Admission to AIM

Lords Group Trading plc

CENKOS
Nominated Adviser and Broker

LORDS
GROUP TRADING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities if you are resident in the UK or, if not, from another appropriately authorised independent adviser.

This document, which is an AIM admission document and has been prepared in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire issued, and to be issued, share capital of the Company. This document does not constitute an offer or any part of an offer of transferrable securities to the public within the meaning of section 102B of the FSMA. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and it has not been drawn up in accordance with the Prospectus Regulation Rules published by the FCA and it has not been approved by or filed with the FCA or any other competent authority.

The Company, whose registered office appears on page 10 of this document, and the Directors, whose names, addresses and functions appear on page 10 of this document, accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 20 July 2021.

AIM is a market designed primarily for emerging or smaller companies to which a higher Investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom's Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make a decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those which apply to companies whose shares are listed on the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange. It should be remembered that the price of securities and the income from them (if any) can go down as well as up.

The whole text of this document should be read. Your attention is drawn in particular to the risk factors set out in Part III of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

Lords Group Trading plc

(a company incorporated in England and Wales under the Companies Act 2006 with registered number 11633708)

Placing of 31,578,947 New Ordinary Shares and 23,157,892 Sale Shares at 95 pence per share

and

Admission to trading on AIM

Nominated Adviser & Broker

CENKOS

Share capital immediately following Admission

	Issued and Fully Paid	
	Number	*Amount*
Ordinary Shares of 0.5 pence each	157,503,947	£787,519.74

The New Ordinary Shares to be issued pursuant to the Placing will, on issue, rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all other respects with the Existing Ordinary Shares.

Cenkos, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be responsible to any person (including any recipient of this document) other than the Company for providing the protections afforded to its customers or for advising any other person on the proposed Placing and Admission or the contents of this document or any transaction or arrangement referred to herein. Cenkos has not authorised the contents of any part of this document for the purposes of the FSMA. The responsibilities of Cenkos as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

A copy of this document will be available to view, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, at the Company's website at www.lordsgrouptrading.co.uk.

IMPORTANT INFORMATION

General

The Company does not accept any responsibility for the appropriateness, accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, or the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as investment, accounting, legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser and/or tax adviser for legal, financial and/or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cenkos or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors" in Part III of this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risk involved. Any decision to acquire Ordinary Shares should be based solely on this document.

No representation or warranty, express or implied, is made by Cenkos as to the accuracy or completeness of such information, and investors who subscribe for or purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Cenkos or any person affiliated with Cenkos in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos.

Cenkos, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be responsible to any person (including any recipient of this document) other than the Company for providing the protections afforded to its customers or for advising any other person on the proposed Placing and Admission or the contents of this document or any transaction or arrangement referred to herein. Cenkos has not authorised the contents of any part of this document for the purposes of the FSMA. The responsibilities of Cenkos as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

None of the Company, the Directors, Cenkos or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cenkos and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cenkos and any of its affiliates acting as investors for their own accounts. Cenkos and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees.

Cenkos and/or any of its affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other services in the ordinary course of their business to the Company, for which they would have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interest that may not be aligned, or could possibly conflict, with the interests of investors.

Notice to Prospective Investors in the United Kingdom

This document is being distributed in the United Kingdom where it is directed only at persons who are (a) both "qualified investors" within the meaning of article 2(e) of Regulation (EU) 2017/1129 which forms part of domestic law pursuant to The European Union (Withdrawal) Act 2018 and either (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Promotion Order; (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the Financial Promotion Order; or (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area ("**EEA**") (each, a "**Member State**"), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State, all in accordance with the EU Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or

(iii) in any other circumstances falling within Article 3(2) of the EU Prospectus Regulation, provided, that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the EU Prospectus Regulation or any measure implementing the EU Prospectus Regulation in a Member State, and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "**qualified investor**" within the meaning of the EU Prospectus Regulation.

For the purposes of this provision, the expression "**an offer to the public**" in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Member State by any measure implementing the EU Prospectus Regulation in that Member State, and the expression "**EU Prospectus Regulation**" means Regulation 2017/1129/EU (as amended), and includes any relevant implementing measure in each Member State.

Restrictions on Sales in the United States

The Ordinary Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States and, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, may not be offered, delivered or sold in, into or from the United States. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. The Ordinary Shares are being offered outside of the United States in "offshore transactions" in reliance on Regulation S under the US Securities Act ("**Regulation S**").

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

Non-IFRS Information

This document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA. EBITDA results from Group operating profit adjusted for depreciation and amortisation, share-based payments and exceptional items. Information regarding EBITDA or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of EBITDA or similar measures and the criteria upon which EBITDA or similar measures are based can vary from company to company. EBITDA, alone, does not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Rounding

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Currencies

Unless otherwise indicated in this document, all references to "pounds Sterling" or "£" are to the lawful currency of the UK.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds Sterling. For all members of the Company, the functional currency is pounds Sterling and the Company presents its financial statements in pounds Sterling.

Notice to Overseas Shareholders

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**US Securities Act**") nor under the applicable securities laws of any State thereof, or any province or territory of Canada, Australia, the Republic of South Africa, New Zealand or Japan nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into or from the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan or to any resident of the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Forward-Looking Statements

Some of the statements in this document include statements which are, or may be deemed to be, "forward looking statements" and which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward-looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part III of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this document. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Presentation of Market, Economic and Industry Data

This document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third-party sources. Such third-party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third-party data in this document from industry studies, forecasts, reports, surveys and other publications.

No Incorporation of Website Information

The contents of any website of the Company, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Information for Distributors

Solely for the purposes of the product governance requirements contained within of Chapter 3 of the FCA Handbook Production Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of investors who meet the criteria of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all distribution channels (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purposes of UK Product Governance Requirements) should note that: (a) the price of the Placing Shares may decline and investors could lose all or part of their investment; (b) the Placing Shares offer no guaranteed income and no capital protection; and (c) an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cenkos will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapter 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	14 July 2021
Admission effective and dealings in the Enlarged Share Capital commence on AIM	20 July 2021
Date for settlement within CREST of the Placing Shares (where applicable)	20 July 2021
Despatch of definitive share certificates for Placing Shares (where applicable) by	3 August 2021

Note:
Each of the times and dates in the table above and mentioned elsewhere in this document are indicative only and may be subject to change at the absolute discretion of the Company and Cenkos.

PLACING STATISTICS

Placing Price	95 pence
Number of Existing Ordinary Shares	125,925,000
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing	31,578,947
Number of Sale Shares being sold by the Selling Shareholders pursuant to the Placing	23,157,892
Total number of Placing Shares	54,736,839
Number of Ordinary Shares in issue on Admission	157,503,947
Percentage of Enlarged Share Capital represented by New Ordinary Shares	20 per cent.
Percentage of Enlarged Share Capital represented by Sale Shares	14.7 per cent.
Percentage of Enlarged Share Capital represented by Placing Shares	34.8 per cent.
Gross proceeds of the Placing receivable by the Company	£30.0 million
Estimated net proceeds of the Placing receivable by the Company[1]	£27.7 million
Gross proceeds receivable by the Selling Shareholders in respect of the sale of the Sale Shares	£22.0 million
Expected market capitalisation of the Company at the Placing Price immediately following Admission[2]	£149,628,750
AIM TIDM	LORD
ISIN	GB00BM9CLS53
SEDOL	BM9CLS5
LEI	9845009A4D87F1CE5145
Free float	34.5 per cent.

1 After deduction of the estimated commissions, fees and expenses payable by the Company (excluding VAT).

2 The market capitalisation of the Group at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will at any given time equal or exceed the Placing Price.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Shanker Bhupendrabhai Patel (*Chief Executive Officer*) Christopher ('Chris') Michael Day (*Chief Financial Officer*) Gary O'Brien (*Independent Non-Executive Chairman*) Dawn Moore (*Independent Non-Executive Director*) Andrew Peter Harrison (*Independent Non-Executive Director*)
Company Secretary	ONE Advisory Limited
Registered Office and Principal Place of Business	Second Floor 12-15 Hanger Green London W5 3EL
Company's website	www.lordsgrouptrading.co.uk
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Reporting Accountants	RSM Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
Solicitors to the Company	DAC Beachcroft LLP The Walbrook Building 25 Walbrook London EC4N 8AF
Solicitors to Cenkos	Osborne Clarke LLP One London Wall London EC2Y 5EB
Auditors	PricewaterhouseCoopers LLP 1 Harefield Road Uxbridge UB8 1EX.
Financial Public Relations Adviser	Buchanan 107 Cheapside London EC2V 6DN
Registrars	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Adjusted EBITDA"	EBITDA less exceptional items
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	AIM, a market of that name operated by the London Stock Exchange
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange and as amended and updated from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange and as amended and updated from time to time
"APP"	A P P Wholesale Limited, a company incorporated in England and Wales (registered number 06552800) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street London NW10 6UA
"Articles"	the articles of association of the Company as amended from time to time, a summary of which is set out in paragraph 5 of Part VII of this document
"**Brexit**"	the United Kingdom's withdrawal from the European Union
"Board" or **"Directors"**	the board of Directors of the Company, whose names are set out on page 10 of this document, or any duly authorised committee thereof
"**CAGR**"	compound annual growth rate
"Certificated" or **"in Certificated form"**	not in uncertificated form (that is, not in CREST)
"Companies Act"	the Companies Act 2006 (as amended from time to time)
"Company" or **"Lords"**	Lords Group Trading plc, a company incorporated in England and Wales (registered number 11633708) and having its registered office at Second Floor, 12-15 Hanger Green, London W5 3EL
"Concert Party"	for the purposes of the Takeover Code, those persons described in paragraph 17 of Part I of this document
"Condell"	Condell Limited, a company incorporated in England and Wales (registered number 05701638) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street, London NW10 6UA
"CREST"	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form, in respect of which Euroclear UK & Ireland is the operator (as defined in the Crest Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended from time to time), including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force

"CSOP"	the existing Lords Group Trading Limited 2019 Company Share Option Plan, details of which are summarised at paragraph 19 of Part VII of this document
"DBP"	the Lords Group Deferred Bonus Plan, being a deferred bonus plan further details of which are summarised at paragraph 20 of Part VII of this document
"Disclosure Guidance and Transparency Rules" or **"DTR"**	the disclosure guidance and transparency rules made by the FCA under Part VI of the FSMA from time to time
"DIY"	do-it-yourself
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Enlarged Share Capital"	the issued share capital of the Company immediately following Admission and the Placing, comprising the Existing Ordinary Shares and the New Ordinary Shares
"ESG"	Environmental, Social and Governance
"Euro" or **"€"**	the lawful currency of the member state of the European Union that adopt the single currency
"Euroclear UK & Ireland"	Euroclear UK and Ireland Limited, the operator of CREST
"Executive Directors"	the executive directors of the Company as at the date of this document, namely Shanker Patel and Chris Day
"Existing Ordinary Shares"	the 125,925,000 Ordinary Shares in issue immediately prior to Admission
"Existing Shareholders"	the holders of the Existing Ordinary Shares immediately prior to Admission but after the Reorganisation
"FCA"	the UK Financial Conduct Authority
"FCA Handbook"	the FCA's handbook of rules and guidance published by the FCA from time to time
"**FPO**" or "**Financial Promotion Order**"	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
"FSMA"	the United Kingdom Financial Services and Markets Act 2000, as amended
"FY18"	the financial year ended 31 December 2018 of the Company or APP (as applicable)
"FY19"	the financial year ended 31 December 2019 of the Company or APP (as applicable)
"FY20"	the financial year ended 31 December 2020 of the Company or APP (as applicable)
"Group" or "**Lords Group"**	the Company and its Subsidiaries as at the date of this document
"Hevey"	Hevey Building Supplies Limited, a company incorporated in England and Wales (registered number 04251567) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street, London NW10 6UA

"HMRC"	HM Revenue and Customs
"HVDs"	high value dealers are defined by The IoP Regs, regulation 14(1)(a) as "*a firm or sole trader who by way of business trades in goods (including an auctioneer dealing in goods), when the trader makes or receives, in respect of any transaction, a payment or payments in cash of at least 10,000 euros in total, whether the transaction is executed in a single operation or in several operations which appear to be linked.*"
"IFRS"	International Financial Reporting Standards, as issued by the International Standard Accounting Board as adopted by the UK
"IoP Regs"	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
"ISIN"	international security identification number
"LTIP"	the Lords Group Incentive Plan 2021, being a discretionary share plan further details of which are summarised at paragraph 20 of Part VII of this document
"Lock-in Agreements"	the lock-in agreements between the Company, Cenkos and each of the Locked-in Shareholders, summary details of which are set out in paragraph 13 of Part VII f this document
"**Locked-in Shareholders**"	the Selling Shareholders who have entered into a Lock-in Agreement
"London Stock Exchange"	London Stock Exchange plc
"Lords Builders Merchants"	Lords Builders Merchants Holdings Limited, a company incorporated in England and Wales (registered number 10058191) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street, London, NW10 6UA
"MAP"	MAP Building & Civil Engineering Supplies Ltd, a company incorporated in England and Wales (registered number 04827102) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street, London, NW10 6UA
"New Ordinary Shares"	the 31,578,947 new Ordinary Shares to be subscribed for and issued as part of the Placing
"**Nominated Adviser**" or "**Cenkos**"	Cenkos Securities plc, in its capacity as the Company's nominated adviser and broker
"**Nominated Adviser and Broker Letter**"	the engagement letter between the Company and Cenkos dated 14 July 2021 pursuant to which the Company has appointed Cenkos to act as nominated adviser, corporate broker and bookrunner to the Company for the purposes of the AIM Rules for Companies and for the purpose of making the application for Admission
"Non-Executive Directors"	the non-executive directors of the Company as at the date of this document, namely Gary O'Brien, Dawn Moore and Andrew Harrison
"Official List"	the Official List of the FCA
"Ordinary Shares"	ordinary shares of 0.5 pence each in the share capital of the Company
"Placee"	a subscriber or purchaser of Placing Shares

"Placing"	the conditional placing of the New Ordinary Shares and the Sale Shares by Cenkos as agent for and on behalf of the Company and the Selling Shareholders respectively at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 14 July 2021 between the Company, Cenkos, the Directors and the Selling Shareholders in relation to the Placing, details of which are set out in paragraph 13 of Part VII of this document
"Placing Price"	95 pence per Placing Share
"Placing Shares"	together, the New Ordinary Shares and the Sale Shares
"Pounds Sterling" "pence" or **"£"**	the lawful currency of the United Kingdom
"Prospectus Regulation Rules"	the prospectus regulations rules made by the FCA pursuant to section 73A of the FSMA from time to time
"QCA"	the Quoted Companies Alliance
"QCA Code"	the Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) published by the QCA
"Register"	the register of members of the Company
"Reorganisation"	the re-organisation of the Group prior to Admission which included the steps described in paragraphs 3.5, 3.8 and 13.6 of Part VII of this document, a solvency statement reduction of capital by Lords Builders Merchants and the payment of dividends from APP to Lords Builders Merchants and from Lords Builders Merchants to the Company
"Relationship Agreement"	the conditional relationship agreement dated 14 July 2021 between the Company, Cenkos and Shanker Patel, further details of which are set out in paragraph 13 of Part VII of this document
"**RMI**"	repair, maintenance and improvement
"**SDRT**"	Stamp Duty Reserve Tax
"**Sale Shares**"	the 23,157,892 Existing Ordinary Shares being sold by the Selling Shareholders in the Placing by the Selling Shareholders
"**Selling Shareholders**"	those Shareholders selling Sale Shares pursuant to the Placing, further details of which are set out in paragraph 8 of Part VII of this document
"**Shareholders**"	the holders of the Ordinary Shares from time to time
"SIP"	the Lords Group Share Incentive Plan, being an all-employee share incentive plan further details of which are summarised at paragraph 20 of Part VII of this document
"Subsidiary"	as defined in section 1159 of the Companies Act and "**Subsidiaries**" shall be construed accordingly
"**subsidiary undertaking**"	as defined in section 1162 of the Companies Act
"Takeover Code"	the City Code on Takeovers and Mergers published by the Takeover Panel from time to time

"Takeover Panel"	the Panel on Takeovers and Mergers
"TIDM"	tradable investment display mnemonic
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"UK MAR"	the Market Abuse Regulation (Regulation 596/2014/EU) as it forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018
"USA" or **"United States"**	United States of America, its territories and possessions, any State of the United States and the District of Columbia and all other areas subject to its jurisdiction
"US dollar" or **"$"**	lawful currency of the United States
"uncertificated" or **"in uncertificated form"**	shares recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST
"VAT"	UK value added tax
"**Weldit**"	Weldit Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (registered number OC303415) and having its registered office at Unit 1 Radford Industrial Estate, Goodhall Street, London, NW10 6UA

PART I

INFORMATION ON THE GROUP

The following information should be read in conjunction with the information appearing elsewhere in this document including (i) the Group's consolidated historical financial information for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 and (ii) APP's historical financial information for the year ended 31 July 2018, the 17 month period ended 31 December 2019 and the year ended 31 December 2020.

