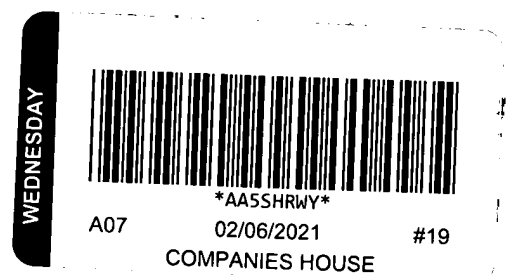


Registered number:
11633708

Lords Group Trading Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2020



Lords Group Trading Limited

Company Information

Directors

G O'Brien
S Patel
C Day
A Harrison
T Holton
D Moore
A Pierce

Company secretary

R Patel

Registered number

11633708

Registered office

Unit 1
Radford Industrial Estate
Goodhall Street
London
NW10 6UA

Independent auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
WD17 1JJ

Lords Group Trading Limited

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Lords Group Trading Limited

Strategic Report For the Year Ended 31 December 2020

The Directors present their strategic report for the year ended 31st December 2020. The comparative period is for the Company is 14-months from 22 October 2018 to 31 December 2019.

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 Company's principal activity is to act as the holding company of the Group. The Group is a consolidation of entities with 5 key trading divisions:

- Carboclass Limited trades through three brands (Lords Builders Merchants, George Lines and Lords Plumbing & Heating) 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 and the Home Counties.
- Weldit LLP operates from a single location in Luton.

Business review and future developments

An exceptional year that no one anticipated driven by the emergence of Covid-19, defined by the World Health Organisation as a pandemic on 11 March 2020. During the second quarter of 2020, the pandemic forced the temporary closure of most branches in the Group and triggered a sharp V shaped decline in turnover during the balance of April and May 2020. Whilst the pandemic had a significant impact in this period, the Group was very encouraged by the strength of the recovery in revenue from June onwards driven by strength in the Repairs Maintenance Improvement (RMI) sector where the Group is strategically focussed. Further detail on the Directors' response to the pandemic is outlined later in the strategic report.

The Group's primary financial measures are turnover and adjusted EBITDA (defined below). Turnover for the year amounted to £287,692,801 (2019- £97,840,955) while adjusted EBITDA, for the period amounted to £11,556,355 (2019 - £2,409,280) reflecting the full year impact of 2019 acquisitions and strategic initiatives deployed in 2020 across the Group. The profit for the year, after taxation, amounted to £3,106,587 (2019 – loss of £2,010,346).

The Group further strengthened its balance sheet and cash reserves in 2020, reflected through the enhanced current ratio (as defined below) of 1.25 (2019 – 1.07). The quick ratio (as defined below) was 0.79 (2019- 0.58). The Group had net assets of £19,015,406 as at the end of the year (2019 after restatement: net assets of £15,838,819), while the Company had net assets of £19,992,855 as at the end of the year (2019 after restatement: net assets of £19,991,143).

In June 2020, Lords Group Trading Limited and its subsidiaries secured a £15,000,000 Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility on a bilateral basis with existing lenders. The CLBILS loan provided the Group with protection against the likelihood of adverse movements in liquidity headroom through the second quarter of 2020 at the height of Covid-19 disruption. The loans were fully drawn but not utilised, and is included in the £16,000,000 cash reserve on the Group balance sheet as at 31 December 2020. The loans are interest bearing and scheduled for phased repayment through 2021 and 2022.

2020 was the first full trading year following the acquisition of APP Wholesale Limited by the Group. The integration of APP was carefully considered to ensure that all colleagues transitioned successfully into the enlarged Group. The Directors are delighted with the engagement and integration that has been achieved in 2020 despite the challenges presented by Covid-19. The integration in 2020 focussed on systems, governance, people development, extended product ranges and maintaining high service levels Looking forward into 2021 and beyond there is significant opportunity for APP and the merchanting divisions to collaborate more extensively

**Strategic Report
For the Year Ended 31 December 2020**

following the integration achievements of 2020.

The Group is committed to tackling climate change within our business and reducing our carbon footprint. We aim to do this by making positive efforts to reduce our own emissions and by helping others reduce the impact of our carbon footprint. In 2020, via the World Land Trust the Group made a contribution which protects 150 acres of habitat for perpetuity. This contribution offset 57% of the Group's carbon footprint in 2020. The Group Streamlined Energy and Carbon Reporting (SECR) is outlined in more detail later in the report.

Despite the challenges related to the pandemic, the Group has continued to develop strategic initiatives which will strengthen its long-term prospects and place it in a good position for continued growth in 2021 onwards, which are discussed further below.

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.

3 P's Development in 2020 - Premises and Plant

Investment in 2020 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.

Two of the Groups brands, Lords Builders Merchants and George Lines launched a delivery tracking system across the fleet in 2020. The solution provides delivery notifications and vehicle tracking, allowing customers to plan resource with real time visibility of deliveries. The solution also enables electronic proof of delivery, enhanced vehicle compliance capability and efficiency in transport planning. The Group is now focussed on extending this solution into its collected channel environment to enhance the collect in branch experience.

Lords Plumbing & Heating was launched in 2020, leveraging the Group's supply chain capabilities and enhancing the product range offering to customers. The first implant was opened within Lords Builders Merchants Watford as a proof of concept with further openings earmarked for 2021.

The Group is delighted with the progress of the George Lines Aylesbury branch which has exceeded expectations in its first complete year of trading (opened in July 2019) and gone on to deliver consistent like for like growth in the balance of 2020.

Lords Builders Merchants has made good progress in developing its online and instore propositions, recognising the benefit of allowing customers to transition across channels through their research, product selection and purchase journey. The transactional website continues to gain momentum with increasing sales activity.

Hevey Building Supplies launched its first transactional website offering customers another method of interacting with the Hevey brand. The website was softly launched in Q3 2020 and will build momentum throughout 2021 and beyond. The Company is committed to a long-term digital plan recognising the customer demand of being able to engage with Hevey across multiple channels.

A third online platform investment was concluded in 2020, with the core transactional websites within APP Wholesale Limited being upgraded to the latest version of Magento during 2020. Furthermore, an internally developed Point of Sale (PoS) system has been prepared for deployment into all trade counters during the first half of 2021. Together, these enhancements extend the Group's ability to communicate with customers across multiple channels.

The Group was delighted to launch its BoilerBox scheme in 2020 via Mr Central Heating, focussed on providing a compliant recycling solution for the 1.5m boilers replaced in the UK annually every year. The solution provides the homeowner, installer and manufacturers with a structured solution to an industry wide challenge.

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Strategic Report For the Year Ended 31 December 2020

The BoilerBox is a unique concept that allows a convenient and safe way to remove replaced boilers from each property via an organised collection for processing at a central in-house recycling centre.

The Group is focussed on ensuring its premises and plant can continue to scale up and is committed to ensuring its premises are modern and fit for purpose. This commitment is visible through two post balance sheet events that were extensively planned in 2020, with site relocations of both APP Bristol and Mr Central Heating Croydon completed in 2021.

The Group extended its strategic partnership with HSS Hire Limited (HSS), by opening implants within the Hevey Moulton Park and Kettering sites. The initiative provides HSS with an onsite facility for customer fulfilment and the Group with enhanced footfall and a new hire proposition.

Our focus continues to be the pursuit of a unique customer journey that the customer values and thereby rewards us with their long-term loyalty. Looking ahead, 2021 is the final year of a 5-year investment programme with a transformational redevelopment of the Beaconsfield branch planned. The project was originally scheduled to commence in 2020 but was delayed until 2021, allowing the site to focus on trading through Covid-19.

3 P's Development in 2020 – People

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

In March 2020, Jamie Herd was appointed as Managing Director of Carboclass Limited with responsibility for the Lords Builders Merchants, George Lines and Lords Plumbing & Heating brands. Jamie joined the Group in 2001 and has covered virtually every department and position in the business from counter sales, warehouse manager, sales manager, branch manager and lately Regional Director. Jamie's progression and promotion are further tangible evidence of the Group's commitment to helping its colleagues grow and excel.

In May 2020, Michael Brockman was promoted from Finance Director to Managing Director of APP Wholesale Limited. The transition recognises the broader role held by Michael over a sustained period and his strong engagement with colleagues across APP. Michael will continue to work alongside his fellow Directors to deliver the Company's strategic ambitions.

Towards the end of 2020 Paul Markham was appointed as Managing Director of Weldit, Paul been employed by Weldit since 2003, benefitting from a strong understanding of the market and the LLPs core manufacturing techniques. The Group is always seeking to grow and develop talent and Paul is a good example of this approach.

As a result of the appointments of Jamie, Michael and Paul, all five of the divisional Managing Directors in the Group are internally developed or promoted through the Group with a deep understanding of their teams, customers, culture and growth levers.

In June 2020, the Group appointed two Non-Executive Directors to the Group Board. Gary O'Brien was appointed as Non-Executive Chairman alongside Dawn Moore as Non-Executive Director. Alongside these appointments, the Group has created an Audit Committee and Remuneration Committee chaired by Gary and Dawn respectively. Both committees will meet twice per financial year, with the inaugural sessions held in November (Remuneration) and December (Audit). The Committees were created to improve the efficiency of the Board and improve governance. Andrew Harrison was appointed to the Board post year end on 1 March 2021.

The Group has made significant improvements to our safe working practices during 2020 through the continued roll out of an inhouse programme 'Safety – Take The Lead' which is designed to ensure that our colleagues and customers return home safely. As part of the safety initiative, our driver handbook, vehicle inspections, safe loading procedures, traffic management plans and safety routines have been significantly enhanced.

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As our growth continues, we have built on the 2019 initiatives which focussed on employee wellbeing and communication. In 2020, the Group developed its colleague engagement processes with a commitment to ensuring colleague engagement is measured and reviewed quarterly by the Directors. The Group has also introduced its 'giving thanks' programme designed to ensure that success across the Group is shared, rewarded and celebrated. Our most popular event in 2020, was the 'Elf on a Shelf' Christmas competition which provided light relief to colleagues at the end of a demanding year.

The Group has established policies for recruitment, training and development of personnel and is committed to achieving excellence in the areas of health, safety, welfare and protection of employees and their working environment.

The Group is proud of its diverse workforce and as an equal opportunity 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 candidates. This commitment extends throughout employment, as well as making any reasonable adjustments to enable the completion of any work. This commitment also applies should any employee have a disability whilst they are part of the Group.

