

**Registered number:  
11633708**

## **Lords Group Trading Limited**

### **Annual Report and Financial Statements**

**For the Period Ended 31 December 2019**

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# **Lords Group Trading Limited**

## **Company Information**

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### **Directors**

C Day  
N Patel  
R Patel  
S Patel  
A Pierce

### **Company secretary**

R Patel

### **Registered number**

11633708

### **Registered office**

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NW10 6UA

### **Independent auditors**

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# **Lords Group Trading Limited**

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## **Lords Group Trading Limited**

### **Strategic Report For the Period Ended 31 December 2019**

The directors present the strategic report for the period ended 31 December 2019.

Lords Group Trading Limited ("the Company") was incorporated on 22 October 2018.

On 1 January 2019 there was a demerger of Lords Builders Merchants Holdings Limited (the previous ultimate parent company of the Lords Builders Merchants Group) where the entities in the group were split into two parts, a trading group (whose principal activity is the distribution of building materials and DIY goods) and a property management and investment group. The de-merger was implemented to streamline operations in each distinct group, increase efficiencies and create centres of excellence within both groups. Following the de-merger Lords Group Trading Limited became the ultimate parent company of the trading group.

The consolidated financial statements of the Group have been prepared using merger accounting principles allowed under FRS102 for group reconstructions. Under merger accounting, the carrying value of the assets and liabilities of the parties to the combination are not adjusted to their fair value on consolidation. Any difference between the cost of the investment and the nominal value of the share capital acquired is recognised in the merger reserve. As a result of applying the merger accounting principles in the preparation of these consolidated financial statements, an assumption that the Group has always existed has been made.

The consolidated statement of comprehensive income for the period ended 31 December 2019 consists of the results of all previously existing subsidiary undertakings for the year from 1 January 2019 to 31 December 2019, the results from the date of acquisition of all subsidiary undertakings acquired during the financial period and the results of Lords Group Trading Limited for the period from the incorporation date of 22 October 2018 to 31 December 2019.

The consolidated statement of comprehensive income for the year ended 31 December 2018 consists of the results of Carboclass Limited, Hevey Building Supplies Limited, Weldit LLP and a number of holding companies which were previously part of the trading entities within the Lords Builders Merchants Holdings Group.

The comparative balance sheet shows assets, liabilities and reserves of the Group which would have been in existence had the demerger taken place on 31 December 2018.

#### **Principal Activities**

The Group's principal activity is the distribution of building, plumbing and DIY goods to local tradesmen, large scale developers, small, medium construction companies and retail customers. The Group is a consolidation of entities with 5 key trading divisions:

- Carboclass Limited trades through two established brands (Lords Builders Merchants and George Lines) and operates from 11 locations across London and the Home Counties.
- APP Wholesale Limited trades through three established brands (APP Distribution, Mr Central Heating and Column Rads), with 9 locations enabling a nationwide next day delivery service.
- Hevey Building Supplies Limited operates from 3 locations across Northamptonshire and Cambridgeshire.
- Lords at Home Ltd operates from 5 stores in London.
- Weldit LLP operates from a single location in Luton.

#### **Business review and future developments**

The Group operated against a challenging market backdrop in the second half of 2019 driven by uncertainty caused by the UK-EU Withdrawal timeframe. Despite the backdrop, the Group has made significant strategic progress whilst maintaining positive trading performance. Key activities during the financial period included two acquisitions, one branch relocation, one branch refurbishment, one branch opening, a capital reduction demerger, three transactional websites (launched or optimised) and completion of an enhanced financing

## **Lords Group Trading Limited**

### **Strategic Report For the Period Ended 31 December 2019**

facility to enable growth. Furthermore, the Group accelerated its colleague investment programme with initiatives across safety, training, career development and reward.

The Group's primary financial measure, Adjusted EBITDA (defined below), for the period amounted to £2,409,280 (2018 - £3,345,461). The loss for the period, after taxation, amounted to £2,010,346 (2018 – profit of £467,225).

The Group continues to focus on growth and achieved a 24.9% increase in turnover including the consolidation of acquisitions within Carboclass Limited (Kings Langley Building Supplies Limited), Hevey Limited (Huntingdon Timber Supplies Limited) and APP Wholesale Limited. Underlying trade in 2019, particularly the second half, was challenging in the face of Brexit and political uncertainty which impacted demand adversely, particularly within Carboclass Limited and Hevey Building Supplies Limited.

The Directors remain focussed on delivering sustainable growth through our 3 P's (People, Plant and Premises) with a continued focus on investment to create a platform for long term customer retention and sustainable growth.

Lords Builders Merchants Holdings Limited, the previous ultimate Group holding company, completed a Capital Reduction Demerger on 1<sup>st</sup> January 2019 allowing the newly formed Lords Group Trading Limited (Trading Group) and Lords Group Real Estate Ltd (Property Group) to focus on their specific growth strategies. As part of the Demerger, the Group took the opportunity to extract the Lords at Home brand from Carboclass Limited into a dedicated entity which consolidates under Lords Group Trading Limited, being Lords at Home Ltd. The capital reduction demerger was completed with appropriate clearance by HMRC.

In December 2019, Lords Group Trading Limited and its subsidiaries (incorporating Carboclass Limited and subsidiaries) secured a new financing facility through a syndicate of two banks (HSBC and National Westminster Bank) allowing the Group to pursue further growth and investment opportunities. The refinance incorporates a 3-year amortising term loan facility of £7.5m, a 3-year revolving credit facility of £12.5m and an Invoice Discount Facility of £40m.

In July 2019, the Group completed the 100% share purchase of Huntingdon Timber Limited (HTS). The acquisition adds further scale in an adjacent and fast-growing catchment to those currently serviced by the Group. The trade and assets of HTS were subsequently hived into Hevey Building Supplies Limited on 1<sup>st</sup> December 2019. In the coming years, we expect to grow the market share of HTS through our 3 P's focus.

In December 2019, the Group completed the 100% share purchase of APP Wholesale Limited. The acquisition is strategically important for the Group adding a national delivery network, e-commerce specialism and significant scale. All key management have been retained by the Group including Allan Pierce who upon completion acquired a 20% shareholding of Lords Group Trading Limited.

The Group further strengthened its balance sheet and cash reserves in 2019, reflected through the enhanced current ratio (as defined below) of 1.1 (2018 – 1.0). The quick ratio (as defined below) was 0.6 (2018- 0.7). This altered as a result of the significant working capital profile of APP Wholesale Limited which is consolidated within the 2019 financial statements. Product availability is a key element of the APP Wholesale Limited customer proposition, as a result there is a large stock investment balanced against a good stock turn.

### **3 P's Development in 2019 - Premises and Plant**

Investment in 2019 continued the Group's strategy of delivering a superior customer experience and ensuring we add value to the supply of building materials. The Directors believe that this approach will capitalise on opportunities within the market to grow and endure any future challenging trading conditions.

The Group's Kettering branch underwent a transformational relocation during 2019, the branch relocated to a prominent location and £0.8m was invested into the site's development. The new site transforms the customer offer with a vastly enhanced product range, improved service levels and a safer operating environment for

**Strategic Report  
For the Period Ended 31 December 2019**

customers and colleagues.

The Park Royal branch was refurbished in H1 2019 enabling the branch to enhance its collect proposition through an enhanced environment, improved service and vastly extended product range. A capital outlay of £0.3m was committed to the project. The model deployed is consistent with 2018 investments (Hayes, Moulton Park and Westbourne Grove) that are delivering increased customer activity.

The three sites acquired via Kings Langley Building Supplies Limited (Kings Langley, Watford, Aylesbury) have also benefitted from selective investment to ensure the sites are able to offer customers the full Lords proposition.

The Group opened a new dedicated George Lines branch in Aylesbury in H2 2019, the facility operates as a dedicated branch with an independent team but is co-located on the Lords Builders Merchants Aylesbury site. The branch will enhance the returns and excess space at Aylesbury. The solution is very reflective of management's commercial and long-term approach to our 3 P's with a 2016 acquisition (George Lines) opening a second branch, enabled by a 2018 acquisition (Kings Langley Building Supplies Limited). A capital outlay of £0.8m was committed to the project.

The Group has agreed an implant partnership with HSS Hire Ltd, a leading provider of tool & equipment hire in the UK. As at 31 December 2019, HSS has a presence in three Lords Builders Merchant branches with plans to expand the implant partnership in 2020. The solution offers our customers an enhanced proposition and provides a new revenue stream for the Group.

Following the successful launch in 2018 of the Lords Builders Merchant website, the Group has invested further in online capability with a new George Lines website deployed in H2 2019. In addition, a new Hevey website is in development and will be launched in H1 2020. All sites provide customers access to their invoices, statements, account status and pricing in addition to functionality that enables end customer quote generation and access to an extended range of services and products. Finally, the Column Rads website within APP Wholesale Limited was optimised to enhance the customer experience, improve conversation and upgrade the site to Magento 2.

Lords Builders Merchants are also at an advanced stage of developing a technology which will vastly improve our delivery communication and efficiency. Phase 1 was deployed in a trial phase in 2019 enabling electronic proof of delivery, vehicle planning and enhanced vehicle safety compliance.

Our focus continues to be the pursuit of a unique experience that the customer values and thereby rewarding us with their long-term loyalty. 2020 is the final year of a 3-year investment programme with a transformational redevelopment of the Beaconsfield branch anticipated in addition to continued investment in our ecommerce platforms and colleagues.

### **3 P's Development in 2019 – People**

The Group's continual investment in people is reflected in an average length of service in excess of 6 years.

The Group has made significant improvements to our safe working practices during 2019 through the launch of an inhouse programme 'Safety – Take The Lead' which is designed to ensure our colleagues and customers return home safely. As part of the safety initiative, our driver hand book, vehicle inspections, safe loading procedures, traffic management plans and safety routines have been significantly enhanced.

As our growth continues, we have built on the 2018 initiatives which focussed on employee wellbeing and communication. In 2019, the Group has developed in house training and development programmes designed to help colleagues develop their careers with Lords across operations and finance. In addition, we have been able to commence a number of apprentice led professional qualifications for our colleagues. The Group is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

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### Strategic Report For the Period Ended 31 December 2019

The Group is proud of its diverse workforce and as an equal opportunities employer will continue to ensure it offers career opportunities without discrimination. Specifically, we are committed to making reasonable adjustments to ensure the fair consideration of applications from disabled people.

The integration of HTS was carefully considered to ensure that all colleagues transitioned successfully into the Groups working practices, we are delighted with the engagement and integration that has been achieved in 2019.

Within Weldit LLP, we were able to introduce automation to our manufacturing processes which improved quality and reduced lead times for customers and thus ensuring a more sustainable business for the future. These changes unfortunately led to a redundancy process which was carefully managed to ensure we gave colleagues the best chance of securing alternative employment.

Cost to serve (as defined below) has been tightly controlled by management through a period of investment, cost to serve in the period was 21.0% (2018: 20.6%).

The Board would like to reiterate its thanks to all colleagues for their commitment, energy and hard work during the course of 2019, and look forward to further success in 2020 and beyond. The Directors believe 2020 will continue to deliver progress towards our long-term plan of sustainable growth and earnings.

#### Definitions:

| Metric             | Definition                                                                                                  |
|--------------------|-------------------------------------------------------------------------------------------------------------|
| Cost to Serve      | Administration expenses excluding depreciation and amortisation as a percentage of turnover                 |
| EBITDA             | Earnings before interest, tax, depreciation and amortisation                                                |
| Adjusted EBITDA    | EBITDA adjusted for exceptional items                                                                       |
| Proforma EBITDA    | EBITDA adjusted for exceptional items including the full period results of acquisitions made in the period. |
| Current ratio      | Ratio of current assets to current liabilities                                                              |
| Quick ratio        | Ratio of current assets /less stock to current liabilities                                                  |
| Net Leverage Ratio | Ratio of Net Debt to Proforma EBITDA                                                                        |

#### Companies Act 2006 Section 172 Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. The Regulations require directors to report how they have considered their duties under section 172 (of the Companies Act 2006 (the "Act")) ("Section 172") during the reporting period.