1. Introduction

Lords is a specialist distributor of building, plumbing, heating and DIY goods. The Group principally sells to local tradesmen, small to medium sized plumbing and heating merchants, construction companies and retails directly to the general public.

The Group operates through the following two divisions:

(i) **Merchanting:** supplies building materials and DIY goods through its network of merchant businesses and online platform capabilities. It operates both in the 'light side' (building materials and timber) and 'heavy side' (civils and landscaping), through 24 locations in the UK.

(ii) **Heating and Plumbing:** a specialist distributor in the UK of heating and plumbing products to a UK network of independent merchants, installers and the general public. The division offers its customers an attractive proposition through a multi-channel offering. The division operates over nine locations enabling nationwide next day delivery service.

Lords was established over 35 years ago as a family business with its first retail unit in Gerrards Cross, Buckinghamshire. Since then, the Company has grown to a business operating from 33 sites with a combined turnover in excess of £288 million. The Group aims to become a £500 million turnover building materials distributor group by 2024 as it grows its national presence.

The Group is principally focused on the growing Repairs, Maintenance and Improvement (RMI) market, with approximately 80 per cent. of the Group's demand focused on this segment of the construction market. The Group's businesses have experienced strong organic growth and remain well placed to take advantage of future favourable conditions in the RMI market. The Group has also grown via a number of well performing acquisitions. Lords has acquired more than 13 businesses in the last 10 years and it fully understands the issues faced when integrating teams. The Group seeks to grow through a variety of organic and inorganic strategies, including geographic reach, product expansion, the active expansion of e-commerce platforms and the continued investment in its logistical capability.

The Group's main clients are local tradesmen, hardware stores, plumbing and heating merchants and construction companies, that use Lords' deep product knowledge to source and procure a wide variety of building products. Customers are offered an excellent buying experience, enabled by the longstanding industry experience held by both the senior management team and employees of Lords, and enhanced through access to a diverse range of suppliers.

The Group's unaudited proforma financial performance since FY18 is illustrated in Figure 1:

Figure 1[1]

	FY18	*FY19*	*FY20*	*12 Months to 31 March 2021*[2]
Revenue	£246m	£284m	£288m	£330m
Adjusted EBITDA	£10.1m	£10.3m	£11.4m	£15.0m
Adjusted EBITDA Margin	4.1%	3.6%	4.0%	4.5%

1. Unaudited and shown on a proforma basis, presented as though APP was a member of the Group during FY18 and FY19. APP was acquired in Q4 2019.
2. Unaudited management accounts and presented as though MAP and Condell were members of the Group for the period. MAP and Condell were acquired in Q2 2021.

Source: unaudited management accounts.

The Directors believe that the Group's key strengths are:

- strength of customer service offering;
- Group culture and employee engagement;
- acquisition track record and future platform for growth;
- specialist product knowledge;
- long-term relationships with UK suppliers;
- commitment to superior locations; and
- investment in ecommerce and technology.

The Company is seeking admission to trading on AIM in order to raise new equity to provide flexibility to accelerate its growth organically and through acquisitions, as well as to enable Existing Shareholders to sell a small portion of their current shareholding. The Selling Shareholders will be subject to a lock-in period and management will continue to retain more than 50 per cent. ownership in the Company post-Admission. Admission will also help to raise the Company's profile and assist in establishing the Group as a leading building merchant to the construction industry.

2. History and development

A summary timeline of the Group's major historical events is shown below:

1982 Acquisition of the H. Akers business in Edmonton

1984 Established first Lords branch in Gerrard's Cross

1985 Established Lords At Home

1987 Opened Westbourne Grove branch

2001 Opened first heavy side branch at Park Royal

2002 Acquired Weldit Limited Liability Partnership

2013 Opened Hayes branch

2016 Acquisition of George Lines (Merchants) Limited

2017 Acquisition of a majority shareholding in Hevey Building Supplies Limited

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

2018 Acquisition of Kings Langley Buildings Supplies Limited

2019 Acquisition of Huntingdon Timber Limited

Opened second George Lines branch

Acquisition of APP Wholesale Limited

2020	Established first Lords Plumbing & Heating branch
2021	Acquisition of MAP Building & Civil Engineering Supplies Ltd
	Acquisition of Condell Limited

3. Business description

Lords is a distributor of building materials and DIY goods to the construction industry. The Group prides itself on a level of customer service which it believes differentiates it from its peers. This belief is corroborated through various national awards attained, such as the Platinum FEEFO service award (2021) and Plumbase Supplier of the Year (2017). The Group is highly profitable and cash generative and is able to provide solutions to customers through its experienced colleagues, product range and service led proposition.

Operations

The Group has 33 sites and sales offices throughout the UK, with this number and geographical reach anticipated to increase post Admission, as the Company expands organically and through strategic acquisitions. The Group's operations vary in size and have differentiated offerings depending on the site location and the division of the Group within which it operates.

As at 10 June 2021, the Group employed approximately 650 people.

The Group operates through two divisions:

- Merchanting; and
- Heating and Plumbing.

Merchanting Division

The Merchanting Division is a consolidator of specialist merchants across 24 locations in the South East and Midlands, adding value to the supply of building materials through product expertise and next day delivery across 15,000 products.

The Merchanting Division consists of the following operating businesses and brands:

Lords Builders Merchants	a network of ten branches focused in the South East providing building and timber supplies;
George Lines	an independent civils merchant providing civil and landscape materials from two branches in Aylesbury and Heathrow;
Hevey Building Supplies	an independent builders merchants located in the Midlands with three branches in Northampton, Kettering and Huntingdon;
Weldit	a metal plate manufacturer based in Luton, Bedfordshire, and fabricator of non-ferrous metals;
Lords At Home	a housewares brand that sells a wide selection of houseware products, and operating across five stores;
MAP	a civils merchants based in Ikeston, Derbyshire; and
Condell	an independent timber and builders merchants, operating out of Sutton and Horsham with a significant online presence.

The Merchanting Division is the smaller of the Group's two divisions by revenue and EBITDA, however, the Company's corporate overheads are factored into the EBITDA figure. Revenue in FY20 was £84.0 million down from £91.1 million in FY19 due to the impact of the COVID-19 pandemic, and with EBITDA of £4.0 million up from £3.4 million in FY19 (representing growth of 18 per cent.) and an EBITDA margin of 4.8 per cent.

Figure 2

	FY18	*FY19*	*FY20*	*12 Months to 31 March 2021*[2]
Revenue	£78.3m	£91.1m	£84.0m	£112.0m
Adjusted EBITDA	£3.4m	£3.4m	£4.0m	£7.0m
Adjusted EBITDA Margin	4.3%	3.7%	4.8%	6.3%

1. Unaudited and shown on a proforma basis, presented as though Huntingdon Timber was a member of the Group for the FY19 period. Huntingdon Timber was acquired in July 2019.
2. Unaudited management accounts and presented as though MAP and Condell were members of the Group for the period. MAP and Condell were acquired in Q2 2021.

Source: unaudited management accounts.

The Merchanting Division prides itself on its strong customer relationships and aims to differentiate itself by providing the best customer experience possible. This is due to its customer obsessed employees, engendered by strong employee culture and high level of service, and the division's product range, expertise and availability. The Group is focused on a technology driven strategy to enhance levels of efficiency and therefore the customer experience.

The Merchanting Division sites are situated in prime locations, well invested and modern. This is complemented by having a suite of strong heritage brands, an approximately 440 strong employee base and more than 90 fleet vehicles to support sites.

The Merchanting Division's revenue is generated through delivered sales (goods delivered to the customer; 48 per cent. FY20), direct sales (acting as intermediary between the manufacturer and the end-customer; 29 per cent. FY20) and collected sales (in-store customer collection; 23 per cent. FY20). The division has been growing at a revenue and EBITDA CAGR of 17.0 per cent. and 12.25 per cent., respectively, from 31 December 2016 to 31 December 2020. Headline EBITDA growth from FY18 to FY19 was limited by overhead costs related to the APP acquisition in the same year and market slowdown related to UK general election and Brexit concerns falling in the same year.

The Merchanting Division is not dependent upon any particular customers, and customer concentration is low, with the largest revenue generator in any year contributing less than 3.5 per cent. All of the top customers have been customers of the Group since October 2016 at the latest. Similarly, the business supply chain is reasonably well diversified with the top supplier accounting for 9 per cent. of purchases in FY20.

The division's revenues and EBITDA growth has been led by the success of recently acquired sites in Beaconsfield, Kings Langley, Watford and Aylesbury, that have seen average revenue growth in FY20 of 37 per cent. These newer locations have benefited from synergies with the Group, leveraging Lords Builders Merchants branding and receiving capital investment from the Group. These significant improvements in site performance since coming under Group ownership demonstrates the strength of the Lords model, which the Director's believe can be mirrored across future acquisitions post Admission.

The Directors believe that larger merchants are rationalising rather than consolidating, which presents significant opportunities to nimble operators such as the Group's Merchanting Division which has garnered significant brand value, developed efficient supply chains, has a strong management in place and an engaging company culture.

Heating and Plumbing Division

The Group's Heating and Plumbing Division operates across nine sites around the UK and is able to facilitate customer requirements through the division's extended geographic range. The division's principal activity is the retail, wholesale and distribution of heating and hot water products to the plumbing sector. Through its online channels and its own nationwide distribution network, the division is a leading platform and retailer of boilers, radiators and home technology, which is developed and managed by an in-house technology team offering customers advice, exclusive products and exceptional service. The division prides itself on utilising its distribution network to provide nationwide next day delivery.

The Heating and Plumbing Division consists of the following brands:

- APP;
- Mr Central Heating; and
- Column Rads.

The Heating and Plumbing Division is the largest of the Group's two divisions by revenue and EBITDA. Revenue in FY20 was £203.7 million up from £167.3 million in FY18 (representing CAGR of 10.3 per cent.) with EBITDA of £7.2 million up from £5.4 million in FY18 (representing CAGR of 15.5 per cent.) and an EBITDA margin of 3.5 per cent.

Figure 3

	FY18[1]	*FY19*[2]	*FY20*	*12 Months to 31 March 2021*
Revenue	£167.2m	£192.6m	£203.7m	£218.0
Adjusted EBITDA	£6.7m	£6.9m	£7.4m	£8.0
Adjusted EBITDA Margin	4.0%	3.6%	3.6%	3.7%

1. APP accounts audited for 12 months to 31 July 2018. Figures shown are extracted 12 month unaudited management accounts.
2. APP accounts audited for 17 month period to 31 December 2019. Figures shown are extracted 12 month unaudited management accounts.

Source: unaudited management accounts for FY18, FY19 and 12 months to 31 March 2021; APP audited accounts FY20.

The division's revenues are split between distribution of supplies to independent builders merchants (70 per cent.) and other end users (30 per cent.) via Mr Central Heating, Column Rads Online and instore. The brands within the Heating and Plumbing Division collectively represent one of the two specialist suppliers to independent building merchants in the UK.

The Heating and Plumbing Division has highly collaborative relationships with a group of key suppliers who contribute to the majority of the division's sales, which the Directors believe provides a high barrier to entry. The Directors are also of the view that the Heating and Plumbing Division provides manufacturers with a key route to the market and that manufacturers would struggle to obtain the same coverage if they were to go straight to the end user without high capital investment, thereby making the division a key part of the UK plumbing and heating supply chain.

The Heating and Plumbing Division maintains a well-diversified customer base within its distribution channel, ranging from small building contractors through to large plumbing merchants. In FY20, the top 10 customers accounted for approximately 35 per cent. of revenue. This exemplifies the division's ability to develop effective and long-standing relationships with its customers, with the majority of relationships being at least 10 years in duration.

The majority of the division's revenue is generated through distribution sales, with the rest from counter sales. Distribution sales have increased by a CAGR of 11.9 per cent. since FY18, driven by many of the division's sites expanding in size and using their competitive advantage to increase market share. From a product perspective distribution, approximately 90 per cent. of revenue is concentrated in the provision of boilers with the balance allocated to radiators, pipes, and other fixtures and fittings. Over the same period counter sales have improved meaningfully by £5.5 million (12.8 per cent.), driven by the division's ability to leverage its e-commerce capabilities and well-established website.

4. Key strengths

Strength of customer service offering

The Group strives to put the customer at the centre of everything it does at all times. The Group's business model is focussed on providing customers with the best experience possible and it is for this reason that the Company follows the mantra of "Customer Obsessed, Product Specialists". The Group aims to have significant product range and expertise and is focused on a technology driven strategy to enhance levels of efficiency, and in doing so the customer experience. The Group prides itself on being extremely flexible and customer centric, with the aim of satisfying the customers' desire for getting the product they are after, when they want it and how they want it. The employees are engaged and each division has specific training to make sure customer service is of the highest calibre. It is for these reasons that Lords has been recognised within the industry for its customer service with the Platinum FEEFO service award (2021) and Plumbase Supplier of the Year (2017).

Group culture and employee engagement

The Group has focused on establishing a strong company culture, which in turn has led to high levels of employee engagement, which the Directors believe contributes towards the impressive levels of customer satisfaction. The Company's strong culture and engagement is demonstrated by high employee retention levels, the average employee length of service and by all five divisional managing directors having been promoted from within the business, including two of which who commenced their employment with the Company working on the shop floor. The Group aims to further increase employee engagement by refreshing and enhancing, on and after Admission, the employee share schemes that were implemented prior to Admission . The Directors believe in democratised ownership of the business which is intended to remove business dependence on existing management and to focus on the next generation of management leading the Group.

Acquisition track record and future platform for growth

The Group has a strong track record of acquisitions, with the six acquisitions completed between 2016 and 2020 having been fully integrated and performing at a return-on-investment rate of greater than 20 per cent. The Directors believe that Lords is a highly attractive 'next custodian' for many vendors. This is the reason why the majority of the Group's acquisition opportunities since 2016 come from vendors approaching the Group, and thus are presented with a large number of motivated vendors that view Lords as the mechanism through which they can elevate their businesses to the next level. Post Admission, the Group will have a strong balance sheet to fund future acquisitions. The Group's acquisition strategy is described in additional detail under the Company's inorganic growth strategy in paragraph 5 of Part I of this document.

5. Growth strategy

The Group intends to grow organically and through acquisition, as follows:

Organic growth

The Group intends to increase revenues and overall profitability through organic growth of its existing businesses. The Directors intend to achieve this by increasing the geographic coverage of its merchanting business, diversifying its product offering in both its merchanting and distribution divisions, investing in its digital platforms and continually investing in the Group's logistical capabilities to stay ahead of its competition. The Directors believe this should enable the Group to improve its market share.

To drive organic growth, the Group believes in investing in the "three P's" – people, plant and premises – and this is designed to give customers the best experience when purchasing building materials from Lords. The Group believes in investing in its people, demonstrated by all five of the divisional managing directors having been internally promoted from within the business. By investing in each of its premises, they are transformed into modern, fit for purpose facilities, with large capacity for growth. The Group's plant is modern and is increasingly using digital technology to streamline efficiencies and enhance the customer experience.

The Group has made investment in its digital capabilities which the Directors believe will provide a strong platform for future growth. The Directors believe that past and continuing technological initiatives will drive e-commerce growth which will be a key pillar of organic growth for the Group going forward. For example, this digital investment includes the in-house integrated and managed online ordering system, which includes live delivery tracking and text updates & alerts.

Given the Group's product offering, financial performance is strongly linked to general market conditions in the construction sector. 2020 has seen a significant resurgence of the RMI market and is forecast to continue improving throughout 2021. The construction industry has also seen volumes grow consistently over the last 10 years and is forecast to continue growing in volume terms in the near future. The Group therefore expects to continue to benefit from improving conditions in the RMI and construction sector in the near future.

Acquisitions

The Group has a strong track record of acquisitions and the Directors intend to use funds raised from the Placing to strengthen its balance sheet to fund future acquisitions. The Directors consider that acquisitions completed by the Group to date are fully integrated and performing ahead of the Board's initial expectations, with the six acquisitions completed between 2016 and 2020 performing at an average return-on-investment rate of greater than 20 per cent.