During the year, the Group altered its approach to customers and community engagement. We learned rapidly the importance of having a 'voice' in our local communities and how our customers and colleagues benefit from meaningful community initiatives. Lords at Home Ltd supported local charitable initiatives in our communities throughout 2020. In total, the Group donated £83,774 to charitable causes in 2020.

In light of the significant trading disruption experienced as a result of Covid-19, the Group completed an unavoidable restructure which unfortunately led to the eventual redundancy of colleagues. The decision-making process is further outlined in the Section 172 statement within this report.

I would like to take this opportunity, on behalf of the Board, to reiterate our thanks to all colleagues for their commitment, energy, enthusiasm and hard work during the course of an extraordinary 2020. Throughout, the Directors have been very proud of how each team has worked tirelessly, and how individuals have stepped up to the challenge of serving our customers in a Covid-19 secure working environment. The Directors look forward to a successful 2021 and beyond, working in conjunction with our fantastic colleagues.

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
Current ratio	Ratio of current assets to current liabilities
Quick ratio	Ratio of current assets less stock to current liabilities

**Strategic Report
For the Year Ended 31 December 2020**

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. Throughout the crisis, the government has allowed the construction sector and the wider supply chain including merchants, suppliers and product manufacturers to continue to operate.

Despite the sector being allowed to remain open, the initial lockdown in April and May had a detrimental impact on supply and demand in our markets. The Group, as a whole, has since been able to exceed prior year sales since June 2020. The Board continue to ensure strong management of the crisis, always prioritising the safety of our stakeholders.

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.

Mitigations implemented

In responding to the impact of the pandemic, we took quick and decisive action to manage our cash position and reduce our costs. A series of mitigations were taken including:

- At the height of the pandemic, we furloughed 286 colleagues, who were temporarily not working due to Covid-19. All furloughed colleagues were paid at 80% of their salary, with the Group making up any difference beyond the Government subsidy limits for the first month. We received £1,221,184 in relation to claims under the Job Retention Scheme.
- We worked collaboratively with suppliers during the initial phase of the crisis, accepting extended payment terms from some of our larger suppliers but from July 2020 all suppliers were paid to terms.
- The Group briefly utilised the UK PAYE and UK VAT deferment scheme but at the balance sheet date, liabilities were up to date.
- The Group successfully secured a £15,000,000 Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility on a bilateral basis with existing lenders on 26 June 2020. The funds provided immediate liquidity and subsequent protection from further unforeseen Covid-19 impacts, reflected by the ultimate Group headed by Lords Group Trading Limited having a cash balance of £16,341,742 on 31 December 2020 (2019- £3,361,118).
- The Group also benefited from the rates holiday totalling £960,000, with local authorities assessing that merchants were eligible on the basis of being open to members of the public, selling hardware and operating showrooms. A further benefit will be realised in FY21 of £350,000. In addition the Group also received Small Business Retail Grants of £260,000.

Whilst the building supplies sector fundamentals are strong, the Directors recognise the Group is still exposed to changing circumstances e.g., new lockdowns and that financial resilience is fundamental. On this basis, the Group continues to leverage proportional government support.

Section 172(1) 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 year.

The Board of Lords Group Trading Limited 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, directors undertook refresher training during 2020, which covered the directors' general duties as set out in Sections 171-177 of the

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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 Limited, Hevey Building Supplies Limited, APP Wholesale Limited, 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 three of the Directors being part of the Group for in excess of 20 years each. The Group at appropriate decision points seeks guidance from independent advisors to strengthen, challenge and validate decision making. In 2020, the Group formally appointed two Non-Executive Directors to the Board (increased to three subsequent to year end) alongside creating remuneration and audit committees which add further rigour to Executive decision making and Board effectiveness. The Group CFO has worked for the Group for 4 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 CFO of Lords Group Trading Limited are Directors of all key trading Divisions. This is to ensure that governance is closely aligned within the Group and minority partners are fully engaged.

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 2021, Lords Group Trading Limited has appointed a third Non-Executive Director to the Board.

As part of the Group's commitment to strong corporate governance, third party advisors have been engaged to ensure awareness and understanding of relevant legislation including Corporate Criminal Offence (CCO) legislation and Senior Accounting Officer (SAO).

Specifically, for CCO, the Group engaged KPMG who supported the Group CFO to roll out procedures that are proportionate to the risks faced by the Group. The CCO engagement has given the Group a platform which will be maintained internally going forwards based on HMRC best practice including annual risk assessment, proportionality of risk-based prevention procedures, Board commitment, due diligence, communication and monitoring.

The Group entered the SAO regime for the first time in 2020 with the Group CFO appointed as the Senior Accounting Officer. Supported by KPMG, the Group completed an SAO compliance risk assessment which reviewed controls, consistency and provided training for colleagues. The Group has subsequently enhanced its internal controls and is due to submit its first SAO report for the 2020 financial year which will confirm the Group operated appropriate tax accounting arrangements.

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Strategic Report For the Year Ended 31 December 2020

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 colleagues, its customers, suppliers, lenders, the 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, 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.

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

Stakeholder Group	How we engage	Why we engage	What matters to the Stakeholders
Customers	• Customer KPIs reported in Management and Board Packs • CEO and Divisional MDs retain direct dialogue with a high number of customers • Regular business development meetings are held with customers • Management and Directors visit stores regularly	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. Through regular dialogue we can ensure customer needs are being met or exceeded.	• Product range, price and quality • Convenience and accessibility • Customer service • Fair marketing • Customer safety • Responsible use of personal data • Environment • Ethics and sustainability
Colleagues	• Colleague KPIs in management and Board packs • Commitment to training and development for all colleagues • Driver training academy offering all colleagues a route to HGV qualifications • Lunch with the Group CEO for new colleagues • Regular 'Lords Life' Group newsletters • Regular Group CEO updates • Colleague and family health and wellbeing initiatives • Fun and well being initiatives for colleagues • Annual family fun day for colleagues and loved ones • Executive Board and Directors visit stores and other sites regularly	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.	• Fair employment • Fair pay and benefits • Gender pay • Diversity and inclusion • Training, development and career opportunities • Health and safety • Responsible use of personal data • Environment • Ethics and sustainability • All colleagues are rewarded for the Group's success

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Stakeholder Group	How we engage	Why we engage	What matters to the Stakeholders
Suppliers	• Group CEO is a Board member of the Builders Merchant Federation (BMF) and H&B Buying Group • Regular strategy sessions held with key suppliers to develop sustainable long-term relationships • Annual Board presentation on ethical trading/modern slavery • Supplier payment terms reported to the Board	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. Suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.	• Anti-bribery • Ethics and slavery • Environment and sustainable sourcing • Operational improvement
Environment	• Group CEO has been leading an initiative on electric fleet conversion • Recycling initiatives across the Group including waste and returning damaged product to resaleable condition • Carbon offset leading to carbon reduction initiatives	We are committed to minimising the impact of our business operations on the environment. It is also important to our colleagues, customers and shareholders.	• Energy usage • Recycling • Waste management • Minimising waste, packaging materials and single-use plastics • Sustainable sourcing (timber) • Emissions from Company vehicles • Carbon offset and reduction
Communities	• Charitable activity is reported in colleague communications • The Group has made a conscious decision to invest marketing funds into local community schemes including local or regional sports teams	We aspire to be responsible members of our community as it reflects our principle to do the right thing. It is also important to our colleagues, customers and shareholders.	• Charitable donations • Employment opportunities • Environmental impact • Fair tax

**Strategic Report
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Principal Decisions

As noted above, management meetings are held monthly and Group Board meetings are held quarterly. 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. This review 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:

- Safe operating procedures through Covid-19
- Organisation restructure
- Supplier payment practices through Covid-19

The following principal decisions were made during the reporting year:

Safe operating procedures through Covid-19

The Group ensured that colleague safety and wellbeing was at the forefront of all our decisions taken in relation to the Covid-19 crisis, including our decisions to close and subsequently re-open all our operations. Stringent measures were put in place to ensure colleague personal safety including protective equipment, social distancing, regular briefing of government guidance and remote working for vulnerable colleagues. This review was completed through a formal risk assessment and ratified by our external safety advisors.

Organisation restructure

Due to the trading challenges presented by Covid-19, the Group completed a restructuring programme in 2020. We deeply care about our people and were mindful of the impact this would have on colleagues across the business, particularly those directly impacted. A thorough and thoughtful communication plan was implemented including a rigorous consultation period with affected colleagues. We tried to minimise the impact of the restructure and were able to re-deploy a number of colleagues into alternative roles.

Supplier payment practices through Covid-19

Our suppliers rightly wanted to understand the impact of Covid-19 on their contractual relationships, most specifically adherence to payment terms. The business maintained frequent dialogue with core suppliers and related credit insurers. Our dialogue was pro-active and open with suppliers that provided payment term extensions, leaving the business in a strong trading position throughout the economic recovery. All suppliers who granted extensions were brought back to standard payment terms by the end of June 2020 and in many cases ahead of the extended terms period put in place. Through regular and open dialogue with credit insurers, the Group retained all credit limits throughout the crisis. We thank all our suppliers for the support we have received this year.

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

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Strategic Report For the Year Ended 31 December 2020

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.

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		
Inherent Risk: High Trend: Static Impact: Adverse effect on financial performance	Risk Description 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.	Risk Mitigation Comprehensive tracking of lead indicators that influence market demand for building materials in the UK. Continued diversification of the Group's activities through channels, product categories, business sectors (manufacturing, civils, heavyside, lightside and retail) and geographical reach. Ensuring a balanced approach to revenue growth, margin protection, cost control and capital allocation.

Customer Credit		
Inherent Risk: High Trend: Increasing Impact: Adverse effect on financial performance	Risk Description A key element of our proposition is to offer credit to customers, creating the potential of bad debts. Increased stress on businesses from the Covid pandemic has increased the potential risk of default.	Risk Mitigation 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. 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.

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Finance and Treasury		
Inherent Risk: Medium Trend: Reduced Impact: Adverse effect on financial performance. Adverse effect on delivery of strategy	Risk Description 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.	Risk Mitigation The Group secured a £15,000,000 Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility through a syndicate partnership between HSBC and National Westminster Bank, the facilities offer the Group significant headroom and flexibility. The Group has robustly tested its debt service capability through multiple scenarios working with a Top 4 audit firm to model and complete diligence on the assumptions. A Group Treasury Policy is in place to govern levels of debt and cash management. 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. The Group regularly updates its financial forecasts to ensure latest assumptions are acknowledged.

