the group and Financial Reporting Standard 102 for the parent company, and also the Companies Act 2006, together with the AIM Rules for Companies, and the relevant taxation regulations.
- › We enquired of management and the Audit Committee about the group and parent company's policies and procedures relating to the identification, evaluation and response to the risks of fraud and the establishment of internal controls to mitigate these risks.
- › We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers and through management override of controls.
- › Audit procedures performed by the engagement team included:
 - › Evaluation of design and implementation effectiveness of the controls that management has in place to prevent and detect fraud;
 - › Journal entry testing, with a focus on journals indicating unusual transactions or account combinations based on our understanding of the business;
 - › Gaining an understanding of and testing significant identified related party transactions; and
 - › Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- › Challenging assumptions and judgements made by management in its significant accounting estimates.

Independent Auditor's Report continued

to the members of Lords Group Trading plc

Auditor's responsibilities for the audit of the financial statements continued

- › These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- › The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement teams:
 - › Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - › Knowledge of the industry in which the group and the parent company operate; and
 - › Understanding of the legal and regulatory frameworks applicable to the group and the parent company.
- › The engagement team have obtained an understanding of relevant laws and regulations at planning and any potential fraud risks have been communicated to the all engagement team members.
- › Communications within the engagement team in respect of potential non-compliance with laws and regulations and fraud included the areas of estimation and judgemental areas with a risk of fraud, including potential management bias, of impairment of goodwill and non-current assets, and through management override of controls in the preparation of the financial statements.
- › For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Marc Summers, BSc (Hons) FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, UK

20 May 2026

Consolidated statement of comprehensive income

For the year ended 31 December 2025

	Note	2025			2024 (re-presented*)		
		Underlying £m	Adjusting items (note 7) £m	Total £m	Underlying £m	Adjusting items (note 7) £m	Total £m
Revenue	5, 6	472.8	—	472.8	436.7	—	436.7
Cost of sales		(379.8)	—	(379.8)	(351.5)	—	(351.5)
Gross profit		93.0	—	93.0	85.2	—	85.2
Administrative expenses		(73.4)	(1.5)	(74.9)	(64.6)	(1.3)	(65.9)
Property gains		1.4	—	1.4	1.8	—	1.8
Depreciation, amortisation and impairment		(11.8)	(6.6)	(18.4)	(12.0)	(4.8)	(16.8)
Operating profit/(loss)		9.2	(8.1)	1.1	10.4	(6.1)	4.3
Finance income	11	0.3	—	0.3	0.3	—	0.3
Finance expense	12	(6.7)	0.1	(6.6)	(6.9)	(0.3)	(7.2)
Profit/(loss) before taxation		2.8	(8.0)	(5.2)	3.8	(6.4)	(2.6)
Taxation	13	(0.5)	1.5	1.0	(0.5)	1.3	0.8
Profit/(loss) for the year		2.3	(6.5)	(4.2)	3.3	(5.1)	(1.8)
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income/(expense)		2.3	(6.5)	(4.2)	3.3	(5.1)	(1.8)
Total comprehensive income/(expense) for the year attributable to:							
Owners of the Parent Company		2.1	(6.5)	(4.4)	3.1	(5.1)	(2.0)
Non-controlling interests		0.2	—	0.2	0.2	—	0.2
		2.3	(6.5)	(4.2)	3.3	(5.1)	(1.8)
Earnings per share							
Basic (loss)/earnings per share (pence)	14	1.14	(3.82)	(2.68)	1.85	(3.04)	(1.19)
Diluted (loss)/earnings per share (pence)	14	1.14	(3.82)	(2.68)	1.84	(3.03)	(1.19)

*Please refer to Note 2.1 for further information

The results for the year arise solely from continuing activities.

The notes on pages 82 to 115 form part of these Financial Statements.

Consolidated statement of financial position

As at 31 December 2025

	Note	2025 £m	2024 £m
Non-current assets			
Intangible assets	16	43.7	44.3
Property, plant and equipment	17	9.6	14.1
Right-of-use assets	18	56.8	52.7
Investments		0.1	0.1
Other receivables	20	0.2	0.2
Total non-current assets		110.4	111.4
Current assets			
Inventories	19	51.3	49.3
Trade and other receivables	20	70.5	76.2
Cash and cash equivalents	22	15.0	10.3
Total current assets		136.8	135.8
Total assets		247.2	247.2
Current liabilities			
Trade and other payables	21	(97.8)	(88.2)
Borrowings	22	(9.0)	(12.0)
Lease liabilities	18	(8.8)	(8.3)
Current tax liabilities		(0.3)	—
Provisions	24	(0.1)	—
Total current liabilities		(116.0)	(108.5)

	Note	2025 £m	2024 £m
Non-current liabilities			
Other payables	21	(0.6)	(1.6)
Borrowings	22	(19.5)	(30.1)
Lease liabilities	18	(62.7)	(51.7)
Provisions	24	(1.8)	(1.6)
Deferred taxation	13	(4.6)	(6.1)
Total non-current liabilities		(89.2)	(91.1)
Total liabilities		(205.2)	(199.6)
Net assets		42.0	47.6
Equity			
Share capital	25	0.8	0.8
Share premium	25	28.5	28.4
Merger reserve	25	(10.0)	(10.0)
Share-based payments reserve	25	1.3	1.5
Retained earnings	25	20.2	25.1
Equity attributable to owners of the Parent Company		40.8	45.8
Non-controlling interests	25	1.2	1.8
Total equity		42.0	47.6

The Financial Statements on pages 78 and 79 were approved and authorised for issue by the Board and were signed on its behalf on 20 May 2026.

Stuart Kilpatrick
Chief Financial Officer



Consolidated statement of changes in equity

For the year ended 31 December 2025

	Called-up share capital £m	Share premium £m	Merger reserve £m	Share-based payments reserve £m	Retained earnings £m	Equity attributable to owners of the Parent Company £m	Non-controlling interests £m	Total equity £m
As at 1 January 2024	0.8	28.3	(10.0)	1.0	29.4	49.5	1.6	51.1
(Loss)/profit for the financial period and total comprehensive (expense)/income	—	—	—	—	(2.0)	(2.0)	0.2	(1.8)
Share-based payments	—	—	—	0.8	—	0.8	—	0.8
Exercise of share-based payments	—	—	—	(0.3)	0.3	—	—	—
Share capital issued	—	0.1	—	—	—	0.1	—	0.1
Put and call options over non-controlling interests	—	—	—	—	0.1	0.1	—	0.1
Dividends paid	—	—	—	—	(2.7)	(2.7)	—	(2.7)
At 31 December 2024	0.8	28.4	(10.0)	1.5	25.1	45.8	1.8	47.6
Profit/(loss) for the period and total comprehensive income/(expense)	—	—	—	—	(4.4)	(4.4)	0.2	(4.2)
Share-based payments	—	—	—	0.2	—	0.2	—	0.2
Deferred tax recognised in equity	—	—	—	—	0.1	0.1	—	0.1
Exercise of share options	—	—	—	(0.4)	0.4	—	—	—
Share capital issued	—	0.1	—	—	—	0.1	—	0.1
Put and call options over non-controlling interests	—	—	—	—	0.4	0.4	—	0.4
Acquisition of non-controlling interests	—	—	—	—	—	—	(0.4)	(0.4)
Transfer between reserves	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	—	(1.4)	(1.4)	(0.4)	(1.8)
As at 31 December 2025	0.8	28.5	(10.0)	1.3	20.2	40.8	1.2	42.0

Consolidated statement of cash flows

For the year ended 31 December 2025

	2025 £m	2024 £m		2025 £m	2024 £m
Cash flows from operating activities			Cash flows from financing activities		
Loss before taxation	(5.2)	(2.6)	Principal paid on lease liabilities	(8.5)	(8.4)
Adjusted for:			Interest paid on lease liabilities	(3.6)	(2.8)
Depreciation of property, plant and equipment	2.1	2.3	Issue of share capital	0.1	—
Depreciation of right-of-use assets	9.3	9.4	Dividends	(1.4)	(2.7)
Amortisation of intangible assets	3.8	3.7	Dividends paid to non-controlling interest	(0.4)	—
Impairment charge	3.2	1.5	Purchase of non-controlling interest	—	(1.6)
Profit on disposal of property, plant and equipment	(1.5)	(0.3)	Proceeds from borrowings	46.5	33.6
Profit on sale of business	—	(0.4)	Repayment of borrowings	(60.8)	(39.4)
Share-based payment expense	0.2	0.8	Bank interest paid	(2.0)	(3.2)
Movement in provisions	0.2	—	Interest paid on invoice discounting facilities	(0.9)	(0.8)
Finance income	(0.3)	(0.3)	Net cash outflow from financing activities	(31.0)	(25.3)
Finance expense	6.6	7.2	Net increase/(decrease) in cash and cash equivalents	4.7	(9.5)
Operating cash flows before movements in working capital	18.4	21.3	Cash and cash equivalents at the beginning of the year	10.3	19.8
(Increase)/decrease in inventories	(1.5)	0.2	Cash and cash equivalents at the end of the year	15.0	10.3
Decrease in trade and other receivables	5.9	5.8			
Increase/(decrease) in trade and other payables	6.8	(10.0)			
Cash generated by operations	29.6	17.3			
Corporation tax paid	(0.2)	(0.5)			
Net cash generated by operating activities	29.4	16.8			
Cash flows from investing activities					
Purchase of intangible assets	(1.1)	(1.1)			
Business acquisitions (net of cash acquired)	(2.1)	(0.6)			
Deferred consideration paid	(0.5)	(0.7)			
Purchase of property, plant and equipment	(3.1)	(2.8)			
Proceeds on disposal of property, plant and equipment	12.8	3.9			
Interest received	0.3	0.3			
Net cash received from investing activities	6.3	(1.0)			

Notes to the Financial Statements

For the year ended 31 December 2025

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.

2. Material 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 one hundred thousand (£0.1 million), 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.

Change to the presentation of the consolidated statement of comprehensive income

During the year, the Directors decided to change the way they present the consolidated statement of comprehensive income to provide the reader with supplemental data relating to the results of operations. The principal change adopted is the presentation of the profits/losses in a three-column format, showing 'Underlying', 'Adjusting items' and 'Total' numbers. Items of income and expense that are material by their size and/or nature and are not considered to be incurred in the normal course of business are classified as adjusting items on the face of the income statement within their relevant category. Further details are provided later in this note and in note 7.

The Group presents profit/loss for the year before adjusting items as the Directors believe that this shows the trends in the Group's business and gives an indication of the Group's ongoing sustainable performance. The Directors believe the changes also helps to simplify the reconciliation to the Group's alternative performance measures (APMs). The APMs are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board.

2.2 Going concern

At 31 December 2025, the Group had £46.5 million of undrawn facilities and £15.0 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 2027.

The cash flow forecasts have been stress tested by considering the most likely risks impacting the Group in a severe but plausible scenario and a reverse stress test scenario. These are considered to be sales below the base case, interest rate changes and additional operating expenses. 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 38% relative to the base case over a twelve-month period. While unlikely to occur, the Group also has mitigating actions at its disposal that it can take in downside scenarios, such as delaying capital expenditure, restructuring to reduce costs, improving inventory turns, exiting branches with below target returns and to sell long leasehold properties. In considering the sensitivity analysis, the Board was also mindful of the complementary characteristics of the two divisions, with a seasonally stronger Merchandising 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 downside sensitivities.

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 reports 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, with timely mitigating actions, the Group is projected to be compliant with its banking covenants with no material uncertainties and the Board is satisfied that the Group has 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.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

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

New standards adopted as at 1 January 2025

Some accounting pronouncements, which have become effective from 1 January 2025 and have therefore been adopted, do not have a significant impact on the Group's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated Financial Statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been adopted early by the Group and no interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure Financial Statements and to provide more detailed and useful information to investors, including:

- › Two new subtotals defined in the statement of profit or loss, namely: (1) operating profit; and (2) profit or loss before financing and income taxes
- › The classification of all income and expenses within the statement of profit or loss in one of five categories
- › A new requirement to disclose performance measures defined by management
- › An improvement in the principles related to the aggregation and disaggregation of information in the Financial Statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'.