The Group is in regular dialogue with potential business vendors and at any one time may have approximately five to ten opportunities under commercial diligence. The Directors believe that Lords is a highly attractive 'next custodian' for many vendors. It is for this reason why the majority of the Group's acquisition opportunities since 2016 come from vendors approaching the Group, and thus are presented with a large number of motivated vendors. The Group sees its acquisition platform as a key strength as there are a very limited number of independent merchant groups pursuing a buy and build strategy. Post Admission, the Group expects to deliver approximately three to four acquisitions per annum, targeting acquisitions on a three to six times maintainable EBITDA multiple.

The Group screens each potential acquisition for an appropriate level of value creation and will only proceed if the target can either bring a platform that can be scaled up within the existing Group or the existing Group can accelerate growth in the target. Along with thorough due diligence on acquisitions, the Group's senior executive management will always spend time with potential vendors in the early stages of acquisition diligence to gain an in depth understanding of their motivations for selling, their future aspirations and the culture within the target. Vendor management teams are retained within the Group and appropriately incentivised to perform.

The builders merchant industry is highly fragmented, with 2,300 merchants listed in the UK national directory, with 40 per cent. of these being independent merchants. The Directors believe that there are a very limited number of independent merchant groups pursuing a buy and build strategy and thus Lords is well placed, with a significant opportunity to accelerate consolidation. The Group will be seeking to target acquisitions to achieve growth in e-commerce, expand its geographic footprint and expand its product range, amongst others.

6. The building materials and RMI market

Building materials market

In 2020, the total UK building materials distribution industry turnover was £76 billion, broken down into the following segments:

Merchanting Segment	*2020 Turnover*
General	£16.7 billion
Specialist	£21.3 billion
Direct to site via merchant	£14.5 billion
Pure play online	£3.0 billion
Retail/DIY	£16.7 billion
Fixed price operators	£3.8 billion
Total	£76 billon

Of these segments, the Lords business model covers general merchants, specialist merchants, direct to site via merchant and pure play online merchanting, and thus the Group's total addressable market in the UK is approximately £55 billion.

The UK building market is driven by construction activity. UK construction activity grew at a CAGR of 5.82 per cent. between 2009 and 2019. Recent UK construction activity has been very strong, with activity in March 2021 having expanded at its fastest quarterly pace in more than six years. All construction sectors were strong, with the strongest driver of activity being the housebuilding sector. The UK construction industry is expected to rebound and grow by 8 per cent. in 2021 and record an average growth of 2.5 per cent. between 2022 and 2025.

RMI market

The Group is heavily reliant on the RMI market given it accounts for approximately 80 per cent. of the Group's revenues. The COVID-19 pandemic initially impacted the domestic RMI market, however, it has recovered sharply since the end of the initial lockdown in the second quarter of 2020. By the end of 2020, £26.6 billion of works had been completed, slightly down from £29 billion in 2019. Overall, Great Britain RMI construction output volume has been growing at a CAGR of 1.7 per cent. from 2010 to 2019.

Recent RMI spend levels have been driven by increased time spent at home due to COVID-19 related lockdowns. This has led to an increase in remote working practices and assisted RMI output as people look to amend their homes to make room for home working spaces. Limited options for spending discretionary income elsewhere, and a focus on home projects while in lockdown, has lent itself to increased spending on home projects. It is expected that post pandemic elevated levels of remote working will remain and continue to generate a desire for additional space in the home and thus the positive impact on RMI spending.

In the near term, the RMI spend outlook remains positive as the UK stamp duty holiday on housing transactions has driven a higher volume of transactions and mortgage approvals, with the number of the former at multi-year highs. Historically, housing transactions have been a lead indicator for RMI spend, pointing to favourable dynamics for at least the next 12 months. Interest rates remain low and UK savings ratios continue to be high, which may drive additional housing transactions and spend on home improvements and other RMI.

Longer term, fundamentals remain that would suggest the RMI outlook remains favourable. The average UK home is 70 years old and housing stock is relatively poorly maintained, which will require regular upkeep and improvements. Future RMI spending is also likely to be driven by the UK government's recent changes to cladding regulations and an updated target to reduce greenhouse gas emissions by 78 per cent. by 2035. In respect of cladding regulations, these have been amended in the wake of the Grenfell Tower fire, and this will require many developers, landlords and homeowners to remediate their current cladding. It is predicted that by 2030, 42 per cent. of the average UK household's carbon emissions will derive from heating. Examples where homes can become more energy efficient are through insulation, such as double-glazed windows and switching to low carbon heating, all of which will drive RMI work.

7. Competition

The builders merchant market is highly fragmented with 2,300 merchants listed in the national directory. The national merchants chains (Travis Perkins, Jewson/Saint-Gobain, Wolseley and Grafton) make up 51 per cent. of the market by turnover, with 40 per cent. of the market being made up of other independent merchants. The Group currently accounts for just over 1 per cent. of UK merchant turnover. Whilst there are a large and diverse number of competitors in the UK merchanting space, many of them will cover different product ranges to Lords and thus they may not be directly competing against the Group.

National merchant chains have, of late, been finding it difficult to increase their market share and, in some instances, they have looked to divest business units. The Directors believe there are also a very limited number of independent merchant groups pursuing a buy and build strategy and thus the Directors believe Lords is extremely well placed in this regard.

Within the Heating and Plumbing Division, F&P Primaflow is the Group's key competitor to supplying independent builders merchants, while central heating sales are made directly to home-owners and the market is more widely competitive. The Directors believe that the Heating and Plumbing Division's strong online presence provides the Group with an advantage over some of its national competitors who are still engaged in more traditional sales practices.

The Group believes that, if it continues with its strategy of maintaining a high level of customer service offering and employee engagement, it will continue to increase its market share.

8. Suppliers/supply chain

The Company regards its relationship with its suppliers as critical to its business model and, as such, considers it key to maintain an open and collaborative approach with suppliers. The Group considers itself to have excellent relationships with its suppliers which is demonstrated by the average tenure with suppliers being much longer than the average builders merchant. For example, a number of the Group's timber suppliers have been supplying the Group for more than 20 years. Its excellent working relationships gives the Group good surety of supply, with the Group not experiencing any major supply issues during recent surges in demand for homebuilding equipment.

Within the Merchanting Division, the Company has a large range of suppliers, having a certified list of over a thousand. As there are no long-term agreements with stock suppliers in place, supply arrangements are typically made on an annual basis. For staple products, the Group might change supplier more than once a year to avail itself of a lower cost supplier elsewhere, however for certain items changing supplier is not possible as some customers require specific items that cannot be obtained elsewhere, however, this is rare.

While the Merchanting Division has a large range of suppliers, with no more than one supplier accounting for more than 9 per cent. of supply in FY20, the top five suppliers made up approximately 30 per cent. of the division's total supplies.

Within the Company's Heating and Plumbing Division, the top four suppliers of boilers to the Company account for approximately 80 per cent. of supply, all located within the UK. Given boiler sales make up approximately 90 per cent. of the Heating and Plumbing Divisions sales, there is a level of concentrated reliance on certain suppliers, however, the Group's management are of the view that the division provides manufacturers with a key route to the market and that these manufacturers would struggle to obtain the same coverage and service levels if they were to go straight to the end user without high capital investment.

9. Environmental, social and governance (ESG)

The Group is very conscious of its responsibilities as a corporate citizen and has put in place measures so it achieves appropriate ESG standards for a business of its nature. The Group has put in place a range of measures to make sure these standards are adhered to.

Environmental

The Group has launched the only boiler recycling scheme in the UK, where annually 1.5 million boilers are sold per year. In initial trials the Group has been able to recycle up to 95 per cent. of the overall boiler weight at its reprocessing centre in Erith. The Group has also joined the Construct Net Zero champion program and has pledged to be net carbon zero by 2050. Other efforts include: working to electrify the Group's van fleet over the next three years; converting forklifts (currently diesel or gas) to electricity over the next 24 months; implementing a policy where new company cars being plug-in hybrid electric vehicle (PHEV) or electric vehicles; having offset 59 per cent. of the Group's 2020 carbon footprint with the purchase of 150 acres of rainforest through the World Land Trust Carbon Offset program, whereby forest habitat is protected from logging or deforestation; and reviewing the Group's packing use, including suppliers usage, with the aim of reducing usage by over 20 per cent. in 2022.

Social

The Group supports local communities in the locations in which it trades via donations to local charities and local sporting clubs. To date, the Group has donated a minimum of £50,000 in total per year since 2013. The Group strives to increase the overall satisfaction of its employee base with Employee Assistance programs, implementing employee engagement initiatives centred around having fun at work, as well as lunches with the Chief Executive Officer, MBA sponsorships and family fun days. The Group has training programs which are accessible to all employees, which has resulted in good employee retention and all five divisional managing directors having been promoted from within the business, including two of which commenced working on the shop floor.

Governance

The Group has been very focused on utilising proper governance procedures and has been a believer of the benefits it can provide, which is demonstrated by the fact it has had non-executive directors in place for the past 11 years. The Group has also had an audit and remuneration committee's in place, well in advance of the Group's anticipated Admission, to ensure the business maintains strong governance. The Group is conscious of its governance processes with a ridged documented decision-making procedure at Board level which is consensus based. Each division within the Group in headed by its own managing director who has in place a limits of authority matrix.

10. Trading

Current trading and prospects

Since the year ended 31 December 2020, the Group has had a positive first half of the current financial year with revenues on track to achieve a record half year performance. This increase in revenues is, in part, due to the strength of the RMI market and two additional bolt-on acquisitions completed since the year end, which continue to trade in-line with the Directors' expectations.

Given the positive start to the current financial year, and their assessment of the strength of the Group's growth strategy and business model, the Directors have confidence in the Group's prospects for the current financial year and beyond. The Board is focused on the Group's growth strategy to become one of the UK's leading independent building materials distributors.

Unaudited pro forma statement of net assets of the Group

Part VI of this document contains an unaudited pro forma statement of the net assets of the Group, which illustrates the effect on the net assets of the Group after giving effect to the Reorganisation and Admission, as well as to illustrate the effect of the receipt of the net proceeds of the Placing and the repayment of the Group's debt on the net assets of the Group as if the Reorganisation, the Placing and the repayment of debt had been completed as of 31 December 2020.

11. Directors and Senior Managers

Executive Directors

Shanker Patel – Chief Executive Officer (aged 50)

Shanker has a BSc from London school of Economics alongside a Law degree and an Exec Ed from Harvard Business School.

He has been active within the business since 1993 and has held the Chief Executive Officer role for over 10 years. Shanker has and continues to set the strategic direction of the Group and guided the business through transitioning from an owner managed structure to a business that incorporates an independent professional management team. Shanker is also a designated member of the H&B buying group that represents Lords, as well as a board member of the Builders Merchants Federation, which is the only trade body representing merchants.

Chris Day – Chief Financial Officer (aged 37)

Chris joined Lords in March 2017 as Group Finance Director. Chris began his career as a Management Accountant at Clipper Logistics and during the two years he was with the business it grew from £86 million turnover to £153 million, largely through new customer acquisitions with Chris leading the finance integration part.

In 2008 he moved to Monsoon Accessorize Ltd, the clothing retailer, and held both Supply Chain Financial Controller as well as Head of Supply Chain Finance during his five years with the business. Chris joined Travis Perkins in 2013 and in early 2015 was promoted from his role as Head of Finance – Supply Chain & IT to become the Finance Director of Tile Giant.

Chris is CGMA qualified in addition to holding a BA (hons) degree from Cardiff and an MSc in Supply Chain management from Cranfield.

During his time at Lords, Chris has overseen the growth of the Group through seven acquisitions, an enlarged finance team and helped to structure many parts of the business in readiness for the growth.

Non-Executive Directors

Gary O'Brien – Independent Non-Executive Chairman (aged 71)

Gary is one of the retail sectors most seasoned leaders, progressing through such companies such as Allied Lyons, Granada Group and Black & Decker to join Max Factor in 1982 as Deputy Managing Director and

Finance Director. Already experienced in business transformations, Gary built Max Factor, a loss maker, into one of the most profitable divisions in the worldwide operation at the time.

He moved on to join the board of the Burton Group in 1986, again instituting significant changes which saw the group increase earnings per share through a recession of the 1980s/ early 1990s. Gary was then introduced to the Ratners Group (now Signet) where he arranged two re-financings for the group involving 32 banks, eventually seeing it return to profit.

Gary's career has since turned to private companies and subsequently, he has been involved in a management and advisor capacity within corporate finance, telecommunication, IT and financial services marketing businesses, alongside his ex-Chairmanship of John Lewis of Hungerford, his advisory roles' at Lords and Bailey Montagu, Gary is also currently involved in both the Internet Retailing and Property arenas.

Gary has worked with the Group since 2014 adding strong financial acumen and strategic guidance.

Dawn Moore – Independent Non-Executive (aged 48)

Dawn has an extensive record of proven success in executive level human resources (HR) and people strategy, across a range of large organisations and sectors.

Dawn's current role is Group People Director at Murphy Group having previously held the position of Director in human resources for Morgan Sindell, Tarmac and Keepmoat. During Dawn's executive HR tenure with Tarmac, she led the development of a HR strategy aligned to public company separation and plan for growth and sale. Dawn has significant, relevant up-to-date knowledge across manufacturing, construction, and infrastructure sectors.

Dawn was named one of the most influential eight women in construction in 2018 and has received multiple national awards for work on diversity and inclusion, culture change, recognition, and HR strategy over the last few years. Dawn is regularly asked to speak at national events and contribute to published articles on HR work.

Dawn has worked with the Group since 2020 offering her wealth of experience across people, strategic and governance.

Andrew Harrison – Independent Non-Executive (aged 59)

Andrew was formerly Chief Executive Officer of the Plumbing and Heating division of Travis Perkins plc and prior to that role held many senior positions within the Travis Perkins Group including the roles of Chief Operating Officer of Travis Perkins as well as Managing Director of Keyline, Benchmarx and CCF.

Andrews executive career spans forty-one years within the merchant industry with 21 years at Travis Perkins plc (1999-2020) and 20 years between Graham-Reeves (1980-1989) and Sharpe & Fisher (1989 to 1999) which grew from four to 38 branches over 10 years before being acquired by Travis Perkins.

Andrew has deep experience and knowledge of business transformation programs, governance, and customer relationship strategy across the home improvement, timber and builders merchant sector.

Senior Management

Kevin Ellis – Group Financial Controller

Kevin is ACA qualified and has over 35 years' experience working in finance and has been at Lords since 2018. Prior to joining Lords, Kevin held the position of Chief Financial Officer at Weatherly International plc, at the time an AIM listed mining group, for nine years where he was also Company Secretary for a period of time. He also held the position of Chief Financial Officer and Company Secretary for China Africa Resources plc, at the time an AIM quoted group, which Weatherly managed during this period. Prior to that he held several senior finance positions in a range of industries covering FMCG, Healthcare and Computer services.

Jamie Herd – Managing Director, Lords Builders Merchants and George Lines

Jamie joined Lords in 2001 and quickly worked up the ranks from Yard Assistant to Trade Counter Manager for the branch at Park Royal within five years. In 2013 he was promoted to Branch Manager for the newly acquired branch in Hayes, which he turned into a profitable business within months. Jamie subsequently led the integration and development of every acquisition between 2017 and 2019 as Sales Director before becoming Regional Director in 2019. Promoted to the role of Managing Director four days before the first Covid-19 lockdown, Jamie led Lords Builders Merchants / George Lines through the pandemic and sustained growth thereafter.

Michael Brockman – Managing Director, APP

Michael is an ACCA accountant having qualified through a Top 20 audit firm and spending 14 years in practice before moving into industry with APP in 2006. Michael spent 12 years as Finance Director holding financial and operational responsibility for the business throughout this period. In May 2020, Michael was promoted to Managing Director of APP recognising his strong understanding of the business, colleagues and customers. Under Michael's leadership, APP delivered record turnover in 2020 despite the trading disruption caused by Covid-19.

Mark Mulvey – Managing Director, Hevey Building Supplies

Mark Mulvey has over 35 years' experience in the builders merchant sector, initially working for independent and national merchants before creating Hevey Building Supplies with a partner in 2001. Over a 20 year period Mark, in partnership with Lords since 2017, has grown Moulton Park so that it is now the Merchanting Division's largest branch. Mark is very much a people person, recognising that his team are the greatest strength of Hevey Building Supplies.