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The board of Lords Group Trading Ltd are fully aware of their duty under Section 172, along with the other directors' duties in the Companies Act 2006. In order to keep their knowledge current, the directors undertook refresher training during 2019, which covered all the directors' general duties as set out in Sections 171-177 of the Companies Act 2006 and, in particular, focussed on Section 172. Corporate Governance serves as a regular board agenda item and during this time in each meeting the board reflects on various processes and arrangements for discharging their duties and discusses enhancements.

As with all companies, decision making within the Group is complex and the board takes into account many factors, sometimes conflicting, when reaching decisions. Quality decision-making is supported by comprehensive board papers that are distributed to directors ahead of board meetings. The directors' decisions are always driven by the need to promote the success of the Company for the benefit of its members as a whole and whilst taking decisions they consider all of their duties under the Companies Act 2006, including having regard to all of the matters under Section 172 (1) a) to f). The impact of decisions on stakeholders is considered in detail and such discussions are captured in comprehensive board minutes.

These duties are therefore reflected in the over-arching strategy of being a customer-focussed group with family values at its heart. This strategy sits behind the more detailed strategy for each of the Group's diverse trading divisions (Carboclass Ltd, Hevey Building Supplies Ltd, APP Wholesale Ltd, Lords at Home Ltd, Weldit LLP) (the "Divisions") and drives the budget setting and approval process that takes place in the last quarter of each financial year. The Section 172 factors are also closely aligned with the Group's family orientated culture.

The composition of the board supports a long-term outlook, with four of the Directors being part of the Group for in excess of 30 years each, combined they retain 100% ownership of the Group. The Group at appropriate decision points seeks guidance from independent advisors to strengthen, challenge and validate decision making. In 2021 the Group intends to formally appoint two Non-Executive Directors to the Board. The Finance Director has worked for the Group for 3 years. Our Divisional MDs are board members of their respective entities, ensuring the Divisions maintain a long-term, Group focus and are strategically aligned. This also ensures that the culture of the Group, its purpose and values are maintained throughout all Divisions and subsidiaries. The composition of the divisional Boards is unique in each case however both the Group CEO and Group Finance Director of Lords Group Trading Ltd are Directors of all key trading Divisions. This is to ensure that governance is closely aligned within the Group.

On a monthly basis the MD of each Division reports to the board on such matters as Take The Lead (health and safety) performance, operational efficiency, product innovation, sustainability and environment, employee matters and customer and supplier information. In 2020, the Group intends to develop Executive Committees to further enhance independent governance following the appointment of the two Non-Executive Directors.

**Summary of how the Board engages with our stakeholders**

The Group considers that the stakeholder groups that are impacted by the Group, its decisions and its business activities are the key stakeholders and include the Group's employees, its customers, supply chain partners, lenders, the local environment and communities where our sites are situated and our shareholders.

The management team and other employees take part in direct and indirect engagement with various stakeholder groups. We recognise the importance of our stakeholders such as, without our dedicated and committed team of employees, we would be unable to successfully manage our portfolio of companies or provide high quality levels of service, without our customers we would be unable to benefit from revenue generation. Our supply chain partners are critical to the success of each site and ultimately the Group's long-term success.

## Lords Group Trading Limited

### Strategic Report For the Period Ended 31 December 2019

The impact of this engagement is detailed in the following section.

| Stakeholder Group | How we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Why we engage                                                                                                                                                                                                                                               | What matters to the Group                                                                                                                                                                                                                                                                                                                                    |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Customers</b>  | <ul style="list-style-type: none"> <li>• Customer KPIs reported in Management and Board Packs</li> <li>• CEO and Divisional MDs retain direct dialogue with a high number of customers</li> <li>• Regular business development meetings are held with customers</li> <li>• Management and Directors visit stores regularly</li> </ul>                                                                                                                                                                                                                                                   | <p>Our purpose is to offer a unique service to our customers. We acknowledge our customers and want to be their primary merchant / supplier of choice.</p> <p>Through regular dialogue we can ensure customer needs are being met or exceeded.</p>          | <ul style="list-style-type: none"> <li>• Product range, price and quality</li> <li>• Convenience and accessibility</li> <li>• Customer service</li> <li>• Fair marketing</li> <li>• Customer safety</li> <li>• Responsible use of personal data</li> <li>• Environment</li> <li>• Ethics and sustainability</li> </ul>                                       |
| <b>Colleagues</b> | <ul style="list-style-type: none"> <li>• Colleague KPIs in management and board packs</li> <li>• Commitment to training and development for all colleagues</li> <li>• Driver training academy offering all colleagues a route to HGV qualifications</li> <li>• Lunch with the Group CEO for new colleagues</li> <li>• Regular 'Lords Life' Group newsletters</li> <li>• Colleague and family health and wellbeing initiatives</li> <li>• Annual family fun day for colleagues and loved ones</li> <li>• Executive Board and Directors visit stores and other sites regularly</li> </ul> | <p>We believe that to provide a superior service with expert product knowledge, Lords also needs to be a great place to work – we can only deliver great products and services to our customers through the hard work and commitment of our colleagues.</p> | <ul style="list-style-type: none"> <li>• Fair employment</li> <li>• Fair pay and benefits</li> <li>• Gender pay</li> <li>• Diversity and inclusion</li> <li>• Training, development and career opportunities</li> <li>• Health and safety</li> <li>• Responsible use of personal data</li> <li>• Environment</li> <li>• Ethics and sustainability</li> </ul> |

**Lords Group Trading Limited**

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For the Period Ended 31 December 2019**

| Stakeholder Group  | How we engage                                                                                                                                                                                                                                                                                                                                                                                 | Why we engage                                                                                                                                                                                                                                                                                                                                                                                   | What matters to the Group                                                                                                                                                                                                                                                      |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    | <ul style="list-style-type: none"> <li>• Group CEO is a board member of the Builders Merchant Federation (BMF) and H&amp;B Buying Group</li> <li>• Regular strategy sessions held with key suppliers to develop sustainable long-term relationships</li> <li>• Annual Board presentation on ethical trading/modern slavery</li> <li>• Supplier payment terms reported to the Board</li> </ul> | <p>We do not manufacture the vast majority of the products that we sell; therefore we need to maintain relationships with suppliers and manufacturers worldwide who can meet our high standards.</p> <p>Suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.</p> | <ul style="list-style-type: none"> <li>• Anti-bribery</li> <li>• Ethics and slavery</li> <li>• Environment and sustainable sourcing</li> <li>• Operational improvement</li> </ul>                                                                                              |
| <b>Environment</b> | <ul style="list-style-type: none"> <li>• Group CEO has been leading an initiative on electric fleet conversion</li> <li>• Recycling initiatives across the Group including waste and returning damaged product to resaleable condition</li> </ul>                                                                                                                                             | <p>We are committed to minimising the impact of our business operations on the environment.</p> <p>It is also important to our colleagues, customers and shareholders.</p>                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>• Energy usage</li> <li>• Recycling</li> <li>• Waste management</li> <li>• Minimising waste, packaging materials and single-use plastics</li> <li>• Sustainable sourcing (timber)</li> <li>• Emissions from company vehicles</li> </ul> |
| <b>Community</b>   | <ul style="list-style-type: none"> <li>• Charitable activity is reported in colleague communications</li> <li>• The Group has made a conscious decision to invest marketing funds into local community schemes including local or regional sports teams</li> </ul>                                                                                                                            | <p>We aspire to be responsible members of our community as it reflects our principle to do the right thing.</p> <p>It is also important to our colleagues, customers and shareholders.</p>                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>• Charitable donations</li> <li>• Employment opportunities</li> <li>• Environmental impact</li> <li>• Fair tax</li> </ul>                                                                                                               |

**Strategic Report  
For the Period Ended 31 December 2019**

**Principal Decisions**

As noted above, management meetings are held monthly. All decisions are made by the management team, the composition of which includes the Group's and Company's statutory directors enabling them with the ability to demonstrate oversight of any decisions made on its behalf.

Where a principal decision is to be made, an assessment of the impact of that principal decision on key stakeholders will be considered, and will include matters such as how each key stakeholders' interest was considered as part of the assessment, details of any risks identified and resulting actions proposed to be taken to monitor and mitigate those risks. Consideration will also be given to any potential impacts on the company's reputation and how that impact will be monitored.

Principal decisions, defined as those which: (i) are linked to matters of strategic importance; (ii) are commercially material matters of financial or operational importance; and (iii) impact key stakeholders include:

- dividends;
- substantial changes to the portfolio;
- significant capital expenditure; and
- matters that will substantially affect the company's employees.

The following principal decisions were made during the reporting period:

*Purchase of APP Limited*

The Company, Lords Group Trading Limited, purchased 100% of the share capital in APP Limited which completed on 5th December 2019. The purchase price was £34.2m with a total acquisition cost of £35.2m. The purchase is part of the Group's strategy and supports the long-term success of the Group and the Company. The long-term benefits of the purchase would result in a positive long-term increase in the value of the company for the benefit of the shareholders. This decision has been disclosed in the context of the Company's role as ultimate shareholder of the subsidiary company that was a contracting party to the purchase.

*Dividends*

The Board decided to pay dividends totalling £200,003 in respect of the year. In making their decisions, the directors took into account the Company's capital position, the amount of its distributable reserves, as well as its cash position. Consideration was given to the Company's business and the actual and contingent liabilities inherent in that business, and the ability of the Company to be able to pay its debts as they fell due. The Company understands the importance of delivering dividends to its shareholders. The Company is therefore committed to maintaining an appropriate balance between total cash returns to its shareholders, investment in the business, and maintaining a strong capital position.

**Risks and Risk Management**

The Group operates in markets and an industry which by their nature are subject to several inherent risks. The Group seeks to mitigate those risks by adopting different strategies and by maintaining a strong system of internal control. However, regardless of the approach that is taken, the Group must accept a certain level of risk in order to generate suitable returns and for that reason the risk management process is closely aligned to the Group's strategy.

Given the size of our Board we do not have a separate Risk Committee Board, however risk management is an integral part of the way the company is managed in its day to day operations and we will continue to review the need for a separate committee as the group continues to grow and expand.

## Lords Group Trading Limited

### Strategic Report For the Period Ended 31 December 2019

#### Principal and financial risks and uncertainties

The Board confirms that it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board's assessment of the principal risks and uncertainties facing the Group and the mitigation in place is set out below:

| Volatile market conditions leading to demand uncertainty                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>High<br><br><b>Trend:</b><br>Static<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>The Group's markets are cyclical and market growth is affected by general economic conditions and specific drivers. Specific drivers that are monitored include consumer confidence, wage growth, housing transactions, mortgage approvals, the timing and nature of government activity to stimulate activity, net disposable income, house price inflation, interest rates and unemployment. | <b>Risk Mitigation</b><br><br>Comprehensive tracking of lead indicators that influence market demand for building materials in the UK.<br><br>Continued diversification of the Group's activities through channels, product categories, business sectors (manufacturing, civils, heavyside, lightside and retail) and geographical reach.<br><br>Ensuring a balanced approach to revenue growth, margin protection, cost control and capital allocation. |

| Customer Credit                                                                                                                   |                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>High<br><br><b>Trend:</b><br>Increasing<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>A key element of our proposition is to offer credit to customers, creating the potential of bad debts. | <b>Risk Mitigation</b><br><br>Significant financial resources are expended to monitor the company's debtor ledger on a daily basis to help mitigate financial loss. We remain very comfortable with the performance of our credit control team and bad debts incurred are amongst the lowest in the sector.<br><br>Robust customer set up processes are in place across the Group supported by Trade Indemnity Insurance. Over trading beyond insured limits are subject to Board authority levels and only agreed following a thorough review of the customers historical and future performance. |