The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will be applied retrospectively with specific transitional provisions.

The Group is currently working to identify all of the impacts that IFRS 18 will have on the primary Financial Statements and notes to the Financial Statements.

Other new standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated Financial Statements.

2.4 Basis of consolidation

The Group's Financial Statements consolidate those of the Company and all its subsidiaries as at 31 December 2025. All subsidiaries have a reporting date of 31 December.

2.5 Segment reporting

The Group reports segmental information in the manner in which the Chief Operating Decision Makers (CODMs) review performance for the purposes of assessing business performance and allocating resources. The CODMs are the Chief Executive Officer and the Chief Financial Officer. For internal management reporting, results are prepared on a FRS 102 basis, consistent with the Group's internal accounting policies and the basis of measurement of the Group's banking covenants.

The Group's consolidated statutory accounts are prepared under International Financial Reporting Standards (IFRS). The segmental information presented in the notes to the Financial Statements is therefore derived from management information prepared under FRS 102 and may not be directly comparable to the statutory IFRS results.

The Group has identified three operating divisions, each representing a distinct business activity with separate management oversight: Merchanting, Plumbing and Heating, and Digital. Each segment generates revenue from distinct products and/or services and is reviewed separately by management for performance evaluation. The Group has previously reported two operating segments: Merchanting and Plumbing and Heating. During the year, the Group acquired the trade and assets of the online retailer CMO, which created the new Digital segment.

Segment results are measured as operating profit before finance income and costs, taxation, depreciation and amortisation, except where these items are directly attributable to a segment.

Inter-segment transactions are carried out on an arm's length basis and eliminated on consolidation.

Costs associated with the central functions of the Group are allocated to each segment and included within the operating expenses of the segment.

The total of segment operating results is reconciled to the Group's statutory IFRS operating profit through the deduction of adjustments for IFRS measurement differences where applicable.

2.6 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 supplies goods to trade and retail customers through:

- › Branch counter and trade desk sales
- › Credit account sales
- › Website (e-commerce) orders
- › Direct delivery and dropship arrangements, where goods are shipped directly from suppliers to customers

Contracts with customers typically contains a single performance obligation: the supply of specified goods.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.6 Revenue recognition continued

Revenue is recognised when control of the goods transfers to the customer.

For branch counter, trade desk sales and customer purchasing on account, revenue is recognised at the point of sale when the customer takes possession of the goods, either in branch or upon delivery to the customers' premises in accordance with agreed delivery terms.

Revenue from website sales is recognised when control of the goods transfers to the customer, which occurs:

- › Upon shipment or delivery to the customer's specified address, depending on the contractual delivery terms
- › Upon collection from a branch or collection point, where applicable

Where payment is received in advance of delivery, a contract liability (deferred revenue) is recognised until control of the goods transfers to the customer.

Delivery services are assessed to determine whether they represent a separate performance obligation. Where delivery is not distinct from the sale of goods, it is treated as part of the single performance obligation.

In certain transactions, goods are shipped directly from suppliers to customers without passing through the Group's warehouse (direct delivery and dropship sales). In these circumstances, an assessment is made as to whether the Group is acting as a principal or agent.

There have been no situations identified, based on these assessments, where the Directors have concluded that the Group is acting as an agent rather than a principal based on the following indicators:

- › the Group has control of the goods prior to them being transferred to the customer;
- › the Group is deemed to have control where the Group has the primary responsibility for fulfilment of the order;
- › the Group holds the inventory risk before goods are transferred to the customer; and
- › the Group has discretion in establishing the price for the goods.

Revenue is measured at the transaction price, net of:

- › Trade discounts
- › Volume rebates
- › Settlement discounts
- › Expected returns

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Customer rebates

Where the Group enters into rebate arrangements with customers, such rebates give rise to variable consideration under the relevant sales contracts. The expected rebate payable is determined by reference to the contractual terms and the level of sales achieved during the period. Revenue is recognised net of these amounts, with variable consideration included only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty is subsequently resolved.

2.7 Rebates

The Group enters into rebate arrangements with several key suppliers. These arrangements typically provide for rebates based on agreed purchase volumes or other performance-related criteria and represent a material element of the Group's overall margin.

Rebate arrangements may extend over periods that do not align with the Group's financial year. Accordingly, at the reporting date, rebate income is recognised to the extent that the relevant performance conditions have been satisfied. Where formal confirmation has not yet been received from suppliers, the amounts recognised are based on an assessment of the contractual terms and the level of purchases achieved up to the reporting date. This assessment incorporates forecast information and detailed purchasing data and is subject to ongoing monitoring and review by senior management.

Supplier rebates are accounted for as a reduction in the cost of purchases. To the extent that related inventory remains unsold at the reporting date, the rebate attributable to that inventory is deducted from its carrying value. Rebates relating to inventory sold during the period are recognised in cost of sales.

2.8 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

2.9 Finance income

Finance income comprises interest income, dividend income and other income arising from the Group's investing activities.

2.10 Finance expense

Finance expense comprises interest expense, amortisation of upfront borrowing costs, unwinding of discounts and other costs directly related to the financing of the Group's operations.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.11 Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period on the basis of its most likely amount and adjusted if needed. Assessing the most likely amount of current and deferred tax in case of uncertainties (for example as a result of the need to interpret the requirements of the applicable tax law) requires the Group to apply judgements in considering whether it is probable that the taxation authority will accept the tax treatment retained.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions, the Group does not recognise deferred tax on temporary differences relating to goodwill or to its investments in subsidiaries (only to the extent that the Group control the timing of the reversal of the taxable temporary difference and that reversal is not likely to occur in the foreseeable future). The Group does not offset deferred tax assets and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

2.12 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair value of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. 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.

Acquisition costs are expensed as incurred.

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.

If the Group acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognised in profit or loss or other comprehensive income, as appropriate.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

Assets acquired and liabilities assumed are measured at their acquisition date fair values.

2.13 Intangible assets

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to note 2.16 for a description of impairment testing procedures.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

All finite-lived intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 2.16. The following useful lives are applied:

Trade names	9-14 years
Computer software	3-10 years
Customer relationships	9-14 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditure on the maintenance of computer software and trade names is expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within operating expenses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.14 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The following useful lives are applied:

Freehold property	50 years
Leasehold improvements	In accordance with the leasing arrangements
Plant and machinery	5 years
Motor vehicles	5 years
Fixtures and fittings	5 years
Office equipment	3-10 years

Estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within operating expenses.

2.15 The Group as lessee

The Group makes the use of leasing arrangements principally for the provision of the buildings, plant and machinery, and motor vehicles. The rental contracts for buildings are typically negotiated for terms of between five and 10 years and some of these have extension terms. Lease terms for plant and machinery and motor vehicles have lease terms of between six months and six years without any extension terms. All the leases are negotiated on an individual basis and, where an extension option exists, management assesses the probability of that option being exercised on a case-by-case basis.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate, because as the lease contracts are negotiated with third parties, it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. The lease liability is remeasured using a revised discount rate if the changes in lease payments arise from a change in the lease term. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being that when the carrying amount of the right-of-use asset has been reduced to zero, then any excess is recognised in profit or loss within operating expenses.

Payments under leases can also change when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect. The revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to items of office equipment such as desks, chairs and certain IT equipment. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.15 The Group as lessee continued

Sale and leaseback transactions

The Group accounts for sale and leaseback transactions of property in accordance with IFRS 16: Leases and IFRS 15: Revenue from Contracts with Customers.

A sale and leaseback transaction occurs when the Group sells property and immediately leases it back from the buyer.

a) Assessment of a sale

At the commencement of a transaction, the Company determines whether control of the property has transferred to the buyer-lessor. A sale is recognised only if control of the property has transferred in line with IFRS 15 criteria.

If the transfer does not qualify as a sale:

- The property remains recognised in the statement of financial position
- The proceeds received are recognised as a financial liability in accordance with IFRS 9

b) Accounting where the transfer qualifies as a sale

When the transfer qualifies as a sale:

- The Group derecognises the property sold
- A right-of-use asset is recognised for the leaseback, measured as the proportion of the previous carrying amount of the property relating to the rights retained
- A lease liability is recognised at the present value of future lease payments, in line with the Group's lease accounting policy

The gain or loss on disposal of the property is recognised only to the extent that it relates to the rights transferred to the buyer-lessor. Gains or losses are adjusted if the sale proceeds or lease payments are not at fair value, with any below-market terms treated as prepaid lease payments and above-market terms treated as additional financing.

c) Subsequent measurement

After initial recognition:

- The right-of-use asset is depreciated over the shorter of the lease term or the remaining useful life of the property
- Lease liabilities are measured at amortised cost using the effective interest method and reduced by lease payments made

d) Disclosures

The Group discloses, where material:

- Gains or losses from sale and leaseback transactions
- Carrying amount of right-of-use assets for properties
- Maturity analysis of lease liabilities
- Key judgements in assessing whether a transaction qualifies as a sale
- Impact on lease terms and financial metrics, such as net debt

2.16 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill or intangible assets that have an indefinite useful life or are not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units or groups of cash-generating units reduce first the carrying amount of any goodwill allocated to the cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value in accordance with IAS 2: Inventories. Costs are determined on a first-in, first-out cost basis and include the purchase price, import duties, non-refundable taxes, transport, handling and other costs directly attributable to bringing inventories to their present location and condition, less any trade discounts, rebates or similar items. Rebates that relate directly to the purchase of inventory reduce the cost of the inventory.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell. Inventories are written down to net realisable value where necessary and any write-downs are recognised as an expense in the period in which they occur. Previously recognised write-downs are reversed if the circumstances that caused the write-down no longer exist.

Volume-based or retrospective rebates are recognised when it is virtually certain that they will be received and reduce inventory cost if they relate to purchases; otherwise, they are recognised in profit or loss within cost of sales.

2.18 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.

2.19 Financial instruments

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

- › Level 1: Quoted prices in active markets for identical assets or liabilities;
- › Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example as prices) or indirectly (for example derived from prices); and
- › Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels throughout the periods under review.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets

The Group's financial assets comprise trade and other receivables, cash and cash equivalents, and investments. The Group classifies its financial assets as those to be measured at amortised cost, those recognised at fair value through profit and loss, and those recognised at fair value through other comprehensive income.

The Group measures its trade and other receivables and cash and cash equivalents at amortised cost. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest method. Income from these financial assets is calculated on an effective yield basis and is recognised in finance income in the income statement.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- › financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- › financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (Stage 1) while 'lifetime expected credit losses' are recognised for the second category (Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 26 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Where consistent with the provisioning horizon, the possible impact of climate risks on the determination of expected credit losses has been integrated.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.19 Financial instruments continued

Impairment of financial assets continued

Invoice financing facility

The Group has entered into an invoice financing arrangement with a third-party financier under which trade receivables are sold on a with recourse basis. Under this arrangement, the Group retains substantially all of the risks and rewards associated with the receivables, including credit risk.

Trade receivables sold under the arrangement remain recognised in the statement of financial position. Cash received from the financing arrangement is recognised as a financial liability and subsequently measured at amortised cost. Fees and interest paid under the facility are recognised in profit or loss as finance costs as they accrue.

Trade receivables remain subject to the Group's normal credit risk management processes and expected credit losses are recognised in accordance with IFRS 9.

Financial assets are classified as non-current if the asset is not expected to be realised within 12 months.

Financial liabilities

The Group's financial liabilities comprise trade and other payables, borrowings and derivatives.

The Group initially recognises its financial liabilities at fair value net of transaction costs where applicable and, other than derivatives and contingent consideration, they are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest method over the maturity of the loan. Contingent consideration is subsequently measured at its fair value, which is reassessed at each reporting period, and any fair value movement is recognised in adjusting items in the income statement.