Tilak Patel – Managing Director, Lords at Home

Tilak qualified from the London School of Pharmacy with a Masters in Pharmacy degree in 2003 and practiced for three years with J Sainsbury plc. Tilak was subsequently moved into a fast track Management program within the core supermarket division and ultimately became store manager within the London region. Tilak moved to Lords at Home in 2013 and helped build the Lords at Home brand and store expansion program as Operations Director. In 2020, Tilak was appointed as Managing Director for Lords at Home and is focused on expanding the brand into a nationwide community focused housewares brand.

Paul Markham – Managing Director, Weldit

Paul joined Weldit in 2003 as a guillotine operator, over the following four years, Paul gained experience across every process and function within the business. In 2008, Paul was promoted to the role of Production Manager and drove improved efficiency and capacity within the factory. In 2019, Paul was promoted to the role of Commercial Director to recognise his wider involvement across the business before becoming Managing Director in 2020.

Equity participation

As at Admission, the Directors will be interested, in aggregate, in 46,171,514 Ordinary Shares, representing 29.3 per cent. of the issued Ordinary Share capital of the Company.

Incentive arrangements

The Group's incentive arrangements are summarised in Part II of this document and further details are set out in paragraphs 3.14, 3.15, 3.16, 19 and 20 of Part VII of this document.

12. Reasons for Admission and use of proceeds

The Company is seeking to raise approximately £30.0 million before expenses pursuant to the Placing (approximately £27.7 million net of expenses). In addition, the Selling Shareholders are seeking to raise approximately £22.0 million before expenses in the Placing. Of the Placing proceeds raised for the Company, approximately £24 million will be deployed to pay down senior debt. This de-leveraging will significantly reduce the Group's annual interest charge and will create a more stable balance sheet from which to pursue growth. The Group intends to adopt a conservative approach to leverage and is targeting a long-term core leverage ratio of below approximately one times the reported EBITDA.

The remaining funds raised under the Placing will be used as capital for the Group to pursue organic or inorganic growth and to pay fees associated with the Placing and Admission.

The Company will not receive any proceeds from sale of the Sale Shares which will be paid to the Selling Shareholders.

13. Dividend policy

The Directors recognise the strong cash profile of the Company following Admission and believe that Lords will be well placed to pay a regular dividend to Shareholders. At the same time, the Directors believe that there is significant opportunity to grow the business and win market share; establishing Lords as a market leader in the UK.

It is the Board's intention to commence a progressive dividend policy following Admission and will target a dividend cover of approximately three times earnings per Ordinary Share in the near future. It is currently intended that a first dividend will be proposed, in respect of the six month period to June 2021, before the end of 2021. The Board expects to keep this policy under review and it will be driven primarily by the level of cash retained within the business as well as investment opportunities available to the Company.

14. The Placing and Admission

On Admission the Company will have 157,503,947 Ordinary Shares in issue and a market capitalisation, at the Placing Price, of approximately £150 million. The Placing comprises the issue of 31,578,947 New Ordinary Shares and the sale of 23,157,892 Existing Ordinary Shares. Cenkos has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to procure institutional and other subscribers for the New Ordinary Shares to be issued by the Company and purchasers for the Sales Shares to be sold by the Selling Shareholders under the Placing. The Placing will raise in total £30.0 million before expenses for the Company. The Placing Shares represent approximately 34.8 per cent. of the Enlarged Share Capital.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 8.00 a.m. on 20 July 2021, or such later date as Cenkos and the Company may agree, being not later than 8.00 a.m. on 31 August 2021.

The New Ordinary Shares will be issued fully paid. On Admission, the New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares (including the Sale Shares) including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Application has been made to the London Stock Exchange for the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. Admission is expected to become effective and dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 20 July 2021.

Further details of the Placing Agreement are set out in paragraph 13 of Part VII of this document.

15. Relationship Agreement

Immediately following Admission, Shanker Patel will be entitled to exercise or control the exercise of voting rights in respect of 29.2 per cent. of the Enlarged Share Capital and will therefore have significant influence on the business of the Group and may cause or take actions that are not in, or which may conflict with, the best interests of other Shareholders. Accordingly, Mr Patel has entered into the Relationship Agreement with the Company and Cenkos which regulates the relationship between him and the Company and ensures that the Company is capable of carrying on its business at arm's length from the Shareholder Group. This Relationship Agreement will remain in place for so long as Shanker Patel, together with his associates, holds more than 20 per cent. of the issued share capital of the Company for the time being.

16. Lock-Ins and Orderly Market Arrangements

Pursuant to the terms of the Lock-in Agreements, each of the Locked-in Shareholders (save for Shanker Patel) have undertaken not to sell, transfer or dispose of any Ordinary Shares held by them at Admission for a period of 12 months following Admission. These restrictions are subject to certain customary exceptions including any sale or disposal with the prior consent of Cenkos.

In addition, each of the Locked-in Shareholders (save for Shanker Patel) has undertaken not to dispose of any Ordinary Shares during the period of 12 months from the first anniversary of Admission other than through Cenkos.

Pursuant to the terms of his Lock-in Agreement, Shanker Patel has undertaken not to sell, transfer or dispose of any Ordinary Shares held by him at Admission for a period of 18 months following Admission. These restrictions are subject to certain customary exceptions including any sale or disposal with the prior consent of Cenkos. In addition, Shanker Patel has undertaken not to dispose of any Ordinary Shares during the period of 6 months from the first anniversary of Admission other than through Cenkos.

The lock-in arrangements are intended to preserve an orderly market in the Ordinary Shares after Admission. Details of these arrangements are set out in paragraph 13 of Part VII of this document.

At Admission, these restrictions will apply in respect of 102,609,214 Ordinary Shares representing 65.2 per cent. of the Enlarged Share Capital.

17. The Takeover Code

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate interest in shares of the acquirer, and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Takeover Panel) to make a general cash offer for all the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of an interest in any other Ordinary Shares by a person being interested in, together with its concert parties (if any), Ordinary Shares carrying at least 30 per cent., but not holding more than 50 per cent., of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate interests held by the acquirer and its concert parties (if any).

Any person, who together with their concert parties, holds more than 50 per cent of a company's voting rights, is not normally subject to such a requirement as a result of any acquisition by such person, or its concert parties, of any further shares carrying voting rights in the Company although individual members of the Concert Party cannot move through or between a Rule 9 threshold.

The Takeover Code defines persons “acting in concert” as comprising persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. “Control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

The Company's advisers have agreed with the Takeover Panel that there is a concert party comprising:

	Persons	*Description*
(a)	Shanker Patel, his related trusts and children	Group Chief Executive Officer and the Company’s largest shareholder
(b)	Nilesh Patel	Lords Builders Merchants founder
(c)	Rajen Patel, his related trust and child	Lords Finance Director from 2004 to 2016
(d)	Vrajesh Patel	Nilesh Patel’s brother
(e)	Ashok Patel	Nilesh Patel’s brother-in-law
(f)	Chirag Piyush Patel	Nilesh Patel’s nephew
(g)	Ragini Piyush Patel	Nilesh Patel’s sister-in-law
(h)	Rita Dewan	Shanker Patel’s sister-in-law

Together the Concert Party will hold 52.7 per cent. of the Enlarged Share Capital immediately following Admission.

Shareholders should note that, following the completion of the Placing, the Concert Party will together hold over 50 per cent. of the voting rights of the Company and will therefore be entitled to increase their interest in the voting rights of the Company without incurring a further obligation under Rule 9 of the Takeover Code to make a general offer, although individual members of the Concert Party cannot move through or between a Rule 9 threshold without Takeover Panel consent.

Further information on the provisions of the Takeover Code and the Concert Party can be found in paragraph 22.4 of Part VII of this document.

18. Admission, dealings and CREST

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 20 July 2021.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his or her direction, will be sent through the post at the Placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London, EC4M 5SB.

19. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 21 of Part VII of this document. These details are, however, only intended as a guide to the current taxation law position in the UK. **Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers**.

20. Risk Factors

Prospective investors should consider carefully the risk factors described in the section headed "Risk Factors" and set out in Part III of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Ordinary Shares.

21. Notification of major interest in Ordinary Shares

Chapter 5 of the Disclosure Guidance and Transparency Rules makes provisions regarding notification of certain shareholdings and holdings of financial instruments. Where a person holds voting rights in the Company as a shareholder through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below 3 per cent. or any whole percentage point above 3 per cent. The requirement to notify also applies where a person is an indirect shareholder and can acquire, dispose of or exercise voting rights in certain cases.

22. Further Information

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the financial information in Parts IV, V and VI of this document and the additional information set out in Part VII of this document.

PART II

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

The Board comprises the following persons:

- Shanker Patel (Chief Executive Officer)
- Chris Day (Chief Financial Officer)
- Gary O'Brien (Independent Non-Executive Chairman)
- Dawn Moore (Independent Non-Executive Director)
- Andrew Harrison (Independent Non-Executive Director)

The Company's Senior Management consist of:

- Kevin Ellis – Group Financial Controller
- Paul Markham – Managing Director, Weldit
- Tilak Patel – Managing Director, Lords at Home
- Michael Brockman – Managing Director, APP
- Mark Mulvey – Managing Director, Hevey Building Supplies
- Jamie Herd – Managing Director, Lords Builders Merchants and George Lines

2. Corporate Governance

The Board recognises the value and importance of high standards of corporate governance and intends to observe the requirements of the QCA Code.

The Board will continue to be responsible for the overall management of the Group including the formulation and approval of the Group's long term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of the Group's strategy, policies and plans. Whilst the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. The Board will formally meet eight times per annum to review performance.

At Admission, the Board is expected to comprise five directors, of whom two are executive and three are non-executive. The Board considers all of the non-executives to be independent and, as such, the Company complies with the requirements of the QCA Code.

The Board has established an audit committee, remuneration committee and disclosure committee with formally delegated duties and responsibilities, as described below.

Audit committee

The audit committee will have responsibility for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee comprises Gary O'Brien, Dawn Moore and Andrew Harrison and will be chaired by Gary O'Brien. The audit committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also has unrestricted access to the Group's external auditors.

Remuneration committee

The remuneration committee will have responsibility for determining and agreeing with the Board the framework for the remuneration of the Chairman, the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors will be a matter for the chairman and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration.

The remuneration committee comprises Gary O'Brien, Dawn Moore and Andrew Harrison and will be chaired by Dawn Moore. The remuneration committee will meet as and when necessary.

Disclosure committee

The disclosure committee will provide support to the Board in relation to compliance with UK MAR, the Disclosure Guidance and Transparency Rules and AIM Rules and the identification, control and disclosure of "inside information". The disclosure committee comprises Gary O'Brien and Chris Day and is chaired by Gary O'Brien. The disclosure committee will meet at such times and in such manner (including by telephone) as shall be necessary or appropriate.

Nomination Committee

Given the size of the Board, it does not intend to establish a separate nominations committee and recommendations for appointments to the Board will be considered by the Board as a whole after due evaluation.

Share dealing code

The Group has adopted a share dealing code, with effect from Admission, which is compliant with Article 19 of UK MAR and Rule 21 of the AIM Rules for Companies. The share dealing code will apply to any person discharging management responsibility, including the Directors and senior management and any closely associated persons and applicable employees.

The share dealing code imposes restrictions beyond those that are imposed by law (including by the FSMA, UK MAR and other relevant legislation) and its purpose is to ensure that persons discharging managerial responsibility and persons connected with them do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have. The share dealing code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

3. Share Incentive Arrangements

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. Accordingly, the Company has established the following employee incentive arrangements:

Long Term Incentive Plan

The LTIP is a plan under which awards of conditional shares (being a conditional right to acquire Ordinary Shares), options (with a nil/nominal or market value exercise price) and/or restricted shares (subject to restrictions and the risk of forfeiture) may be granted to Directors and key employees over Ordinary Shares. Awards may have performance conditions attached. On Admission, Shanker Patel will be interested in 29.2 per cent. of the Enlarged Share Capital. As a result of this material equity interest in the Company, Shanker Patel will not be eligible to participate in the LTIP.

Details of the LTIP are set out at paragraph 20 of Part VII of this document.

Company Share Option Plan

The CSOP is a plan under which selected Directors and key employees have previously been granted tax favoured options (with a market value exercise price). It is not intended that any future awards will be made under the CSOP.

Details of the CSOP are set out at paragraph 19 of Part VII of this document.

Deferred Bonus Plan

The DBP is a plan under which selected employees, including Directors, may have a portion of their bonus deferred as a cash amount or into awards over Ordinary Shares.

Details of the DSP are set out at paragraph 20 of Part VII of this document.

Share Incentive Plan

The SIP is a plan under which meets the requirements of Parts 2 to 9 of Schedule 2 to ITEPA 2003 and under which all eligible employees may be granted Free Shares, Partnership Shares, Matching Shares or Dividend shares.

Details of the SIP are set out at paragraph 20 of Part VII of this document.

PART III

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Group is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him or her in the light of his or her personal circumstances and the financial resources available to him or her. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under the FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Group will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to future performance.

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on demand for the Group's products. A more prolonged downturn may lead to an overall decline in sales. Economic uncertainty might have an adverse impact on the Group's operations and business results.

Financial controls and internal reporting procedures

The Group has systems and controls in place to allow it to produce accurate and timely financial statements and to monitor and manage risks. If any of these systems or controls were to fail the Group may be unable to produce financial statements accurately or on a timely basis or expose the Group to risk. Any concerns investors may have over the potential lack of available and current financial information and the controls the Group has in place could adversely affect the Company's share price.

System failure / cyber attacks

Phones systems, basic email and Group network functionality are integral to ensuring the smooth operation of sales and purchasing functions, and the Lords business in general. The Group has protection and backup systems in place via contracted IT providers which manage and maintain IT systems, however should these protections fail or be breached in a cyber- attack this could impact the day-to-day operations of the business, potentially impacting the Company's profitability and customer relationships.

Taxation and legislative changes

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors interpretation thereof. Such interpretation may not be correct and legislation, regulation, rules and practice may change, possibly with retrospective effect.

Any change in legislation, regulation, rules or practice may have an adverse effect on the returns available on an investment in the Company.

Breach of bank covenant

The Company uses a debt facility to fund a portion of its operations. As is standard protocol for banking facilities the lender has security over assets within the Group. The lender has certain market standard covenants in place which, if breached by the Group, may enable the lender to take execute their security and take possession of assets within the Group, which may negatively impact the Group's profitability.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

Current operating results as an indication of future results

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Company's operating results include the number of new homes built and an increased level of expenses as it continues to expand organically and through acquisition. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Company's shares may decline significantly.

Dependence on key executives and personnel

The Company's future development and prospects are substantially dependent on the continuing services and performance of the Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified managers. The Directors cannot give assurances that they or members of the management team will remain with the Company, although the Directors believe the Company's culture and remuneration packages are attractive. If the Executive Directors and/or members of the senior management depart, the Company may not be able to find effective replacements in a timely manner, or at all and its business may be disrupted or damaged. The loss of the services of any of the Directors, managers and other key employees could damage the Company's business.

Competition

There are many builders merchants in the UK market and therefore the Group is influenced by the performance of its immediate competitors. Key competitors within the Merchanting Division include the large national merchant chains as they control over 50 per cent. of the market. Competitor's within the Heating and Plumbing Division include F&P Primaflow. There is the potential for market share to be taken away from the Company by its competitors and thus lead to a reduction in earnings.

Additional capital requirements

The Company's capital requirements depend on numerous factors, including its ability to maintain and expand its customer base, payment terms with suppliers and customers, and potential acquisitions. It is difficult for the Directors to predict accurately the timing and amount of the Company's capital requirements. If the plans or assumptions set out in the Company's business plan change or prove to be inaccurate, or if the Company makes any material acquisitions, this may necessitate further financing. Any additional equity financing may be dilutive to the Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its anticipated expansion. The Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital available to it for its present requirements, that is for at least twelve months from Admission.

Loss of a major customer

The Group's customer base is relatively well diversified, with the top 10 customers of the Company in FY20 accounting for approximately 20 per cent. of revenue. Whilst the Group believes it has a very good working relationship with all its major customers, the loss of any such major customer would have a direct impact on the earnings potential of the business. Furthermore, it would be challenging to replace any such lost income with a single customer, as the relationship for a major customer usually takes time to establish and is typically developed over a number of years.

Loss of a major supplier

Within the Group's Heating and Plumbing Division, four suppliers accounted for 81.2 per cent. of the division's purchases in FY20, with the top three suppliers accounting for 77.5 per cent. in FY19. The Company therefore relies heavily on these suppliers in providing plumbing and heating products to its clients. The Group has no long term contractual arrangements with suppliers and thus if one of these major suppliers were to cease or materially reduce its supply to the Company, it would be challenging to make up purchases from other suppliers given the scale of existing purchases which could have a negative impact on the Company.