## Lords Group Trading Limited

### Strategic Report For the Period Ended 31 December 2019

| Finance and Treasury                                                                                                                                                            |                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>Medium<br><br><b>Trend:</b><br>Reduced<br><br><b>Impact:</b><br>Adverse effect on financial performance.<br><br>Adverse effect on delivery of strategy | <b>Risk Description</b><br><br>Lack of access to appropriate levels of cash resources or exposure to significant variations in interest rates could have an impact on the Group's operations and growth plans. | <b>Risk Mitigation</b><br><br>The Group secured a new debt package in December 2019 through a syndicate partnership between HSBC and National Westminster Bank, the facilities offer the Group significant headroom and flexibility.<br><br>The Group has robustly tested its debt service capability through multiple scenarios working with two Top 4 audit firms to model and complete diligence on the assumptions.<br><br>A Group Treasury Policy is in place to govern levels of debt and cash management.<br><br>An upgraded financial planning system was implemented in 2018 to enable robust forecasting of short, medium and long term cash generation with a strong focus on operating cash conversion.<br><br>The Group regularly updates its financial forecasts to ensure latest assumptions are acknowledged. |

| Uncertainty caused by the UK-EU Withdrawal Transition Period                                                                      |                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>High<br><br><b>Trend:</b><br>Increasing<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>Uncertainty during the transition period remains likely to continue to impact key metrics measured by the company.<br><br>Metrics include housing transactions and the timing and nature of government activity to stimulate activity, net disposable income, house price inflation, consumer confidence, interest rates and unemployment. | <b>Risk Mitigation</b><br><br>The Board is carefully balancing its cost base whilst ensuring our strategic plan is deployed in a timely manner. Investment will continue in projects expected to realise returns in the long term.<br><br>We believe the current Government spending plans recognise the effectiveness of infrastructure stimulus and will be beneficial to demand during 2020.<br><br>Where cost of goods inflation is triggered by exchange rate deterioration or additional tariffs, the Group will seek to work with suppliers and pass through price increases to customers depending upon market conditions at the time. |

**Lords Group Trading Limited**

**Strategic Report  
For the Period Ended 31 December 2019**

| <b>Unsafe practices result in harm to colleagues, customers, suppliers or the public</b>                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>Medium<br><br><b>Trend:</b><br>Static<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>Keeping the Group's colleagues, customers, suppliers and the public safe is the first priority in all activity.<br><br>The Group operates 16 sites, many with complex and busy yards. It also operates a fleet of 70 vehicles, distributing heavy and bulky materials.<br><br>Poorly implemented safety practices on site, on the road or at delivery locations could result in significant harm being caused to people. | <b>Risk Mitigation</b><br><br>Health and safety forms part of the agenda at all Board meetings and statistics covering accident frequency rates, lost time and management of risks.<br><br>The Group's divisional leadership teams invest significant resources in health and safety management and actively work to minimise health and safety risks.<br><br>Accidents are monitored and corrective action taken as appropriate to reduce or eliminate the risk of recurrence.<br><br>The Group continues to challenge its thinking and approach to improving its safety performance through its 'Take The Lead' brand. |

| <b>Purchase price and foreign exchange risk</b>                                                                                   |                                                                                                                                         |                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>Medium<br><br><b>Trend:</b><br>Reducing<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>Increases in the prices of goods and foreign exchange fluctuations will adversely affect profit margins. | <b>Risk Mitigation</b><br><br>The Group will seek to pass on any margin increases to customers as market rates allow. The Group seeks to protect margins by increases productivity through the capital investment it has made in new machinery. |

| <b>Covid19</b>                                                                                                                    |                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Inherent Risk:</b><br>High<br><br><b>Trend:</b><br>Increasing<br><br><b>Impact:</b><br>Adverse effect on financial performance | <b>Risk Description</b><br><br>Impacts the business's ability to operate normally with period of closure and staff absence due to illness. | <b>Risk Mitigation</b><br><br>The Group is well funded with strong support from stakeholders.<br><br>The Group operates strong cashflow management and forecasting enabling cash receipts and payments to be balanced in accordance with trading levels.<br><br>The Group is exploring the option of government backed lending as a contingency solution.<br><br>The Group is applying our Customer Credit mitigation to the crisis to manage the risk of bad debt. |

**Strategic Report  
For the Period Ended 31 December 2019**

**Supplier payment policy and practice**

When entering into commitments for the purchase of services and goods, the Group gives consideration to quality, delivery, terms of payment and price. If the Group is satisfied that suppliers have provided the services or goods in accordance with the agreement made between the supplier and the Group, then payment is made to terms. The group makes every effort to resolve disputes promptly should they arise.

**Post balance sheet events**

**COVID-19**

On 11 March 2020, the World Health Organisation declared the global coronavirus outbreak (official name COVID-19) a pandemic. The Directors understand this has created additional risks for all businesses. The coronavirus pandemic has impacted the Group's ability to operate as it follows government advice and requirements in the areas in which it operates. This therefore increases uncertainty with regards to future revenue levels and cash flows. In addition, illness may impact our operators' ability to run the business.

The strong governance model operated by the Group has allowed the business to react positively to the risk and challenges faced by Covid-19. The Group has updated and implemented revised Standard Operating Procedures (SOPs) which have allowed all colleagues, customers and suppliers to continue to trade safely throughout the pandemic.

The Group has leveraged the Government and HMRC support available in relation to the CLBILS loan scheme, furlough, business rates relief and deferment of tax liabilities due.

Lenders have been fully engaged, with additional facilities secured on 26th June 2020 including the removal of covenants until December 2020, at which point the hurdle rates have been significantly relaxed to ensure appropriate headroom.

Lockdown in April and May had a detrimental impact on supply and demand in our markets but the Group has since been able to recover trade to 100% of prior year activity in June 2020.

The Board continue to ensure strong management of the crisis, prioritising our stakeholder safety at all times.

Covid-19 is a non-adjusting post balance sheet event and therefore no adjustments have been made to these financial statements.

**Coronavirus Large Business Interruption Loan**

In response to Covid-19 the Group has successfully secured a £15m Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility on a bilateral basis with existing lenders on 26 June 2020.

These comprise three CLBILS term loans through National Westminster bank plc with differing repayment and cost of capital profiles:

£1,250,000 CLBILS loan A which is fully repayable in January 2022, the loan attracts interest of  $\text{libor} + 2.51\%$  for the first 12 months and 3.01% thereafter.

£1,250,000 CLBILS loan B which is fully repayable in June 2022, the loan attracts interest of  $\text{libor} + 2.51\%$  for the first 12 months and 3.01% thereafter.

£5,000,000 CLBILS loan C which is fully repayable in November 2022, an interim repayment in July 2022 (£1,250,000) is subject to a minimum cash headroom covenant. The loan attracts interest of  $\text{libor} + 2.56\%$  for the first 12 months and 3.06% thereafter.

**Strategic Report  
For the Period Ended 31 December 2019**

£7,500,000 CLBILS term loan through HSBC UK bank plc repayable in November 2022 with partial repayment in January 2022 (£1,250,000), June 2022 (£1,250,000) and July 2022 (£1,250,000) subject to a minimum cash headroom covenant. The loan attracts an interest rate of  $\text{libor} + 2.10\%$ . No arrangement fees were applied by the lender.

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

**Financial key performance indicators**

We consider our key performance indicators are those that communicate the financial performance and strength of the Group, these being turnover, profit and liquidity metrics.

- Turnover has increased by 24.9% compared to the previous year.
- Gross profit margin was 25.8% compared to 27.4% in the previous year
- Cost to serve was 21.0% compared to 20.6% in the previous year
- Adjusted EBITDA amounted to £2,409,280 compared to £3,345,461 in the previous year
- Current ratio is 1.1 compared to 1.0 in the previous year.
- Quick ratio is 0.6 compared to 0.7 in the previous year.

**Going concern**

In light of Covid-19, the Group and Company board of directors has completed a rigorous review of its going concern assessment and taken the following action to test or enhance the robustness of the Board's approach to cashflow liquidity for at least an eighteen month outlook period after the signing of these financial statements. As part of the review, the Board considered:

- The Group's cash flow forecasts and revenue projections for all subsidiaries.
- Reasonably possible changes in trading performance, including a number of downsides scenarios.
- The committed facilities available to the Group and the covenants thereon.
- The Group's robust policy towards liquidity and cash flow management.
- The Group's ability to successfully manage the principal risks outlined in this report.

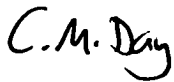
Specifically, the Group has taken the following actions:

1. Revised 3-year plan to reflect the consequence of Covid-19
2. Stress tested the 3-year plan with multiple downturn scenarios
3. Secured a CLBILS loan of £15m on 26 June 2020 to support working capital requirements during Covid-19 disruption
4. Thorough engagement and communication with credit agencies to ensure ongoing support
5. Amended existing finance facilities with lenders to ensure appropriate liquidity for the period required for the going concern assessment
6. Cancelled all shareholder dividends in 2020
7. LGT board directors and certain members of the executive team have agreed to 10-50% remuneration reductions between May and December 2020
8. Deferred repayment of December 2020 term loan (£1,250,000) to November 2022
9. Banking covenants waived for quarters ending June and September 2020, subsequent covenants revised to ensure appropriate headroom from December 2020 onwards.

**Strategic Report  
For the Period Ended 31 December 2019**

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group and subsidiaries have adequate resources to continue in operational existence for the 18 months from the date of signing this Annual Financial Statement.

This report was approved by the board and signed on its behalf by C Day.



C Day  
Director

3 July 2020

**Lords Group Trading Limited**

**Unaudited Proforma EBITDA Report  
For the Period Ended 31 December 2019**

The unaudited proforma income statement shows the results of the Group including the full year results of acquisitions made during the year as if they had been acquired on 1 January 2019. The Proforma basis is presented on an unaudited basis consistent with management information, given the significance of the full year impact.

|                                                                 | <b>2019</b>          |
|-----------------------------------------------------------------|----------------------|
|                                                                 | <b>£</b>             |
| Turnover                                                        | 276,625,404          |
| Cost of sales                                                   | (230,635,124)        |
| <b>Gross profit</b>                                             | <b>45,990,280</b>    |
| Distribution costs                                              | (2,871,474)          |
| Administrative expenses                                         | (31,450,771)         |
| Exceptional administrative expenses                             | (2,367,382)          |
| Administrative expenses excluding depreciation and amortisation | (33,818,153)         |
| Other operating income                                          | 49,752               |
| <b>Proforma EBITDA</b>                                          | <b>9,350,405</b>     |
| Exceptional administrative expenses                             |                      |
| Interest receivable and similar income                          | 136,333              |
| Interest payable and similar expenses                           | (805,715)            |
| Depreciation and amortisation                                   | (7,271,115)          |
| <b>Profit before tax on ordinary activities before taxation</b> | <b>1,409,908</b>     |
| <br><b>Proforma EBITDA</b>                                      | <br><b>9,350,405</b> |
| Exceptional administrative expenses                             | 2,367,382            |
| <b>Proforma adjusted EBITDA</b>                                 | <b>11,717,787</b>    |

## **Lords Group Trading Limited**

### **Directors' Report For the Period Ended 31 December 2019**

The Directors present their report and audited financial statements for the period ended 31 December 2019.

The business review, future developments, principal risks and uncertainties, and going concern are included within the strategic report.

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Dividends**

An interim dividend of £200,003 (2018: £165,000) was paid during the period. The Directors do not recommend the payment of a final dividend (2018: £nil).

#### **Directors**

The Directors who served during the period and up to the date of signing these financial statements, were:

C Day (Appointed 2 January 2019)  
N Patel (Appointed 2 January 2019)  
R Patel (Appointed 2 January 2019)  
S Patel (Appointed 22 October 2018)  
A Pierce (Appointed 6 December 2019)

**Directors' Report (Continued)**  
**For the Period Ended 31 December 2019**

**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.

**Research and development**

The Group actively contributes to research and development activities across all subsidiaries to drive innovation and add value to the customer offerings.

**Employee involvement and equal opportunities**

The Group systematically provides employees with information on matters of concern to them and consults with employees on a regular basis to ensure that their views can be considered in making decisions which are likely to affect their interests. The Group encourages the involvement of employees in the Group's performance and ensures that it provides employees with the information required such that they can achieve a common awareness of the financial and economic factors affecting its performance.

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 the disabled 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 give continued employment and arrange appropriate training for any existing employee who becomes disabled. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible be identical to that of other employees.

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Independent Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the board on 3 July 2020 and signed on its behalf.