Put and call options over non-controlling interests

Derivatives comprise put and call 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, taxes, depreciation and amortisation (EBITDA). At year end, the option price is reassessed and any increase or decrease is charged or credited to retained earnings.

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.

2.20 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- ▶ '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 2.21
- ▶ 'Non-controlling interests' represents the amount not attributable to the Parent Company

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

2.21 Post-employment benefits and short-term employee benefits

Post-employment benefit plans: defined contribution plans

The Group provides post-employment benefits through defined contribution plans. The Group pays fixed contributions into independent entities in relation to retirement plans for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

Short-term employee benefits

Short-term employee benefits are current liabilities included in other payables, measured at the undiscounted amount the Group expects to pay.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2. Material accounting policies continued

2.22 Share-based payments

The Group operates equity-settled share option plans, awarding options to certain employees. More details about the scheme are included in note 8.2.

All services received in exchange for the grant of any share-based payment are measured at their fair values, determined indirectly by reference to the fair value of the option granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve allocated over the vesting period. The total number of options expected to vest and probability of non-market conditions being achieved is reviewed at the balance sheet date based on the latest available information. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the income statement in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Deferred tax is recognised on share-based payments based on the expected number of options to vest, multiplied by the share price on the balance sheet date. The calculated cost is spread over the number of years from granting the options to vesting and charged to retained earnings.

2.23 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote.

3. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Group's consolidated Financial Statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

3.1 Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on these consolidated Financial Statements.

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 risks and rewards of ownership reside 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 risks 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 risks and rewards that 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 risks and rewards remain with the non-controlling interest.

Notes to the Financial Statements continued

For the year ended 31 December 2025

3. Significant management judgement in applying accounting policies and estimation uncertainty continued

3.2 Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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 the 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, 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 individual branch 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:

Average sales growth rate per year	3.4%-12.2%
Long-term growth rate	2.0%
Discount rate	14.6%

The results of the review indicated that £0.1 million of goodwill and £0.3 million of intangible assets related to the acquisition of Chiltern Timber Supplies were impaired. Impairment charges were also recorded against right-of-use assets at seven branches within the Merchanting division and two branches in the Plumbing and Heating division. Details of the CGUs and the impairment charges are set out in note 17. Results of sensitivity analysis are set out in note 16.

4. Alternative performance measures

The Group uses various measures which are not defined by Generally Accepted Accounting Principles (GAAP) under International Financial Reporting Standards (IFRS). The alternative performance measures (APMs) should be considered in addition to, and not as a substitute for, or superior to, the information presented in accordance with IFRS, as APMs may not be directly comparable with similar measures used by other companies. The Group believes that APMs, when considered together with IFRS results, provide the readers of the Financial Statements with complementary information to better understand and compare the financial performance and position of the Group from period to period. The adjustments are usually items that are significant in size and/or non-recurring in nature. These measures are also used by management for planning, reporting and performance management purposes. Some of the measures form part of the covenant ratios calculation required under the terms of the Group's borrowings. As APMs include the benefits of restructuring programmes or the use of the acquired intangible assets but exclude certain significant costs, such as amortisation of intangible assets, litigation, material restructuring and transaction items, they should not be regarded as a complete picture of the Group's financial performance, which is presented in its IFRS results. The exclusion of adjusting items may result in underlying profits/(losses) being materially higher or lower than IFRS earnings.

For further information on the Group's adjusting items, see note 7.

4.1 Income statement APMs

4.1.1 EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation, amortisation and impairment charge, inclusive of property gains and losses. 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.

	2025 £m	2024 £m
Operating profit	1.1	4.3
Depreciation	11.4	11.6
Amortisation	3.8	3.7
Impairment charge	3.2	1.5
EBITDA	19.5	21.1

Notes to the Financial Statements continued

For the year ended 31 December 2025

4. Alternative performance measures continued

4.1 Income statement APMs continued

4.1.2 Adjusted EBITDA

Adjusted EBITDA is EBITDA, inclusive of property gains and losses, but excluding exceptional items and share-based payments. Adjusted EBITDA is used as a basis for net debt:EBITDA and interest cover calculations, required under the terms of the Group's borrowings. This APM is also used internally to measure the Group's performance against previous years and budgets, as the adjusting items fluctuate year on year and may not be unknown at the time of budgeting. Further detail on the adjusting items can be found in note 7.

	2025 £m	2024 £m
EBITDA	19.5	21.1
Exceptional items	1.3	0.5
Share-based payments	0.2	0.8
Adjusted EBITDA	21.0	22.4

4.1.3 Adjusted EBITDA excluding property gains and losses

Adjusted EBITDA, excluding property gains and losses, is adjusted EBITDA excluding the impact of gains and losses from property transactions. Property is one of the 3Ps outlined in the Group's strategy and is integral to the business performance of the Group. The Group monitors performance with and without the impact of these transactions. Property gains and losses represent the gains and losses from significant property transactions.

	2025 £m	2024 £m
Adjusted EBITDA	21.0	22.4
Deduct: property gains	(1.4)	(1.8)
Adjusted EBITDA less property gains and losses	19.6	20.6

4.1.4 Adjusted operating profit

Adjusted operating profit is operating profit, but excluding exceptional items, share-based payments, amortisation of acquired intangible assets and impairment charges. The Group uses adjusted operating profit as an 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. Further detail on the adjusting items can be found in note 7.

	2025 £m	2024 £m
Operating profit	1.1	4.3
Amortisation of acquired intangible assets	3.4	3.3
Impairment charge	3.2	1.5
Exceptional items	1.3	0.5
Share-based payments	0.2	0.8
Adjusted operating profit	9.2	10.4

4.1.5 Adjusted operating profit excluding property gains and losses

As above, the Group monitors performance with and without the impact of property transactions.

	2025 £m	2024 £m
Adjusted operating profit	9.2	10.4
Deduct: property gains	(1.4)	(1.8)
Adjusted operating profit less property gains and losses	7.8	8.6

4.1.6 Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax, but excluding exceptional items, share-based payments, amortisation of acquired intangible assets, impairment charges and unwinding of discounting on deferred consideration and put and call options. Further detail on the adjusting items can be found in note 7.

	2025 £m	2024 £m
Loss before tax	(5.2)	(2.6)
Unwinding of discounting on deferred consideration and put and call options	(0.1)	0.3
Amortisation of acquired intangible assets	3.4	3.3
Impairment charge	3.2	1.5
Exceptional items	1.3	0.5
Share-based payments	0.2	0.8
Adjusted profit before tax	2.8	3.8

Notes to the Financial Statements continued

For the year ended 31 December 2025

4. Alternative performance measures continued

4.1 Income statement APMs continued

4.1.7 Adjusted basic and diluted earnings per share

Adjusted earnings per share is defined as earnings attributed to equity holders adjusted for exceptional items, share-based payments, amortisation of acquired intangible assets, impairment charges and unwinding of discounting on deferred consideration and put and call options and the tax impact thereon, divided by the weighted average number of shares in the year. Adjusted earnings per share is a performance condition used for the Long-Term Incentive Plan. Further detail on the adjusting items can be found in note 7.

Adjusted diluted earnings per share uses the diluted weighted average number of shares as a denominator.

	2025 £m	2024 £m
Loss attributable to the equity holders of the parent	(4.4)	(2.0)
Unwinding of discounting on deferred consideration and put and call options	(0.1)	0.2
Amortisation of acquired intangible assets	3.4	3.3
Impairment charge	3.2	1.5
Exceptional items	1.3	0.5
Share-based payments	0.2	0.8
Tax impact of adjustments	(1.5)	(1.3)
Deduct: adjusted earnings attributable to non-controlling interest	—	—
Adjusted earnings attributable to equity holders of the parent	2.1	3.0
Weighted average number of shares (m)	166.2	165.8
Adjusted basic earnings per share (pence)	1.14	1.85
Weighted average number of shares – diluted (m)	166.4	166.6
Adjusted basic earnings per share (pence)	1.14	1.84

4.2 Balance sheet APMs

4.2.1 Net debt

Net debt is defined as borrowings excluding lease liabilities and capitalised debt costs, less cash and cash equivalents. 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. Further details on borrowings can be found in note 22.

	2025 £m	2024 £m
Borrowings	(28.5)	(42.1)
Cash and cash equivalents	15.0	10.3
Effective interest rate adjustment	0.1	(0.6)
Net debt	(13.4)	(32.4)

4.3 Cash flow APMs

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.

4.3.1 Adjusted cash generated by operating activities

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

	2025 £m	2024 £m
Net cash generated by operating activities	29.6	13.6
Exceptional items (see note 7)	(1.3)	0.5
Adjusted cash generated by operating activities	28.3	14.1

4.3.2 Free cash flow

Free cash flow is defined as adjusted EBITDA, after movements in working capital movement, capital expenditure net of disposal proceeds, taxation, net interest paid or received and lease payments.

	2025 £m	2024 £m
Adjusted EBITDA	21.0	22.4
Working capital movement	11.2	(4.0)
Net capital expenditure	8.6	—
Principal and interest paid on lease liabilities	(12.1)	(11.2)
Operating cash flow	28.7	7.2
Corporation tax paid	(0.2)	(0.5)
Net interest paid	(2.6)	(3.7)
Free cash flow	25.9	3.0

Notes to the Financial Statements continued

For the year ended 31 December 2025

4. Alternative performance measures continued

4.4 Financial calculations and ratios

4.4.1 Adjusted EBITDA margin

Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue and is a key measure of the efficiency of the Group's operations and ability to grow profitability.

	2025 £m	2024 £m
Revenue	472.8	436.7
Adjusted EBITDA	21.0	22.4
Adjusted EBITDA margin	4.4%	5.1%

4.4.2 Return on capital employed (ROCE)

ROCE is defined as adjusted operating profit as a percentage of average capital employed. Average capital employed is the average of the Group's invested capital at the start and end of the financial year. Capital employed is defined as the sum of total equity and net debt. It is a measure of how efficiently the Group deploys its capital, which is key in a business with multiple organic and inorganic growth opportunities.

	2025 £m	2024 £m
Equity	42.0	47.6
Net debt	13.4	32.4
Capital employed	55.4	80.0
Average capital employed	67.8	79.9
Adjusted operating profit	9.2	10.4
ROCE	13.6%	13.0%

4.4.3 Operating cash flow conversion

Operating cash flow conversion is operating cash flow as a percentage of adjusted operating profit.

	2025 £m	2024 £m
Operating cash flow	28.7	7.2
Adjusted operating profit	9.2	10.4
Operating cash flow conversion	317.4%	71.0%

4.4.4 Like-for-like sales

Like-for-like sales is defined as 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.

5. 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 (2024: none).

Notes to the Financial Statements continued

For the year ended 31 December 2025

6. Segmental analysis

Management currently identifies the Group's three service lines as its operating segments (see note 2.5). The Group's CODM is its Executive Directors, and they monitor the performance of these operating segments, as well as deciding on the allocation of resources to them. Segmental performance is monitored using adjusted segment operating results. Inter-segmental sales are conducted on an arm's length basis and are immaterial. Further details on adjusting items can be found in note 7.