Inability to find appropriate acquisition targets

One of the Board's stated strategies is to expand through acquisitions. This typically creates a footprint in a new location, provides access to customers and relationships that the Company may not currently have and accelerates the Group's ability to grow the business. However, sourcing acquisition targets which suit the Company's target markets, strategy, geographic focus, brand and ethics, presents a far greater challenge. Accordingly, the Company may find that its growth opportunities are limited by the quality and appropriateness of the acquisition targets in any given geography. Furthermore, once an appropriate acquisition candidate has been identified, there is a risk that the Company may enter into a competitive purchase process with other market participants, which would likely inflate the purchase price.

Failure to integrate future acquisitions

Having identified and completed an acquisition, the Group will face the challenge of integrating a new company into the Group's operations. Integration of a company and its employees into a wider group's management structure, systems and controls, reporting framework, information technology systems, culture and strategy, to the extent necessary, can prove challenging and create internal friction or inefficiencies.

The process can also require significant attention from management that would otherwise be

focused on the ongoing development of its business. There can be no guarantee that the Group will be able to successfully integrate future acquisitions in an efficient manner. Any challenges that the Company encounters whilst attempting to integrate a new business into the Group may have a negative effect on the financial position of the Company and may lead to a write off of goodwill.

The Company's growth strategy involves successfully opening new stores

As part of its growth strategy, it is the Group's intention to increase the number of stores it has in the UK. Successfully executing this strategy will be dependent upon several factors, including: the identification of suitable vacant sites in appropriate locations, the negotiation of acceptable financial terms, the hiring, training and retention of personnel, the Company's ability to integrate new stores into its operations on an economically acceptable basis, IT capabilities, and general macroeconomic conditions in the UK. There may be competition for suitable sites and there can be no assurances that the Group will be able to open new stores on a timely basis or that new sites will be secured on acceptable terms.

RMI market

The future performance and growth of the UK RMI market is influenced by many factors, including housebuilding, general construction volumes, general economic conditions, savings rates and government regulations. As the Group's main operations are centered around the provision of materials involved in the

UK RMI sector, a contraction in the demand for RMI product within the UK could negatively affect the financial performance of the Group. The Group has no control over the performance of the RMI market.

A downturn in the economy and/or consumer confidence may affect the sales of the Group's products

There are multiple influences over the level of consumer spending in the UK, including, *inter alia*, the state of the economy as a whole, stock market performance, interest rates, currency exchange rates, recession, inflation or deflation, political uncertainty, availability of consumer credit, taxation and unemployment. The Group's revenue may decline in the future during recessionary periods when the average level of disposable income tends to be lower or when consumer confidence is low. Terrorist activity or other geopolitical uncertainty or any restrictions on movement or government actions in the UK could result in significant reduction in consumer confidence. A significant decline in the UK economy and/or in consumer confidence could have a material adverse impact on the Group's business, results of operations and financial condition.

Monthly changes in working capital

As part of the Group's management of working capital, there are significant intra-month swings due to a significant proportion of suppliers being paid in the first five days of the month. As a result, the Group's intra-month cash balance can substantially change and have an effect on the Group's level of working capital. The Group has sufficient facilities in place to account for these monthly changes in working capital, however if there was a certain one off shock to cashflows then alternative arrangement would need to be made which could have a detrimental impact on the operation of the business.

Breach of health and safety laws

The Group's facilities can place its employees and others in close proximity with large pieces of mechanised equipment, moving vehicles and heavy materials. As a result, the Group is subject to a variety of health and safety laws and regulations dealing with occupational health and safety. The Group has employees responsible for occupational health and safety, who support the Group in aspects of health and safety management and leadership. However, there can be no assurances that these measures will be successful in preventing accidents and injuries or violations of health and safety laws and regulations, some of which may be beyond the Group's control. Unsafe work sites also have the potential to increase employee turnover and raise the Group's operating costs.

The Group's safety record can impact the Group's reputation. Any failure to maintain safe work sites could expose the Group to significant financial losses as well as civil and criminal liabilities, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Product liability and product recall may adversely affect the Group's results and may not be covered by its product insurance

The Group requires its suppliers to satisfy standards regarding the quality and specification of its products. However, it is possible that one or more of its external suppliers' products may at some point cause or have the risk of causing injury or damage in a way that exposes the Group to liability and/or requires it or the respective brand to undertake a product recall. In the event of a product recall being required, in circumstances where the financial consequences are not satisfied by the supplier, or covered by product liability insurance, it may have a material adverse impact on the Group's financial performance and reputation.

Compliance with existing laws and regulations or changes in any such laws and regulations could adversely affect the Group's business, financial condition and results of operations

The Group is subject to a variety of laws and regulations including, amongst others, Department of Transport for Goods Operators License Regulations, Environmental Agency for Packaging Waste Regulations, health and safety regulations and local fire and rescue authority regulations and it routinely incurs costs in complying with these laws and regulations. New laws or regulations or changes in existing legislation, particularly those governing property rates or taxes, value-added tax, the sale of products or in other regulatory areas, such as consumer credit, privacy, information security, labor and employment, competition, anti-bribery, health and safety or environmental protection, may require extensive system and operating changes, including the establishment of new polices and training programs that may be difficult to implement and could increase the Group's cost of doing business. From time to time, the Group may be unable to update its internal governance, policies, training, reporting and compliance structures to fully comply with new laws and regulations in the timeframe required as a result of such difficulties. If the Group fails to comply with applicable laws and regulations, it could be subject to legal risks, including government enforcement action and/or fines, which could have a material adverse impact on the business, results of operations and financial condition.

Breach of The IoP Regs

As described in paragraph 18 of Part VII of this document, in May 2020 the Company discovered that APP (which it had acquired in December 2019) had been receiving cash payments for goods from a customer in contravention of the IoP Regs in so far as the IoP Regs relate strictly to HVDs. DAC Beachcroft LLP was instructed to investigate the situation and based on the investigation undertaken to date, the Company believes that APP's breach of the IoP HVD requirements was a non-deliberate breach. The Company has made a self-report to HMRC relating to the historical contraventions of the IoP Regs HVD requirements which have been identified within the APP business and it is the Company's intention to engage with HMRC on a co-operative basis for the purposes of seeking to reach an agreed outcome. It is however, not possible to say, at this stage, what the outcome of HMRC's review of the Company's self-report will be nor is it possible to assess the possible liability which may arise from engagement with HMRC. Breach of the IOP Regs gives rise to the prospect of both civil and criminal penalties, public censure and/or action against officers of the company who are determined to have been knowingly concerned in a contravention of the regulations (including temporary or permanent prohibition from acting in a management capacity). The maximum criminal penalty is an unlimited fine and up to 2 years imprisonment. The agreed outcome with HMRC could have a material adverse impact of the Group's financial position and reputation.

Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions.

The Group processes personal data as part of its business and there is a risk that this data could become public if there were a security breach at the Group or its third party service providers, such as, as a result of phishing or malware attacks, in respect of such data.

The laws set out below govern the Group's ability to collect, use and transfer personal information relating to its customers and others, including the use of that information for marketing purposes and for its advertisers to focus their advertising campaigns, as well as its employees and others. The Group relies upon third party contractors and its own employees to collect and process personal data and to maintain its databases. Therefore, the Company is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection law and regulation.

Advances in technology may result in an increased prevalence of, and/or more sophisticated, cyber-security attacks which may result in the compromise of the Group's information security systems. In addition, third party e-commerce websites are often attacked through compromised credentials. The Group's security measures, and those of its third party payment service providers, may not detect or prevent all attempts to breach the Group's or the third parties' security systems which may subject the Group to fines or higher transaction fees or limit or terminate its access to certain payment methods. The Group and such third parties may not be able to anticipate or prevent all types of attacks. Security breaches can also occur as a result of non-technical issues, including intentional or inadvertent security breaches by the Group's employees or by third-parties' employees. In addition, due to the ever-evolving nature of these threats, the Group is required to continue to invest resources to enhance the Group's security systems.

Breaches of the Group's security measures or those of the Group's third party service providers or other cyber-security incidents could impact the day to day operations of the Group and result in: (i) unauthorised access to the Group's networks and systems, resulting in unauthorised access to sensitive and confidential customer information, proprietary information of the Group or third parties; (ii) disruption of the Group's operations; and (iii) costs incurred to remedy such breach, and other potential liabilities. In the event of any system security breaches, the Group could face liability under such laws (including significant fines), In particular, in the event of any system security breaches, the Group could face liability under such laws (including significant fines), could lose the goodwill of its customers and clients and suffer significant reputational damage which could have a material adverse effect on its business

The Company is subject to risks associated with leasing retail space

The majority of the Group's stores are leased from third parties. Therefore, the Group is subject to risks associated with periodically negotiating or re-negotiating lease terms. When the Group renews expiring leases, it may have to compete for desirable property sites with other operators, some of which are substantially larger than the Group and have greater economic and financial assets. The Group's ability to maintain its existing rental rates or to renew any lease on favourable terms will depend on many factors which are outside of the Group's control, including the local real estate market and relationships with current and prospective landlords.

Any inability to renew existing leases may result in, *inter alia*, significant alterations to rental terms, the closure of stores in desirable locations or failure to secure suitable alternative locations. Any of these events affecting the Group's stores could have a material adverse impact on its business, results of operations and financial condition.

Government regulation

There are currently a number of UK government schemes in place which increase the level of demand for housebuilding in the UK. Examples of such schemes include Build to Rent and various First Home Buyer schemes and tax advantages. There is no guarantee that these government programs and tax advantages will continue, and their removal could lead to a reduction in the demand for housebuilding in the UK, which may lead to a reduction in profitability for the Group.

COVID-19

The ongoing COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, in particular its effects in the United Kingdom, or other epidemics or pandemics, could have a significant adverse impact on the Group's revenue, operations and workforce. The outbreak of COVID-19 has resulted in authorities, including those in the United Kingdom, implementing numerous measures to try to contain the virus, such as travel bans and restrictions, lockdowns, quarantines and shutdowns of business and workplaces and has led to materially increased volatility in financial markets and significant changes to the global macroeconomic outlook. The extent and scope of such restrictions is highly uncertain and subject to change. Stricter measures may be put in place in the future, which for example, impact adversely the Group's fulfilment and logistic capabilities.

The Group has also seen changes to certain revenue patterns, including, for example, a slight drop in the revenue for the Merchanting Division in FY20. The Directors believe this is as a result of COVID-19 lockdowns and restrictions influencing consumer behaviour. It is, however, difficult for the Group to predict how these recent changes to certain revenue patterns that have been driven by COVID-19, will evolve over time. Any further regional or global epidemics or pandemics or the further and continued spread of COVID-19 may have an adverse effect on the Group's business, results of operations and financial condition and the degree of such impact will depend on future developments, which are uncertain and cannot be predicted.

Foreign exchange movements

As the Group pays some of its European suppliers in Euros, adverse movements in the GBP/Euro exchange rate may impact the price paid to suppliers and therefore profitability. A large proportion of increase in prices paid to foreign suppliers may be eventually passed onto customers, however adverse movements in foreign exchange may lead to increased prices for customers and therefore lower demand.

RISK RELATING TO THE ORDINARY SHARES

Prior to Admission, there has been no public market in the Ordinary Shares. Whilst the Company is applying for Admission, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained.

The Ordinary Shares will be traded on AIM rather than the Official List. AIM is a market emerging or smaller companies and may not provide the liquidity normally associated with the Official List or other exchanges. It may be more difficult for an investor to realise his or her investment in an AIM-traded company than a company whose securities are listed on the Official List.

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a range of events and factors, such as change in investor sentiment regarding the Ordinary Shares or variations in interim or full year operating results, announcements of technological innovations or new products and services by the Company or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, the general market perception of construction supply companies, construction industry, market conditions in the sector, news reports relating to trends in the Company's markets, legislative changes in the Company's sector and other factors outside of the Company's control. Such events and factors may adversely affect the trading price of the Ordinary Shares, regardless of the performance of the Company.

Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up and investors may therefore not recover their original investment especially. The market price of the Ordinary Shares may not reflect the underlying value of the Group.

The future success of AIM and the liquidity in the market for ordinary shares cannot be guaranteed. In particular, the market for ordinary shares may be, or may become, relatively illiquid particularly given the Lock-in Agreements described paragraph 13 of Part VII of this document and therefore the Ordinary Shares may be or may become difficult to sell.

An investment in shares traded on AIM carry a higher risk than those listed on the Official List.

The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous.

Valuation of Ordinary Shares

The Placing Price has been determined by the Group, and may not relate to the Group's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

Market perception

Market perception of the Group may change, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise.

Substantial sales of Ordinary Shares, Lock-in and Orderly Marketing Arrangements

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements, details of which are set out in paragraph 13 of Part VII of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Group may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

The Concert Party will retain a significant interest in, and could continue to be able to exert substantial influence over, the Group

Immediately following Admission, the Concert Party will continue to have an interest in approximately 52.7 per cent. of the Enlarged Share Capital. As a result, the Concert Party will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval. Shanker Patel who is a member of the Concert Party will be subject to the terms of the Relationship Agreement (details of which are set out at paragraph 13 of Part VII of this document) whilst he and his associates retain at least a 20 per cent. interest in the Company. The interests of the Concert Party may not always be aligned with those of other holders of Ordinary Shares.

Although applicable law, the terms of the Relationship Agreement contain provisions seeking to restrict Shanker Patel from voting on matters in his capacity as a Shareholder where there are conflicts of interest, these and other measures may not be sufficient to protect the interests of other Shareholders.

Additional capital and dilution

It is possible that the Group will need or choose to raise extra capital in the future to finance the development of the Group's business, to take advantage of acquisition opportunities or respond to new competitive pressures. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

No guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Dividends

There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors and will depend upon, among others, the Groups earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws and generally accepted accounting practice.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Group.

PART IV

FINANCIAL INFORMATION RELATING TO LORDS GROUP TRADING PLC

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF LORDS GROUP TRADING PLC

The following is the full text of a report on the Group from RSM Corporate Finance LLP, the Reporting Accountants, to the Directors of the Company

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The Directors
Lords Group Trading plc
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Goodhall Street
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14 July 2021

Dear Sirs,

Lords Group Trading plc (the "Company") and its subsidiary undertakings (together the "Group")

We report on the consolidated historical financial information of the Group set out in Section B of Part IV of the admission document of the Company dated 14 July 2021 (the "Admission Document"). This consolidated historical financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 2 to the consolidated historical financial information. This report is required by Item 18.3.1 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980 (the "Prospectus Delegated Regulation") as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Item 18.3.1 of Annex 1 of the Prospectus Delegated Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 18.3.1 of Annex 1 of the Prospectus Delegated Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies, or consenting to its inclusion in the Admission Document.

Responsibilities

The directors of the Company (the "Directors") are responsible for preparing the consolidated historical financial information in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006 except that, as described under the basis of preparation at Note 2 to the consolidated historical financial information, certain accounting conventions, commonly used for the preparation of consolidated historical financial information for inclusion in investment circulars, as described in the Annexure to the Standards for Investment Reporting 2000 issued by the Financial Reporting Council in the United Kingdom, have been applied.