*C.M. Day*

C Day  
Director

**Independent Auditors' Report to the Members of Lords Group Trading Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, Lords Group Trading Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the 14 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**Independent Auditors' Report to the Members of Lords Group Trading Limited**

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

*Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom

**Lords Group Trading Limited**

**Independent Auditors' Report to the Members of Lords Group Trading Limited**

this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**Other matter**

**Group financial statements - Corresponding amounts are unaudited**

As disclosed in note 2 'Accounting policies', the group corresponding amounts have been prepared using the merger accounting principles allowed under FRS102 for group reconstructions. As a result of applying the merger accounting principles in the preparation of the group financial statements, an assumption that the group has always existed has been made. The comparative year ended 31 December 2018 includes the results of all subsidiaries from 1 January 2018 to 31 December 2018. The comparative statement of financial position shows assets, liabilities and reserves of the group which would have been in existence had the demerger taken place by 31 December 2018 and therefore are unaudited.

As a consequence of the above, the financial statements for the year ended 21 October 2018, forming the corresponding figures of the financial statements for the 14 month period ended 31 December 2019, are unaudited.



Sarabjit Seera (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

3 July 2020

**Lords Group Trading Limited**

**Consolidated Statement of Comprehensive Income  
For the Period Ended 31 December 2019**

|                                                                                      | Note | 2019<br>£           | 2018<br>£           |
|--------------------------------------------------------------------------------------|------|---------------------|---------------------|
| Turnover                                                                             | 4    | 97,840,955          | 78,328,144          |
| Cost of sales                                                                        |      | (72,617,582)        | (56,858,036)        |
| <b>Gross profit</b>                                                                  |      | <b>25,223,373</b>   | <b>21,470,108</b>   |
| Distribution costs                                                                   |      | (2,871,474)         | (2,538,230)         |
| Administrative expenses                                                              |      | (22,741,503)        | (17,892,763)        |
| Exceptional administrative expenses                                                  | 8    | (547,285)           | (483,443)           |
| <b>Total administrative expenses</b>                                                 |      | <b>(23,288,788)</b> | <b>(18,376,206)</b> |
| Other operating income                                                               | 5    | 49,754              | 60,000              |
| <b>Operating (loss) / profit</b>                                                     | 6    | <b>(887,135)</b>    | <b>615,672</b>      |
| Interest receivable and similar income                                               | 12   | 1,330               | 2,212               |
| Interest payable and similar expenses                                                | 13   | (696,155)           | (295,631)           |
| <b>(Loss) / profit before tax on ordinary activities before taxation</b>             |      | <b>(1,581,960)</b>  | <b>322,253</b>      |
| Tax on (loss) / profit on ordinary activities                                        | 14   | (428,386)           | 144,972             |
| <b>(Loss) / profit for the financial period / year</b>                               |      | <b>(2,010,346)</b>  | <b>467,225</b>      |
| Other comprehensive income                                                           |      | -                   | -                   |
| <b>Total comprehensive (expense) / income for the period / year</b>                  |      | <b>(2,010,346)</b>  | <b>467,225</b>      |
| <b>(Loss) / profit for the period / year attributable to:</b>                        |      |                     |                     |
| Owners of the parent company                                                         |      | (2,302,651)         | 116,594             |
| Non controlling interests                                                            |      | 292,305             | 350,631             |
|                                                                                      |      | <b>(2,010,346)</b>  | <b>467,225</b>      |
| <b>Total comprehensive (expense) / income for the period / year attributable to:</b> |      |                     |                     |
| Owners of the parent company                                                         |      | (2,302,651)         | 116,594             |
| Non controlling interests                                                            |      | 292,305             | 350,631             |
|                                                                                      |      | <b>(2,010,346)</b>  | <b>467,225</b>      |

The results for the period / year arise solely from continuing activities.

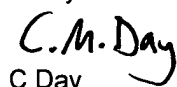
The notes on pages 27 to 55 form part of these financial statements.

**Lords Group Trading Limited**  
Registered number: 11633708

**Consolidated Statement of Financial Position**  
**As at 31 December 2019**

|                                                         | Note | Group<br>2019<br>£       | Group<br>2018<br>£      |
|---------------------------------------------------------|------|--------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                          |                         |
| Intangible assets                                       | 16   | 19,896,659               | 10,168,933              |
| Tangible assets                                         | 17   | 7,287,382                | 5,824,023               |
| Investments                                             | 18   | 4,084                    | 4,084                   |
|                                                         |      | <u>27,188,125</u>        | <u>15,997,040</u>       |
| <b>Current assets</b>                                   |      |                          |                         |
| Inventories                                             | 19   | 40,679,112               | 5,762,544               |
| Debtors                                                 | 20   | 44,484,233               | 15,415,402              |
| Cash at bank and in hand                                | 21   | 3,361,118                | 2,522,760               |
|                                                         |      | <u>88,524,463</u>        | <u>23,700,706</u>       |
| Creditors: amounts falling due within one year          | 22   | (82,371,532)             | (24,310,076)            |
| <b>Net current assets / (liabilities)</b>               |      | <u>6,152,931</u>         | <u>(609,370)</u>        |
| <b>Total assets less current liabilities</b>            |      | <u>33,341,056</u>        | <u>15,387,670</u>       |
| Creditors: amounts falling due after more than one year | 23   | (16,102,141)             | (6,907,167)             |
| Provisions for liabilities                              | 26   | (1,400,096)              | (750,829)               |
| <b>Net assets</b>                                       |      | <u><u>15,838,819</u></u> | <u><u>7,729,674</u></u> |
| <b>Capital and reserves</b>                             |      |                          |                         |
| Called up share capital                                 | 28   | 19,990,000               | 10,000,000              |
| Merger reserve                                          | 29   | (12,480,000)             | (12,490,000)            |
| Capital redemption reserve                              | 29   | 2,500,000                | 2,500,000               |
| Retained earnings                                       | 29   | 2,868,784                | 5,371,438               |
|                                                         |      | <u>12,878,784</u>        | <u>5,381,438</u>        |
| Equity attributable to owners of the parent company     |      | <u>2,960,035</u>         | <u>2,348,236</u>        |
| Non-controlling interests                               |      | <u><u>15,838,819</u></u> | <u><u>7,729,674</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 July 2020

  
C Day  
Director

The notes on pages 27 to 55 form part of these financial statements.

**Lords Group Trading Limited**  
Registered number: 11633708

**Company Statement of Financial Position**  
**As at 31 December 2019**

|                                                         | Note | Company<br>2019<br>£     |
|---------------------------------------------------------|------|--------------------------|
| <b>Fixed assets</b>                                     |      |                          |
| Investments                                             | 18   | 47,217,311               |
|                                                         |      | <u>47,217,311</u>        |
| <b>Current assets</b>                                   |      |                          |
| Debtors                                                 | 20   | 99,573                   |
| Creditors: amounts falling due within one year          | 22   | (3,660,875)              |
| <b>Net current liabilities</b>                          |      | <u>(3,561,302)</u>       |
| <b>Total assets less current liabilities</b>            |      | 43,656,009               |
| Creditors: amounts falling due after more than one year | 23   | (23,664,870)             |
| <b>Net assets</b>                                       |      | <u><u>19,991,139</u></u> |
| <b>Capital and reserves</b>                             |      |                          |
| Called up share capital                                 | 28   | 19,990,000               |
| Retained earnings                                       |      | 1,139                    |
|                                                         |      | <u><u>19,991,139</u></u> |

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 from presenting its own income statement in these financial statements. The Company's loss after tax for the financial period was £291,142

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 July 2020.

C Day  
Director



The notes on pages 27 to 55 form part of these financial statements.

**Lords Group Trading Limited**

**Consolidated Statement of Changes in Equity  
For the Period Ended 31 December 2019**

|                                                                 | Called up<br>share<br>capital<br>£ | Merger<br>reserve<br>£ | Capital<br>redemption<br>reserve<br>£ | Retained<br>earnings<br>£ | Equity<br>attributable<br>to owner of<br>parent<br>company<br>£ | Non<br>Controlling<br>Interests<br>£ | Total<br>Equity<br>£ |
|-----------------------------------------------------------------|------------------------------------|------------------------|---------------------------------------|---------------------------|-----------------------------------------------------------------|--------------------------------------|----------------------|
| As at 1 January 2018                                            | 10,000,000                         | (12,490,000)           | 2,500,000                             | 5,419,844                 | 5,429,844                                                       | 1,997,605                            | 7,427,449            |
| Profit for the financial year and<br>total comprehensive income | -                                  | -                      | -                                     | 116,594                   | 116,594                                                         | 350,631                              | 467,225              |
| Dividends paid                                                  | -                                  | -                      | -                                     | (165,000)                 | (165,000)                                                       | -                                    | (165,000)            |
| As at 31 December 2018                                          | 10,000,000                         | (12,490,000)           | 2,500,000                             | 5,371,438                 | 5,381,438                                                       | 2,348,236                            | 7,729,674            |
| Loss for the financial period and<br>total comprehensive income | -                                  | -                      | -                                     | (2,302,651)               | (2,302,651)                                                     | 292,305                              | (2,010,346)          |
| Reduction in share capital                                      | (10,000)                           | 10,000                 | -                                     | -                         | -                                                               | -                                    | -                    |
| Share capital issued                                            | 10,000,000                         | -                      | -                                     | -                         | 10,000,000                                                      | -                                    | 10,000,000           |
| Business acquisitions                                           | -                                  | -                      | -                                     | -                         | -                                                               | 319,494                              | 319,494              |
| Dividends paid                                                  | -                                  | -                      | -                                     | (200,003)                 | (200,003)                                                       | -                                    | (200,003)            |
| As at 31 December 2019                                          | 19,990,000                         | (12,480,000)           | 2,500,000                             | 2,868,784                 | 12,878,784                                                      | 2,960,035                            | 15,838,819           |

The notes on pages 27 to 55 form part of these financial statements.

**Lords Group Trading Limited**

**Company Statement of Changes in Equity  
For the Period Ended 31 December 2019**

|                                                                   | Called up<br>share<br>capital<br>£ | Retained<br>earnings<br>£ | Total equity<br>£ |
|-------------------------------------------------------------------|------------------------------------|---------------------------|-------------------|
| Share capital on incorporation                                    | 1                                  | -                         | 1                 |
| Share capital issued                                              | 9,999,999                          | -                         | 9,999,999         |
| Reduction in share capital                                        | (10,000)                           | -                         | (10,000)          |
| Issue of share capital                                            | 10,000,000                         | -                         | 10,000,000        |
| Profit for the financial period and total<br>comprehensive income | -                                  | 201,142                   | 201,142           |
| Dividends paid                                                    | -                                  | (200,003)                 | (200,003)         |
| At 31 December 2019                                               | 19,990,000                         | 1,139                     | 19,991,139        |

The notes on pages 27 to 55 form part of these financial statements.

**Lords Group Trading Limited**

**Consolidated Statement of Cash Flows  
For the Period Ended 31 December 2019**

|                                                                 | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Operating activities</b>                                     |                             |                             |
| Loss / profit before tax for the financial period / year        | (1,581,960)                 | 322,253                     |
| Amortisation of intangible assets                               | 1,403,368                   | 1,123,799                   |
| Depreciation of tangible assets                                 | 1,345,762                   | 1,122,534                   |
| Loss on disposal of property, plant and equipment               | 3,316                       | 54,958                      |
| Impairment of tangible assets                                   | 59,852                      | -                           |
| Increase in provisions                                          | 133,084                     | -                           |
| Loss on investments                                             | -                           | 57,260                      |
| Interest payable                                                | 696,155                     | 510,378                     |
| Interest receivable                                             | (1,330)                     | (6,662)                     |
| Tax paid                                                        | (474,000)                   | (416,024)                   |
| Movement in inventories                                         | (1,914,675)                 | (136,537)                   |
| Movement in debtors                                             | 3,048,501                   | (458,864)                   |
| Movement in creditors                                           | (1,342,019)                 | (497,105)                   |
| <b>Net cash generated from operating activities</b>             | <b>1,376,054</b>            | <b>1,675,990</b>            |
| <b>Investing activities</b>                                     |                             |                             |
| Purchase of intangible assets                                   | (139,118)                   | (188,512)                   |
| Purchase of tangible assets                                     | (1,916,898)                 | (1,235,271)                 |
| Proceeds from sale of tangible assets                           | 7,587                       | 8,750                       |
| Business acquisitions (net of cash acquired)                    | (19,458,469)                | (1,097,249)                 |
| Interest received                                               | 1,330                       | 6,662                       |
| <b>Net cash used in investing activities</b>                    | <b>(21,505,568)</b>         | <b>(2,505,620)</b>          |
| <b>Financing activities</b>                                     |                             |                             |
| Repayment of debt financing                                     | (4,993,187)                 | (2,584,234)                 |
| Repayment of loans                                              | (5,985,333)                 | (2,589,030)                 |
| New loans received                                              | 32,798,539                  | 5,067,358                   |
| New finance leases                                              | 44,011                      | 260,865                     |
| Dividends paid                                                  | (200,003)                   | (165,000)                   |
| Interest paid                                                   | (696,155)                   | (510,378)                   |
| <b>Net cash generated from / (used in) financing activities</b> | <b>20,967,872</b>           | <b>(520,419)</b>            |
| Net increase / (decrease) in cash and cash equivalents          | 838,358                     | (1,350,049)                 |
| Cash and cash equivalents at beginning of the year              | 2,522,760                   | 3,872,809                   |
| <b>Cash and cash equivalents at end of the year</b>             | <b>3,361,118</b>            | <b>2,522,760</b>            |
| Cash and cash equivalents at the end of the year comprise:      |                             |                             |
| Cash                                                            | 3,361,118                   | 2,522,760                   |
|                                                                 | <b>3,361,118</b>            | <b>2,522,760</b>            |

The notes on pages 27 to 55 form part of these financial statements.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**1. General information**

Lords Group Trading Limited is a private limited company incorporated in England and Wales. The registered office is Unit 1, Radford Industrial Estate, Goodhall Street, London, NW 10 6UA. The Group's principal activity is the distribution of building materials and DIY goods to local tradesmen, large scale developers, small, medium construction companies and retail customers.