2025	Merchanting £m	Plumbing and Heating £m	Digital £m	Total £m
Revenue	227.1	219.9	25.8	472.8
Gross profit	59.1	28.8	5.1	93.0
Administrative expenses	(48.0)	(20.3)	(5.1)	(73.4)
Adjusted EBITDA before property gains	11.1	8.5	—	19.6
Property gains	1.4	—	—	1.4
Adjusted EBITDA	12.5	8.5	—	21.0
Depreciation, amortisation and impairment	(8.3)	(3.5)	—	(11.8)
Adjusted operating profit	4.2	5.0	—	9.2
Adjusting items	(5.7)	(2.2)	(0.2)	(8.1)
Operating profit/(loss)	(1.5)	2.8	(0.2)	1.1
Finance income				0.3
Finance expense				(6.6)
Loss before taxation				(5.2)
Taxation				1.0
Loss for the year				(4.2)
Additions to non-current assets	16.5	2.7	0.3	19.5

2024	Merchanting £m	Plumbing and Heating £m	Digital £m	Total £m
Revenue	214.3	222.4	—	436.7
Gross profit	57.3	27.9	—	85.2
Administrative expenses	(44.7)	(19.9)	—	(64.6)
Adjusted EBITDA before property gains	12.6	8.0	—	20.6
Property gains	1.8	—	—	1.8
Adjusted EBITDA	14.4	8.0	—	22.4
Depreciation, amortisation and impairment	(8.7)	(3.3)	—	(12.0)
Adjusted operating profit	5.7	4.7	—	10.4
Adjusting items	(4.7)	(1.4)	—	(6.1)
Operating profit	1.0	3.3	—	4.3
Finance income				0.3
Finance expense				(7.2)
Loss before taxation				(2.6)
Taxation				0.8
Loss for the year				(1.8)
Additions to non-current assets	13.9	5.0	—	18.9

Notes to the Financial Statements continued

For the year ended 31 December 2025

7. Adjusting items

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

2025	Merchanting £m	Plumbing and Heating £m	Digital £m	Total £m
Share-based payments	0.2	—	—	0.2
Exceptional items:				
Restructuring	0.2	0.3	—	0.5
Business combinations	—	0.1	0.2	0.3
Adjustment to contingent consideration	0.2	0.3	—	0.5
Adjusting items within EBITDA¹	0.6	0.7	0.2	1.5
Amortisation of acquired intangible assets	2.3	1.1	—	3.4
Impairment charge	2.8	0.4	—	3.2
Adjusting items within operating profit	5.7	2.2	0.2	8.1
Unwinding of deferred consideration and put and call options (see note 11)				(0.1)
Adjusting items within loss before taxation				8.0
Tax on adjusting items				(1.5)
Adjusting items within loss after taxation				6.5

2024	Merchanting £m	Plumbing and Heating £m	Digital £m	Total £m
Share-based payments	0.6	0.2	—	0.8
Exceptional items:				
Restructuring	0.6	0.3	—	0.9
Profit on disposal of business	—	(0.4)	—	(0.4)
Business combinations	0.1	0.1	—	0.2
Retention employment costs on acquisitions	0.1	0.2	—	0.3
Adjustment to contingent consideration	(0.4)	(0.1)	—	(0.5)
Adjusting items within EBITDA¹	1.0	0.3	—	1.3
Amortisation of acquired intangible assets	2.2	1.1	—	3.3
Impairment charge	1.5	—	—	1.5
Adjusting items within operating profit	4.7	1.4	—	6.1
Unwinding of deferred consideration and put and call options				0.3
Adjusting items within loss before taxation				6.4
Tax on adjusting items				(1.3)
Adjusting items within loss after taxation				5.1

1. EBITDA is defined as earnings before interest, taxes, depreciation, amortisation and impairment charge, inclusive of property gains and losses.

Notes to the Financial Statements continued

For the year ended 31 December 2025

7. Adjusting items continued

During 2025, the Group restructured back-office functions in Merchanting and Plumbing & Heating at a cost of £0.5 million (2024: £0.9 million), mainly relating to redundancy settlements.

The costs associated with the business combinations detailed in note 15 have been expensed and disclosed as adjusting items. The total expense, which amounts to £0.3 million (2024: £0.2 million), 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, the cost of these is expensed over the period to which it relates. No costs were recognised in the year (2024: £0.3 million).

In 2025, adjustments to contingent consideration payable in relation to historic acquisitions resulted in a charge of £0.5 million (2024: credit of £0.5 million) in the income statement. This includes the movement in put and call options.

Further details of the impairment charge are set out in notes 17 and 18.

The unwinding of deferred consideration and put and call options related to acquisitions of A.W. Lumb, Direct Heating & Plumbing, Condell, and Ultimate Renewables Supplies in previous years and amounted to a credit of £0.1 million (2024: charge of £0.2 million).

8. Employee remuneration

8.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2025 £m	2024 £m
Wages and salaries	41.0	37.4
Social security costs	5.0	3.8
Defined contribution retirement benefit scheme costs	0.9	0.9
Share-based payments	0.2	0.8
	47.1	42.9

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

	2025	2024
Management and administration	131	133
Retail Operations	827	796
Manufacturing	17	16
	975	945

Notes to the Financial Statements continued

For the year ended 31 December 2025

8. Employee remuneration continued

8.2 Share-based employee remuneration

The Group had the following equity-settled share-based payment arrangements in operation during the year:

- a) Deferred Bonus Plan (DBP)
- b) Long-Term Incentive Plan (LTIP)
- c) Restricted Stock Awards (RSA)

In addition to the above share plans, the Group also operates a Share Incentive Plan (SIP).

In accordance with IFRS 2: Share-based Payment, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Group recognised a total charge of £0.2 million (2024: £0.8 million) in respect of the Group's share-based payment arrangements.

A summary of the movements in each scheme is outlined below:

	Outstanding at 1 January 2025	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2025	Exercisable at 31 December 2025
Deferred Bonus Plan	360,096	—	(89,830) ¹	(41,229)	229,037	229,037
Long-Term Incentive Plan	3,634,125	5,412,479	—	(751,827)	8,294,777	—
Restricted Stock Awards	—	303,439	—	(26,667)	276,772	—
	3,994,221	5,715,918	(89,830)	(819,723)	8,800,586	229,037

	Outstanding at 1 January 2024	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2024	Exercisable at 31 December 2024
Deferred Bonus Plan	516,362	—	(98,371) ²	(57,895)	360,096	267,865
Long-Term Incentive Plan	4,549,148	402,000	—	(1,317,023)	3,634,125	—
	5,065,510	402,000	(98,371)	(1,374,918)	3,994,221	267,865

1. The weighted average share price at the date of exercise of these options was 30.69 pence.

2. The weighted average share price at the date of exercise of these options was 43.77 pence.

The exercise price of all options under the schemes held during the year is nil pence (2024: nil pence).

Movements in the balance held by the SIP are as follows:

	2025
Balance at 1 January	633,451
Dividends	10,575
Exercised	(101,131)
Forfeited	(14,735)
Balance at end of year	528,160

Notes to the Financial Statements continued

For the year ended 31 December 2025

8. Employee remuneration continued

8.2 Share-based employee remuneration continued

Deferred Bonus Plan

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 awards had previously achieved certain market and non-market conditions relating to earnings per share and total shareholder return.

The weighted average remaining contractual life was 5.8 years at 31 December 2025 (2024: 6.9 years).

Long-Term Incentive Plan

The outstanding awards under the Long-Term Incentive Plan as at 31 December 2025 will all vest within three years, subject to continued employment and the achievement of certain performance targets.

For options awarded in 2025, Board executive performance targets are based 50% on growth in earnings per share (EPS) and 50% on total shareholder return (TSR). Divisional executive targets are 60% based on growth in business or divisional earnings before interest, taxes, depreciation and amortisation (EBITDA) and 40% based on growth in Group EPS. The award in February 2025 will vest and will be exercisable from August 2027 and the awards in March 2025 will vest and will be exercisable from March 2028.

For options awarded in 2023, divisional executive targets are based on growth in business or divisional EBITDA. An additional 402,000 shares were awarded in the 2024 calendar year for this scheme. 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 exercisable from May 2026, with a further 25% vesting and exercisable from May 2027, and the final 25% vesting and exercisable from May 2028.

The award granted in September 2023 lapsed in 2024 due to the service conditions not being met.

The awards granted in 2022 were lapsed in January 2024 due to the service conditions not being met.

The vesting conditions of the LTIP awards are set out on page 63. The maximum term of these awards is three years and settlement is in the form of shares.

The fair value of the awards that vest based on non-market-based conditions was determined using a binomial model.

The fair value of the awards that vest based on market-based conditions (TSR element) was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

The following assumptions were used for options granted during the year:

	2025	2024
Share price at grant date (pence)	26.5	68.5
Exercise price (pence)	—	—
Expected volatility	30.0%	35.0%
Expected term until exercised	3 years	3 years
Expected dividend yield	6.23%	2.90%
Risk-free interest rate	4.07%	4.40%

The weighted average fair value of each award issued under this scheme during the year was between 13.3 pence and 15.6 pence (2024: 59.3 pence and 62.8 pence). The weighted average remaining contractual life was 8.5 years at 31 December 2025 (2024: 8.4 years).

Restricted Stock Award (RSA)

In recognition that the Group made no award during 2024, the Remuneration Committee made a one-off RSA award to sixteen business and divisional executives of nil cost options. The RSA awards vest after three years, subject to continuous employment with the Group for the whole of the vesting period and subject to Remuneration Committee discretion.

The weighted average fair value of each award issued under this scheme during the year was 15.6 pence and was determined using a binomial model. The weighted average remaining contractual life was 9.2 years at 31 December 2025.

Share Incentive Plan

The awards made under the SIP occurred when the Group floated on the Alternative Investment Market and were subject to continued employment requirements over a three-year period and had no performance conditions. Therefore, the options vested in full at the end of the three-year period. No further awards have been issued. The shares are held by an employee benefit trust and have no expiry date.

Contingent consideration in relation to A.W. Lumb

At the request of one of the former owners of the A.W. Lumb acquisition made in 2022, in May 2024, it was agreed that the 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, in settlement of the liability as at 31 December 2023, with a further 255,319 shares issued in February 2025. In February 2026, the former owner elected to be paid in cash rather than shares and therefore no further shares were issued.

8.3 Defined contribution retirement benefit scheme

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 31 December 2025 were £0.2 million (2024: £0.2 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

9. Operating profit

Operating profit is stated after charging/(crediting):

	2025 £m	2024 £m
Depreciation of property, plant and equipment	2.1	2.3
Depreciation of right-of-use assets	9.3	9.3
Amortisation of intangible assets	3.8	3.7
Impairments	3.2	1.5
Inventories recognised as an expense	385.9	351.5
Short-term and low-value lease payments	0.5	0.2
Profit on disposal of property, plant and equipment	(1.5)	(0.3)
Commission income	(0.5)	(0.5)
Other operating income	(0.4)	(0.3)
Expected credit losses	0.5	0.5
Movement in inventory impairment provision	0.3	(0.7)

10. Auditor's remuneration

For the year ended 31 December 2025, the remuneration provided to the auditor, Grant Thornton UK LLP (2024: RSM UK Audit LLP), was as detailed below.

	2025 £m	2024 £m
Audit services – statutory audit of the parent and consolidated Financial Statements	0.2	0.2
Statutory audit of subsidiary companies	0.3	0.4
	0.5	0.6

11. Finance income

	2025 £m	2024 £m
Interest from cash and cash equivalents	0.3	0.3
	0.3	0.3

12. Finance expense

	2025 £m	2024 £m
Bank loans and overdrafts	2.2	3.3
Invoice discounting facilities	0.9	0.8
Lease interest	3.6	2.8
Unwinding of discounting on deferred consideration and put and call options	(0.1)	0.2
Unwinding of discounting on dilapidation provisions	—	0.1
	6.6	7.2

13. Taxation

13.1 Amounts recognised in the income statement

	2025 £m	2024 £m
Corporation tax		
Current tax on loss for the year	1.0	1.3
Adjustments in respect of previous periods	(0.5)	(0.8)
	0.5	0.5
Deferred tax		
Originating and reversal of temporary differences	(1.8)	(1.7)
Adjustments in respect of previous periods	0.3	0.4
	(1.5)	(1.3)
Total tax credit	(1.0)	(0.8)

The standard rate of corporation tax applied to reported profits/(losses) is 25% (2024: 25%).