It is our responsibility to form an opinion on the consolidated historical financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the consolidated historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion, the consolidated historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 to the consolidated historical financial information and otherwise in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Item 1.2 of Annex 1 and Item 1.2 of Annex 11 of the Prospectus Delegated Regulation as applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

RSM Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LORDS GROUP TRADING PLC

Consolidated statement of comprehensive income

For the three years ended 31 December 2020

	Note	*Year ended 31 December 2018 £'000*	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Revenue	4	78,328	97,718	287,565
Cost of sales		(56,858)	(72,618)	(240,382)
Gross profit		21,470	25,100	47,183
Other operating income	6	60	50	436
Administrative expenses		(17,384)	(22,551)	(37,215)
Exceptional expenses	7	(341)	(414)	(519)
Distribution expenses		(2,536)	(2,871)	(2,785)
Operating profit	10	1,269	(686)	7,100
Finance income	11	2	1	2
Finance expense	11	(1,106)	(1,815)	(2,898)
Profit/(loss) before taxation		165	(2,500)	4,204
Taxation	12	146	(411)	(1,096)
Profit/(loss) for the year from continuing operations		311	(2,911)	3,108
Profit for the year from discontinued operations, net of tax	29	492	–	–
Profit/(loss) for the year		803	(2,911)	3,108
Other comprehensive income		–	–	–
Total other comprehensive income		803	(2,911)	3,108
Total comprehensive income/ (expense) for the year attributable to:				
Owners of the parent		464	(3,192)	2,923
Non-controlling interests		339	281	185
		803	(2,911)	3,108
Total comprehensive income attributable to owners of the parent:				
Continuing operation		(28)	(3,192)	2,923
Discontinuing operations		492	–	–
		464	(3,192)	2,923

Consolidated statements of financial position

	Note	*Year ended 31 December 2018 £'000*	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Assets				
Current assets				
Inventories	14	5,763	40,679	40,004
Trade and other receivables	15	15,358	44,219	52,633
Cash and cash equivalents	17	2,523	3,361	16,342
		23,644	88,259	108,979
Assets classified as held for sale	29	16,927	–	–
Total current assets		40,571	88,259	108,979
Non-current assets				
Property, plant and equipment	18	3,541	5,054	4,417
Right-of-use asset	21	20,033	30,504	27,059
Intangible assets	19	10,368	20,015	18,198
Other receivables	15	57	265	78
Investments	16	4	4	4
Total non-current assets		34,003	55,842	49,756
Total assets		74,574	144,101	158,735
Liabilities				
Current liabilities				
Trade and other payables	20	17,541	59,316	66,111
Borrowings	22	5,896	21,782	20,738
Lease liabilities	21	2,665	3,917	3,704
Current tax liabilities		215	395	1,055
		26,317	85,410	91,608
Liabilities classified as held for sale	29	8,177	–	–
Total current liabilities		34,494	85,410	91,608
Non-current liabilities				
Borrowings	22	5,082	11,016	18,522
Lease liabilities	21	17,146	26,813	23,912
Other provisions	23	242	749	787
Trade and other payables	20	509	2,107	2,840
Deferred tax	24	778	2,919	2,801
Total non-current liabilities		23,757	43,604	48,862
Total liabilities		58,251	129,014	140,470
NET ASSETS		16,323	15,087	18,265
Equity				
Share capital	25	10,000	19,990	19,990
Merger reserve	34	(12,490)	(12,480)	(9,980)
Capital redemption reserve	34	2,500	2,500	–
Revaluation reserve	34	4,529	–	–
Retained Earnings	34	9,448	1,833	4,756
Equity attributable to owners of the parent		13,987	11,843	14,766
Non-controlling interests	33	2,336	3,244	3,499
TOTAL EQUITY		16,323	15,087	18,265

Consolidated statements of changes in equity

	Note	*Share capital £'000*	*Revaluation reserve £'000*	*Merger reserve £'000*	*Capital redemption reserve £'000*	*Retained earnings £'000*	*Equity attributable to owner of parent company £'000*	*Non controlling interests £'000*	*Total Equity £'000*
Balance at 01 January 2018		10,000	4,529	(12,490)	2,500	9,149	13,688	1,997	15,685
Comprehensive Income									
Profit for the year		–	–	–	–	464	464	339	803
Transactions with owners									
Dividends	13	–	–	–	–	(165)	(165)	–	(165)
Balance at 31 December 2018		10,000	4,529	(12,490)	2,500	9,448	13,987	2,336	16,323
Balance at 01 January 2019		10,000	4,529	(12,490)	2,500	9,448	13,987	2,336	16,323
Comprehensive Income									
Loss for the year		–	–	–	–	(3,192)	(3,192)	281	(2,911)
Business demerger		–	(4,529)	–	–	(4,223)	(8,752)	–	(8,752)
Business acquisitions		–	–	–	–	–	–	627	627
Transactions with owners									
Reduction in share capital		(10)	–	10	–	–	–	–	–
Share capital issue		10,000	–	–	–	–	10,000	–	10,000
Dividends	13	–	–	–	–	(200)	(200)	–	(200)
Balance at 31 December 2019		19,990	–	(12,480)	2,500	1,833	11,843	3,244	15,087
Balance at 01 January 2020									
Comprehensive Income		19,990	–	(12,480)	2,500	1,833	11,843	3,244	15,087
Profit for the year		–	–	–	–	2,923	2,923	185	3,108
Reclassification of capital redemption reserve		–	–	2,500	(2,500)	–	–	–	–
Transactions with owners									
Capital contribution by non- controlling interests		–	–	–	–	–	–	70	70
Balance at 31 December 2020		19,990	–	(9,980)	–	4,756	14,766	3,499	18,265

Consolidated statements of cash flows

	Note	*Year ended 31 December 2018 £'000*	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Cash flows from operating activities				
Profit / (loss) before taxation		165	(2,500)	4,204
Adjustments for non-cash/non-operating items:				
Depreciation of property, plant and equipment	18	826	973	1,033
Amortisation of intangibles	19	828	1,010	1,841
Amortisation of right-of-use asset	21	2,504	3,034	4,397
Loss on disposal of property, plant and equipment		55	3	2
Impairment on disposal of property, plant and equipment	18	–	60	–
Finance income	11	(2)	(1)	(2)
Finance expense	11	1,106	1,815	2,898
		5,482	4,394	14,374
Changes in operating assets and liabilities:				
(Increase) / decrease in inventories	14	(137)	(1,915)	675
Decrease / (increase) in trade and other receivables	15	1,966	5,049	(8,227)
(Decrease) / increase in trade and other payables	20	(355)	420	7,715
Cash from operations		6,956	7,948	14,537
Corporation tax paid		(465)	(474)	(555)
Cash from discontinued operations	29	109	–	–
Net cash from operating activities		6,600	7,474	13,982
Cash flows from investing activities				
Purchase of intangible assets	19	(189)	(226)	(24)
Purchase of property, plant and equipment	18	(455)	(1,594)	(418)
Business acquisitions (net of cash acquired)	30	(999)	(19,458)	–
Interest received		2	1	2
Net cash used in investing activities		(1,641)	(21,277)	(440)
Cash flows from financing activities				
Net (repayment)/proceeds of borrowings	22	(106)	21,819	6,461
Repayments of lease liabilities	21	(3,124)	(4,059)	(5,528)
Deferred consideration paid		(2,581)	(2,224)	(200)
Non-controlling interest cash contribution		–	–	70
Interest paid	11	(224)	(696)	(1,364)
Dividends paid	13	(165)	(200)	–
Net cash (used in) / from financing activities		(6,200)	14,640	(561)
Net (decrease) / increase in cash and cash equivalents		(1,241)	838	12,981
Cash and cash equivalents at beginning of year		4,324	2,523	3,361
Cash and cash equivalents included in disposal group	29	(560)	–	–
Cash and cash equivalents at end of year from continuing operations		**2,523**	**3,361**	**16,342**

Notes to the consolidated historical financial information

1. General Information

Lords Group Trading Plc (the "Company") is a private company formed in the UK. Lords is domiciled in the UK and its registered office is Unit 1 Radford Industrial Estate, Goodhall Street, London, NW10 6UA.

The principal activity of the Company together with its subsidiary undertakings (the "Group") throughout the period is the distribution of building materials, plumbing and heating goods and DIY goods to local tradesmen, large scale developers, small, medium construction companies and retail customers.

2. Accounting policies

2.1 *Basis of preparation*

The historical financial information provided for the Group is in respect of the years ended 31 December 2018, 31 December 2019, and 31 December 2020 and is prepared for the purposes of admission of the Company to AIM, a market operated by the London Stock Exchange.

The directors of the Company (the "Directors") are responsible for preparing this consolidated historical financial information in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") except as described below.

The consolidated historical financial information is prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities at fair value through profit or loss and fair value through other comprehensive income. The historical financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The principal accounting policies adopted in the preparation of the consolidated historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Group have applied the requirements of IFRS 16 Leases from 1 January 2018, in advance of its effective date of 1 January 2019, to facilitate consistent presentation across the periods shown within the historical financial information. The effects of adoption have been recognised directly in opening retained earnings.

IFRS does not permit retrospective disclosure of discontinued operations and non-current assets held for sale in relation to a demerger. The demerger of the 'Property Subgroup' and its activities was not carried out as a sale as no consideration was received and thus it does not meet the requirements set out under IFRS 5 to hold for sale. However, in preparing the historical financial information, as set out in Note 30, the Property Subgroup activities have been disclosed as held for sale and a discontinued operation from 1 January 2018, to present a comparable track record of the continuing business of the Group. This treatment is consistent with accounting conventions used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the Financial Reporting Council in the UK. This treatment results in a material departure from IFRS. In other respects, IFRS has been applied.

2.2 *Going concern*

Whilst the Group, throughout the historical financial information period, is in both a net current asset and net asset position and is profitable two of the three years, in light of Covid-19 crisis which developed in Q1 2020, and there being covenants on the Group loans to be complied with, the Directors have completed a rigorous going concern assessment and taken the following actions to test or enhance the robustness of the Group's liquidity levels for a period of at least a twelve-months from the date of approval of the document. As part of their assessment, the Directors have considered:

- The Group'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.
- 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.

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 forecasts and risk assessments and making other enquiries, the board has formed the judgement at the time of approving the historical financial information 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 this historical financial information.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Group's historical financial information.

2.3 ***New standards, amendments and interpretations or Adoption of new and revised standards***

With effect from the 1 August 2017, the Group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

IFRS 9 – Financial instruments (effective 1 January 2018);

IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018); IFRS 16 – Leases (effective 1 January 2019 and early adopted); and

IFRIC 23 – Uncertainty over Income Tax Positions (effective 1 January 2019 and early adopted).

IFRS 9 Financial instruments

IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. Given there have been no changes in the classification or measurement of financial assets and liabilities a detailed table has not been provided.

(i) Recognition, classification, and measurement of financial instruments
The Group has assessed which business models apply to the financial instruments at the date of initial application and has designated the financial assets and financial liabilities into the appropriate IFRS 9 measurement categories based on the facts and circumstances at that date. The Group's financial assets comprise trade and other receivables, cash items. These financial assets are to be classified and measured at amortised cost. The Group's principal financial liabilities include trade and other payables. These financial liabilities continue to be classified and measured at amortised cost.

(ii) Impairment of financial assets
The impact of the new accounting methodology for determining the impairment provision for trade receivables resulted in no material change in the provision for impairment of trade

receivables. Under the new policy a loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significant since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12- month expected credit loss. This assessment is performed on a collective basis considering forward-looking information. Trade receivables longer than one year overdue and specific risk trade receivables with no reasonable expectation of recovery are impaired and hence provided for in full unless reliable supporting information to determine otherwise is available. The Group does not present its impairment losses separately in the statement of comprehensive income, but in the notes thereto.

No recognition, measurement, or classification changes have been recorded on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became effective on 1 January 2018 and superseded the revenue recognition included in IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations.

Under IFRS 15, revenue is now recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The underlying principle is a five-step approach to determine performance obligations, the consideration and the allocation thereof, and timing of revenue recognition.

IFRS 15 also includes guidance on the presentation of assets and liabilities arising from contracts with customers, which depends on the relationship between the company's performance and the customers' payment.

The Group operates through retail point of sale transactions and website orders. Revenue is recognised when the Group despatches a product to the customer.

No recognition, measurement, or classification changes have been recorded on adoption of IFRS 15.

IFRS 16 Leases

IFRS 16 'Leases' replaced IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases and has been applied using the modified retrospective approach. Under IFRS 16 the main difference for the Group is that certain leases that the company holds as a lessee are recognised on the balance sheet, as both a right-of-use ("ROU") asset and a largely offsetting lease liability. Low value and short term leases were excluded from these calculations under the practical expedients allowed in the standard. The ROU asset is depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability is increased for the accumulation of interest and reduced by cash lease payments. There is no impact on cashflow.

On the income statement the Group recognises a depreciation charge and an interest charge instead of a straight- line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease.

During the full period covered by the historical financial information the Group elected to exclude all short-term leases and all leases for which the underlying asset is of low value.

The adoption of IFRS 16 has resulted in the recognition of a ROU asset with a net carrying value of £20,032,706 together with a corresponding financial liability of £19,811,474 at the year ended 31 December 2018; a ROU asset with a carrying value of £30,503,461 together with a corresponding financial liability of £30,729,953 at the year ended 31 December 2019 and; a ROU asset with a carrying value of £27,058,775 together with a corresponding financial liability of £27,615,716 at the year ended 31 December 2020.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on this historical financial information together with estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the historical financial information.

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. The standard is effective for financial years commencing on or after 1 January 2019. IFRIC 23 will not have any impact as there is no uncertainty over income tax treatments for the Group.

2.4 ***New standards, amendments and interpretations not yet adopted***

The amendments to IAS 28 Investments in Associates and Joint Ventures and IFRS 1 First-time Adoption of International Financial Reporting Standards are not considered to be relevant to the Group's operations. The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group:

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. There is not considered to be an impact of this standard.

2.5 ***Revenue recognition***

IFRS 15 "Revenue from Contracts with Customers" is a principle-based model of recognising revenue from contracts with customers. It has a five-step model that requires revenue to be recognised with control over goods and services are transferred to the customer.

The Group operates through branch point of sale transactions, website and telephone orders. Revenue is recognised when the Group delivers a product to the customer, whether this be at point of sale or delivery. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery or in the case of certain Group transactions payable on set credit terms.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. Production based taxes are not included in revenue, they are paid on production and recorded within cost of sales.

Amounts received in advance for future sales are recorded as contract liabilities and revenue is recognised as the performance obligations are met.

2.6 ***Basis of consolidation***

The consolidated financial statements present the results of the Company and its subsidiaries as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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

The consolidated financial statements of the Group have been prepared under IFRS 3 Business Combinations.

The Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position for the year ended 31 December 2018 consists of the results of all previously existing subsidiary undertakings for the year within the Lords Builders Merchants Holdings Group.

From 1 January 2019, the results from the date of acquisition of all subsidiary undertakings acquired during the financial period and the results of Lords Group Trading Plc for the period from the incorporation date of 22 October 2018 to 31 December 2020 are shown.

2.7 *Other operating income*

Other operating income represents all other income received by the Group.

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

2.8 *Rebates*

Rebates received from suppliers for the purchase of stock are netted off against inventory. 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 *Employee benefits: Pension obligations*

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

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

2.10 *Net finance costs*

Finance expense

Finance expense comprises of other borrowing costs which are expensed in the period in which they are incurred and reported in finance costs.

Finance income

Finance income relates to deposit income.

2.11 *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income or 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 UK where the Group operates and generate taxable income.

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

- 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 timing differences relate to interests in subsidiaries the Group can control their reversal 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 ***Intangible assets***

Goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is considered to have an indefinite useful life. At the transition date, pre-existing goodwill has been carried at its previous carrying value under FRS 102 and has not been re-stated.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the Statement of Comprehensive Income as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the administrative expenses in the Statement of Comprehensive Income on a straight- line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. The Group has no assets with indefinite lives, other than Goodwill, throughout the reporting periods. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows on a straight- line basis:

Computer software	–	3 Years
Trade names	–	9 to 10 Years
Customer relationships	–	9 to 10 Years

The estimated useful lives are as estimated based upon management’s best estimate of the expected life of the asset. Useful lives are reconsidered if circumstances relating to the asset change or if there is an indication that the initial estimate requires revision.

2.13 ***Property plant and equipment***

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

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

- Land and buildings Leasehold – the length of the lease
- Plant and machinery – 20 per cent.
- Fixtures, fittings & equipment – 20 per cent.
- Office equipment – 10 – 33 per cent.
- Motor vehicles – 20 per cent.

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 statement of comprehensive income.

2.14 *Impairment of 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.

2.15 *Valuation of investments*

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

2.16 *Inventories*

Inventories are valued at the lower of cost and net realisable value, where net realisable value is an estimate of the selling price less cost to complete and sell.

At each reporting date an assessment is made for any impairment in the values of inventories held. Any impairment in the value of inventories is recognised at the reporting date.

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 inventories to its present location and condition.

2.17 *Leased assets*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether: an identified physically distinct asset can be identified; and Group has the right to obtain substantially all of the economic benefits from the asset throughout the period of use and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;

- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

2.18 ***Cash and cash equivalents***

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

2.19 ***Financial assets***

The Group classifies its financial assets at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

Financial assets recognised at amortised cost

The Group's financial assets held at amortised cost comprise trade and other receivables, cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, the Group follows the 3-stage approach to expected credit losses. Step 1 is to estimate the probability that the debtor will default over the next 12 months. Step 2 considers if the credit risk has increased significantly since initial recognition of the debtor. Finally, Step 3 considers if the debtor is credit impaired, following the criteria under IFRS 9.