Brexit		
Inherent Risk: High Trend: Peaking Impact: Adverse effect on financial performance	Risk Description Uncertainty during the transition period remains likely to continue to impact key metrics measured by the Company. 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.	Risk Mitigation A small percentage of products are purchased directly from within the EU, where prudent the Company is committed to holding additional stock to uphold the service led proposition offered to customers. 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. Assessed number of colleagues who are EU nationals and assisting to obtain 'settled status'. Continuing to work with logistics partners and suppliers to minimise risk of supply chain disruption and ensure that processes are in place for new customs regimes.

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Unsafe practices result in harm to colleagues, customers, suppliers or the public		
Inherent Risk: Medium Trend: Static Impact: Adverse effect on financial performance and reputation	Risk Description Keeping the Group's colleagues, customers, suppliers and the public safe is the first priority in all activity. The Group operates 29 sites, many with complex and busy yards. It also operates a fleet of 180 vehicles, distributing heavy and bulky materials. Poorly implemented safety practices on site, on the road or at delivery locations could result in significant harm being caused to people.	Risk Mitigation Health and safety forms part of the agenda at all Board meetings and statistics covering accident frequency rates, lost time and management of risks. The Group's divisional leadership teams invest significant resources in health and safety management and actively work to minimise health and safety risks. Accidents are monitored and corrective action taken as appropriate to reduce or eliminate the risk of recurrence. The Group continues to challenge its thinking and approach to improving its safety performance through its 'Take The Lead' brand.

Purchase price and foreign exchange risk		
Inherent Risk: Medium Trend: Increasing Impact: Adverse effect on financial performance	Risk Description Increases in the prices of goods and foreign exchange fluctuations will adversely affect profit margins. During December 2020, purchase price inflation was being driven by inbound freight inflation. Whilst the Group has limited direct exposure, indirectly this factor is driving purchase price inflation.	Risk Mitigation The Group will seek to pass on any margin increases to customers as market rates allow. The Group seeks to protect margins by increased productivity. The Group robustly maintains its price books and regularly monitors purchase price inflation pass. The Group has dual supply arrangements, allowing effective avoidance of regional price inflation from specific territories.

Resilience		
Inherent Risk: High Trend: Increasing Impact: Adverse effect on financial performance	Risk Description Failure to withstand the impact of an event or combination of events that significantly disrupts all or a substantial part of the Company's sales or operations (e.g. pandemic).	Risk Mitigation The Group is well funded with strong support from stakeholders. The Group operates strong cashflow management and forecasting enabling cash receipts and payments to be balanced in accordance with trading levels. The Group has a strong and united Board and Management team in place with strong managers in key roles and committed colleagues. Strong values – emphasising 'long-term thinking' and 'acting like owners' – which Board and senior management are required to role model, are embedded in the business through recruitment and appraisal, and colleague communications.

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Strategic Report For the Year Ended 31 December 2020

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

On 29th January 2021, the Group entered into a new lease to relocate the Bristol facility of APP Wholesale Limited from Unit 20 Avonbridge Trading Estate to Unit 3 Avonbridge Trading Estate. The new facility is secured on a long-term leasehold and provides enhanced capacity for further market share growth in the South West of England. The site will relocate through the first quarter of 2021.

On 1st March 2021, the Group entered into a new lease to relocate the Croydon facility of APP Wholesale Limited from 2 Bensham Lane to Unit 6 Thornton Road Industrial Estate. The new facility is secured on a long-term leasehold and provides a transformational facility with vastly enhanced capacity. The site will relocate through the second quarter of 2021.

On 1st March 2021, the Group appointed Andrew Harrison to the Board as Non-Executive Director. Andrew enjoyed a 41-year executive career in the builders merchant industry, latterly 31 years at Travis Perkins PLC of which 10 years were at Sharpe & Fisher PLC, now owned by Travis Perkins PLC and 10 years at Graham Group.

On 1st March 2021, the Group entered into a lease for the opening of a new Lords Builders Merchant branch in Kenton, London. The new facility is secured on a long-term leasehold and extends the Company's coverage in West London.

On 3rd March 2021, the Group concluded 100% share capital purchase of Map Building & Civil Engineering Supplies Ltd for £5,325,000. Map is a £16,000,000 turnover, single site operation based in Ikleston, Derbyshire.

On 6th April 2021, the Group concluded the 75% share capital purchase of Condell Limited for £2,300,000. Condell is a £9,000,000 turnover, two site operation based in Sutton and Horsham.

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.

At Group level, the full year consolidation of APP Wholesale Limited has materially altered the comparability of metrics year on year. APP Wholesale Limited was acquired in December 2019.

- Turnover has increased by 194% compared to the previous year.
- Gross profit margin was 16.4% compared to 25.8% in the previous year
- Cost to serve was 13.2% compared to 21.2% in the previous year
- Adjusted EBITDA amounted to £11,556,371 compared to £2,409,280 in the previous year
- Current ratio is 1.25 compared to 1.07 in the previous year.
- Quick ratio is 0.79 compared to 0.58 in the previous year.

Going concern

The Group made a profit after tax in the year of £3,106,587 (period ended 31 December 2019: loss of £2,010,346) and was in both net current assets and net assets position, with net assets of £19,015,406 (2019: £15,838,819). The Company made a profit after tax in the year of £1,712 (period ended 31 December 2019: £201,146) and had net assets of £19,992,885 (2019: £19,991,143) but had net current liabilities of £39,286 (2019: net liabilities of £3,561,302).

**Strategic Report
For the Year Ended 31 December 2020**

In light of Covid-19, and there being covenants on the Group loans to be complied with, the Group and Company board of directors have completed a rigorous going concern assessment and taken the following actions to test or enhance the robustness of the Group and Company's liquidity levels for a period of at least a twelve-months from the date of approval of these financial statements. As part of their assessment, the Group's board has considered:

- The Group's and Company's cash flow forecasts and the revenue projections for all subsidiaries.
- Reasonably possible changes in trading performance, including severe yet plausible downside scenarios.
- An assessment of historical forecasting accuracy by comparing forecast cash flows to those actually achieved by the Group and Company.
- Benchmarking assumptions comparing the Group's assumptions to externally derived data in relation to key inputs such as projected growth and cost inflation.
- 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 board has taken the following actions:

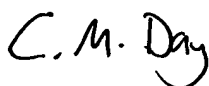
1. Revised its 5-year plan to reflect the consequence of Covid-19
2. Stress tested the 5-year plan with multiple downturn scenarios
3. Secured a CLBILS loan of £15,000,000 in 2020 to support working capital requirements during Covid-19 disruption.
4. Amended existing finance facilities with lenders in 2020 to ensure appropriate liquidity for the period required for the going concern assessment

In all reasonable cases the Group is projected to be compliant with its banking covenants and therefore the Directors are satisfied that the Group has adequate resources to continue operations for the foreseeable future.

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

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

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



C Day
Director

24 May 2021

**Directors' Report
For the Year Ended 31 December 2020**

The Directors present their report and audited financial statements for the year ended 31 December 2020.

The business review, future developments, principal and financial 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 year.

In preparing the financial 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

No dividends were paid during the year (2019: £200,003). The Directors do not recommend the payment of a final dividend (2019: £nil).

Statement of stakeholder engagement

The Board considers stakeholder engagement as an essential part of good business practices and corporate citizenship, and a way of ensuring the business meets the needs of our customers and colleagues. In particular, effective stakeholder engagement is central to the successful management of risks and impacts on stakeholders affected by changes to the business. See strategic report for further disclosures.

**Directors' Report
For the Year Ended 31 December 2020**

Directors

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

G O'Brien	(Appointed 1 July 2020)
S Patel	
C Day	
A Harrison	(Appointed 1 March 2021)
T Holton	(Appointed 1 July 2020)
D Moore	(Appointed 1 July 2020)
A Pierce	
N Patel	(Resigned 1 July 2020)
R Patel	(Resigned 1 July 2020)

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.

Streamlined Energy and Carbon Reporting (SECR)

We are committed to tackling climate change within our business and reducing our carbon footprint. We aim to do this by making positive efforts to reduce our own emissions and by helping others reduce the impact of our carbon footprint.

In 2020 we contributed £15,000 to the World Land Trust to replace trees and forests, enough to buy 150 acres of habitat and protect it for perpetuity. This initial contribution is equivalent to offsetting 59% of our carbon footprint in the year.

2020 was the year we established our baseline which was an unusual year with all businesses having to contend with the worldwide Coronavirus epidemic. One of the benefits of this was that it encouraged the increased usage of video conferencing technology for both staff and external meetings reducing the need for travel between sites.

APP Wholesale Limited was delighted to launch its BoilerBox scheme in 2020, focussed on providing a compliant recycling solution for the 1.5m boilers replaced in the UK annually every year. The solution is focussed on providing the homeowner, installer and manufacturer a structured solution to an industry wide recycling challenge. The BoilerBox itself is a sturdy storage box, which the heating engineer can place all components of a decommissioned boiler and other ancillary components removed after a boiler change. One of our dedicated fleet of vehicles then collects the BoilerBox and its contents and delivers it to our central depot, where our skilled team dismantle the boiler by hand. All the materials are then fully recycled, with no cross-contamination, to reputable processors within the UK.

In addition, all APP Wholesale Limited's cardboard and plastic shrink wrap packaging is now baled and recycled.

The Group's vehicle fleet contributes over 90% of Group Carbon footprint and we are looking at projects which increase the energy efficiency of our fleet. We have started using in-cab systems that feedback to drivers how to maximise efficiency, one of the key metrics being miles per gallon each driver achieves. In addition, it provides metrics on idling and wasted fuel that can be used to improve fuel efficiency.

We have a policy to convert the forklift truck fleet to electric vehicles as they come up for renewal and are replacing the car fleet with hybrid or fully electric cars as they come up for renewal.