Notes to the Financial Statements continued

For the year ended 31 December 2025

13. Taxation continued

13.2 Reconciliation of effective tax charge

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the rate applicable under UK corporation tax rules as follows:

	2025 £m	2024 £m
Loss before taxation	(5.2)	(2.6)
Tax credit at 25% (2024: 25%)	(1.4)	(0.6)
Adjustments in respect of previous periods	(0.2)	(0.4)
Expenses not deductible	0.8	0.8
Income not taxable	(0.2)	(0.4)
Share-based payments	—	(0.2)
Total tax credit for the year	(1.0)	(0.8)

13.3 Deferred tax

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:

	2025 £m	2024 £m
Accelerated capital allowances	(4.3)	(3.6)
Right-of-use assets	(14.2)	(13.2)
Right-of-use liabilities	18.3	15.5
Intangible assets arising on business combinations	(4.4)	(5.1)
Share-based payments	—	0.3
Net deferred tax liability	(4.6)	(6.1)

Movement in period

	2025 £m	2024 £m
At 1 January	(6.1)	(7.4)
Charged to income statement	1.6	1.3
Credited to equity	0.1	—
Movement arising from business combinations	(0.2)	—
At 31 December	(4.6)	(6.1)

14. Earnings per share and dividends

14.1 Earnings per share

	2025	2024
Basic and diluted earnings per share:		
Loss from continuing activities (pence)	(2.68)	(1.19)
Weighted average number of shares for basic earnings per share (m)	166.2	165.8
Number of dilutive share options (m)	0.2	0.8
Weighted average number of shares for diluted earnings per share (m)	166.4	166.6
Loss attributable to the equity holders of the parent (£m)	(4.4)	(2.0)

Both the basic and diluted earnings per share have been calculated using the earnings attributable to shareholders of the Parent Company, as the numerator, meaning no adjustment to loss was necessary in either year. Statutory diluted earnings per share calculation uses the 166.2 million as a denominator as dilutive shares would not increase loss per share. Further details on adjusted earnings per share can be found in note 4.1.7.

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, adjusted for the after-tax effect of adjusting items (see note 7).

	2025 £m	2024 £m
Loss attributable to the equity holders of the parent	(4.4)	(2.0)
Adjusting items, net of tax	6.5	5.1
Adjusted earnings	2.1	3.1
Adjusted basic earnings per share		
Earnings from continuing activities (pence)	1.14	1.85
Adjusted diluted earnings per share		
Earnings from continuing activities (pence)	1.14	1.84

Notes to the Financial Statements continued

For the year ended 31 December 2025

14. Earnings per share and dividends continued

14.2 Dividends

During 2025, the Company paid dividends totalling £1.4 million (2024: £2.7 million) to its equity shareholders, representing a final dividend of 0.52 pence per share for 2024 (2024: 1.33 pence per share for 2023) and an interim dividend of 0.32 pence per share (2024: 0.32 pence per share).

The Directors propose the payment of a final dividend for 2025 of £0.3 million (0.20 pence per share). As the distribution of dividends requires approval at the shareholders' meeting, no liability in this respect is recognised in these consolidated Financial Statements. No income tax consequences are expected to arise as a result of this transaction at the Parent Company level.

15. Business combinations

Acquisition of trade and assets of CMO Group Limited

On 6 June 2025, the Group acquired the trade and assets of CMO Group Limited ('CMO'), following a CMO pre-pack administration process for cash consideration of £1.8 million.

CMO is a market-leading e-commerce platform serving homeowners and trade professionals through a suite of specialist superstore websites, disrupting the traditionally offline industry. The acquisition brings a well-established digital platform, strong customer reach, and a specialist product-led approach that complements both the Merchanting and Plumbing and Heating divisions. This partnership allows us to blend traditional merchanting strengths with cutting-edge digital capabilities.

The acquired business contributed revenues of £25.7 million and a loss before tax of £0.3 million to the consolidated entity for the period from acquisition to 31 December 2025. As a trade and asset acquisition of part of the CMO Group, information is not available on CMO's contribution had the acquisition had been completed on the first day of the financial year. The following table summarises the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair value £m
Intangible assets	0.7
Property, plant and equipment	1.3
Inventories	0.6
Accruals	(2.5)
Deferred taxation liability	(0.2)
Total fair value	(0.1)
Consideration	1.8
Goodwill	1.9

Acquisition costs totalled £0.2 million and are disclosed within operating expenses in the statement of comprehensive income.

The net cash expended on the acquisition is as follows:

	£m
Cash paid as consideration on acquisition	1.8
Less: cash acquired at acquisition	—
Net cash movement	1.8

Notes to the Financial Statements continued

For the year ended 31 December 2025

16. Intangible assets

	Goodwill £m	Customer relationships £m	Trade names £m	Software £m	Total £m
Cost					
At 1 January 2024	18.4	34.7	3.7	2.5	59.3
Additions	—	—	—	1.2	1.2
Acquired through business combinations	0.6	—	—	—	0.6
At 31 December 2024	19.0	34.7	3.7	3.7	61.1
Additions	—	—	—	1.0	1.0
Acquired through business combinations	1.9	0.2	0.2	0.3	2.6
At 31 December 2025	20.9	34.9	3.9	5.0	64.7
Accumulated amortisation and impairment					
At 1 January 2024	—	(11.1)	(1.1)	(0.9)	(13.1)
Amortisation charge	—	(3.0)	(0.3)	(0.4)	(3.7)
At 31 December 2024	—	(14.1)	(1.4)	(1.3)	(16.8)
Amortisation charge	—	(3.0)	(0.4)	(0.4)	(3.8)
Impairment charge	(0.1)	—	(0.3)	—	(0.4)
At 31 December 2025	(0.1)	(17.1)	(2.1)	(1.7)	(21.0)
Net book value at 31 December 2024	19.0	20.6	2.3	2.4	44.3
Net book value at 31 December 2025	20.8	17.8	1.8	3.3	43.7

Goodwill is systematically tested for impairment at each balance sheet date. The Group has no assets with indefinite lives, other than goodwill. During the year, goodwill was impaired by £0.1m and trade names by £0.3m in respect of the Chiltern Timber business which will be merged into Lords Builders' Merchants in 2026.

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. The assets on the balance sheet as at 31 December 2025 have remaining amortisation periods of between 2-10 years.

Notes to the Financial Statements continued

For the year ended 31 December 2025

16. Intangible assets continued

Cash-generating unit (CGU) assessment

Goodwill is tested annually for impairment and more frequently if indicators of impairment arise. Other intangible assets are tested for impairment where such indicators exist. Impairment is assessed by comparing the carrying amount of each CGU (or group of CGUs) to its value-in-use, determined using discounted cash flow projections.

Goodwill is allocated to the Group of CGUs expected to benefit from the related business combination. Where an acquired business operates under one of the Group's established brands, goodwill is allocated to that branded Group of CGUs, consistent with how synergies are realised and performance is monitored by management. No individual Group of CGUs allocation is significant relative to the Group's total goodwill balance.

The breakdown of the Goodwill and related intangibles of each CGU by operating segment is:

	2025 £m	2024 £m
A.W. Lumb & Co	11.3	12.0
Carboclass	15.0	16.4
Chiltern Timber	0.5	0.9
Condell	3.3	3.4
Merchanting	30.1	32.7
A P P Wholesale	4.7	5.4
Direct Heating & Plumbing	5.4	5.7
Ultimate Renewables	0.6	0.5
Plumbing and Heating	10.7	11.6
CMO	2.9	—
Digital	2.9	—
	43.7	44.3

The total recoverable amount in relation to these Groups of CGUs at 31 December 2025 was £173.3 million (2024: £253.5 million), which exceeds the market capitalisation of the Group as at 31 December 2025. Chiltern Timber and Condell CGUs have been valued based on fair value less costs of disposal utilising a market based multiple valuation less related transaction costs. All other CGUs have been valued using their value-in-use. 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 difference between the recoverable amount and the market capitalisation is largely due to market sentiment following challenging market conditions in the UK construction sector and like-for-like revenue pressures impacting investor confidence.

The recoverable amounts of the CGUs in both 2025 and 2024 were in excess of the carrying value of the net assets for all CGUs except Chiltern Timber. A goodwill impairment of £0.1 million and trade name impairment of £0.3 million were recognised in respect of Chiltern Timber during the year.

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

	Merchanting	Plumbing and Heating	Digital
Five-year sales growth	7.9%-8.5%	4.2%-48.6%	23.4%
Terminal sales growth	2.0%	2.0%	2.0%
Discount rate	14.6%	14.6%	14.6%

The five-year sales growth is based on the latest five-year plans produced by the businesses. This reflects the average growth rate each year over the five years. Within the Plumbing and Heating division, the renewables business has an average growth rate of 48.6% to reflect the growing market.

The terminal sales growth reflects the Group's overall growth expectations based on the sectors in which the Groups of CGUs operate.

Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group, being the pre-tax weighted average cost of capital (WACC). The inputs used in the WACC calculation include risk-free rate, equity risk premium and risk adjustment, and are based on information from third-party sources. The discount rates are stated on a nominal basis.

Sensitivity analysis

A reasonable change in a key assumption would not cause the carrying value of any Group of CGUs 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 2025. 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 Groups of CGUs.

	Recoverable amount of CGU £m	Current headroom £m	Terminal sales growth %	Discount rate %
Merchanting				
A.W. Lumb & Co	34.4	19.1	14.1	15.3
Carboclass	51.4	16.5	8.8	10.7
Plumbing and Heating				
A P P Wholesale	34.4	15.0	10.3	11.5
Direct Heating & Plumbing	11.5	3.4	1.8	2.2
Ultimate Renewables	24.9	23.7	19.8	20.8
Digital				
CMO	12.7	13.0	11.2	11.7

Notes to the Financial Statements continued

For the year ended 31 December 2025

17. Property, plant and equipment

	Land and buildings £m	Land and building leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 January 2024	13.5	7.5	10.3	31.3
Additions	—	1.1	1.4	2.5
Reclassification	—	0.3	(0.3)	—
Disposals	(6.4)	—	(1.0)	(7.4)
At 31 December 2024	7.1	8.9	10.4	26.4
Additions	—	2.4	0.7	3.1
Acquired through business combinations	—	1.2	0.1	1.3
Disposals	(7.1)	—	(0.8)	(7.9)
At 31 December 2025	—	12.5	10.4	22.9
Accumulated depreciation and impairment				
At 1 January 2024	(0.6)	(4.3)	(6.2)	(11.1)
Depreciation charge	(0.2)	(0.8)	(1.3)	(2.3)
Reclassification	—	0.3	(0.3)	—
Disposals	0.2	—	0.9	1.1
At 31 December 2024	(0.6)	(4.8)	(6.9)	(12.3)
Depreciation charge	—	(0.7)	(1.4)	(2.1)
Impairment	—	—	(0.1)	(0.1)
Disposals	0.6	—	0.6	1.2
At 31 December 2025	—	(5.5)	(7.8)	(13.3)
Net book value at 31 December 2024	6.5	4.1	3.5	14.1
Net book value at 31 December 2025	—	7.0	2.7	9.6

In 2025, the Group disposed of freehold properties in Tamworth, Dewsbury, Ilkeston and Luton within the Merchanting division, with a combined net book value of £6.5 million at their fair value of £13.1 million and immediately leased back at a market rental for a term of 15 years. In 2024, the freehold property at Colnbrook site near Heathrow, with a 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. These have been accounted for as a sale at fair value, included within disposals, and as an addition to right-of-use assets and lease liabilities.

Impairment test for property, plant and equipment, right-of-use assets and other intangible assets

The Group reviews the carrying value of property, plant and equipment, right-of-use assets and intangible assets (excluding goodwill) for indicators of impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of the Group's CGUs is typically based on value-in-use calculations. The value-in-use at 31 December 2025 was calculated using the discounted present value of each CGU's expected future cash flows using management's five-year forecasts as the basis. Sales growth and increases applied to costs are the key assumptions included when determining the expected future cash flows of each CGU. These have been modelled based upon a mixture of historical experience and expected future performance. A pre-tax discount rate of 14.6% (2024: 16.6%) was used to calculate the present value.

During the year, a total impairment charge of £3.2 million (2024: £1.5 million) was recognised. The majority of this related to branch right-of-use assets in respect of nine sites (2024: three) amounting to £2.7 million (2024: £1.5 million). The total recoverable amount of the affected CGUs was £9.3 million (2024: £2.8 million).