**2. Accounting policies**

**2.1 Statement of compliance and new amendments**

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.

Amendments to FRS 102 introduced by the Triennial review 2017 are effective for accounting periods beginning on or after 1 January 2019. Changes relevant to these financial statements are incorporated.

**2.2 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

**Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures; and
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The following principal accounting policies have been applied consistently:

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.3 Going Concern**

In light of Covid-19, the Group and Company board of directors has completed a rigorous review of its going concern assessment and taken the following action to test or enhance the robustness of the Board's approach to cashflow liquidity for at least an eighteen month outlook period after the signing of these financial statements. As part of the review, the Board considered:

- The Group's cash flow forecasts and revenue projections for all subsidiaries.
- Reasonably possible changes in trading performance, including a number of downsides scenarios.
- The committed facilities available to the Group and the covenants thereon.
- The Group's robust policy towards liquidity and cash flow management.
- The Group's ability to successfully manage the principal risks outlined in this report.

Specifically, the Group has taken the following actions:

1. Revised 3-year plan to reflect the consequence of Covid-19
2. Stress tested the 3-year plan with multiple downturn scenarios
3. Secured a CLBILS loan of £15m on 26 June 2020 to support working capital requirements during Covid-19 disruption
4. Thorough engagement and communication with credit agencies to ensure ongoing support
5. Amended existing finance facilities with lenders to ensure appropriate liquidity for the period required for the going concern assessment
6. Cancelled all shareholder dividends in 2020
7. LGT board directors and certain members of the executive team have agreed to 10-50% remuneration reductions between May and December 2020
8. Deferred repayment of December 2020 term loan (£1,250,000) to November 2022
9. Banking covenants waived for quarters ending June and September 2020, subsequent covenants revised to ensure appropriate headroom from December 2020 onwards.

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group and subsidiaries have adequate resources to continue in operational existence for the 18 months from the date of signing this Annual Financial Statement.

**2.4 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2017.

## **Lords Group Trading Limited**

### **Notes to the Financial Statements For the Period Ended 31 December 2019**

On 1 January 2019 there was a demerger of Lords Builders Merchants Holdings Limited (the previous ultimate parent company of the Lords Builders Merchants Group) where the entities in the group were split into two parts, a trading group (whose principal activity is the distribution of building materials and DIY goods) and a property management and investment group. The de-merger was implemented to streamline operations in each distinct group, increase efficiencies and create centres of excellence within both groups. Following the de-merger Lords Group Trading Limited became the ultimate parent company of the trading group.

The consolidated financial statements of the Group have been prepared using merger accounting principles allowed under FRS102 for group reconstructions. Under merger accounting, the carrying value of the assets and liabilities of the parties to the combination are not adjusted to their fair value on consolidation. Any difference between the cost of the investment and the nominal value of the share capital acquired is recognised in the merger reserve. As a result of applying the merger accounting principles in the preparation of these consolidated financial statements, an assumption that the Group has always existed has been made.

The consolidated statement of comprehensive income for the period ended 31 December 2019 consists of the results of all previously existing subsidiary undertakings for the year from 1 January 2019 to 31 December 2019, the results from the date of acquisition of all subsidiary undertakings acquired during the financial period and the results of Lords Group Trading Limited for the period from the incorporation date of 22 October 2018 to 31 December 2019.

The consolidated statement of comprehensive income for the year ended 31 December 2018 consists of the results of Carboclass Limited, Hevey Building Supplies Limited, Weldit LLP and a number of holding companies which were previously part of the trading entities within the Lords Builders Merchants Holdings Group.

The comparative balance sheet shows assets, liabilities and reserves of the Group which would have been in existence had the demerger taken place on 31 December 2018.

## **2.5 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

### **Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.6 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard, 01 January 2017, to continue to be charged over the period to the first market rent review rather than the term of the lease.

**2.7 Interest income**

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

**2.8 Finance costs**

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest 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.

**2.9 Borrowing costs**

Borrowing costs are capitalised and amortised at a consistent rate over the term of the loan.

**2.10 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**2.11 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. The cumulative

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

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 Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Consolidated Statement of Comprehensive Income is charged with fair value of goods and services received.

## **2.12 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## **2.13 Exceptional items**

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.14 Intangible assets**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation on a straight line basis and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

|                   |   |    |       |
|-------------------|---|----|-------|
| Goodwill          | - | 10 | Years |
| Computer software | - | 3  | Years |
| Customer lists    | - | 10 | Years |

**2.15 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                              |                                               |
|------------------------------|-----------------------------------------------|
| Freehold property            | - 2%                                          |
| Long-term leasehold property | - in accordance with the leasing arrangements |
| Plant and machinery          | - 20%                                         |
| Motor vehicles               | - 20%                                         |
| Fixtures and fittings        | - 20%                                         |
| Office equipment             | - 10% -33%                                    |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.16 Impairment of assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.17 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.18 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

**2.19 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Group has the option to invoice finance a proportion of up to 90% of its trade debtors.

**2.20 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.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.21 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.22 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.23 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**2.24 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.

**2.25 Equity**

Equity comprises the following:

- "Called up share capital" represents the nominal value of equity shares.
- "Merger reserve" represents reserves created instead of share premium in accordance with section 612 of the companies act.
- "Capital redemption reserve" represents a non-distributable reserve created on buying back shares.
- "Retained earnings" represents retained earnings less retained losses.
- "Non controlling interests" represents the amount not attributable to the parent company.

**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 Group's accounting policies**

The directors do not consider that any of the amounts presented in this report is subject to significant judgements.

**3.2 Key accounting estimates and assumption**

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

**Inventories**

The Group carries significant levels of inventory and key judgments are made by management in estimating the level of provisioning required for slow moving inventory. In arriving at its conclusion, the Directors consider inventory ageing and turn analysis.

**Dilapidation of leaseholds**

The Group leases a significant number of leaseholds. The group provides for dilapidations on the leaseholds at rates it estimates as appropriate to cover the anticipated dilapidation cost over the term of the lease.

**Useful economic lives of intangible and tangible assets**

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

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**Fair value of customer lists**

The fair value of intangible assets acquired through business combinations involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth, sales mix and volumes, customer attrition rate and discount rates.

**Onerous lease**

The Group has entered into numerous rental lease contracts related to operating sites in the normal course of its business. Where the unavoidable costs of meeting the obligations under these contracts exceed the associated expected future net benefits, an onerous contract provision is recognised. The calculation of these provisions involves the use of estimates in respect of future operating revenues and costs at sites and the cost of any future payments required to exit the contracts.

**4. Turnover**

|                                                | <b>2019</b>       | <b>2018</b>       |
|------------------------------------------------|-------------------|-------------------|
|                                                | <b>£</b>          | <b>£</b>          |
| Wholesale and retail of DIY products           | 84,938,145        | 76,159,172        |
| Wholesale and retail of plumbing products      | 10,568,737        | -                 |
| Manufacturing of construction and DIY products | 2,334,073         | 2,168,972         |
|                                                | <u>97,840,955</u> | <u>78,328,144</u> |

Analysis of turnover by country of destination:

|                | <b>2019</b>       | <b>2018</b>       |
|----------------|-------------------|-------------------|
|                | <b>£</b>          | <b>£</b>          |
| United Kingdom | 97,840,955        | 78,328,144        |
|                | <u>97,840,955</u> | <u>78,328,144</u> |

**5. Other operating income**

|                 | <b>2019</b>   | <b>2018</b>   |
|-----------------|---------------|---------------|
|                 | <b>£</b>      | <b>£</b>      |
| Management Fees | -             | 60,000        |
| Sundry income   | 49,754        | -             |
|                 | <u>49,754</u> | <u>60,000</u> |

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**6. Operating (loss) / profit**

This is stated after charging:

|                                                   | <b>2019</b>    | <b>2018</b>    |
|---------------------------------------------------|----------------|----------------|
|                                                   | <b>£</b>       | <b>£</b>       |
| Depreciation of tangible assets- owned            | 1,067,576      | 928,076        |
| Depreciation of tangible assets- leased           | 278,186        | 194,458        |
| Amortisation of goodwill and intangible assets    | 1,403,368      | 1,123,799      |
| Impairment of tangible assets                     | 59,852         | -              |
| Loss on disposal of property, plant and equipment | 3,316          | 54,958         |
| Research and development expense                  | 84,440         | 88,585         |
| Onerous lease                                     | 133,084        | -              |
| Operating lease rentals                           | 1,697,206      | 2,123,861      |
| Inventories recognised as an expense              | 61,955,627     | 56,822,653     |
| Trade debtors written off                         | 256,515        | 138,226        |
| Defined contribution pension plan                 | <u>214,070</u> | <u>169,042</u> |

Amortisation and impairments are charged to administrative expenses.

**7. Earnings before interest, depreciation and amortisation (EBITDA)**

|                                                                   | <b>2019</b>             | <b>2018</b>             |
|-------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                   | <b>£</b>                | <b>£</b>                |
| (Loss) / profit on ordinary activities before taxation            | (1,581,960)             | 322,253                 |
| Interest receivable and similar income                            | (1,330)                 | (2,212)                 |
| Interest payable and similar expenses                             | 696,155                 | 295,631                 |
| Depreciation and amortisation                                     | <u>2,749,130</u>        | <u>2,246,333</u>        |
| Earnings before interest, depreciation and amortisation           | 1,861,995               | 2,862,005               |
| Exceptional administration expenses (see note 8)                  | <u>547,285</u>          | <u>483,443</u>          |
| Adjusted earnings before taxation, depreciation and amortisation. | <u><u>2,409,280</u></u> | <u><u>3,345,448</u></u> |

# Lords Group Trading Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

### 8. Exceptional administration expense

|                                      | 2019           | 2018           |
|--------------------------------------|----------------|----------------|
|                                      | £              | £              |
| Costs of setting up new branch       | 70,926         | -              |
| Restructuring costs                  | 22,188         | -              |
| Exceptional bad debt                 | 59,787         | -              |
| Cost of running dual Kettering sites | 98,763         | -              |
| Early write off of facility fees     | 102,685        | -              |
| Impairment of fixed assets           | 59,852         | -              |
| Onerous lease                        | 133,084        | -              |
| Dilapidation provision               | -              | 142,801        |
| Slow moving stock provision          | -              | 260,356        |
| Senior Management team recruitment   | -              | 15,000         |
| Automation testing- material wastage | -              | 65,286         |
|                                      | <u>547,285</u> | <u>483,443</u> |

Exceptional items are presented separately as one-off costs that are unlikely to reoccur.

During the period the Group set up a new George Lines branch in Aylesbury. The branch incurred £70,926 of running costs prior to it being opened.