To further reduce energy consumption we have replaced the majority of the lighting within our buildings with

**Directors' Report
For the Year Ended 31 December 2020**

LED and sensor lighting. We work to reduce the overall amount of waste produced at the buildings. Modernisation of mechanical and electrical equipment throughout our buildings helps us improve the functionality and energy efficiency of the plant and services. This includes the periodic planned installation of new boilers, modernisation of the chillers and lifts and the complete upgrade of systems. Furthermore, focusing on reducing our indirect carbon footprint, we aim to employ local tradesmen and buy unitised systems and materials manufactured and sourced locally or from within the wider UK whenever feasible.

Overall, we pride ourselves as a socially and environmentally conscious Company and we aim to continue effecting long-term practical changes within our portfolio, in order to improve energy-efficiency and reduction of our carbon footprint.

Reporting Methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have used the GHG Reporting Protocol – Corporate Standard to calculate emissions and have used the 2020 UK Government's Conversion Factors for Company Reporting.

These are identified in the Greenhouse Gas (GHG) Protocol. Scope 1 refers to direct emissions from building operations released into the atmosphere, such as emissions from plants and boilers serving our properties and emissions from company vehicles. Scope 2 refers to indirect emissions released into the atmosphere associated with consumption of purchased electricity. Scope 3 refers to other indirect emissions that cannot be classified as Scope 2 emissions. We have set this year as our baseline year and reported our total emissions using the financial control boundary. Our methodology aligns with the Department for Environment, Food and Rural Affairs' (Defra) Environmental Reporting Guidelines (2019) and uses the UK Government's greenhouse gas reporting conversion factors (2019) to quantify emissions.

Data estimates

Information is included for those subsidiary undertakings which meet the criteria for reporting under SECR, specifically APP Wholesale Limited and Carboclass Limited. The emissions of smaller divisions that do not meet the reporting threshold are not included.

We have used miles driven to establish our baseline energy consumption and Co2 emissions of vehicles. We have used our Kwh usage to establish energy consumption and electricity and gas.

Within Scope 1 Emissions from air conditioning and refrigeration units in office buildings have excluded due to cost of data collection. There are no process emissions within the businesses reporting.

Baseline

2020 is our first year of reporting and represents the base year for our carbon footprint to track our progress on carbon reduction.

Lords Group Trading Limited

Directors' Report For the Year Ended 31 December 2020

UK Greenhouse Gas emissions and energy use date for the period 1 January 2020 to 31 December 2020

Energy consumption use to calculate emissions (MWh)	16,553
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Scope 1 emissions in metric tonnes Co2e

Own transport	3,640
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Scope 2 emissions in metric tonnes Co2e

Electricity consumption	221
-------------------------	-----

Gas consumption	75
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Scope 3 emissions in metric tonnes Co2e

Business travel in employee owned vehicles	16
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Total gross emissions in metric tonnes	3,952
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Intensity ratio

Tonnes CO2 per employee	9.2
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Tonnes CO2 per million of turnover	15.3
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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. See strategic report for further disclosures.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

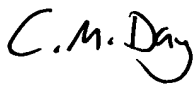
- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the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

**Directors' Report
For the Year Ended 31 December 2020**

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 24 May 2021 and signed on its behalf.



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 2020 and of the group's profit and the group's cash flows for the year 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: Consolidated Statement of Financial Position and Company Statement of Financial Position as at 31 December 2020; Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year 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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 year ended 31 December 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations, employment law, Consumer Rights Act, General Data Protection Regulation (GDPR) and taxation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the

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

risk of override of controls) and determined that the principal risks were related to the risk that Group management may record inappropriate journal entries, the risk of bias in accounting estimates and judgements and the misappropriation of inventories. Additionally, it has been identified that there were breaches of the regulations that apply to businesses that accept cash transactions over €10,000, see note 27 to the financial statements for more information. Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance together with inspection of policy documentation as to the group's and company's high-level policies and procedures to prevent and detect fraud and inspection of regulatory correspondence, to identify actual and potential breaches of laws and regulations including those related to the areas noted above. These enquiries were corroborated through review of Board minutes provided.
- Enquiring of those charged with governance and management as to whether they have knowledge of any actual, suspected or alleged fraud.
- Auditing the risk of management override of controls, including using Computer Assisted Audit Techniques ("CAATS") in identifying journal entries to test based on risk criteria (such as unusual entries to revenue) and comparing the identified entries to supporting documentation.
- Testing accounting estimates (because of the risk of management bias), including challenging assumptions and judgements made by management in their significant accounting estimates;
- Attending inventory counts to test the existence and condition of inventory; and
- Understanding management's investigation to assess the breaches of regulations within the subsidiary of the group where it was identified that cash transactions over €10,000 had been accepted, enquiring with the entity's legal advisers in respect of this matter and designing additional audit procedures to respond to the risks associated with accepting high value cash transactions. Reviewing the financial statements disclosures and agreeing these to supporting documentation, including considering the adequacy of the disclosure in note 27 regarding the potential implications of the breaches of regulations in respect of acceptance of cash transactions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Lords Group Trading Limited

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

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 obtained 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.

A handwritten signature in black ink, reading "Sarabjit Seera". The signature is written in a cursive, flowing style with a large loop at the end.

Sarabjit Seera (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
26 May 2021

Lords Group Trading Limited

**Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	4	287,692,801	97,840,955
Cost of sales		(240,381,606)	(72,617,582)
Gross profit		47,311,195	25,223,373
Distribution costs		(2,786,126)	(2,871,474)
Administrative expenses		(38,694,244)	(22,741,503)
Exceptional administrative expenses	8	(1,999,959)	(547,285)
Total administrative expenses		(40,694,203)	(23,288,788)
Other operating income	5	1,917,401	49,754
Operating profit / (loss)	6	5,748,267	(887,135)
Interest receivable and similar income	12	1,585	1,330
Interest payable and similar expenses	13	(1,364,808)	(696,155)
Profit / (loss) before taxation		4,385,044	(1,581,960)
Tax on profit / (loss)	15	(1,278,457)	(428,386)
Profit / (loss) for the financial year / period		3,106,587	(2,010,346)
Other comprehensive income		-	-
Total comprehensive income / (expense) for the year / period		3,106,587	(2,010,346)
Profit / (loss) for the year / period attributable to:			
Owners of the parent company		2,942,566	(2,302,651)
Non controlling interests		164,021	292,305
		3,106,587	(2,010,346)
Total comprehensive income / (expense) for the year / period attributable to:			
Owners of the parent company		2,942,566	(2,302,651)
Non controlling interests		164,021	292,305
		3,106,587	(2,010,346)

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

The notes on pages 30 to 62 form part of these financial statements.

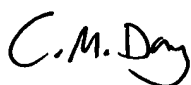
Lords Group Trading Limited
Registered number: 11633708

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	Group 2020 £	Group 2019 £ (restated)
Fixed assets			
Intangible assets	16	16,361,254	18,513,989 *
Tangible assets	17	6,111,902	7,287,382
Investments	18	4,084	4,084
		<u>22,477,240</u>	<u>25,805,455</u>
Current assets			
Inventories	19	40,004,196	40,679,112
Debtors	20	52,710,939	44,484,233
Cash at bank and in hand	21	16,341,742	3,361,118
		<u>109,056,877</u>	<u>88,524,463</u>
Creditors: amounts falling due within one year	22	<u>(87,359,378)</u>	<u>(82,126,862) *</u>
Net current assets		21,697,499	6,397,601
Total assets less current liabilities		44,174,739	32,203,056
Creditors: amounts falling due after more than one year	23	(23,177,912)	(14,964,141)
Provisions for liabilities	26	<u>(1,981,421)</u>	<u>(1,400,096)</u>
Net assets		<u>19,015,406</u>	<u>15,838,819</u>
Capital and reserves			
Called up share capital	28	19,990,000	19,990,000
Capital redemption reserve	30	-	2,500,000
Merger reserve	30	(9,980,000)	(12,480,000)
Retained earnings	30	5,811,350	2,868,784
Equity attributable to owners of the parent company		<u>15,821,350</u>	<u>12,878,784</u>
Non-controlling interests	31	<u>3,194,056</u>	<u>2,960,035</u>
Total equity		<u>19,015,406</u>	<u>15,838,819</u>

*Details of restatements are included in Note 2.5.

The financial statements on pages 24 to 62 were approved and authorised for issue by the Board and were signed on its behalf on 24 May 2021



C Day
Director

The notes on pages 30 to 62 form part of these financial statements.

Lords Group Trading Limited
Registered number: 11633708

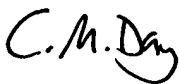
Company Statement of Financial Position
As at 31 December 2020

	Note	Company 2020 £	Company 2019 £
Fixed assets			(Restated)
Investments	18	47,286,734	47,217,315 *
		<u>47,286,734</u>	<u>47,217,315</u>
Current assets			
Debtors	20	3,751,236	99,573
Cash at bank and in hand	21	70,117	-
		<u>3,821,353</u>	<u>99,573</u>
Creditors: amounts falling due within one year	22	(3,860,639)	(3,660,875)
Net current liabilities		<u>(39,286)</u>	<u>(3,561,302)</u>
Total assets less current liabilities		47,247,448	43,656,013
Creditors: amounts falling due after more than one year	23	(27,254,593)	(23,664,870)
Net assets		<u>19,992,855</u>	<u>19,991,143</u>
Capital and reserves			
Called up share capital	28	19,990,000	19,990,000
Retained earnings		2,855	1,143 *
Total equity		<u>19,992,855</u>	<u>19,991,143</u>

*Details of restatements are included in Note 2.5.

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 from presenting its own income statement in these financial statements. The Company's profit after tax for the financial period was £1,712 (2019- £201,146)

The financial statements on pages 24 to 62 were approved and authorised for issue by the Board and were signed on its behalf on 24 May 2021.



C Day
Director

The notes on pages 30 to 62 form part of these financial statements.

Lords Group Trading Limited

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital £	Capital redemption reserve £	Merger reserve £	Retained earnings £	Equity attributable to owner of parent company £	Non Controlling Interests £	Total Equity £
As at 1 January 2019	10,000,000	2,500,000	(12,490,000)	5,371,438	5,381,438	2,348,236	7,729,674
Loss for the financial period and total comprehensive expense	-	-	-	(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	2,500,000	(12,480,000)	2,868,784	12,878,784	2,960,035	15,838,819
Reclassification of capital redemption reserve	-	(2,500,000)	2,500,000	-	-	-	-
Profit for the financial period and total comprehensive income	-	-	-	2,942,566	2,942,566	164,021	3,106,587
Capital contribution by non controlling interests	-	-	-	-	-	70,000	70,000
As at 31 December 2020	19,990,000	-	(9,980,000)	5,811,350	15,821,350	3,194,056	19,015,406

The notes on pages 30 to 62 form part of these financial statements.