Financial assets recognised at fair value through profit or loss

Financial instruments such as forwards, swaps and forward exchange contracts are classified as derivative financial assets and liabilities at fair value through profit or loss. Derivative financial assets and liabilities are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at each financial period end date. The resulting gain or loss is recognised in fair value gains/(losses) through profit or loss immediately. The Group does not apply hedge accounting.

A derivative with a positive fair value is recognised as a financial asset, whereas derivative with a negative fair value is recognised as a financial liability, unless a bilateral netting agreement exists between the Group and the counterparty, in which case derivative financial asset and liability positions with the counterparty are aggregated to produce a single netted asset or liability.

The fair value of the derivative contracts us based on their observable prices in the exchange marketplace requiring no significant adjustment.

2.20 ***Financial liabilities***

The Group measures its financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost

The Group's financial liabilities held at amortised cost comprise trade payables and other short-dated monetary liabilities, and bank and other borrowings in the consolidated statement of financial position.

Trade payables and other short-dated monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

2.21 ***Borrowing costs***

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

2.22 ***Dividends***

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.23 *Investment properties*

Investment property is carried at fair value determined annually by external valuers who have the relevant recognized qualifications and derived from the current market rents and investment property yields from comparative real estate, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognized in the Statement of Comprehensive Income.

2.24 *Exceptional items and Government grants*

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.

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group 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.

In the year ended 31 December 2020 the Group 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 IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' 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.

2.25 *Segmental reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Group. The Group will provide information to the CODM on the basis of products and services; being the sale and distribution of plumbing and heating goods, and the sale and distribution of all other merchanting services.

2.26 *Equity instruments*

Equity comprises the following:

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

2.27 *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 considers non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

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

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

2.28 ***Provisions***

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

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation. Provisions are measured at the present value of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Finance cost is incurred over the life of the provision. When payments are made, they are charged to the provision carried in the Statement of Financial Position.

2.29 ***Disposal group held for sale and discontinued operations***

The disposal group and discontinued operations disclosed throughout the historical financial information departs from IFRS 5. IFRS does not permit retrospective disclosure of discontinued operations and non-current assets held for sale in relation to a demerger. The decision to demerge the Property Subgroup and its activities was not carried out as a sale as no consideration was received and thus does not meet requirements set under IFRS 5 to hold for sale. However, in preparing the historical financial information, as set out in Note 29, the Property Subgroup related activities have been disclosed as held for sale and discontinued operation from 1 January 2018, up until it was demerged on 1 January 2019, to present a comparable track record of the continuing business of the Group.

This departure from IFRS has been made in order to apply the accounting conventions set out in the Annexure to SIR 2000, being those commonly used in the preparation of historical financial information intended to show a true and fair view, for the purposes of an investment circular. See Note 29 for further details.

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of the disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

3. Critical accounting judgements and estimates

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

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the historical financial information are discussed below makes certain estimates and assumptions regarding the future.

Key accounting judgements

The following are the areas requiring the use of judgements that may significantly impact the historical financial information.

Lease Liabilities

The Group makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. This is explained further in Note 21. In addition, the Group provides for dilapidations on the leaseholds at rates it estimates as appropriate to cover the anticipated dilapidation cost over the term of the lease, these are included within the lease liability calculation.

Recognition of deferred remuneration

In response to the acquisition of APP Wholesale Limited ("APP") by Lords Group Trading Plc in December 2019, APP agreed a remuneration package for certain employees contingent on them remaining with APP for six months post-sale. The value of the package was £1.7m including tax and social security costs. Management have assessed that the primary purpose of this remuneration package was to benefit the Group as enlarged by the acquisition of APP, and therefore the cost of the remuneration package has been recognised in the statement of comprehensive income of APP for the year ended 31 December 2020 (as an exceptional item), once the employees met the requirement to remain with APP for six months post-sale, rather than a cost of the acquisition.

Estimates and assumptions

The following are areas requiring significant estimates and assumptions that may significantly impact the historical financial information.

Useful economic lives of tangible and intangible assets

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

Inventories provision

The levels of inventories, net of provisions, are set out in the notes to the accounts. For each line of inventory, a provision is made against the cost of the inventory where the net realisable value is expected to be less than cost.

Net realisable value is the estimated selling price of inventories, where that selling price is a judgement based mainly upon recent selling patterns and the ageing and condition for each inventory line.

Fair value of customer relationships and trade names acquired

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

The assumptions applied by the Directors in respect of the business combinations recorded in Note 30 to this consolidated historical financial information are as follows:

Kings Langley Building Supplies:	
Customer attrition rate:	4.3%
EBIT as a % of revenue:	1.8%
Discount rate:	17.6%
Huntingdon Timber Limited	
Customer attrition rate:	10.0%
EBIT as a % of revenue:	14.7%
Discount rate:	17.4%
APP Wholesale Limited	
Customer attrition rate:	21.0%
EBIT as a % of revenue:	2.6%
Discount rate:	17.3%
Trade names	
Relief from royalty rate:	0.3%
Discount rate:	17.3%

Fair value of consideration in business combinations

The fair value of consideration requires assumptions regarding the fair value of a share of the company and discount rates for lack of liquidity and minority ownership.

4. Revenue from contracts with customers

All of the Group's revenue was generated from the sale of goods in the UK and was recognised at a point in time (rather than over time). No one customer makes up 10 per cent. or more of revenue in any period.

5. Segmental analysis

The Group has two reporting segments, being the distribution of plumbing and heating, and being the sale and distribution of merchanting and other services. No non-GAAP reporting measures are monitored. Total assets and liabilities are provided to the CODM in the Group's internal management reporting by segment and therefore is split and presented below. Information about geographical revenue by segment is disclosed in note 4. No individual customer accounted for 10 per cent. or more of turnover during the reporting period.

The plumbing and heating segment was created on the acquisition of APP in December 2019. As such for the year ended 31 December 2018 there was only one reporting segment provided to the CODM in respect of continuing operations and so only the year ending 31 December 2019 and 31 December 2020 are detailed below.

	Plumbing and heating £'000	*Merchanting and other services £'000*	*Total £'000*
For the year ended 31 December 2019			
Comprehensive income			
Revenue	10,444	87,274	97,718
Cost of sales	(9,247)	(63,371)	(72,618)
Gross profit	1,197	23,903	25,100
Operating expenses	(1,169)	(24,617)	(24,382)
Profit from operations	28	(714)	(686)
Finance income	–	1	1
Finance expense	(39)	(1,776)	(1,815)
Loss before tax	(11)	(2,489)	(2,500)
Taxation	20	(431)	(411)
Profit/(loss) for operating unit	9	(2,920)	(2,911)
Assets and liabilities			
Total assets	96,211	47,890	144,101
Total liabilities	(66,730)	(62,284)	(129,014)
Net (liabilities)/assets	29,481	(14,394)	15,087
For the year ended 31 December 2020			
Comprehensive income			
Revenue	203,578	83,987	287,565
Cost of sales	(180,666)	(59,716)	(240,382)
Gross profit	22,912	24,271	47,183
Operating expenses	(17,293)	(22,790)	(40,083)
Profit from operations	5,619	1,481	7,100
Finance income	27	(25)	2
Finance expense	(928)	(1,970)	(2,898)
Profit before tax	4,718	(514)	4,204
Taxation	(931)	(165)	(1,096)
Profit/(loss) for operating unit	3,787	(679)	3,108
Assets and liabilities			
Total assets	106,278	52,457	158,735
Total liabilities	(73,310)	(67,160)	(140,470)
Net assets	32,968	(14,703)	18,265

6. Other operating income

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Other receivable	–	50	217
Commissions	–	–	219
Management fees	60	–	–
	60	50	436

7. Exceptional expenses

	Year ended 31 July 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Costs of setting up new branch	–	71	–
Restructuring costs	–	22	293
Deferred remuneration liability		–	1,707
Exceptional bad debt	–	60	–
Cost of running duel Kettering sites	–	99	–
Early write off of facility fees	–	102	–
Impairment of fixed assets	–	60	–
Write-down of inventory to net realisable value	261	–	–
Senior management team recruitment	15	–	–
Automation testing – material wastage	65	–	–
Government grants – job retention scheme	–	–	(1,221)
Government grants – small business retail grants	–	–	(260)
	341	414	519

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

Year ended 31 December 2020

As a result of the coronavirus epidemic the Group underwent a restructuring programme which resulted in costs of £293,000. Additionally, all Government grant income has been classified under exceptional expenses for the period.

APP, 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 in December 2019. As the conditions of the management incentive plan were not met by the employees until 2020 the cost was recognised in the year ended 31 December 2020.

Year ended 31 December 2019

During the year ended 31 December 2019 the Group set up a new George Lines branch in Aylesbury. The branch incurred £70,926 of running costs prior to it being opened.

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

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

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

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

One of the Group's branches is loss making and a review of profitability indicates that is unlikely to change. Fixtures and fitting associated with this branch have been impaired in full and the Group has provided for all unavoidable lease costs in accordance with IFRS 16.

Year ended 31 December 2018

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

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

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

8. Employee benefit expenses

Employee benefit expenses (including directors) comprise:

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Wages and salaries	8,725	10,888	17,485
Social security contributions and similar taxes	863	1,026	1,760
Pension costs	169	214	214
	9,757	12,128	19,459

Average number of people (including directors) employed by activity:

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Directors & Administration	32	47	39
Sales & Operations	294	302	468
	326	349	507

9. Director emoluments

Director emoluments comprise:

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Remuneration for qualifying services	220	334	575
Social security contributions and similar taxes	27	38	63
Dividends received	161	200	–
Pension costs	–	–	–
	408	572	638

Directors participating in defined contribution pension as at the period end 2020 was none (2019: none; 2018: none).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Remuneration for qualifying services	59	153	200
Social security contributions and similar taxes	7	18	24
Dividends received	81	–	–
	147	153	224

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, including all Executives of the Group. The Group Directors and Managing Directors of each division are deemed to be the key management of the Group.

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Wages and salaries	300	748	1,176
Social security contributions and similar taxes	37	88	140
Dividends received	161	200	–
	498	1,036	1,316

10. Expenses by nature

Operating profit is stated after charging/crediting:

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Depreciation of property, plant and equipment	826	973	1,033
Amortisation of right-of-use assets	2,504	3,034	4,397
Impairment of tangible assets	–	60	–
Amortisation of intangible assets	828	1,010	1,841
Inventory recognised as an expense	56,858	72,618	240,382
Write-down of inventory to net realisable value	261	–	–
Gain on disposal of property, plant and equipment	(54)	(3)	(2)
Trade receivables written off	138	257	836
Defined contribution pension plan expense	169	214	336

11. Finance income and finance expense

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Other interest receivable	2	1	2
Total finance income	2	1	2

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Interest on bank loans & overdrafts	(107)	(456)	(1,003)
Other interest on financial liabilities	(125)	(244)	(388)
Interest on lease liabilities	(874)	(1,115)	(1,507)
Total finance expense	(1,106)	(1,815)	(2,898)

12. Taxation

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Analysis of (credit)/charge in year			
Current tax on profits for the year	686	281	1,521
Adjustments in respect of previous years	(175)	(257)	(306)
Total current tax	511	24	1,215
Deferred tax			
Origination and reversal of temporary differences	(380)	(300)	(265)
Effect of tax rate change on opening balance	(307)	14	(14)
Adjustments in respect of prior years	30	673	160
Total deferred tax	(657)	387	(119)
Tax (credit)/charge per statement of comprehensive income	(146)	411	1,096

The tax credits for the periods presented differ from the standard rate of corporate tax in the UK. The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Profit/(loss) on ordinary activities before tax	165	(2,500)	4,204
Tax using the Group's domestic tax rates	31	(475)	799
Effects of:			
Expenses not deductible for tax purposes	218	281	429
Adjustments in respect of prior periods	(482)	417	(146)
Deferred tax not recognised	29	157	(154)
Change in rate of corporation tax	30	31	168
Other short term timing differences leading to an increase in tax charge	28	–	–
Total tax (credit)/charge	(146)	411	1,096

The main rate of UK corporation tax was 19 per cent. for the periods ended 31 December 2018, 31 December 2019 and 31 December 2020.

13. Dividends

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Interim paid	165	–	–
Interim paid	–	200	–
	165	200	–

No final dividends were paid at the end of each reporting period covered by the Historical Financial Information.

In 2018 dividend paid per share was: £0.00742 per class B shares, £0.7704 per class D shares, £0.3852 per class E shares and £0.000842 per class F shares.

In 2019 dividend paid per share was: £0.0202 per class B1 shares, £0.8088 per class D1 shares and £0.4044 per class E1 shares.

14. Inventories

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Raw materials and consumables	209	330	167
Finished goods and goods for resale	5,554	40,349	39,837
	5,763	40,679	40,004

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 £2,447,000 (2019-£4,583,000; 2018-£260,000). Inventory provisions are based on estimates and assumptions of management and include consideration of slow moving items, damaged items and possibility of theft.

Movement in the inventory provision is recognised in administrative expenses in the Statement of Comprehensive Income.

15. Trade and other receivables

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Amounts falling due within one year:			
Trade receivables	14,025	40,746	48,513
Other receivables	131	265	134
Prepayments	1,202	3,193	3,382
Accrued income	–	15	–
Taxation and social security	–	–	560
Amounts due from related parties	–	–	44
	15,358	44,219	52,633

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Amounts falling after one year:			
Other receivables	57	265	78
	57	265	78

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value. Accrued income represents amounts where revenue has been recognised due to performance obligations being complete that have not been billed to the customer.

Analysis of trade receivables based on age of invoices:

	< 30 £'000	31 – 60 £'000	61 – 90 £'000	> 90 £'000	Total Gross £'000	ECL £'000	Total Net £'000
31 December 2018	5,367	6,099	1,522	1,423	14,411	(386)	14,025
31 December 2019	31,666	5,919	1,967	1,475	41,027	(281)	40,746
31 December 2020	28,002	17,774	2,324	936	49,036	(523)	48,513

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed there is no material impact on the transition to ECL from previous methods of estimating the provision for doubtful accounts.

16. Investments

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Listed investments	1	1	1
Other investments	3	3	3
	4	4	4

Subsidiary undertakings

Lords Group Trading Plc has the following investments in subsidiaries as at 31 December 2018, 2019 and 2020, unless otherwise stated below.

	Entity type	Class of shares	Holding %
APP Wholesale Limited*	Trading	Ordinary	100%
Carboclass Limited (2)	Trading	Ordinary	100%
Lords at Home Limited (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)	Non trading	Ordinary	100%

	Entity type	Class of shares	Holding %
E. Hussey and Sons Limited (3)	Trading	Ordinary	100%
George Lines (Merchants) Limited (3)	Trading	Ordinary	100%
Kings Langley Building Supplies Limited (3)	Trading	Ordinary	100%
Newstore Limited (3)	Trading	Ordinary	100%
Bomax Limited (3)	Trading	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.

*APP Wholesale Limited and Huntingdon Timber were acquired during the 2019 period.

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.

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

Lords Group Trading Plc had the following investments in subsidiaries up until the demerger of Lords Building Merchants Ltd on 1 January 2019:

	Entity type	Class of shares	Holding %
Gempoint 2000 Limited	Trading	Ordinary	100%
Mansfield Limited	Trading	Ordinary	100%
Fastlane Investments Limited	Trading	Ordinary	100%

The companies which were demerged held listed investments of £53,163, unlisted investments of £476,191 and investment in associates of £238,660 at date of disposal. The associated company is Ganesh Assets Limited. All the companies, including the associated, were incorporated in England and Wales with their registered office at Unit 1, Radford Industrial Estate, Goodhall Street, London, NW 10 6UA.