Weldit LLP's (subsidiary undertaking) underwent a restructuring as a result of a capital investment programme in the previous year. The restructuring resulted in costs of £22,188.

Post period end one of Weldit LLP's largest customers went into administration. Weldit was left with unsecured debts of £59,787 which have been provided in full and which have been classed as an exceptional item.

During the period the Group relocated the Kettering branch of Hevey Building Supplies Limited and incurred £98,763 of additional property costs as a result of running two sites during the fit-out period of the new site.

The Group restructured its banking facilities in the period. The facility fees incurred during the previous restructuring were being written off over the term of the loan as required by FRS 102 and the balance remaining was written off in full when the facilities were terminated. This resulted in additional costs of £102,685 being expensed in the period.

One of the Group's branches is loss making and a review of profitability indicates that is unlikely to change. Fixtures and fitting associated with this branch have been impaired in full and the Group has provided for all unavoidable lease costs as disclosed in note 26, provisions for liabilities.

The following exceptional items were recorded in the previous year:

The Group purchased a new automated machine to enhance Weldit LLP's (subsidiary undertaking) manufacturing processes to improve efficiency, quality, accuracy, lead time and reduce minimum order quantities. The automation testing resulted initially in excess material wastage of £65,286 which is shown separately.

The recruitment cost of £15,000 of a senior member of the management team was also shown separately as a cost that is unlikely to reoccur.

# Lords Group Trading Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

The dilapidation and slow-moving stock provisions were shown as exceptional as these are not adjustments that have historically been made annually, and therefore include an element of catch up. In future years the effect of such adjustments is expected to be significantly reduced and, therefore, is not being shown within non-exceptional administration expenses on an annual basis.

### 9. Auditors' remuneration

|                                                                              | 2019           | 2018           |
|------------------------------------------------------------------------------|----------------|----------------|
|                                                                              | £              | £              |
| Fees payable for the audit of the Group's consolidated financial statements. | 42,380         | 35,300         |
| Fees for the audit of individual group entities financial statements.        | 77,355         | 55,200         |
| Fees relating to taxation                                                    | 56,900         | 16,000         |
| Fees relating to other services                                              | 17,000         | -              |
|                                                                              | <u>193,635</u> | <u>106,500</u> |

### 10. Employees

Staff costs, including Directors' remuneration, were as follows:

|                       | 2019              | 2018             |
|-----------------------|-------------------|------------------|
|                       | £                 | £                |
| Wages and salaries    | 10,887,792        | 8,724,655        |
| Social security costs | 1,026,100         | 862,842          |
| Other pension costs   | 214,070           | 169,042          |
|                       | <u>12,127,962</u> | <u>9,756,539</u> |

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

|                                 | Group<br>2019<br>No. | Group<br>2018<br>No. |
|---------------------------------|----------------------|----------------------|
| Directors and Admin             | 47                   | 32                   |
| Sales, retail and Manufacturing | 302                  | 294                  |
|                                 | <u>349</u>           | <u>326</u>           |

The company had no employees other than directors.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**11. Directors' Remuneration**

|                        | <b>2019</b>    | <b>2018</b>    |
|------------------------|----------------|----------------|
|                        | <b>£</b>       | <b>£</b>       |
| Directors remuneration | 333,893        | 220,340        |
|                        | <u>333,893</u> | <u>220,340</u> |

During the period retirement benefits were accruing to no Directors (2018 - none) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £152,500 (2018 - £86,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2018 - £nil).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £nil (2018 - £nil).

The Directors are deemed to be the key management of the Group.

**12. Interest receivable and similar income**

|                           | <b>2019</b>  | <b>2018</b>  |
|---------------------------|--------------|--------------|
|                           | <b>£</b>     | <b>£</b>     |
| Other interest receivable | 1,330        | 2,212        |
|                           | <u>1,330</u> | <u>2,212</u> |

**13. Interest payable and similar expenses**

|                                            | <b>2019</b>    | <b>2018</b>    |
|--------------------------------------------|----------------|----------------|
|                                            | <b>£</b>       | <b>£</b>       |
| Bank interest payable                      | 440,807        | 98,737         |
| Other loan interest payable                | 149,781        | 119,819        |
| Finance leases and hire purchase contracts | 105,567        | 77,075         |
|                                            | <u>696,155</u> | <u>295,631</u> |

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**14. Tax on (loss) / profit for the period / year**

|                                                      | <b>2019</b>    | <b>2018</b>      |
|------------------------------------------------------|----------------|------------------|
|                                                      | <b>£</b>       | <b>£</b>         |
| <b>Corporation tax</b>                               |                |                  |
| Current tax on (loss) / profit for the period / year | 281,286        | 685,967          |
| Adjustments in respect of previous periods           | (257,403)      | (175,197)        |
|                                                      | <u>23,883</u>  | <u>510,770</u>   |
| <b>Deferred tax</b>                                  |                |                  |
| Origination and reversal of timing differences       | (300,398)      | (379,077)        |
| Adjustments in respect of previous periods           | 674,118        | (306,989)        |
| Effect of changes in tax rates                       | 30,783         | 30,324           |
|                                                      | <u>404,503</u> | <u>(655,742)</u> |
| <b>Total tax charge / (credit)</b>                   | <u>428,386</u> | <u>(144,972)</u> |

**Factors affecting tax (credit) / charge for the period / year**

The tax assessed for the period is higher than (2018- lower than) the standard rate of corporation tax in the UK of 19% (2018- 19%). The difference is explained below:

|                                                                                                                    | <b>2019</b>    | <b>2018</b>      |
|--------------------------------------------------------------------------------------------------------------------|----------------|------------------|
|                                                                                                                    | <b>£</b>       | <b>£</b>         |
| (Loss) / profit on ordinary activities before taxation                                                             | (1,581,960)    | 322,253          |
| (Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018- 19%) | (300,572)      | 61,228           |
| Expenses not deductible                                                                                            | 281,460        | 218,311          |
| Effects of group relief / other reliefs                                                                            | -              | -                |
| Adjustments in respect of previous periods                                                                         | 416,715        | (482,186)        |
| Changes in tax rates                                                                                               | 30,783         | 30,324           |
| Other short term timing differences leading to an increase in tax charge                                           | -              | 27,351           |
| <b>Total tax charge / (credit) for the period / year</b>                                                           | <u>428,386</u> | <u>(144,972)</u> |

**Factors that may affect future tax charges**

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**15. Dividends**

|                | <b>2019</b>    | <b>2018</b>    |
|----------------|----------------|----------------|
|                | <b>£</b>       | <b>£</b>       |
| Dividends paid | 200,003        | 165,000        |
|                | <u>200,003</u> | <u>165,000</u> |

**16. Intangible assets**

| <b>Group</b>                         | <b>Software</b> | <b>Customer lists</b> | <b>Goodwill</b>   | <b>Total</b>      |
|--------------------------------------|-----------------|-----------------------|-------------------|-------------------|
|                                      | <b>£</b>        | <b>£</b>              | <b>£</b>          | <b>£</b>          |
| <b>Cost</b>                          |                 |                       |                   |                   |
| At 1 January 2019                    | 399,254         | 8,805,118             | 2,765,085         | 11,969,457        |
| Additions from normal activities     | 225,601         | -                     | -                 | 225,601           |
| Additions from business combinations | -               | -                     | 10,905,493        | 10,905,493        |
| At 31 December 2019                  | <u>624,855</u>  | <u>8,805,118</u>      | <u>13,670,578</u> | <u>23,100,551</u> |
| <b>Accumulated amortisation</b>      |                 |                       |                   |                   |
| At 1 January 2019                    | 59,310          | 1,327,663             | 413,551           | 1,800,524         |
| Charge for the year                  | 79,490          | 880,513               | 443,365           | 1,403,368         |
| At 31 December 2019                  | <u>138,800</u>  | <u>2,208,176</u>      | <u>856,916</u>    | <u>3,203,892</u>  |
| <b>Net book value</b>                |                 |                       |                   |                   |
| At 31 December 2019                  | <u>486,055</u>  | <u>6,596,942</u>      | <u>12,813,662</u> | <u>19,896,659</u> |
| At 31 December 2018                  | <u>339,944</u>  | <u>7,477,455</u>      | <u>2,351,534</u>  | <u>10,168,933</u> |

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**17. Tangible assets**

| Group                                      | Freehold<br>property<br>£ | Long term<br>leasehold<br>property<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Fixtures<br>and<br>fittings<br>£ | Office<br>equipment<br>£ | Total<br>£ |
|--------------------------------------------|---------------------------|-----------------------------------------|-----------------------------|------------------------|----------------------------------|--------------------------|------------|
| Cost or valuation                          |                           |                                         |                             |                        |                                  |                          |            |
| At 1 January 2019                          | 795,208                   | 4,193,914                               | 2,840,601                   | 115,554                | 1,422,280                        | 277,111                  | 9,644,668  |
| Additions from normal activities           | 523                       | 866,861                                 | 243,732                     | 9,503                  | 696,863                          | 99,416                   | 1,916,898  |
| Additions from business combinations       | -                         | 215,711                                 | 187,516                     | 87,205                 | 472,546                          | -                        | 962,978    |
| Disposals                                  | -                         | (37,578)                                | (44,950)                    | (4,623)                | -                                | -                        | (87,151)   |
| At 31 December 2019                        | 795,731                   | 5,238,908                               | 3,226,899                   | 207,639                | 2,591,689                        | 376,527                  | 12,437,393 |
| Accumulated depreciation and<br>impairment |                           |                                         |                             |                        |                                  |                          |            |
| At 1 January 2019                          | 77,076                    | 1,417,677                               | 1,107,164                   | 63,758                 | 972,922                          | 182,048                  | 3,820,645  |
| Disposals                                  | -                         | (37,591)                                | (37,285)                    | (1,372)                | -                                | -                        | (76,248)   |
| Impairment of assets                       | -                         | 35,593                                  | -                           | -                      | 24,259                           | -                        | 59,852     |
| Charge for the year                        | 15,519                    | 642,343                                 | 351,803                     | 17,114                 | 255,189                          | 63,794                   | 1,345,762  |
| At 31 December 2019                        | 92,595                    | 2,058,022                               | 1,421,682                   | 79,500                 | 1,252,370                        | 245,842                  | 5,150,011  |
| Net book value 31 December 2019            | 703,136                   | 3,180,886                               | 1,805,217                   | 128,139                | 1,339,319                        | 130,685                  | 7,287,382  |
| Net book value 31 December 2018            | 718,132                   | 2,776,237                               | 1,733,437                   | 51,796                 | 449,358                          | 95,063                   | 5,824,023  |

The net book value of land and buildings can be further analysed as follows:

|                | 2019<br>£        | 2018<br>£        |
|----------------|------------------|------------------|
| Freehold       | 703,136          | 718,132          |
| Long leasehold | 3,180,886        | 2,776,237        |
|                | <u>3,884,022</u> | <u>3,494,369</u> |

The net book value of assets held under finance leases or hire purchase contracts, included above are as follows:

|                                  | 2019<br>£        | 2018<br>£        |
|----------------------------------|------------------|------------------|
| Long term leasehold property     | 891,018          | 855,108          |
| Plant and machinery              | 1,233,286        | 1,269,418        |
| Motor vehicles                   | 38,478           | 52,184           |
| Fixtures, fittings and equipment | 106,438          | 105,437          |
|                                  | <u>2,269,220</u> | <u>2,282,147</u> |

# Lords Group Trading Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

### 18. Investments

|                           | Group<br>2019<br>£ | Group<br>2018<br>£ | Company<br>2019<br>£ | Company<br>2018<br>£ |
|---------------------------|--------------------|--------------------|----------------------|----------------------|
| Subsidiaries undertakings | -                  | -                  | 47,217,311           | -                    |
| Listed Investments        | 1,434              | 1,434              | -                    | -                    |
| Other investments         | 2,650              | 2,650              | -                    | -                    |
|                           | 4,084              | 4,084              | 47,217,311           | -                    |

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name                                    | Entity type | Class of shares | Holding |
|-----------------------------------------|-------------|-----------------|---------|
| APP Wholesale Limited                   | Trading     | Ordinary        | 100%    |
| Carboclass Limited                      | Trading     | Ordinary        | 100%    |
| Lords at Home Ltd                       | Trading     | Ordinary        | 100%    |
| Ebuildingsupplies Limited               | Trading     | Ordinary        | 100%    |
| Hevey Building Supplies Limited         | Trading     | Ordinary        | 75%     |
| Weldit LLP                              | Trading     | Ordinary        | 75%     |
| Lords Builders Merchants Holding Ltd    | Non trading | Ordinary        | 100%    |
| Fastlane Investments Limited            | Non trading | Ordinary        | 100%    |
| Huntingdon Timber Limited               | Non trading | Ordinary        | 100%    |
| E. Hussey and Sons Limited              | Dormant     | Ordinary        | 100%    |
| George Lines (Merchants) Limited        | Dormant     | Ordinary        | 100%    |
| Kings Langley Building Supplies Limited | Dormant     | Ordinary        | 100%    |
| Newstore Limited                        | Dormant     | Ordinary        | 100%    |
| Bomax Limited                           | Dormant     | Ordinary        | 100%    |

All companies are incorporated in England and Wales with their registered office at Unit 1, Radford Industrial Estate, Goodhall Street, London, NW 10 6UA.