Lords Group Trading Limited

**Company Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 22 October 2018	-	-	-
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 comprehensive income	-	201,142	201,142
Dividends paid	-	(200,003)	(200,003)
At 31 December 2019 (as previously stated)	19,990,000	1,139	19,991,139
Dividend received	-	4	4
At 31 December 2019 (as restated)	19,990,000	1,143	19,991,143
Profit for the financial period and total comprehensive income	-	1,712	1,712
At 31 December 2020	19,990,000	2,855	19,992,855

*Details of restatements are included in Note 2.5.

The notes on pages 30 to 62 form part of these financial statements.

Lords Group Trading Limited

**Consolidated Statement of Cash Flows
For the Year Ended 31 December 2020**

	Group 2020 £	Group 2019 £
Operating activities		
Profit / (loss) for the financial year / period	3,106,587	(2,010,346)
Adjustment for:		
Tax on profit	1,278,457	428,386
Interest payable	1,364,808	696,155
Interest receivable	(1,585)	(1,330)
Amortisation of intangible assets	2,221,296	1,403,368
Depreciation of tangible assets	1,586,833	1,345,762
Loss on disposal of property, plant and equipment	2,328	3,316
Impairment of tangible assets	-	59,852
Movement in provisions	517,372	133,084
Tax paid	(554,886)	(474,000)
Movement in inventories	674,916	(1,914,675)
Movement in debtors	(8,226,706)	3,048,501
Movement in creditors	7,123,124	(1,342,019)
Net cash generated from operating activities	9,092,544	1,376,054
Investing activities		
Purchase of intangible assets	(68,561)	(139,118)
Purchase of tangible assets	(433,334)	(1,916,898)
Proceeds from sale of tangible assets	19,653	7,587
Business acquisitions (net of cash acquired)	-	(19,458,469)
Interest received	1,585	1,330
Net cash used in investing activities	(480,657)	(21,505,568)
Financing activities		
Repayment of debt financing	(19,423,795)	(4,993,187)
New debt financing	18,349,801	-
Repayment of loans	(7,550,000)	(5,985,333)
New loans received	15,000,000	32,798,539
Non Controlling interests cash contributon	70,000	-
Repayments of / new finance leases	(712,461)	44,011
Dividends paid	-	(200,003)
Interest paid	(1,364,808)	(696,155)
Net cash generated from financing activities	4,368,737	20,967,872
Net increase in cash and cash equivalents	12,980,624	838,358
Cash and cash equivalents at beginning of the year	3,361,118	2,522,760
Cash and cash equivalents at end of the year	16,341,742	3,361,118
Cash and cash equivalents at the end of the year comprise:		
Cash	16,341,742	3,361,118
	16,341,742	3,361,118

The notes on pages 30 to 62 form part of these financial statements.

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

Lords Group Trading Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. 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. The Company's principal activity is to act as the holding company of the Group.

2. Accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of the companies Act 2006.

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:

2.3 Going Concern

The Group made a profit after tax in the year of £3,106,587 (period ended 31 December 2019: loss of £2,010,346) and was in both net current assets and net assets position, with net assets of £19,015,406 (2019: £15,838,819). The Company made a profit after tax in the year of £1,712 (period ended 31 December 2019: £201,146) and had net assets of £19,992,885 (2019: £19,991,143) but had net current liabilities of £39,286 (2019: net current liabilities of £3,561,302).

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

In light of Covid-19, and there being covenants on the Group loans to be complied with, the Group and Company board of directors have completed a rigorous going concern assessment and taken the following actions to test or enhance the robustness of the Group and Company's liquidity levels for a period of at least a twelve-months from the date of approval of these financial statements. As part of their assessment, the Group's board has considered:

- The Group's and Company's cash flow forecasts and the revenue projections for all subsidiaries.
- Reasonably possible changes in trading performance, including severe yet plausible downside scenarios.
- An assessment of historical forecasting accuracy by comparing forecast cash flows to those actually achieved by the Group and Company.
- Benchmarking assumptions comparing the Group's assumptions to externally derived data in relation to key inputs such as projected growth and cost inflation.
- 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 board has taken the following actions:

1. Revised its 5-year plan to reflect the consequence of Covid-19
2. Stress tested the 5-year plan with multiple downturn scenarios
3. Secured a CLBILS loan of £15,000,000 in 2020 to support working capital requirements during Covid-19 disruption.
4. Amended existing finance facilities with lenders in 2020 to appropriate liquidity for the period required for the going concern assessment

In all reasonable cases the Group is projected to be compliant with its banking covenants and therefore the Directors are satisfied that the Group has adequate resources to continue operations for the foreseeable future.

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

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

2.4 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December.

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.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

2.5 Prior year restatements

In the 2019 Annual Financial Statements APP Wholesale Limited, a subsidiary undertaking acquired in that year, included the cost of a management incentive plan prior to its acquisition. It was noted during the current year that certain conditions of the plan indicated that this could not have been a pre-acquisition cost and therefore should not have been included in the computation of the net assets acquired used to calculate the goodwill on acquisition. As a result, the goodwill on acquisition as well as liabilities have been restated by £1,382,670. The impact of the restatement on the Consolidated Statement of Financial Position is as follows:

Group	As previously stated	Restatement	Restated
	£	£	£
Impact on balance sheet as at 31 December 2019			
Intangible assets	19,896,659	(1,382,670)	18,513,989
Creditors: amounts falling due within one year	(82,371,532)	244,670	(82,126,862)
Creditors: amounts falling due after more than one year	(16,102,141)	1,138,000	(14,964,141)
Net assets	15,838,819	-	15,838,819

There was no impact on the Consolidated Statement of Comprehensive Income.

The 2019 number in note 34 (Capital and other commitments) has been restated by a total of £7,366,501 to include two additional leases which were omitted when compiling the disclosure in 2019. There is no impact on any of the primary statements.

The prior year business combination note (note 29) has been restated by £2,000,000. Proceeds of a

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

property disposed of by A P P Wholesale Limited to the seller prior to its acquisition by the Group of £2,000,000 had not been included in the net assets acquired. These proceeds due from the seller were also excluded from the acquisition costs. The restatement had no impact on the goodwill on acquisition.

The value of dividends received by the Company in the prior year from subsidiary undertakings has been restated by £4 to £200,007. This increased the profit for the financial period by £4 and increased the investment in subsidiary by £4 within the Company Statement of Financial Position. The impact of the restatement on the Company Statement of Financial Position is as follows:

	As previously stated	Restatement	Restated
	£	£	£
Impact on balance sheet as at 31 December 2019			
Investments	47,217,311	4	47,217,315
Net assets	19,991,139	4	19,991,143
Retained earnings	19,991,139	4	19,991,143
Total equity	19,991,139	4	19,991,143

2.6 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 recognition criteria are the same for internet sales as sales through stores. 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. This will be the point when the goods are delivered or collected by the customer.
- 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.

2.7 Other operating income and Government Grants

Other operating income represents all other income received by the Group. This includes Government grants for the Job Retention Scheme and Small Business Retail Grants, as well as commissions received for sales made by other companies through our branches.

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

The company has utilised the Government's Coronavirus Job Retention Scheme ('CJRS'), which allows for businesses to submit claims for repayment of furlough or flexible furlough employee wages as a result of COVID-19. The grant income received has been accounted for in accordance with FRS102 and shown in other operating income in the income statement and personnel costs have been shown gross of grant income.

Small Business Retail Grants are accounted for in the period received.

Commissions are accrued into the period in which they are due in accordance with when the sale was made within the branch.

2.8 Rebates

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

Rebates payable on sales are offset against turnover. Rebates are accrued in accordance with rebate agreements and recognised in the period to which they relate.

2.9 Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

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.

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

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.

2.10 Interest income

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

2.11 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.

2.12 Borrowing costs

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

2.13 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.

2.14 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 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

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

of Comprehensive Income is charged with fair value of goods and services received.

2.15 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.

2.16 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.

2.17 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

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

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

2.18 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.

2.19 Impairment of tangible and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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.

2.20 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

2.21 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.

2.22 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, with recourse, a proportion of up to 90% of its trade debtors. Debtors are stated gross of all amounts received for invoice financing and the invoice financing is recoded in other loans within creditors falling due within one year.

2.23 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.24 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.

2.25 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

2.26 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.

2.27 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.

2.28 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 contributions" represents capital introduced by non-controlling interests in subsidiary Limited Liability Partnerships.
- "Retained earnings" represents retained earnings less retained losses.
- "Non-controlling interests" represents the amount not attributable to the parent company.

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

3. Critical accounting judgements and estimation of uncertainty

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

3.1 Critical judgements in applying the accounting policies

Recognition of provisions

A key area of judgement applied in the preparation of these financial statements is determining whether a present obligation exists and where one does, in estimating the probability, timing and amount of any outflows. In determining whether a provision needs to be made and whether it can be reliably estimated, we consult relevant professional experts and reassess our judgements on an ongoing basis as facts change. In the early stages of legal and regulatory matters, it is typically the case that it is not possible to reliably estimate the outcome and in these cases we do not provide for their outcome, however do provide further disclosures outlining the matters in further detail. See note 27 for additional information about legal and regulatory matters which constitute contingent liabilities and note 2.25 for the provisions accounting policy.

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. See note 19 for the carrying value of the asset and note 2.21 for the accounting policy.

Useful economic lives of intangible and tangible assets

Annual amortisation and depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on cash generating unit performance, technological advances, future investments, economic utilisation and the physical condition of the assets. See notes 16 and 17 for the carrying values of the assets and notes 2.17 and 2.18 for the accounting policies.

Fair value of intangible assets

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. See note 16 for the carrying value of the asset and note 2.17 for the accounting policies.

Impairment of investment in subsidiary undertakings of the Company

Each year the Company considers whether there are any indications that the investments in its subsidiary undertakings are impaired. Some indications of impairment are both external such as changes in

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

technology, interest rates and the impact of covid-19 on the subsidiary undertaking and internal such as losses incurred in the year. in the event indicators of impairment are identified the Group performs stress-tested net cash flow assessments on the forecasted cash flow projections of the subsidiary undertaking and provides for any shortfall in the carrying value of the subsidiary undertaking against future cashflow projections. See note 18 for the carrying amount of the asset and note 2.20 for the accounting policies.