The balance of the impairment charge relates to goodwill (£0.1 million) and trade names (£0.3 million) and Chiltern Timber and £0.1 million (2024: £nil) in respect of property, plant and equipment.

The impairment loss was allocated to the assets of the CGU on a pro-rata basis to their carrying amount, subject to the limitation that the carrying amount of an asset cannot be reduced below the highest of fair value less costs of disposal, value-in-use or zero. The remaining amount of the impairment loss that would otherwise have been allocated to the right-of-use asset was allocated pro rata to the other assets of the unit.

Further information on impairment is provided in note 3.

Notes to the Financial Statements continued

For the year ended 31 December 2025

18. Leases and right-of-use assets

The Group leases offices, retail branches and warehouses (property leases) and also enters into lease agreements for plant and equipment (non-property leases). Property leases are typically made for fixed periods of up to 15 years but may have extension options as well. Non-property leases are typically made for fixed periods of up to five years. Both property and non-property leases are recognised as a right-of-use asset with a corresponding lease liability at the date at which the leased asset is available for use by the Group.

18.1 Amounts recognised in the consolidated statement of financial position

	Property leases £m	Non-property leases £m	Total £m
Cost			
At 1 January 2024	57.8	14.7	72.5
Additions	7.7	6.7	14.4
Acquired through business combinations	0.1	0.1	0.2
Lease remeasurements and modifications	1.8	(3.0)	(1.2)
At 31 December 2024	67.4	18.5	85.9
Additions	8.7	6.7	15.4
Lease remeasurements and modifications	0.8	—	0.8
Disposals	(2.5)	(2.9)	(5.4)
At 31 December 2025	74.4	22.3	96.7
Accumulated depreciation and impairment			
At 1 January 2024	(18.5)	(6.6)	(25.1)
Depreciation charge	(5.1)	(4.2)	(9.3)
Impairment	(1.5)	—	(1.5)
Lease remeasurements and modifications	0.7	2.0	2.7
At 31 December 2024	(24.4)	(8.8)	(33.2)
Depreciation charge	(5.7)	(3.6)	(9.3)
Impairment	(2.7)	—	(2.7)
Disposals	2.5	2.8	5.3
At 31 December 2025	(30.3)	(9.6)	(39.9)
Net book value at 31 December 2024	43.0	9.7	52.7
Net book value at 31 December 2025	44.1	12.7	56.8

During the year, an impairment charge of £2.6 million (2024: £1.5 million) was recognised in respect of the right-of-use assets of nine sites (2024: three). See note 17 for further disclosure.

The split of lease liabilities between current and non-current is as follows:

	2025 £m	2024 £m
Current	8.8	8.3
Non-current	62.7	51.7
	71.5	60.0

The total cash outflow for leases in the year was £12.1 million (2024: £11.1 million). The maturity analysis of lease liabilities is disclosed in note 26.

18.2 Amounts recognised in the consolidated statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	2025 £m	2024 £m
Short-term and low-value operating lease rentals	1.6	0.2
Depreciation charge for right-of-use assets	9.3	9.3
Impairment of right-of-use assets	2.6	1.5
Interest expense (included in finance costs)	3.6	2.8

19. Inventories

	2025 £m	2024 £m
Raw materials and consumables	0.5	0.3
Finished goods and goods for resale	50.8	49.0
	51.3	49.3

The difference between the purchase price of stock and their replacement cost is not material.

Group inventories are stated after a provision for impairment of £2.1 million (2024: £1.8 million). 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.

Notes to the Financial Statements continued

For the year ended 31 December 2025

20. Trade and other receivables

	2025 £m	2024 £m
Non-current		
Other receivables	0.2	0.2
Current		
Trade receivables	54.8	61.9
Other receivables	1.3	1.9
Supplier rebates	9.2	8.3
Prepayments	5.2	4.1
	70.5	76.2

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 reduction in trade receivables is due to strong credit control, particularly in the Plumbing and Heating division.

Details of expected credit losses can be found in note 26.

21. Trade and other payables

	2025 £m	2024 £m
Non-current		
Other payables	0.6	1.6
Current		
Trade payables	79.0	77.9
Other taxation and social security	2.6	1.8
Accruals	13.4	6.5
Other payables	2.8	2.0
	97.8	88.2

The Directors consider that the carrying value of trade and other payables approximates to their fair value. Other payables includes deferred and contingent consideration, and options to acquire non-controlling interests of acquired subsidiaries. Other payables due after one year is discounted using discount rates which reflect the relevant costs of financing when material.

22. Cash and borrowings

	2025 £m	2024 £m
Current		
Bank loans	0.5	—
Other loans	8.5	12.0
Non-current		
Bank loans	19.5	30.1
Total borrowings	28.5	42.1
Cash and cash equivalents	(15.0)	(10.3)
Effective interest rate adjustment	(0.1)	0.6
Net borrowings	13.4	32.4

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

	2025 £m	2024 £m
Less than 1 year	9.0	12.0
Later than 1 year and less than 5 years	19.5	30.1
Total borrowings	28.5	42.1

Total accrued interest of £0.5 million (2024: nil) has been added to bank loans and unamortised transaction costs of £0.4 million (2024: £0.6 million) have been offset against the bank loans.

Notes to the Financial Statements continued

For the year ended 31 December 2025

22. Cash and borrowings continued

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

	2025 £m	2024 £m
Total facilities		
Revolving credit facility	50.0	70.0
Invoice drawdown facility	25.0	25.0
	75.0	95.0
Used at 31 December		
Revolving credit facility	19.9	30.7
Invoice drawdown facility	8.5	12.0
	28.4	42.7
Unused at 31 December		
Revolving credit facility	30.1	39.3
Invoice drawdown facility	16.5	13.0
	46.6	52.3

In 2025, financing facilities comprised a £70.0 million revolving credit facility (RCF) and £25.0 million invoice financing facility (IFF) maturing on 5 April 2027. On 30 April 2025, in agreement with its banks, the Group reduced the RCF by £20.0 million to £50.0 million.

On 2 April 2026, the Group successfully re-financed the RCF and the IFF with a new £20.0 million revolving credit facility (the 'New RCF') and £45.0 million invoice financing facility (the 'New IFF') with two banks expiring on 1 April 2029. The new facilities include two uncommitted extension options of one year each which would, subject to lender approval, extend the tenor of the New RCF to four years or five years if exercised.

The RCF and New RCF contain covenants that require the ratio of adjusted EBITDA to net debt (excluding lease liabilities) and the ratio of adjusted EBITDA to net finance costs to remain within pre-defined thresholds at each quarter-end date. Each testing date covers the results for the previous 12 months. As at 31 December 2025, the Group was in compliance with its most recent covenant test and therefore continues to classify the borrowings under the facility as non-current liabilities. The Group expects to comply with the quarterly covenants within 12 months after the reporting date.

Funds borrowed under the RCF and New RCF bear interest at an annual rate of between 2.0% and 2.8% and 2.0% and 3.4% respectively above the compounded Sterling Overnight Index Average (SONIA), dependent on the Group's leverage covenant. Undrawn funds on the RCF and New RCF bear interest at an annual rate of between 0.70% and 0.98% and 0.70% and 1.19% respectively, both dependent on the Group's leverage covenant.

Funds borrowed under the IFF and New IFF bear interest at an annual rate of 1.40% and 1.75% respectively above the Bank of England Base Rate.

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.

23. Reconciliation of liabilities arising from financing activities

	Borrowings £m	Lease liabilities £m
At 1 January 2024	47.8	51.8
Acquired through business combinations	0.1	0.2
Proceeds from borrowings	33.6	—
Repayments of interest and principal	(39.4)	(11.1)
Interest expense	—	2.8
New leases and modifications	—	16.3
At 31 December 2024	42.1	60.0
Proceeds from borrowings	46.5	—
Repayments of interest and principal	(63.7)	(12.1)
Interest expense	3.1	3.6
Movement in interest accrual	0.5	—
New leases and modifications	—	20.0
At 31 December 2025	28.5	71.5

Notes to the Financial Statements continued

For the year ended 31 December 2025

24. Provisions

	Dilapidations £m	Restructuring £m	Total £m
At 1 January 2024	1.6	—	1.6
Additional provisions	—	0.1	0.1
Released	(0.2)	—	(0.2)
Unwinding of discount	0.1	—	0.1
At 31 December 2024	1.5	0.1	1.6
Additional provisions	0.3	0.2	0.5
Amounts utilised	—	(0.2)	(0.2)
At 31 December 2025	1.8	0.1	1.9
Current	—	0.1	0.1
Non-current	1.8	—	1.8
At 31 December 2025	1.8	0.1	1.9
Current	—	—	—
Non-current	1.5	0.1	1.6
At 31 December 2024	1.5	0.1	1.6

The Group recognises a provision for dilapidations for leased properties where it has a legal or constructive obligation to restore the property to its original condition at the end of the lease term. The provision is initially recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date, measured at the present value of the expected costs. The provision is expected to be utilised between 2026 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.

The restructuring provision relates to committed costs in relation to branches which are due to be closed.

The restructuring provision at 31 December 2024 relates to two branches which were closed during the year.

25. Equity

25.1 Share capital

The share capital of the Parent Company, Lords Group Trading plc, consists only of fully paid Ordinary shares with a nominal (par) value of £0.005 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Lords Group Trading plc.

	2025 £m	2024 £m
Allocated, called up and fully paid:		
166,231,688 (2024: 165,886,539) Ordinary shares of £0.005 each	0.8	0.8
	2025 Nominal value £m	2025 Shares m
At 1 January	0.8	165.9
Issue of share capital	—	0.2
Shares issued on exercise of share options	—	0.1
At 31 December	0.8	166.2

Additional shares were issued during 2025 relating to share-based payments (see note 7.2 for details of the Group's share-based employee remuneration programme) and for the deferred consideration payable to one of the former owners of the Group's subsidiary, A.W. Lumb.

25.2 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.

25.3 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.

25.4 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.

Notes to the Financial Statements continued

For the year ended 31 December 2025

25. Equity continued

25.5 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.

25.6 Non-controlling interests

The Group has non-controlling interests in Direct Heating & Plumbing Merchants Limited, Direct Heating & Plumbing Trade Counters Limited, Weldit Limited Liability Partnership and Ultimate Renewables Supplies Ltd. Further details of the Group's subsidiaries can be found in note 28.

26. Financial instruments

Fair value measurement

With the exception of the financial assets and liabilities listed in the table below, the carrying value equal their fair value.

Fair value measurement	Level	2025 £m	2024 £m
Unlisted investments	3	0.1	0.1
		0.1	0.1
Borrowings	2	28.5	42.1
Put and call options	3	0.8	1.2

The movement in put and call options in the year was as follows:

	2025 £m	2024 £m
At 1 January	1.2	1.3
Reassessment of amount payable	(0.3)	(0.1)
Options exercised	(0.1)	—
At 31 December	0.8	1.2

One of the Group's subsidiaries occasionally 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.

Capital management

The Group's capital management objectives 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
- › Maintain a progressive dividend policy which provides a reasonable expectation of future returns to shareholders

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent, less cash and cash equivalents as presented in the consolidated statement of financial position.

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 Group 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 0.52 pence per share in 2025 (2024: 0.84 pence per share) scaled in line with the change in adjusted earnings per share.

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 20 and 22.

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. The Group has determined that climate-related risks have no significant impact on credit risk exposure and credit risk management practices because (a) of the short-term nature of credit exposure and (b) given the absence of recent major climate-related events in the main areas where debtors operate.

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's knowledge. The Group has recognised a loss of £0.2 million (2024: £0.2 million) in the profit or loss in respect of the expected credit losses for the year ended 31 December 2025.