The Directors believe that the net assets of investments in subsidiaries is supported by their value in use.

Huntingdon Timber Limited, a subsidiary of Hevey Building Supplies Limited, was acquired in 2019. Its principal activity was the wholesale and retail of timber & building supplies, but its activities have now been hived into Hevey Building Supplies Limited and the company is currently dormant.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**19. Inventories**

|                                     | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Raw materials and consumables       | 330,165                     | 209,290                     | -                             | -                             |
| Finished goods and goods for resale | 40,348,947                  | 5,553,254                   | -                             | -                             |
|                                     | <u>40,679,112</u>           | <u>5,762,544</u>            | <u>-</u>                      | <u>-</u>                      |

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

Inventories are stated after a provision for impairment of £4,583,427 (2018- £260,055).

**20. Debtors**

|                                     | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>Due after more than one year</b> |                             |                             |                               |                               |
| Other debtors                       | 264,745                     | 57,185                      | -                             | -                             |
|                                     | <u>264,745</u>              | <u>57,185</u>               | <u>-</u>                      | <u>-</u>                      |
| <b>Due within one year</b>          |                             |                             |                               |                               |
| Trade debtors                       | 21,351,971                  | 9,031,356                   | -                             | -                             |
| Factored debts                      | 19,394,007                  | 4,993,187                   | -                             | -                             |
| Other debtors                       | 264,510                     | 131,016                     | 99,573                        | -                             |
| Prepayments and accrued income      | 3,209,000                   | 1,202,658                   | -                             | -                             |
|                                     | <u>44,484,233</u>           | <u>15,415,402</u>           | <u>99,573</u>                 | <u>-</u>                      |

Trade debtors are stated after provision for impairment of £282,971 (2018: £384,598).

**21. Cash at bank and in hand**

|                          | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | 3,361,118                   | 2,522,760                   | -                             | -                             |
|                          | <u>3,361,118</u>            | <u>2,522,760</u>            | <u>-</u>                      | <u>-</u>                      |

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**22. Creditors: Amounts falling due within one year**

|                                                                 | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|-----------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans and overdrafts                                       | 2,358,248                   | 903,032                     | 2,358,248                     | -                             |
| Other loans                                                     | 19,423,795                  | 4,993,187                   | -                             | -                             |
| Trade creditors                                                 | 53,244,325                  | 12,615,748                  | -                             | -                             |
| Corporation taxation                                            | 70,693                      | 215,148                     | -                             | -                             |
| Other taxation and social security                              | 1,465,738                   | 964,770                     | -                             | -                             |
| Obligations under finance leases and hire<br>purchase contracts | 706,091                     | 651,300                     | -                             | -                             |
| Other creditors                                                 | 1,798,479                   | 2,384,283                   | 1,166,667                     | -                             |
| Accruals and deferred income                                    | 3,304,163                   | 1,582,608                   | 135,960                       | -                             |
|                                                                 | <u>82,371,532</u>           | <u>24,310,076</u>           | <u>3,660,875</u>              | <u>-</u>                      |

Bank loans at 31 December 2019 comprise a revolving loan facility and term loans from a syndicate of HSBC UK bank plc and National Westminster bank plc. The loans are secured by fixed and floating charges over the land, tangible assets, insurances and shares in subsidiary undertakings. At 31 December 2018 Bank loans comprised banking facilities with HSBC UK bank plc and National Westminster Bank plc.

At 31 December 2019 other loans comprise invoice financing from a syndicate of HSBC UK bank plc and National Westminster bank plc. The facility is limited to 90% of debts with an upper limit of £40,000,000. The loans are secured by fixed and floating charges over the land, tangible assets, insurances and shares in subsidiary undertakings owned by the Carboclass Limited. At 31 December 2018 other loans comprise invoice financing from Royal Bank of Scotland and Barclays Bank. The facility was limited to 90% of debts with an upper limit of £12,975,000.

Included within other creditors are deferred payments of £1,745,975 for various acquisitions.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**23. Creditors: Amounts falling due after more than one year**

|                                                                  | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans and overdrafts                                        | 11,016,496                  | 5,082,301                   | 4,716,496                     | -                             |
| Net obligations under finance leases and hire purchase contracts | 1,291,979                   | 1,302,759                   | -                             | -                             |
| Amounts owed by group undertakings                               | -                           | -                           | 16,615,041                    | -                             |
| Other creditors                                                  | 3,471,333                   | 379,310                     | 2,333,333                     | -                             |
| Accruals and deferred income                                     | 322,333                     | 142,797                     | -                             | -                             |
|                                                                  | <u>16,102,141</u>           | <u>6,907,167</u>            | <u>23,664,870</u>             | <u>-</u>                      |

While no fixed terms of repayment have been agreed with group undertakings, all creditors amounts owed to group undertakings are deemed to fall due after one year. All amounts owed are unsecured borrowings and are non-interest bearing.

There is a fixed charge over the balance credited to an interest-bearing deposit account containing the deposited sum of £7,303 held by Kilburn and District Houses Limited, 84 Fortune Green Road, London to secure amounts owed to the landlord.

Other creditors comprise deferred payments relating to the acquisition of APP Wholesale Limited.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**24. Bank Loans and overdrafts**

Bank and other loans and overdrafts mature as set out below:

|                                       | <b>Group<br/>2019<br/>£</b> | <b>Group<br/>2018<br/>£</b> | <b>Company<br/>2019<br/>£</b> | <b>Company<br/>2018<br/>£</b> |
|---------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Amounts falling due within 1 year     |                             |                             |                               |                               |
| Bank loans                            | 2,358,248                   | 903,032                     | 2,358,248                     | -                             |
| Other loans                           | 19,423,795                  | 4,993,187                   | -                             | -                             |
|                                       | <u>21,782,043</u>           | <u>5,896,219</u>            | <u>2,358,248</u>              | <u>-</u>                      |
| Amounts falling due between 1-2 years |                             |                             |                               |                               |
| Bank loans                            | 2,358,248                   | 903,032                     | 2,358,248                     | -                             |
|                                       | <u>2,358,248</u>            | <u>903,032</u>              | <u>2,358,248</u>              | <u>-</u>                      |
| Amounts falling due between 2-5 years |                             |                             |                               |                               |
| Bank loans                            | 8,658,248                   | 3,776,137                   | 2,358,248                     | -                             |
|                                       | <u>8,658,248</u>            | <u>3,776,137</u>            | <u>2,358,248</u>              | <u>-</u>                      |
| Amounts falling due after 5 years     |                             |                             |                               |                               |
| Bank loans                            | -                           | 403,132                     | -                             | -                             |
|                                       | <u>-</u>                    | <u>403,132</u>              | <u>-</u>                      | <u>-</u>                      |
| <b>Total</b>                          | <u><b>32,798,539</b></u>    | <u><b>10,978,520</b></u>    | <u><b>7,074,744</b></u>       | <u><b>-</b></u>               |

Bank loans of £13.4m comprise a revolving loan facility from a syndicate of HSBC UK bank plc and National Westminster bank plc of £6.3m and term loans of £7.5m less associated facility and legal fees of £0.4m.

The revolving loan facility attracts interest of  $\text{libor} + 4.25\%$  and is repayable in December 2022. The full facility available for bank across the group is £12.5m of which £6.3m was drawn down at 31 December 2019. The term loans are repayable over three years at 6 monthly intervals and attracts an interest rate of  $\text{libor} + 4.25\%$  and the facility was fully drawn at 31 December 2019.

Other loans comprise invoice financing from a syndicate of HSBC UK bank plc and National Westminster bank plc. The facility is limited to 90% of debts with varying upper limits across the group totalling £40m.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**25. Hire purchase and finance leases**

Minimum lease payments under hire purchase agreements fall due as follows:

|                   | <b>Group<br/>2019</b> | <b>Group<br/>2018</b> | <b>Company<br/>2019</b> | <b>Company<br/>2018</b> |
|-------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                   | <b>£</b>              | <b>£</b>              | <b>£</b>                | <b>£</b>                |
| Within one year   | 706,091               | 651,300               | -                       | -                       |
| Between 1-2 years | 564,811               | 629,021               | -                       | -                       |
| Between 2-5 years | 727,168               | 673,738               | -                       | -                       |
|                   | <u>1,998,070</u>      | <u>1,954,059</u>      | <u>-</u>                | <u>-</u>                |

**26. Provisions for liabilities**

|                        | <b>Group<br/>2019</b> | <b>Group<br/>2018</b> | <b>Company<br/>2019</b> | <b>Company<br/>2018</b> |
|------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                        | <b>£</b>              | <b>£</b>              | <b>£</b>                | <b>£</b>                |
| Deferred tax (note 27) | 1,267,012             | 750,829               | -                       | -                       |
| Onerous leases         | 133,084               | -                     | -                       | -                       |
|                        | <u>1,400,096</u>      | <u>750,829</u>        | <u>-</u>                | <u>-</u>                |

The lease payments for a loss-making branch have been provided in full as the lease is likely to prove to be onerous. The lease ends in July 2021.

**27. Deferred taxation**

|                                         | <b>Group<br/>2019</b> | <b>Group<br/>2018</b> | <b>Company<br/>2019</b> | <b>Company<br/>2018</b> |
|-----------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                                         | <b>£</b>              | <b>£</b>              | <b>£</b>                | <b>£</b>                |
| At beginning of the period / year       | (750,829)             | (1,406,571)           | -                       | -                       |
| Credited / (charged to) profit and loss | (404,503)             | 655,742               | -                       | -                       |
| Assumed on acquisition                  | (111,680)             | -                     | -                       | -                       |
| At end of the period / year             | <u>(1,267,012)</u>    | <u>(750,829)</u>      | <u>-</u>                | <u>-</u>                |

The provision for deferred taxation is made up as follows:

|                                | <b>2019</b>        | <b>2018</b>      | <b>2019</b> | <b>2018</b> |
|--------------------------------|--------------------|------------------|-------------|-------------|
|                                | <b>£</b>           | <b>£</b>         | <b>£</b>    | <b>£</b>    |
| Accelerated capital allowances | (1,441,214)        | (750,829)        | -           | -           |
| Losses                         | 174,202            | -                | -           | -           |
|                                | <u>(1,267,012)</u> | <u>(750,829)</u> | <u>-</u>    | <u>-</u>    |

All deferred tax liabilities are expected to be recoverable within 12 months.

# Lords Group Trading Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

### 28. Called up share capital

|                                                                           | 2019<br>£         | 2018<br>£         |
|---------------------------------------------------------------------------|-------------------|-------------------|
| <b>Allotted, called up and fully paid</b>                                 |                   |                   |
| none (2018:10,000,000) Ordinary class A to F shares of £1 each            | -                 | 10,000,000        |
| 9,997,825 (2018:none) Ordinary class H shares of £1 each                  | 9,997,825         | -                 |
| 1,087,500 (2018: none) Ordinary class G shares of £0.01 each              | 10,875            | -                 |
| 9,900,000 (2018: none) Ordinary Class A1 to F1 shares of £1.00821212 each | 9,981,300         | -                 |
|                                                                           | <u>19,990,000</u> | <u>10,000,000</u> |

All share classes rank parri passu except for voting rights, dividend, capital and transfer.