Recoverability of debtors

Key judgments are made by management in estimating the level of provisioning required for bad debts. In arriving at its conclusion, the Directors consider debtor ageing and knowledge of individual debtors. See note 20 for the carrying values of the assets and note 2.22 for the accounting policy.

4. Turnover

	2020	2019
	£	£
Wholesale and retail sales of DIY products	83,987,212	87,272,218
Wholesale and retail of plumbing products	203,705,589	10,568,737
	<u>287,692,801</u>	<u>97,840,955</u>
Analysis of turnover by country of destination:	2020	2019
	£	£
United Kingdom	<u>287,692,801</u>	<u>97,840,955</u>
	<u>287,692,801</u>	<u>97,840,955</u>

Wholesale and retail sales of DIY products and Manufacturing of construction and DIY products have been combined in the 2019 comparative figures to reflect the two divisional structures of the business.

5. Other operating income

	2020	2019
	£	£
Government Grants- Small Business Retail Grants	260,000	-
Government Grants- Job Retention scheme	1,221,184	-
Commission	219,099	-
Other	217,118	49,754
	<u>1,917,401</u>	<u>49,754</u>

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

6. Operating profit / (loss)

This is stated after charging:

	2020	2019
	£	£
Depreciation of tangible assets- owned	1,285,510	1,067,576
Depreciation of tangible assets- leased	301,323	278,186
Amortisation of goodwill and intangible assets	2,221,296	1,403,368
Impairment of tangible assets	-	59,852
Loss on disposal of property, plant and equipment	2,328	3,316
Research and development expense	-	84,440
Onerous lease	-	133,084
Operating lease rentals	4,009,989	1,697,206
Inventories recognised as an expense	240,381,606	61,955,627
Trade debtors written off	835,776	256,515
Defined contribution pension plan	<u>366,330</u>	<u>214,070</u>

Amortisation and impairments are charged to administrative expenses.

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

	2020	2019
	£	£
Profit / (loss) before taxation	4,385,044	(1,581,960)
Interest receivable and similar income	(1,585)	(1,330)
Interest payable and similar expenses	1,364,808	696,155
Depreciation and amortisation	<u>3,808,129</u>	<u>2,749,130</u>
Earnings before interest, depreciation and amortisation	9,556,396	1,861,995
Exceptional administrative expenses (see note 8)	<u>1,999,959</u>	<u>547,285</u>
Adjusted earnings before taxation, depreciation and amortisation.	<u><u>11,556,355</u></u>	<u><u>2,409,280</u></u>

8. Exceptional administrative expense

	2020	2019
	£	£
Costs of setting up new branch	-	70,926
Restructuring costs	292,959	22,188
Deferred remuneration liability	1,707,000	-
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
	<u><u>1,999,959</u></u>	<u><u>547,285</u></u>

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

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

As a result of the coronavirus epidemic the Group underwent a restructuring programme which resulted in costs of £292,959.

APP Wholesale Limited, a subsidiary undertaking, introduced a management incentive plan for key employees as a result of the sale of the entire capital to Lords Group Trading Limited which took place on 6 December 2019. As all conditions of the management incentive plan were not met until 2020 the cost was booked into 2020. See also note 2.5 Prior year restatements.

During the prior 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.

Also, in the prior period one of Weldit LLP's largest customers went into administration. Weldit was left with unsecured debts of £59,787 which were provided in full and which have been classed as an exceptional item. During the prior 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 prior 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 was impaired in full in the prior year and the group has provided for all unavoidable lease costs as disclosed in note 26.

9. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company and Group's consolidated financial statements	40,522	42,380
Fees payable to the company's auditor and its associates for other services:		
– Audit of the company's subsidiaries	183,978	77,355
– Tax compliance services	40,255	56,900
– Other compliance services	10,750	17,000
	275,505	193,635

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

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Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

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	<u>275,505</u>	<u>193,635</u>

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

10. Employees

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

	2020	2019
	£	£
Wages and salaries	17,484,939	10,887,792
Social security costs	1,759,848	1,026,100
Other pension costs	366,330	214,070
	<u>19,611,117</u>	<u>12,127,962</u>

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

	Group 2020 No.	Group 2019 No.	Company 2020 No.	Company 2019 No.
Directors and administration	39	47	6	5
Sales, retail and manufacturing	468	302	-	-
	<u>507</u>	<u>349</u>	<u>6</u>	<u>5</u>

The Company had no employees other than the Directors. (2019: none)

11. Directors' Remuneration

	2020	2019
	£	£
Directors remuneration	575,117	333,893
	<u>575,117</u>	<u>333,893</u>

During the period retirement benefits were accruing to no Directors (2019 - none) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £200,180 (2019 - £152,500).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid Director amounted to £nil (2019 - £nil).

The Group Directors and Managing Directors of each division are deemed to be the key management of the Group. The remuneration of key management is £1,176,487 (2019- £748,352).

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

12. Interest receivable and similar income

	2020	2019
	£	£
Other interest receivable	1,585	1,330
	<u>1,585</u>	<u>1,330</u>

13. Interest payable and similar expenses

	2020	2019
	£	£
Bank interest payable	980,410	440,807
Other loan interest payable	295,792	149,781
Finance leases and hire purchase contracts	88,606	105,567
	<u>1,364,808</u>	<u>696,155</u>

14. Dividends

	2020	2019
	£	£
Dividends paid	-	200,003
	<u>-</u>	<u>200,003</u>

15. Tax on profit / (loss)

	2020	2019
	£	£
Corporation tax		
Current tax on profit / (loss) for the year / period	1,520,827	281,286
Adjustments in respect of previous periods	(306,323)	(257,403)
	<u>1,214,504</u>	<u>23,883</u>
Deferred tax		
Origination and reversal of timing differences	(264,574)	(300,398)
Adjustments in respect of previous periods	160,272	674,118
Effect of changes in tax rates	168,255	30,783
	<u>63,953</u>	<u>404,503</u>
Total tax charge	<u>1,278,457</u>	<u>428,386</u>

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

Factors affecting tax charge for the year / period

The tax assessed for the year is higher than (2019- higher than) the standard rate of corporation tax in the UK of 19% (2019- 19%). The difference is explained below:

	2020	2019
	£	£
Profit / (loss) on before taxation	4,385,044	(1,581,960)
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19% (2019- 19%)	833,159	(300,572)
Expenses not deductible	429,274	281,460
Effects of group relief / other reliefs		
Adjustments in respect of previous periods	(146,051)	416,715
Changes in tax rates	168,255	30,783
Deferred tax not recognised	(6,180)	-
Total tax charge for the year / period	<u>1,278,457</u>	<u>428,386</u>

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2021 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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In March 2021, the Chancellor announced that the tax rate would increase to 25% with effect from 1 April 2023. The rate had not been substantively enacted as the year end.

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

16. Intangible assets

Group	Software	Customer lists	Goodwill	Total
Cost	£	£	£	£
At 1 January 2020	624,855	8,805,118	12,287,908	21,717,881
Additions	24,142	-	44,419	68,561
At 31 December 2020	648,997	8,805,118	12,332,327	21,786,442
Accumulated amortisation				
At 1 January 2020	138,800	2,208,176	856,916	3,203,892
charge for the year	110,402	880,512	1,230,382	2,221,296
At 31 December 2020	249,202	3,088,688	2,087,298	5,425,188
Net book value				
At 31 December 2020	399,795	5,716,430	10,245,029	16,361,254
At 31 December 2019	486,055	6,596,942	11,430,992	18,513,989

The software intangible assets include the Inventory management system of a subsidiary undertaking which was created by an external development firm for the subsidiary's specific requirements. The asset is carried at £177,896 (2019: £199,467) and has a remaining amortisation period of 8 years (2019: 9 years). There are no other individually material intangible assets.

Group	Software	Customer lists	Goodwill (restated)	Total (restated)
Cost	£	£	£	£
At 1 January 2019	399,254	8,805,118	2,765,085	11,969,457
Additions	225,601	-	-	225,601
Additions from business combinations	-	-	9,522,823	9,522,823
At 31 December 2019	624,855	8,805,118	12,287,908	21,717,881
Accumulated amortisation				
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	138,800	2,208,176	856,916	3,203,892
Net book value				
At 31 December 2019	486,055	6,596,942	11,430,992	18,513,989
At 31 December 2018	339,944	7,477,455	2,351,534	10,168,933

Details of restatements are included in Note 2.5.

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

17. Tangible assets

Group	Freehold property £	Long term leasehold property £	Plant and Machinery £	Motor vehicles £	fixtures and fittings £	Office equipment £	Total £
Cost or valuation							
At 1 January 2020	795,731	5,238,908	3,226,899	207,639	2,591,689	376,527	12,437,393
Additions	-	60,497	74,282	57,225	168,870	72,460	433,334
Disposals	-	(37,578)	-	(84,660)	-	(406)	(122,644)
At 31 December 2020	795,731	5,261,827	3,301,181	180,204	2,760,559	448,581	12,748,083
Accumulated depreciation							
At 1 January 2020	92,595	2,058,022	1,421,682	79,500	1,252,370	245,842	5,150,011
Disposals	-	(37,578)	-	(63,085)	-	-	(100,663)
Charge for the year	15,571	644,815	454,337	38,823	348,771	84,516	1,586,833
At 31 December 2020	108,166	2,665,259	1,876,019	55,238	1,601,141	330,358	6,636,181
Net book value							
At 31 December 2020	687,565	2,596,568	1,425,162	124,966	1,159,418	118,223	6,111,902
At 31 December 2019	703,136	3,180,886	1,805,217	128,139	1,339,319	130,685	7,287,382

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

	2020 £	2019 £
Freehold property	687,565	703,136
Long term leasehold property	2,596,568	3,180,886
	<u>3,284,133</u>	<u>3,884,022</u>

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

	2020 £	2019 £
Long term leasehold property	658,903	891,018
Plant and machinery	925,536	1,233,286
Motor vehicles	62,174	38,478
Fixtures, fittings and equipment	16,563	106,438
	<u>1,663,176</u>	<u>2,269,220</u>

Lords Group Trading Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

18. Investments

	Group 2020	Group 2019	Company 2020	Company 2019 (restated)
	£	£	£	£
Subsidiaries undertakings	-	-	47,286,734	47,217,315
Listed Investments	1,434	1,434	-	-
Other investments	2,650	2,650	-	-
	<u>4,084</u>	<u>4,084</u>	<u>47,286,734</u>	<u>47,217,315</u> *

*Details of restatements are included in Note 2.5.