Notes to the Financial Statements continued

For the year ended 31 December 2025

26. Financial instruments continued

Credit risk continued

Analysis of trade receivables based on age of invoices:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2025	2024	2025 £m	2024 £m	2025 £m	2024 £m
Not overdue	—	0.2%	48.1	27.2	—	0.1
31-60 days	0.3%	0.3%	3.1	29.4	—	0.1
61-90 days	0.8%	2.6%	1.1	3.6	—	0.1
Greater than 90 days	10.2%	16.4%	2.8	2.4	0.3	0.4
			55.1	62.6	0.3	0.7
Less: bad debt provision			(0.3)	(0.7)		
Trade receivables			54.8	61.9		

Movements in the allowance for expected credit losses are as follows:

	2025 £m	2024 £m
Opening balance	0.7	1.0
Additional provisions recognised	0.3	0.4
Receivables written off during the year as uncollectable	(0.6)	(0.5)
Unused amounts reversed	(0.1)	(0.2)
Closing balance	0.3	0.7

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 Group 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 2025 amounted to £28.0 million (2024: £42.1 million). An increase/decrease in interest rates of 1.0% would decrease/increase profit before tax by £0.3 million (2024: £0.4 million).

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions in a currency other than its functional currency.

Notes to the Financial Statements continued

For the year ended 31 December 2025

26. Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and operational liabilities where possible, and maintaining adequate cash reserves.

The table below summarises the maturity profile of the Group's financial liabilities:

31 December 2025					
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade and other payables	97.8	0.6	—	—	98.4
Borrowings	9.0	19.9	—	—	28.9
Lease liabilities	13.1	11.2	27.5	46.0	97.8
Put and call options	0.8	—	—	—	0.8
	120.7	31.7	27.5	46.0	225.9

31 December 2024					
	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade and other payables	86.5	1.5	—	—	88.0
Borrowings	14.3	2.3	31.3	—	47.9
Lease liabilities	11.2	9.6	21.3	37.2	79.3
Put and call options	0.9	0.3	—	—	1.2
	112.9	13.7	52.6	37.2	216.4

The trade and other payables maturity profile in the above tables includes trade payables, accruals and other payables as shown in note 21, excluding amounts payable under put and call options. The amounts payable on put and call options are the gross undiscounted cash flows.

27. Commitments and contingencies

The Group had £0.1 million of commitments that were contracted but not provided as at 31 December 2025 relating to contracts for the fit-out of new branches where works have not yet commenced or where the items have not yet been delivered (2024: £0.1 million).

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 certainty, and the Group has not had any correspondence on the matter from HMRC since May 2021.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28. Related party transactions

28.1 Identification of related parties

The ultimate holding company of the Group is Lords Group Trading plc, a company incorporated in the United Kingdom.

The subsidiaries of the Group are as follows:

Name	Segment	Principal activity	Parental guarantee	Proportion of ownership interests held by the Group at period end	
				2025	2024
A.W. Lumb & Co. Limited	Merchanting	Distribution of building materials	No	100%	100%
A.W. Lumb (Midlands) Limited	Merchanting	Dormant	Yes	100%	100%
A.W. Lumb (Northern) Limited	Merchanting	Dormant	Yes	100%	100%
Advanced Roofing Supplies Limited	Merchanting	Dormant	Yes	100%	100%
Alloway Holdings Limited	Merchanting	Dormant	Yes	100%	100%
Alloway Properties Limited	Merchanting	Dormant	Yes	100%	100%
Alloway Timber Limited	Merchanting	Dormant	Yes	100%	100%
Alloway Timber (Southern) Limited	Merchanting	Dormant	Yes	100%	100%
AWLC Limited	Merchanting	Dormant	Yes	100%	100%
Carboclass Limited	Merchanting	Distribution of building materials and DIY goods	No	100%	100%
Chiltern Building Supplies Limited	Merchanting	Dormant	Yes	100%	100%
Condell Limited ¹	Merchanting	Distribution of building materials and DIY goods	Yes	100%	75%
Ebuildingsupplies Ltd	Merchanting	Dormant	Yes	100%	100%
Fastlane Investments Limited	Merchanting	Dormant	Yes	100%	100%
Hevey Building Supplies Limited	Merchanting	Dormant	Yes	100%	100%
Putney Builders Merchants Limited	Merchanting	Dormant	Yes	100%	100%
Weldit Limited Liability Partnership ¹	Merchanting	Fabrication of sheet metal into value-added products	Yes	75%	75%

1. Lords Group Trading plc agreed a parental guarantee for these companies and, as a result, these 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 2025. All companies classified as dormant are exempt from audit by virtue of section 479A of the Companies Act 2006.

All companies are incorporated in the United Kingdom with their registered office at 12-15 Hanger Green, London W5 3EL.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28. Related party transactions continued

28.1 Identification of related parties continued

Name	Segment	Principal activity	Parental guarantee	Proportion of ownership interests held by the Group at period end	
				2025	2024
A P P Wholesale Limited	Plumbing and Heating	Retail, wholesale and distribution of plumbing and heating goods	No	100%	100%
DH&P HRP Holdings Limited	Plumbing and Heating	Holding company	Yes	90%	90%
DH&P Trade Counters Holdings Limited	Plumbing and Heating	Holding company	Yes	90%	90%
Direct Heating & Plumbing Merchants Limited ¹	Plumbing and Heating	Retail, wholesale and distribution of plumbing and heating goods	Yes	90%	90%
Direct Heating & Plumbing Trade Counters Limited ¹	Plumbing and Heating	Retail of plumbing and heating goods	Yes	90%	90%
Ultimate Renewables Supplies Limited ¹	Plumbing and Heating	Design and supply of heat pumps and renewable energy solutions	Yes	90%	90%
CMO Superstores Limited ¹	Digital	Online retail of DIY and plumbing goods	Yes	100%	—
Lords Group Ventures Limited ^{1, 2}	Other	Holding company	Yes	100%	100%
Lords Builders Merchants Holdings Limited ^{1, 2}	Other	Holding company	Yes	100%	100%

1. Lords Group Trading plc agreed a parental guarantee for these companies, and, as a result, these 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 2025. All companies classified as dormant are exempt from audit by virtue of section 479A of the Companies Act 2006.

2. These subsidiaries are directly owned by Lords Group Trading plc. All other subsidiaries are indirectly owned by the Company.

All companies are incorporated in the United Kingdom with their registered office at 12-15 Hanger Green, London W5 3EL.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28. Related party transactions continued

28.2 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's-length transactions. Outstanding balances at the year end are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

28.3 Transactions with subsidiaries not wholly owned by the Group

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

Weldit LLP paid management fees of £32k (2024: £27k), paid interest of £20k (2024: £24k), and made sales of £4k (2024: £100k) to wholly owned Group companies and received interest of £31k (2024: £nil) from wholly owned Group companies. At 31 December 2025, Weldit LLP owed £973k (2024: £648k) to wholly owned Group companies and was owed £15k (2024: £nil) by wholly owned Group companies.

Direct Heating & Plumbing paid £4,459k (2024: £3,847k) for purchases, £400k (2024: £nil) in management fees, £12k (2024: £nil) in interest and received £393k (2024: £204k) from sales and £633k in interest from wholly owned Group companies. At 31 December 2025, Direct Heating & Plumbing was owed £5,103k (2024: £1,421k) from wholly owned Group companies and owed £1,128k to wholly owned Group companies.

Ultimate Renewables Supplies Ltd purchased £3,027k (2024: £115k) and sold £37k (2024: £3k) to wholly owned Group companies. At 31 December 2025, Ultimate Renewables Supplies Ltd owed £1,422k (2024: £204k) to wholly owned Group companies.

28.4 Compensation of key management personnel

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.

	2025 £m	2024 £m
Remuneration for qualifying services	1.8	2.0
Social security contributions and similar taxes	0.2	0.3
Company contributions to money purchase pension schemes	—	0.1
Share-based payments	0.1	—
	2.1	2.4

There were no outstanding loan balances owed by key management personnel (2024: £nil). At the year end, no balance (2024: £nil) was owed to key management personnel in respect of year-end bonuses.

Information regarding the highest paid Director is shown in the Remuneration Committee Report.

28.5 Transactions with related parties

On 30 April 2025, the Group completed the sale and leaseback of four of the Group's freehold properties to Gempoint 2000 Limited ('Gempoint'), a company which Shanker Patel is a majority owner and director, for cash consideration of £13.1 million. Following the sale, the four properties were leased back to the Group on a 15-year lease on market terms. The four properties are within the Merchandising division and locations at which the Group's businesses currently operate at Tamworth, Dewsbury, Luton and Ilkeston. Other than the lease liability, there were no amounts outstanding at the year end in relation to this transaction.

Gempoint owned properties leased by operating branches of the Group. Including the properties subject to the sale and leaseback, the Group was charged rentals of £1.2 million (2024: £0.7 million), and at 31 December 2025, lease liabilities of £15.0 million (2024: £5.7 million) and other amounts of £0.2 million were owed by the Group (2024: £0.1 million).

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

	2025 £000	2024 £000
Shanker Patel	452	888
Stuart Kilpatrick	—	—
Andrew Harrison	1	5
Gary O'Brien	2	4
Sheena Mackay	1	—

29. Post balance sheet events

On 2 April 2026, the Group successfully re-financed the RCF and the IFF with a new £20.0 million Revolving Credit Facility (the 'New RCF') and £45.0 million invoice financing facility (the 'New IFF') with a syndicate of two banks expiring on 1 April 2029. The new facilities include two uncommitted extension options of one year each which would, subject to lender approval, extend the tenor of the New RCF to four years or five years if exercised.

On 13 January 2026, the Group purchased the 3.6% minority interest held by one of the former owners of Direct Heating and Plumbing for £0.5 million, increasing the Group's ownership of this business to 93.6%.

Parent Company statement of financial position

For the year ended 31 December 2025

	Note	2025 £m	2024 £m
Non-current assets			
Investments	5	48.8	48.8
		48.8	48.8
Current assets			
Debtors	6	1.4	0.3
Cash at bank and in hand		0.1	0.3
		1.5	0.6
Creditors: amounts falling due within one year	7	(3.0)	(1.3)
Net current liabilities		(1.5)	(0.7)
Total assets less current liabilities		47.3	48.1
Creditors: amounts falling due after more than one year	7	(3.2)	(3.2)
Net assets		44.1	44.9
Capital and reserves			
Called-up share capital	8	0.8	0.8
Share premium	8	28.5	28.4
Share-based payments reserve	8	1.2	1.5
Retained earnings	8	13.6	14.2
Total equity		44.1	44.9

The notes on pages 118 to 120 form an integrated part of these Financial Statements.

As permitted by s.408 of the Companies Act 2006, the Company's profit and loss account is not presented as part of these accounts. The Company's profit for the year amounted to £0.4 million (2024: £0.8 million).

These Financial Statements were approved by the Board of Directors on 20 May 2026.

Stuart Kilpatrick
Director

Registered number 11633708

Parent Company statement of changes in equity

For the year ended 31 December 2025

	Called-up share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2024	0.8	28.3	1.0	15.8	45.9
Profit for the financial period and total comprehensive income	—	—	—	0.8	0.8
Share capital issued	—	0.1	—	—	0.1
Share-based payments	—	—	0.8	—	0.8
Exercise of share-based payments	—	—	(0.3)	0.3	—
Dividends paid	—	—	—	(2.7)	(2.7)
At 31 December 2024	0.8	28.4	1.5	14.2	44.9
Profit for the financial period and total comprehensive income	—	—	—	0.4	0.4
Share capital issued	—	0.1	—	—	0.1
Share-based payments	—	—	0.1	—	0.1
Exercise of share-based payments	—	—	(0.4)	0.4	—
Dividends paid	—	—	—	(1.4)	(1.4)
As at 31 December 2025	0.8	28.5	1.2	13.6	44.1

The notes on pages 118 to 120 form an integral part of the Financial Statements.

Notes to the Parent Company Financial Statements

For the year ended 31 December 2025

1. General information

Lords Group Trading plc (the 'Company') is incorporated and domiciled in the United Kingdom with Company number 11633708. The registered address of the Company is Second Floor, 12-15 Hanger Green, London, England, W5 3EL, United Kingdom.

2. Summary of significant accounting policies

A summary of the material accounting policies is set out below. These have been applied consistently in the Financial Statements.