A1 to F1 have one vote per holder and on a poll one vote per class of share held. H Ordinary shares have such number of votes as is equal to 20% of votes cast. G Ordinary shares carry no voting rights.

Share movements in the year were as follows:

|                                         | Class A to F | Class G          | Class A1 to F1   | Class H          |
|-----------------------------------------|--------------|------------------|------------------|------------------|
| 22/10/2018 Issued on incorporation      | 1            | -                | -                | -                |
| 01/01/2019 Increase in share capital    | 9,999,999    | -                | -                | -                |
| 01/01/2019 Capital reduction            | (10,000)     | -                | -                | -                |
| 27/06/2019 Share capital reorganisation | (9,990,000)  | 870,000          | 9,900,000        | -                |
| 06/12/2019 Increase in share capital    | -            | 217,500          | -                | 9,997,825        |
|                                         | <u>-</u>     | <u>1,087,500</u> | <u>9,900,000</u> | <u>9,997,825</u> |

### 29. Reserves

#### 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 Fastlane Investments Limited.

#### Capital redemption reserve

Capital redemption reserve relates to amounts transferred following the redemption or purchase of the company's own shares, and which the Company cannot pay to shareholders as dividends.

#### Retained earnings

Retained earnings relate to cumulative net gains and losses less distributions made.

### 30. Pension commitments

The Group contributes to a defined contribution pension scheme for its employees. Contributions are paid into a separately administered fund. At the period end, £45,717 is due and payable to the pension scheme (2018: £17,775).

# Lords Group Trading Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

### 31. Commitments under operating leases

At 31 December the Group and the Company had future minimum lease payments under non- cancellable operating leases as follows:

|                                              | Group<br>2019<br>£ | Group<br>2018<br>£ | Company<br>2019<br>£ | Company<br>2018<br>£ |
|----------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Not later than 1 year                        | 2,314,183          | 1,557,306          | -                    | -                    |
| Later than 1 year and not later than 5 years | 6,764,699          | 4,860,337          | -                    | -                    |
| Later than 5 years                           | 11,348,164         | 10,150,480         | -                    | -                    |
|                                              | <u>20,427,046</u>  | <u>16,568,123</u>  | <u>-</u>             | <u>-</u>             |

### 32. Related party transactions

The company has taken advantage of the exemption in Section 33 Related Party Disclosures of FRS102 not to disclose transactions with members of the Group headed by Lords Group Trading Limited where they are companies that are wholly owned within the group.

The following transactions occurred between Carboclass Limited and Weldit LLP a 75% owned subsidiary:

Management fees payable of £18,000 (2018: £12,000) and sales of £35,878 (2018: £25,273).

At 31 December Weldit owed Carboclass Limited £17,493 (2018: £27,507).

The following transactions occurred between Carboclass Limited and Hevey Building Supplies Limited a 75% owned subsidiary:

Management fees receivable of £165,000 (2018: £150,000) and interest payable of £133,487 (2018: £64,671).

At 31 December Carboclass owed Hevey £2,137,223 (2018: £2,495,048).

The following transactions occurred between APP Wholesale Limited and Weldit LLP a 75% owned subsidiary:

Interest payable of £1,907 (2018: £ Nil).

At 31 December Weldit owed APP Wholesale Limited £830,535.

Gempoint 2000 limited, a company which directors R Patel, N Patel and S Patel are also directors of, owns properties leased by operating branches of the Group. In total the Group paid Gempoint £771,500 in lease payments (2018- £731,500).

At 31 December Mr A Pierce, a group director owed a total of £33,774 to APP Wholesale Limited, a subsidiary of the Group (2018- £Nil).

During the period property rent of £10,000 (2018: £Nil), which was considered to be market value, was paid to Mr A Pierce by APP Wholesale Limited.

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**33. Business Combinations**

**(a) APP Wholesale Ltd**

On 5 December 2019 the Group acquired the business of APP Wholesale Limited for £35.2m of which £3.5m was deferred for three years. APP's principal activity is the distribution of plumbing and heating goods and equipment to merchants and installers. The amounts of revenue and profit after tax excluding management fees of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period is £10,558,737 and £247,564, respectively. Recognised amounts of identifiable asset and liabilities assumed were:

|                                                           | <b>Book Value</b>   | <b>Fair Value<br/>Adjustment</b> | <b>Fair Value</b>   |
|-----------------------------------------------------------|---------------------|----------------------------------|---------------------|
|                                                           | £                   | £                                | £                   |
| Tangible assets                                           | 838,869             | -                                | 838,869             |
| Intangible assets - goodwill                              | -                   | 8,656,763                        | 8,656,763           |
|                                                           | <b>838,869</b>      | <b>8,656,763</b>                 | <b>9,495,632</b>    |
| Stock                                                     | 32,568,893          | -                                | 32,568,893          |
| Debtors                                                   | 31,445,894          | -                                | 31,445,894          |
| Cash at bank and in hand                                  | 4,258,356           | -                                | 4,258,356           |
| <b>Total assets</b>                                       | <b>69,112,012</b>   | <b>8,656,763</b>                 | <b>77,768,775</b>   |
| Creditors due within one year                             | (41,045,260)        | -                                | (41,045,260)        |
| Creditors due after one year                              | (1,418,382)         | -                                | (1,418,382)         |
| Deferred tax differences between fair value and tax bases | (77,821)            | -                                | (77,821)            |
| <b>Total liabilities</b>                                  | <b>(42,541,463)</b> | <b>-</b>                         | <b>(42,541,463)</b> |
| <b>Total identifiable net assets</b>                      | <b>26,570,549</b>   | <b>8,656,763</b>                 | <b>35,227,312</b>   |
| <b>Total Purchase consideration</b>                       |                     |                                  | <b>35,227,312</b>   |
| Cash                                                      |                     |                                  | 20,650,000          |
| Shares                                                    |                     |                                  | 10,000,000          |
| Acquisition costs settled in cash                         |                     |                                  | 1,077,312           |
| Deferred Consideration                                    |                     |                                  | 3,500,000           |
| <b>Total purchase consideration</b>                       |                     |                                  | <b>35,227,312</b>   |
| <b>Cash outflow on acquisition</b>                        |                     |                                  |                     |
| Purchase consideration settled in cash as above           |                     |                                  | 21,727,312          |
| Less cash and cash equivalent acquired                    |                     |                                  | (4,258,356)         |
|                                                           |                     |                                  | <b>17,468,956</b>   |

**Lords Group Trading Limited**

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**(b) Huntingdon Timber Limited**

On 1 July 2019, the Company acquired the business of Huntingdon Timber Limited for £3.1m and incurred an additional £0.1m of acquisition costs. £0.2m of the purchase consideration was deferred for 6 months. The amounts of revenue and profit after tax of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period is £1,662,788 and £186,420, respectively. Huntingdon Timber Limited is a single branch business based in Huntingdon specialising in Timber and Roofing products. The assets and liabilities of the business were subsequently hived into Hevey. Recognised amounts of identifiable asset and liabilities assumed were:

|                                                           | <b>Book Value</b><br>£ | <b>Fair Value<br/>Adjustment</b><br>£ | <b>Fair Value</b><br>£ |
|-----------------------------------------------------------|------------------------|---------------------------------------|------------------------|
| Tangible assets                                           | 124,109                | -                                     | 124,109                |
| Intangible assets- goodwill                               | -                      | 2,248,730                             | 2,248,730              |
|                                                           | <b>124,109</b>         | <b>2,248,730</b>                      | <b>2,372,839</b>       |
| Stock                                                     | 433,000                | -                                     | 433,000                |
| Debtors                                                   | 671,438                | -                                     | 671,438                |
| Cash at bank and in hand                                  | 1,017,698              | -                                     | 1,017,698              |
| <b>Total assets</b>                                       | <b>2,246,245</b>       | <b>2,248,730</b>                      | <b>4,494,975</b>       |
| Due within one year                                       | (934,411)              | -                                     | (934,411)              |
| Deferred tax differences between fair value and tax bases | (33,859)               | -                                     | (33,859)               |
| <b>Total liabilities</b>                                  | <b>(968,270)</b>       | <b>-</b>                              | <b>(968,270)</b>       |
| Total identifiable net assets                             | <b>1,277,975</b>       | <b>2,248,730</b>                      | <b>3,526,705</b>       |
| Less non controlling interests share of assets            | <b>(319,494)</b>       | <b>-</b>                              | <b>(319,494)</b>       |
|                                                           | <b>958,481</b>         | <b>2,248,730</b>                      | <b>3,207,211</b>       |
| <b>Total Purchase consideration</b>                       |                        |                                       | <b>3,207,211</b>       |
| Cash                                                      |                        |                                       | 2,900,000              |
| Acquisition costs                                         |                        |                                       | 107,211                |
| Deferred Consideration                                    |                        |                                       | 200,000                |
| <b>Total purchase consideration</b>                       |                        |                                       | <b>3,207,211</b>       |
| <b>Cash outflow on acquisition</b>                        |                        |                                       |                        |
| Purchase consideration settled in cash as above           |                        |                                       | 3,007,211              |
| Less cash and cash equivalent acquired                    |                        |                                       | (1,017,698)            |
|                                                           |                        |                                       | <b>1,989,513</b>       |

**Notes to the Financial Statements  
For the Period Ended 31 December 2019**

**34. Capital commitments**

The Group and Company had no capital commitments at period end (2018- £Nil).

**35. Post balance sheet events**

**COVID-19**

On 11 March 2020, the World Health Organisation declared the global coronavirus outbreak (official name COVID-19) a pandemic. The Directors understand this has created additional risks for all businesses. The coronavirus pandemic has impacted the Group's ability to operate as it follows government advice and requirements in the areas in which it operates. This therefore increases uncertainty with regards to future revenue levels and cash flows. In addition, illness may impact our operators' ability to run the business.

The strong governance model operated by the Group has allowed the business to react positively to the risk and challenges faced by Covid-19. The Group has updated and implemented revised Standard Operating Procedures (SOPs) which have allowed all colleagues, customers and suppliers to continue to trade safely throughout the pandemic.

The Group has leveraged the Government and HMRC support available in relation to the CLBILS loan scheme, furlough, business rates relief and deferment of tax liabilities due.

Lenders have been fully engaged, with additional facilities secured on 26th June 2020 including the removal of covenants until December 2020, at which point the hurdle rates have been significantly relaxed to ensure appropriate headroom.

Lockdown in April and May had a detrimental impact on supply and demand in our markets but the Group has since been able to recover trade to 100% of prior year activity in June 2020.

The Board continue to ensure strong management of the crisis, prioritising our stakeholder safety at all times.

Covid-19 is a non-adjusting post balance sheet event and therefore no adjustments have been made to these financial statements.

***Coronavirus Large Business Interruption Loan***

In response to Covid-19 the Group has successfully secured a £15m Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility on a bilateral basis with existing lenders on 26 June 2020.

These comprise three CLBILS term loans through National Westminster bank plc with differing repayment and cost of capital profiles:

£1,250,000 CLBILS loan A which is fully repayable in Jan'22, the loan attracts interest of  $\text{libor} + 2.51\%$  for the first 12 months and 3.01% thereafter.

£1,250,000 CLBILS loan B which is fully repayable in Jun'22, the loan attracts interest of  $\text{libor} + 2.51\%$  for the first 12 months and 3.01% thereafter.

£5,000,000 CLBILS loan C which is fully repayable in Jan'22, repayment in Jul'22 (£1,250,000) is subject to a minimum cash headroom covenant. The loan attracts interest of  $\text{libor} + 2.56\%$  for the first 12 months and 3.06% thereafter.

One CLBILS term loan through HSBC UK bank plc with amortisation in Jan'22 (£1,250,000), Jun'22 (£1,250,000) and Jul'22 (£1,250,000) subject to a minimum cash headroom covenant. The loan attracts an interest rate of  $\text{libor} + 2.10\%$ . No arrangement fees were applied by the lender.

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

**Notes to the Financial Statements  
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**36. Controlling Party**

The shareholders of the group are S Patel, R Patel, N Patel and A Pierce. There is no controlling party as none of the shareholders have control of the Group.