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 (2)	Trading	Ordinary	100%
Lords at Home Ltd (2)	Trading	Ordinary	100%
Ebuildingsupplies Limited (2)	Trading	Ordinary	100%
Hevey Building Supplies Limited (3)	Trading	Ordinary	75%
Weldit LLP (3)	Trading	Ordinary	75%
Lords Group Ventures Limited	Trading	Ordinary	100%
Lords Builders Merchants Holding Limited	Non trading	Ordinary	100%
Fastlane Investments Limited (1)	Non trading	Ordinary	100%
Huntingdon Timber Limited (4)	Dormant	Ordinary	100%
E. Hussey and Sons Limited (3)	Dormant	Ordinary	100%
George Lines (Merchants) Limited (3)	Dormant	Ordinary	100%
Kings Langley Building Supplies Limited (3)	Dormant	Ordinary	100%
Newstore Limited (3)	Dormant	Ordinary	100%
Bomax Limited (3)	Dormant	Ordinary	100%

(1) Subsidiaries of Lords Builders Merchants Holding Limited.

(2) Subsidiaries of Fastlane Limited.

(3) Subsidiaries of Carboclass Limited.

(4) Subsidiary of Hevey Building Supplies Limited.

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.

Lords Group Ventures Limited was incorporated on 16 October 2020. Its principal activity is to provide venture capital for small businesses in the wider construction and product supply markets.

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

19. Inventories

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Raw materials and consumables	166,700	330,165	-	-
Finished goods and goods for resale	39,837,496	40,348,947	-	-
	<u>40,004,196</u>	<u>40,679,112</u>	<u>-</u>	<u>-</u>

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

Group Inventories are stated after a provision for impairment of £2,446,484 (2019- £4,583,427).

20. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Other debtors	77,650	264,745	-	-
Amounts owed by group undertakings	-	-	3,751,236	-
	<u>77,650</u>	<u>264,745</u>	<u>3,751,236</u>	<u>-</u>
Due within one year				
Trade debtors	30,162,703	21,351,971	-	-
Factored debts	18,349,801	19,394,007	-	-
Related parties (see note 36)	44,222	-	-	-
Taxation and social security	560,319	-	-	-
Other debtors	133,792	264,510	-	99,573
Prepayments and accrued income	3,382,452	3,209,000	-	-
	<u>52,710,939</u>	<u>44,484,233</u>	<u>3,751,236</u>	<u>99,573</u>

Group trade debtors are stated after provision for impairment of £540,580 (2019: £282,971). The Company has no provision for bad debts (2019: £nil).

All amounts owed by Group undertakings are repayable on 31 December 2024. All amounts owed are unsecured borrowings and are non-interest bearing.

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

21. Cash at bank and in hand

	Group 2020	Group 2019	Company 2020	Company 2019
	£	£	£	£
Cash at bank and in hand	16,341,742	3,361,118	70,117	-
	<u>16,341,742</u>	<u>3,361,118</u>	<u>70,117</u>	<u>-</u>

22. Creditors: Amounts falling due within one year

	Group 2020	Group 2019 (restated)	Company 2020	Company 2019
	£	£	£	£
Bank loans and overdrafts	2,387,896	2,358,248	2,387,896	2,358,248
Other loans	18,349,801	19,423,795	-	-
Trade creditors	59,227,749	53,244,325	-	-
Corporation taxation	1,054,641	395,023 *	1,741	-
Other taxation and social security	1,684,454	1,465,738	35,052	-
Obligations under finance leases and hire purchase contracts	527,374	706,091	-	-
Other creditors	1,562,471	1,798,479	1,166,667	1,166,667
Accruals and deferred income	2,564,992	2,735,163 *	269,283	135,960
	<u>87,359,378</u>	<u>82,126,862</u>	<u>3,860,639</u>	<u>3,660,875</u>

*Details of restatements are included in Note 2.5.

Included in accruals and deferred income in 2019 was £472,503 relating to dilapidations. In the current year management has accounted for the dilapidations as part of provisions for liabilities.

Bank loans at 31 December 2020 comprise a revolving loan facility, term loans and Coronavirus Large Business Interruption Loan Scheme loans (CBILS) 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 2020 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 2020 the facility less drawdowns amounted to £21,650,199 (2019- £20,576,205).

Included within other creditors are deferred payments of £1,545,976 for various acquisitions.

Lords Group Trading Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

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

	Group 2020	Group 2019 (restated)	Company 2020	Company 2019
	£	£	£	£
Bank loans and overdrafts	18,521,594	11,016,496	18,521,594	4,716,496
Net obligations under finance leases and hire purchase contracts	758,235	1,291,979	-	-
Amounts owed to group undertakings	-	-	6,399,666	16,615,041
Other creditors	3,898,083	2,333,333 *	2,333,333	2,333,333
Accruals and deferred income	-	322,333	-	-
	<u>23,177,912</u>	<u>14,964,141</u>	<u>27,254,593</u>	<u>23,664,870</u>

*Details of restatements are included in Note 2.5.

All amounts owed to Group undertakings are repayable on 31 December 2024. All amounts owed are unsecured borrowings and are non-interest bearing.

There is a fixed charge over the balance credited to a restricted 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 and bonus schemes for employees.

24. Hire purchase and finance leases

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

	Group 2020	Group 2019	Company 2020	Company 2019
	£	£	£	£
Not later than one year	615,857	807,094	-	-
Later than one year but not later than five years	890,835	1,500,665	-	-
Total gross payments	1,506,692	2,307,759	-	-
Less finance charges	(221,083)	(309,689)	-	-
Carrying amount of liability	<u>1,285,609</u>	<u>1,998,070</u>	<u>-</u>	<u>-</u>

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25. Bank Loans and overdrafts and other loans

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due within 1 year				
Bank loans	2,387,896	2,358,248	2,387,896	2,358,248
Other loans	18,349,801	19,423,795	-	-
	<u>20,737,697</u>	<u>21,782,043</u>	<u>2,387,896</u>	<u>2,358,248</u>
Amounts falling due 1-2 years				
Bank loans	18,521,594	2,358,248	18,521,594	2,358,248
	<u>18,521,594</u>	<u>2,358,248</u>	<u>18,521,594</u>	<u>2,358,248</u>
Amounts falling due 2-5 years				
Bank loans	-	8,658,248	-	2,358,248
	<u>-</u>	<u>8,658,248</u>	<u>-</u>	<u>2,358,248</u>
Total	<u>39,259,291</u>	<u>32,798,539</u>	<u>20,909,490</u>	<u>7,074,744</u>

Bank loans of £20,909,490 comprise a revolving loan facility from a syndicate of HSBC UK bank plc (HSBC) and National Westminster bank plc (Nat West) of £6,300,000 and a £15,000,000 Coronavirus Large Business Interruption Loan Scheme (CLBILS) facility less legal fees of £390,510. Other loans comprise invoice financing from a syndicate of HSBC UK bank plc and National Westminster bank plc.

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 £12,500,000 of which £6,250,000 was drawn down at 31 December 2020.

The Group has undrawn term loans which are repayable over three years at 6 monthly intervals and attracts an interest rate of $\text{libor} + 4.25\%$.

The CLBILS have differing repayment and cost profiles which are:

£1,250,000 CLBILS loan A with Nat West 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 with Nat West 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 with Nat West has £1,250,000 repayable in July 2022 subject to a minimum cash headroom covenant and the remaining £3,750,000 repayable in November 2022. The loan attracts interest of $\text{libor} + 2.56\%$ for the first 12 months and 3.06% thereafter.

£7,500,000 of CLBILS through HSBC UK bank plc have repayment terms of £1,250,000 in January 22, £1,250,000 in June 2022 and £1,250,000 in July 2022 subject to a minimum cash headroom covenant. The remaining £3,750,000 is repayable in November 2022. The loans attract 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

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subsidiary undertakings. 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 £40,000,000 of which £18,349,801 were drawn down at 31 December 2020.

26. Provisions for liabilities

Group	Deferred tax provision	Dilapidations provision	Onerous lease provision	Total
	£	£	£	£
At 1 January 2020	1,267,012	-	133,084	1,400,096
Reclassification from accruals and deferred income	-	472,503	-	472,503
Charged to the Statement of Comprehensive Income	63,953	132,869	-	196,822
Released in the year	-	-	(88,000)	(88,000)
At 31 December 2020	1,330,965	605,372	45,084	1,981,421

Dilapidations provision

Dilapidations were included within accruals and deferred income in 2019. In the current year management has accounted for them as part of provisions for liabilities.

As part of the group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The provision is expected to be utilised between 2022 and 2039 as the leases terminate. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates.

Onerous lease provision

The lease payments have been provided in full as the lease is likely to prove to be onerous. The lease ends in July 2021.

Deferred tax

The provision for deferred tax is made up as follows:

	Group 2020 £	Group 2019 £
Accelerated capital allowances	1,525,661	1,441,214
Losses	(194,696)	(174,202)
	<u>1,330,965</u>	<u>1,267,012</u>

There are no unused tax losses or unused tax credits.

The net deferred tax liability expected to reverse in 2021 is £156,854. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation, offset by expected tax deductions when payments are made to utilise provisions.

Company

The company had no deferred tax provision at 31 December 2020 (2019: £nil).

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27. Contingent liabilities

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

In May 2021, the Group Chief Financial Officer wrote to the HMRC Anti Money Laundering division to bring to their attention that it had identified a historic breach of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 by A P P Wholesale Limited, a company that was acquired by Lords Group Trading Limited in December 2019. The Group has identified a number of occasions where cash banked in a single transaction was in excess of €10,000 or where smaller sums of cash were banked which could be regarded as linked transactions in breach of the regulations. The breaches occurred over a 10-year period from August 2010, cumulatively amounting to up to nearly £3,000,000. The Board is unable to predict the outcome of this reporting to HMRC and therefore the level of any potential fines. Our legal advice is that penalties for breaches of the regulations varies between nominal fines to fines which can equate to the full amount of the cash sum received in contravention of the regulations depending on the level of culpability. The Board is confident that any potential fine levied would be covered by the warranties contained in the sale and purchase agreement for A P P Wholesale Limited.