2.1 Statement of compliance and basis of preparation

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. The Financial Statements of the Company are included in the Group's consolidated Financial Statements which can be obtained from the Company's registered office.

In preparing the separate Financial Statements of the Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- ▶ 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
- ▶ 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 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 3.

2.2 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.

2.3 Investments

On initial recognition, investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid. Where consideration is paid by way of shares, the excess of fair value of the shares over nominal value of those shares is recorded in share premium. Investments in subsidiaries are reviewed for impairment at each balance sheet date with any impairment charged to the income statement. Refer to note 5 for further details of impairment testing.

2.4 Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

2.5 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period, except for grants made to subsidiary employees which are recognised as an increase in the cost of investment in subsidiaries (as a capital contribution), with the corresponding entry recognised in equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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. 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 Company 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 profit or loss over the remaining vesting period.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2025

2. Summary of significant accounting policies continued

2.8 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
- › 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

2.9 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.

2.10 Reserves

The Company's reserves are as follows:

- › Called-up share capital reserve represents the nominal value of the shares issued
- › The share premium account includes the premium on issue of equity shares, net of any issue costs
- › Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments
- › The share-based payment reserve represents charges in relation to equity-settled share-based payments

3. 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.

3.1 Critical judgements in applying the accounting policies

There are no critical judgements in the Parent Company Financial Statements.

3.2 Key accounting estimates and assumptions

Impairment of investment in and loans to subsidiary undertakings of the Company

Each year, the Directors consider 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 5 for the carrying amount of the asset, note 6 for amounts owed by Group undertakings and note 2.3 for the accounting policies. No impairment has been recognised as a result of the assessment.

4. Employee costs

	2025 £m	2024 £m
Salaries and wages	1.6	1.6
Social security costs	0.2	0.2
Defined contribution retirement benefit scheme costs	—	—
Share-based payments	0.1	—
	1.9	1.8

The average monthly number of employees of continuing operations, including the directors, during the year was 11 (2024: 11). All employees worked in administrative roles.

For details of employee costs for the Group as a whole, see note 8 to the consolidated Financial Statements.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2025

5. Investments

	2025 £m	2024 £m
Cost		
At 1 January	48.8	48.2
Additions	0.1	0.6
At 31 December	48.9	48.8
Accumulated impairment		
At 1 January	—	—
Recognised in the year	(0.1)	—
At 31 December	(0.1)	—
Carrying value	48.8	48.8

The additions relate to the share-based payment charge, which is a capital contribution to the Company's subsidiary undertakings. Details of the Company's share-based payment arrangements are shown in note 8 of the consolidated Financial Statements.

The Company's subsidiary undertakings are shown in note 28.1 of the consolidated Financial Statements.

6. Debtors

	2025 £m	2024 £m
Prepayments	0.3	0.2
Amounts owed by Group undertakings	1.1	0.1
	1.4	0.3
Non-current	1.1	0.1
Current	0.3	0.2
	1.4	0.3

All amounts owed by Group undertakings are repayable on 31 December 2030 and are unsecured borrowings, attracting an interest rate of 7.5% as at 31 December 2025.

7. Creditors

	2025 £m	2024 £m
Trade payables	1.0	0.3
Corporation tax	0.6	0.5
Other taxation and social security	0.6	0.3
Accruals	0.8	0.2
Amounts owed to Group undertakings	3.2	3.2
	6.2	4.5
Non-current	3.2	3.2
Current	3.0	1.3
	6.2	4.5

All amounts owed to Group undertakings are repayable on 31 December 2030 and are unsecured borrowings, attracting an interest rate of 7.5% as at 31 December 2025.

8. Equity

Please refer to note 25 of the Group consolidated Financial Statements for further information on the balances within equity.

TCFD framework

Environment – climate-related scenarios (TCFD)

This section sets out the Group's approach to identifying, assessing and managing climate-related risks and opportunities and presents the Group's TCFD-aligned disclosures. A signposting table at the front of the Sustainability Report directs readers to the relevant disclosures across the report. While most TCFD disclosures are integrated within the main narrative, climate scenario analysis is presented in this section. The scenario analysis builds on the climate-related risks, material issues, and mitigation actions described in the previous sections.

The Group's formal process for identifying and assessing climate-related risks and opportunities was established in 2022 through a structured workshop facilitated by external environmental specialists, Forvis Mazars, and attended by the Group's Senior Leadership Team. This process generated a comprehensive register of potential climate-related risks, which were subsequently prioritised using a risk matrix that assessed both the likelihood of occurrence and the potential financial consequence of each risk. These assessments are reviewed periodically to ensure that material risks remain relevant, with the next full update planned for 2027.

The most material risks were subject to further detailed analysis by expert consultants. These include Group-level transition risks, such as the introduction of carbon pricing, as well as divisional and branch-specific physical and transition risks, including timber scarcity within Merchanting, acute heat impacts on revenue and colleagues, coastal or riverine flooding, and water stress. Branch-level risks were aggregated to assess their cumulative impact at Group level. Key climate-related risks, together with the mitigation actions in place, are summarised on pages 122 and 123.

Many of the mitigation actions identified through this process are already being implemented and are described in further detail in the energy, fleet, and supply chain sections of this report (pages 26 to 31). Progress against these actions is monitored through the Group's climate-related metrics and targets, which are disclosed on pages 26 to 28.

Climate-related opportunities

Climate-related opportunities are identified through our customer-focused culture and proactive market monitoring. In 2026, we will expand low-energy and renewable product ranges across all divisions, highlighting sustainability attributes such as energy or water efficiency and lower resource-intensive manufacturing. In our P&H division, sales of our renewables line increased by 57% in 2025, reinforcing our confidence that our strategy is targeting the right areas and meeting market demand. Details are on pages 123 and 124.

Climate risk and opportunity quantification

The tables on pages 122 to 124 summarise the Group's key climate-related risks and opportunities, the mitigation actions in place, and their potential impacts. Where possible, this analysis has been informed by financial data and asset location information provided to external consultants.

Each material climate-related risk was measured and ranked using a quantitative methodology based on:

- › The potential financial cost to the Group, calculated using impact curves that illustrate a range of possible outcomes
- › The probability of occurrence, assessed using climate and economic models to generate probability curves

These inputs were combined to derive an estimate of value at risk for each material climate-related risk, enabling relative prioritisation across scenarios.

There have been no material changes to the climate-related risks and opportunities identified compared with the prior reporting period. Consistent with prior analysis, certain risks could not be modelled due to insufficient data. While certain transition risks, such as timber scarcity, have been modelled using inputs including GDP growth and population trends to assess impacts on timber pricing, there remains insufficient data to model the physical risk of timber scarcity. The Group continues to explore opportunities to improve data availability and quality to support more comprehensive modelling over time.

Data limitations and future improvements

Although industry-level data on product category sales exists, it has not yet been fully integrated with climate-related risk data, which limits the precision of the Group's scenario analysis. To address this limitation, the Builders Merchants Federation (BMF) launched the Data Yard, a digital platform designed to provide a Single Source of Truth for product information across the building materials sector. If widely adopted, the Group expects this initiative to significantly enhance the accuracy and reliability of scenario modelling in future reporting periods.

Climate scenario analysis and resilience

The climate scenarios applied in this analysis (+1.3°C and +3.3°C) remain unchanged from the prior reporting period. The +1.3°C scenario represents a Paris-aligned pathway and fulfils the TCFD requirement to assess resilience under a 2°C or lower scenario. The Group's analysis continues to indicate that the +3.3°C scenario presents the greatest exposure to climate-related risks, followed by the +1.3°C scenario, with timber scarcity remaining the single largest risk across all modelled scenarios.

TCFD framework continued

Climate scenario analysis and resilience continued

The analysis indicates that climate-related risks could result in increasing financial impacts over time, particularly in relation to timber availability, carbon pricing, and certain physical risks. However, based on the scenarios modelled, the Group is considered to be operationally and financially resilient, with no climate-related risks identified that would threaten the Group's viability in the short to medium term.

Timelines

The timelines considered and why they were selected is detailed in the table below.

Time horizon	Description
Short	2030, which is around the mid-point of our net zero target period to 2035
Medium	2040, which is halfway between our short-term and long-term time horizons
Long	2050, which aligns to the Paris Agreement and our net zero target (see metrics and targets on pages 27 and 28), 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	SSP 2-4.5	SSP 5-8.5
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.	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.	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 because they encompass a wide range of plausible outcomes, each with different potential impacts on our business. For instance, the 1.3°C scenario necessitates significant societal changes to transition to a low-carbon economy, increasing potential transitional risks while reducing physical risks. In contrast, the 3.3°C scenario involves minimal transitional risks but exposes the business to higher physical risks.

Risk	Mitigations and business resilience
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Timber scarcity

Potential financial impact	Timescale of potential impact
High	Short

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

Potential financial impact	Timescale of potential impact
Medium	Short

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.

Carbon pricing

Potential financial impact	Timescale of potential impact
Medium	Short

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 27 and 28).

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.

TCFD framework continued

Climate scenario analysis and resilience continued

Climate scenarios continued

Risk	Mitigations and business resilience	
Climate-related impact on the supply chain		
Potential financial impact	Timescale of potential impact	
N/A	Short-medium	
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 means we are resilient to it.		

Restrictions on retrofitting

Potential financial impact	Timescale of potential impact	
N/A	Short-medium	
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 page 30) › 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.		

Changing consumer preferences

Potential financial impact	Timescale of potential impact	
N/A	Short	
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 31) › Diversification of products such as renewable product ranges and products with recycled content › Ongoing engagement with customers to ensure products are meeting demand 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.		

Risk	Mitigations and business resilience	
Uncertainty around future fossil fuel-based transportation		
Potential financial impact	Timescale of potential impact	
N/A	Short-medium	
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 28). 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 › Diversification of fuel sources, such as hydrotreated vegetable oil (HVO) › 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.		

Opportunity	Actions	
Changing customer preference		
Potential financial impact	Timescale of potential impact	
N/A	Short-medium	
Demand for more sustainable products, such as our renewables range, 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 increased market share › Engagement with suppliers on sustainable sourcing and with customers to understand their needs › Strategic acquisitions to future-proof the business.		

Increased efficiency and reduced costs

Potential financial impact	Timescale of potential impact	
N/A	Short-medium	
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		

TCFD framework continued

Climate scenario analysis and resilience continued

Climate scenarios continued

Opportunity	Actions		
Increased resilience through supplier engagement and diversification			
Potential financial impact	Timescale of potential impact	➤ Development of our own engagement programme with suppliers ➤ Continue to add new suppliers to the Group, as we broaden our product range ➤ Investigate innovative products	
N/A	Short-medium		
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			
1. 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 ➤ The relationship between local temperatures and revenue performance for our branches. This is based on historical experience extrapolated forward 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))			

Metrics and targets

This section should be read alongside the energy and decarbonisation sections on pages 26 to 28, which describe the operational actions underpinning these metrics and targets.

The table below presents our current metrics and targets related to climate-related risks and opportunities, specifically addressing carbon pricing exposure and shifts in consumer preferences. We recognise that robust metrics and targets are essential to effective governance and risk management of climate-related impacts. While certain risks and opportunities cannot yet be fully quantified due to data limitations, we are committed to continuously refining and expanding our metrics as higher-quality and more comprehensive data becomes available.

Metric	Related risk or opportunity	Performance		Target
		FY25	FY24	
Risks				
Scope 1 and 2 emissions	Carbon pricing	5,733 tonnes CO ₂ e	5,727 tonnes CO ₂ e	Net zero by 2035
Scope 3 emissions	Carbon pricing	53,121 tonnes CO ₂ e	50,572 tonnes CO ₂ e	Net zero by 2050
Opportunities				
Growth in revenues from the renewables range	Changing consumer preferences	57%	99%	No target

A full explanation on our carbon emissions and mitigation strategy, along with an explanation and baseline information on our net zero targets, is on page 28.

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Financial calendar

20 May 2026
Final results

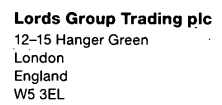
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Annual general meeting

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