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

28. Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
9,997,825 (2019: 9,997,825) Ordinary class H shares of £1 each	9,997,825	9,997,825
1,087,500 (2019: 1,087,500) Ordinary class G shares of £0.01 each	10,875	10,875
9,900,000 (2019: 9,900,000) Ordinary Class A1 to F1 shares of £1.00821212 each	9,981,300	9,981,300
	19,990,000	19,990,000

All share classes rank pari passu except for voting rights, dividend, capital and transfer. Details of which are below:

(a) Voting

- A1 to F1 shares have one vote and on a poll each holder has one vote per class of share held.
- The G Ordinary Shares carry no rights to voting.
- The H Ordinary Shares shall have such number of votes as is equal to 20% of the votes cast at any general meeting of the company.

(b) Dividends

- A1 to F1 shares are entitled to the first £650,000 of remuneration and dividends per annum
- The G Ordinary Shares carry no rights to dividends or distributions.
- The H Ordinary Shares shall carry no rights to dividends or distributions unless the holders of the Alphabet Shares receive remuneration and dividends in excess of £650,000 in aggregate in any financial year of the Company, in which case, the H Ordinary Shareholder(s) shall be entitled

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to a dividend of 20% in aggregate of the amount of the excess provided such dividend may be lawfully declared.

(c) Capital

- H Ordinary Shares are entitled to the first £10,000,000 of capital value
- A1 to F1 shares are capped at a total capital value of £21,826,871 proceeds in excess of £10,000,000 up to £21,826,871 are shared proportionally between the A1 to F1 shares
- The G Ordinary Shares carry all value in excess of £21,826,871 with proceeds shared proportionally subject to the H share minimum capital value threshold

(d) Redeemable

- No A1 to F1 Ordinary Shares are redeemable.
- No G Ordinary Shares are redeemable.
- No F Ordinary Shares are redeemable.

29. Business Combinations

(a) A P P Wholesale Limited

In the prior year, on 5 December 2019 the Group acquired the business of A P P Wholesale Limited (APP) for £37,227,312 of which £3,500,000 was deferred for three years. The Directors have one year to assess the fair value of the acquisition. APP included a management incentive plan prior to acquisition with a cost after tax of £1,382,670. For further information on the impact on the prior year Annual Financial Statements see note 2.5

The proceeds of a property disposed of by APP to the seller prior to acquisition of £2,000,000 was not included in the net assets acquired. These proceeds due from the seller were also excluded from the acquisition costs. This has no impact on the goodwill on acquisition.

The impact of these adjustments on the book value, goodwill and fair value from those previously stated are shown below:

	Book value £	Goodwill £	Fair value £
As previously stated	26,570,549	8,656,763	35,227,312
Less accrual for management incentive plan net of tax	1,382,670	(1,382,670)	-
Add proceeds of property disposal	2,000,000	-	2,000,000
As restated	<u>29,953,219</u>	<u>7,274,093</u>	<u>37,227,312</u>

The revenue from APP included in the consolidated income statement for 2019 was £10,568,737. APP also contributed a loss after tax of £202,436 over the same period.

Recognised amounts of identifiable asset and liabilities assumed are:

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	Book Value	Goodwill	Fair Value
	£	£	£
Tangible assets	838,869	-	838,869
Intangible assets - goodwill	-	7,274,093 *	7,274,093 *
	838,869	7,274,093	8,112,962
Stock	32,568,893	-	32,568,893
Debtors	33,445,894 *	-	33,445,894 *
Cash at bank and in hand	4,258,356	-	4,258,356
Total assets	71,112,012	7,274,093	78,386,105
Creditors due within one year	(40,800,590) *	-	(40,800,590) *
Creditors due after one year	(280,382) *	-	(280,382) *
Deferred tax differences between fair value and tax bases	(77,821)	-	(77,821)
Total liabilities	(41,158,793)	-	(41,158,793)
Total identifiable net assets	29,953,219	7,274,093	37,227,312
Total Purchase consideration			37,227,312
Cash			20,650,000
Shares			10,000,000
Related party settlement			2,000,000 *
Acquisition costs settled in cash			1,077,312
Deferred Consideration			3,500,000
Total purchase consideration			37,227,312
Cash outflow on acquisition			
Purchase consideration settled in cash as above			21,727,312
Less cash and cash equivalent acquired			(4,258,356)
			17,468,956

*Details of restatements are included in Note 2.5.

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(b) Huntingdon Timber Limited

In the prior year, on 1 July 2019 the Group 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. 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:

The revenue from Huntingdon Timber Limited included in the consolidated income statement for 2019 was £1,662,788. Huntingdon Timber Limited also contributed profit of £186,420 over the same period.

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

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30. Reserves

Capital redemption reserve

The capital redemption reserve of £2,500,000 has been reclassified to merger reserve.

Merger reserve

Merger reserve relates to non-distributable amounts in excess of the nominal value of ordinary shares issued in connection with the share for share exchange with Lords Builders Merchants Holdings Limited.

Retained earnings

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

31. Non-controlling interests

	2020 £	2019 £
At 1 January	2,960,035	2,348,236
Acquisition of Huntingdon Timber Limited	-	292,305
Total comprehensive income attributable to non controlling interests	164,021	319,494
Capital contribution by NCI	70,000	-
At 31 December	<u>3,194,056</u>	<u>2,960,035</u>

32. Forward currency contracts

The Group's local currency is pounds sterling but due to international purchases in foreign currencies, the Group seeks to reduce the foreign exchange risk by entering into forward contracts during the financial year. At 31 December 2020, the outstanding contracts all mature within 5 months (2019: 12 months) of the year end. The Group is committed to buy US\$900,000 and pay a fixed sterling amount of £684,143 (2019: US\$4,660,000 and £3,540,406).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD. The fair value movement of the forward-foreign currency contracts at year end was a loss of £26,590 (2019: gain of £12,507).

33. 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, £50,358 is due and payable to the pension scheme (2019: £45,717).

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34. Capital and other commitments

At 31 December, the Group and Company had the following capital commitments:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Contracts for future capital expenditure not provided in the financial statements –				
Property, plant and equipment	206,907	-	-	-

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

	2020 £	2019 (As previously stated) £	2019 Restatement £	2019 (As restated) £
Group				
Not later than 1 year	2,496,849	2,314,183	270,667	2,584,850
Later than 1 year and not later than 5 years	8,764,194	6,764,699	2,456,000	9,220,699
Later than 5 years	16,229,185	11,348,164	4,639,834	15,987,998
	<u>27,490,228</u>	<u>20,427,046</u>	<u>7,366,501</u>	<u>27,793,547</u>

The 2019 number has been restated by £7,366,501 to include two additional leases which were omitted when compiling the disclosure in 2019. There is no impact on any of the primary statements.

The Company had no capital and other commitments.

35. Financial Instruments

Financial assets

	Group 2020 £	Group 2019 £
Financial assets measured at amortised cost	<u>65,670,229</u>	<u>44,636,351</u>

Financial liabilities

Financial liabilities measured at amortised cost	<u>(107,972,298)</u>	<u>(94,355,840)</u>
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Financial assets that are measured at amortised cost comprise loans to trade and other receivables and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise bank loans, obligations under hire purchase

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Notes to the Financial Statements For the Year Ended 31 December 2020

arrangements, loans from Group companies and trade and other payables.

Hire purchase agreements are secured against the asset purchased and bank loans are secured as disclosed in note 24.

36. 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 (2019: £18,000), sales of £nil (2019: £35,878) and purchases of £2,452 (2019- £nil)

At 31 December Carboclass Limited owed Weldit LLP £891 (2019 The partnership owed Carboclass: £15,325).

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

Management fees receivable of £165,000 (2019: £165,000) and interest payable of £72,250 (2019: £133,487).

At 31 December Hevey owed Carboclass £282,509 (2019: Carboclass owed Hevey £2,137,223).

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

At year end the partnership owed APP Wholesale £764,835 (2019: £830,535) and paid interest of £25,535 (2019: £1,907).

Gempoint 2000 limited, a Company which S Patel is also a director owns properties leased by operating branches of the Group. In total the Group paid Gempoint £887,750 in lease payments (2019- £771,500). At 31 December 2020 the Group owed Gempoint £174,250 (2019- £111,989).

At 31 December Mr A Pierce, a Group director owed a total of £36,000 (2019- £33,774) to APP Wholesale Limited, a subsidiary of the Group.

During the period property rent of £120,000 (2019: £10,000), was paid to Mr A Pierce by APP Wholesale Limited. No amounts were owed at 31 December 2020 (2019- £nil).

At 31 December Mr R Patel, a former director owed a total of £44,222 (2019- £nil) to Carboclass Limited, a subsidiary of the Group.

37. Post balance sheet events

On 29th January 2021, the Group entered a new lease to relocate the Bristol facility of APP Wholesale Limited from Unit 20 Avonbridge Trading Estate to Unit 3 Avonbridge Trading Estate. The new facility is secured on a long-term leasehold and provides enhanced capacity for further market share growth in the South West of England. The site will relocate through the first quarter of 2021.

On 1st March 2021, the Group entered a new lease to relocate the Croydon facility of APP Wholesale Limited from 2 Bensham Lane to Unit 6 Thornton Road Industrial Estate. The new facility is secured on a long-term leasehold and provides a transformational facility with vastly enhanced capacity. The site will relocate through the second quarter of 2021.

On 1st March 2021, the Group appointed Andrew Harrison to the Board as Non-Executive Director. Andrew

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enjoyed a 41-year executive career in the builders merchant industry, latterly 31 years at Travis Perkins PLC of which 10 years were at Sharpe & Fisher PLC, now owned by Travis Perkins PLC and 10 years at Graham Group.

On 1st March 2021, the Group entered a lease for the opening of a new Lords Builders Merchant branch in Kenton, London. The new facility is secured on a long-term leasehold and extends the Company's coverage in West London.

On 3rd March 2021, the Group concluded 100% share capital purchase of Map Building & Civil Engineering Supplies Ltd for £5,525,000. Map is a £16,000,000 turnover, single site operation based in Ikleston, Derbyshire.

On 6th April 2021, the Group concluded 75% share capital purchase of Condell Limited for £2,300,000. Condell is a £9,000,000 turnover, two site operation based in Sutton and Horsham.

38. 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.