17. Cash and cash equivalents

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Cash at bank available on demand	2,523	3,361	16,342
	2,523	3,361	16,342

18. Property, plant and equipment

	Land and buildings freehold £'000	Land and buildings leasehold impro-vements £'000	Plant and machinery £'000	Motor Vehicles £'000	Fixtures, fittings and equipment £'000	Office equipment £'000	Total £'000
Cost							
At 01 January 2018	12,305	2,590	959	34	1,294	232	17,414
Additions	89	146	54	–	105	61	455
Business acquisitions	–	432	312	–	–	–	744
Revaluations	23	–	–	–	–	–	23
Disposals	–	(77)	(116)	–	(117)	(23)	(333)
Held for sale	(11,622)	–	(60)	–	–	–	(11,682)
At 31 December 2018	795	3,091	1,149	34	1,282	270	6,621
Depreciation							
At 01 January 2018	62	891	766	27	841	144	2,731
Charge for the year	195	354	39	7	177	54	826
Revaluations	(180)	–	–	–	–	–	(180)
Disposals	–	(42)	(105)	–	(79)	(21)	(247)
Held for sale	–	–	(50)	–	–	–	(50)
At 31 December 2018	77	1,203	650	34	939	177	3,080
Net book amount							
At 31 December 2018	718	1,888	499	–	343	93	3,541
Cost							
At 01 January 2019	795	3,091	1,149	34	1,282	270	6,621
Additions	1	787	27	10	699	100	1,594
Business acquisitions	–	216	188	87	473	–	964
Disposals	–	(38)	(45)	(5)	–	–	(88)
At 31 December 2019	796	4,056	1,319	126	2,424	370	9,091
Depreciation							
At 01 January 2019	77	1,203	650	34	939	177	3,080
Charge for the year	16	637	99	3	154	64	973
Disposals	–	(38)	(37)	(1)	–	–	(76)
Impairment	–	36	–	–	24	–	60
At 31 December 2019	93	1,838	712	36	1,117	241	4,037
Net book amount							
At 31 December 2019	703	2,218	607	90	1,307	129	5,054
Cost							
At 01 January 2020	796	4,056	1,319	126	2,424	370	9,091
Additions	–	60	70	45	169	74	418
Disposals	–	(38)	–	(85)	–	–	(123)
At 31 December 2020	796	4,078	1,389	86	2,621	444	9,386
Depreciation							
At 01 January 2020	93	1,838	712	36	1,117	241	4,037
Charge for the year	16	425	174	50	283	85	1,033
Disposals	–	(38)	–	(63)	–	–	(101)
At 31 December 2020	109	2,225	886	23	1,400	326	4,969
Net book amount							
At 31 December 2020	687	1,853	503	63	1,193	118	4,417

Depreciation charge is recognised in administrative expenses in the Statement of Comprehensive Income.

19. Intangible assets

	Software £'000	Customer relationships £'000	Trade names £'000	Goodwill £'000	Total £'000
Cost					
At 01 January 2018	211	7,730	–	2,625	10,566
Additions	189	–	–	–	189
Business acquisitions	–	150	–	828	978
At 31 December 2018	400	7,880	–	3,453	11,733
Amortisation					
At 01 January 2018	18	519	–	–	537
Charge for the year	42	786	–	–	828
At 31 December 2018	60	1,305	–	–	1,365
Net book amount					
At 31 December 2018	340	6,575	–	3,453	10,368
Cost					
At 01 January 2019	400	7,880	–	3,453	11,733
Additions	226	–	–	–	226
Business acquisitions	–	6,690	1,951	1,790	10,431
At 31 December 2019	626	14,570	1,951	5,243	22,390
Amortisation					
At 01 January 2019	60	1,305	–	–	1,365
Charge for the year	79	913	18	–	1,010
At 31 December 2019	139	2,218	18	–	2,375
Net book amount					
At 31 December 2019	487	12,352	1,933	5,243	20,015
Cost					
At 01 January 2020	626	14,570	1,951	5,243	22,390
Additions	24	–	–	–	24
At 31 December 2020	650	14,570	1,951	5,243	22,414
Amortisation					
At 01 January 2020	139	2,218	18	–	2,375
Charge for the year	110	1,515	216	–	1,841
At 31 December 2020	249	3,733	234	–	4,216
Net book amount					
At 31 December 2020	401	10,837	1,717	5,243	18,198

Goodwill bought forward relates to the historical incorporation of business combinations. The Group have applied the exemptions for business combinations that occurred prior to the date of transition to IFRS included in Appendix C of IFRS 1 and have therefore not applied IFRS 3 retrospectively. The brought forward net book value of £2,625k has therefore been included as the cost at the transition date, in line with the exemptions in Appendix C of IFRS 1.

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; 2018: 339,944) and has a remaining amortisation period of 8 years (2019: 9 years; 2018: 10 years). There are no other individually material intangible assets.

Amortisation charge is recognised in administrative expenses in the Statement of Comprehensive Income.

Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. The Group has no assets with indefinite lives, other than Goodwill, throughout the reporting periods. No intangible assets were identified by management with which were to be impaired during any period of the historical financial information.

CGU assessment

The Group tests the carrying amount of goodwill and assets with an indefinite life annually for impairment or more frequently if there are indications that their carrying value might be impaired. The carrying amounts of other intangible assets are reviewed for impairment if there is an indication of impairment. Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for each CGU to which the intangible assets are allocated. A CGU is deemed to be an individual operating segments as reported in note 5.

The total recoverable amount of all CGUs in relation to the above intangible goodwill assets at 31 December 2020 was £35,365,164. The value in use calculations are based on five-year management forecasts with a terminal growth rate applied thereafter, representing management's estimate of the long-term growth rate of the sector served by the CGUs. The recoverable amounts in both 2018 and 2019 were in excess of the carry value of goodwill and followed the same approach and judgements as 2020, no goodwill was impaired or whereby any part of the CGU was disposed of.

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

	Plumbing and heating	*Merchanting and other services*
For the year ended 31 December 2020		
5 years sales growth	4%	5-13%
Terminal sales growth	4%	5%
Discount rate	12.5%	12.5%

The assumptions in the 2018 and 2019 periods followed the same approach above.

Sensitivity Analysis

A reasonable change in any key assumption would not cause the carrying value of either CGU to exceed its recoverable amount, the table below shows the amount of headroom and the revised assumption required to eliminate the headroom in full at 31 December 2020.

	Plumbing and heating £'000	*Merchanting and other services £'000*
For the year ended 31 December 2020		
Recoverable amount of CGU	14,190	21,175
Current headroom	13,613	16,510
5 years sales growth	<0%	<0%
Terminal sales growth	<0%	<0%
Discount rate	17.5%	21%

Sensitivity analysis followed the same approach and assessments for both the 2018 and 2019 periods, no assets attached to any CGU were disposed of or impaired, in either period, resulting in no expected change in key assumptions or any cause of the CGU's to exceed their recoverable amounts.

20. Trade and other payables

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Amounts falling due within one year:			
Trade payables	12,616	53,244	59,228
Other payables	2,377	1,748	2,385
Accruals	1,583	2,858	2,816
Other taxation and social security	965	1,466	1,682
	17,541	59,316	66,111

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Amounts falling after one year:			
Other payables	366	2,107	2,840
Accruals	143	–	–
	509	2,107	2,840

Other payables comprise of deferred consideration relating to various acquisitions. Deferred consideration due after one year are discounted using discount rates which reflect the relevant costs of financing when material.

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

21. Leases

Nature of leasing activities

The Group leases a number of assets with all lease payments fixed over the lease term.

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Number of active leases	84	108	113

Extension, termination, and break options

The Group sometimes negotiates extension, termination, or break clauses in its leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for the Group.

At period end 2020 (2019 and 2018) the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because all lease calculations are based on the break clause being exercised at the earliest opportunity, as expected by the Group. The Group has chosen to apply the practical expedient in C3 of IFRS 16 to not reassess whether a contract is, or contains, a lease at the date of initial application.

Incremental borrowing rate

The Group has adopted a range from 4.45 per cent. to 5.50 per cent. as its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right- of-use asset in a similar economic environment with similar terms, security and conditions. The Group performed a sensitivity analysis on the incremental borrowing rate and identified if the incremental borrowing rate increased to 8 per cent. for all assets there would be a reduction in the carrying amount of the right-of-use asset at 31 December 2020 of £3,982,611 (2019: £4,558,403; 2018: £2,890,258); there would be a subsequent decrease in the lease liability of £3,042,806 (2019: £3,449,051; 2018: £2,107,540). If the incremental borrowing rate decreased to 3 per cent. for all assets there would be an increase in the carrying amount of the right-of-use asset at 31 December 2020 of £3,455,737 (2019: £3,756,807; 2018: £2,429,922); there would be a subsequent increase in the lease liability of £2,870,130 (2019: £3,266,703; 2018: £2,230,068).

Short term or low value lease expense

	Year ended 31 December 2018	*Year ended 31 December 2019*	*Year ended 31 December 2020*
Total short term lease costs	75	130	978

This amount relates to individual vans which are rented on a monthly basis by subsidiaries of the Group.

Right-of-use assets

	Leasehold property improvements £'000	*Motor vehicles £'000*	*Plant and equipment £'000*	*Land and building £'000*	*Total £'000*
Cost					
At 01 January 2018	9,974	2,169	2,475	1,885	16,503
Additions	3,438	458	988	1,150	6,034
At 31 December 2018	13,412	2,627	3,463	3,035	22,537
Depreciation					
At 01 January 2018	–	–	–	–	–
Charge for the period	1,375	493	498	138	2,504
At 31 December 2018	1,375	493	498	138	2,504
Net book amount	12,037	2,134	2,965	2,897	20,033
At 31 December 2018					
Cost					
At 01 January 2019	13,412	2,627	3,463	3,035	22,537
Additions	1,548	631	1,686	1,311	5,176
Business acquisitions	8,153	176	–	–	8,329
Disposals	(57)	–	–	–	(57)
At 31 December 2019	23,056	3,434	5,149	4,346	35,985
Depreciation					
At 01 January 2019	1,375	493	498	138	2,504
Charge for the period	1,590	611	598	235	3,034
Disposals	(57)	–	–	–	(57)
At 31 December 2019	2,908	1,104	1,096	373	5,481
Net book amount	20,148	2,330	4,053	3,973	30,504

	Leasehold property improvements £'000	Motor vehicles £'000	Plant and equipment £'000	Land and building £'000	Total £'000
At 31 December 2019					
Cost					
At 01 January 2020	23,056	3,434	5,149	4,346	35,985
Additions	179	108	684	–	971
Disposals	(681)	(39)	–	–	(720)
At 31 December 2020	22,554	3,503	5,833	4,346	36,236
Depreciation					
At 01 January 2020	2,908	1,104	1,096	373	5,481
Charge for the period	2,448	773	902	274	4,397
Disposals	(681)	(20)	–	–	(701)
At 31 December 2020	4,675	1,857	1,998	647	9,177
Net book amount	17,879	1,646	3,835	3,699	27,059

At 31 December 2020

Lease liabilities

	Leasehold property improvements	Motor vehicles	Plant and equipment	Land and building	Total
At 01 January 2018	9,927	2,079	2,369	1,813	16,188
Additions	3,323	454	947	1,149	5,873
Interest expense	574	86	122	92	874
Lease payments (including interest)	(1,715)	(592)	(630)	(187)	(3,124)
At 31 December 2018	12,109	2,027	2,808	2,867	19,811
At 01 January 2019	12,109	2,027	2,808	2,867	19,811
Additions	1,462	595	2,151	1,312	5,520
Business acquisitions	8,159	184	–	–	8,343
Interest expense	654	93	198	170	1,115
Lease payments (including interest)	(2,012)	(762)	(954)	(331)	(4,059)
At 31 December 2019	20,372	2,137	4,203	4,018	30,730
At 01 January 2020	20,372	2,137	4,203	4,018	30,730
Additions	179	46	682	–	907
Interest expense	995	89	222	201	1,507
Lease payments (including interest)	(3,058)	(866)	(1,211)	(393)	(5,528)
At 31 December 2020	18,488	1,406	3,896	3,826	27,616

Reconciliation of minimum lease payments and present value

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Within 1 year	3,625	5,442	5,100
Later than 1 year and less than 5 years	10,430	15,824	14,553
After 5 years	12,522	19,434	16,621
Total including interest cash flows	26,577	40,700	36,274

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Less: interest cash flows	(6,766)	(9,970)	(8,658)
Total principal cash flows	19,811	30,730	27,616

Reconciliation of current and non-current lease liabilities

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Current	2,665	3,917	3,704
Non-Current	17,146	26,813	23,912
Total	19,811	30,730	27,616

22. Borrowings

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Current			
Bank loans	903	2,358	2,388
Other loans	4,993	19,424	18,350
	5,896	21,782	20,738
Non-current			
Bank loans	5,082	11,016	18,522
Total borrowings	10,978	32,798	39,260

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

	As at 31 December 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Less than 1 year	5,896	21,782	20,738
Later than 1 year and less than 5 years	4,679	2,358	18,522
After 5 years	403	8,658	–
	10,978	32,798	39,260

Year ended 31 December 2018

At 31 December 2018, bank loans comprise mortgages with Barclays Bank and banking facilities with HSBC. The Group had £6,812,642 of undrawn facilities with HSBC at 31 December 2018.

HSBC loans were attracting interest of libor +2.75 per cent. and were repayable in equal quarterly instalments repayable in December 2021.

Barclays mortgages were secured by a charge over freehold property at a subsidiary undertaking and a guarantee limited to £50,000 by a director of Carboclass. Loans were at a margin between 3.6 per cent.

and 4.4 per cent. above libor and were repayable within 5 years. All loans were redeemed early in April 2019, with the bank loans with Barclays Bank redeemed early and replaced with a mortgage from HSBC for £800,000. The mortgage is amortised over 20 years with interest payable at libor + 3.7 per cent., after the end of the fixed rate period interest will be calculated on the floating rate basis.

Other loans comprised of invoice financing from Royal Bank of Scotland and Barclays Bank. The facility was limited to 90 per cent. of debts with an upper limit of £12,975,000, of which £7,931,813 was undrawn at 31 December.

Year ended 31 December 2019

At 31 December 2019, bank loans of £13.4m comprise a revolving loan facility from a syndicate of HSBC UK bank plc and National Westminster bank plc of £6.3m and term loans of £7.5m less associated facility and legal fees of £0.4m.

The revolving loan facility attracts interest of libor + 4.25 per cent. and is repayable in December 2022. The full facility available for bank across the group is £12.5m of which £6.3m was drawn down at 31 December 2019.

The term loans are repayable over three years at 6 monthly intervals and attracts an interest rate of libor + 4.25 per cent. and the facility was fully drawn at 31 December 2019. The loans are secured by fixed and floating charges over the land, tangible assets, insurances, and shares in 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 per cent. of debts with varying upper limits across the group totalling £40m. 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.

Year ended 31 December 2020

Bank loans at 31 December 2020 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.

The revolving loan facility attracts interest of libor + 4.25 per cent. 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 libor + 4.25 per cent..

The CLBILS have differing repayment and cost profiles which are:

£1,250,000 CLBILS loan A with NatWest is fully repayable in January 2022, the loan attracts interest of libor + 2.51 per cent. for the first 12 months and 3.01 per cent. thereafter. £1,250,000 CLBILS loan B with NatWest is fully repayable in June 2022, the loan attracts interest of libor + 2.51 per cent. for the first 12 months and 3.01 per cent. thereafter. £5,000,000 CLBILS loan C with NatWest 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 libor + 2.56 per cent. for the first 12 months and 3.06 per cent. thereafter.

£7,500,000 of CLBILS through HSBC UK bank plc have repayment terms of £1,250,000 in January 2022, £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 libor + 2.10 per cent.. No arrangement fees were applied by the lender.

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 per cent. of debts with an upper limit of £40,000,000 of which £18,349,801 were drawn down at 31 December 2020. 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.

On or around the time of Admission, the Group's bank loan, invoice financing and revolving loan facilities will be refinanced with HSBC, as set out in Note 37.

23. Other Provisions

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Amounts falling after one year:			
Lease liability dilapidations	242	749	787
	242	749	787

Lease liability dilapidations	*Leasehold Property £'000*
At 1 January 2018	120
Additions	114
Interest expense	8
At 31 December 2018	242
At 1 January 2019	242
Additions	86
Business acquisitions	406
Interest expense	15
At 31 December 2019	749
At 1 January 2020	749
Additions	–
Interest expense	38
At 31 December 2020	787

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. These costs have been charged in line with IFRS 16 and shown separately to the lease obligation liability. The provision is expected to be utilised between 2023 and 2034 as the leases terminate. Due to the significant number of leased properties and the difficulties in predicting expenditure that will be required on return of a property to the landlord many years into the future, the dilapidations provision is considered a source of estimation. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates.

24. Deferred taxation

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Balances:			
Accelerated capital allowances	778	3,094	2,996
Losses	–	(175)	(195)
	778	2,919	2,801

Movement in period

	£'000
At 01 January 2018	1,776
Arising on allocation of held for sale	(325)
Arising on business combinations	27
Charge to income statement	(700)
At 31 December 2018	778
At 01 January 2019	778
Arising on business combinations	1,652
Charge to income statement	489
At 31 December 2019	2,919
At 01 January 2020	2,919
Charge to income statement	(118)
At 31 December 2020	2,801

The deferred tax liabilities set out above are expected to reverse within 12 months and relate to accelerated capital allowances that are expected to mature within the same period.

25. Share capital

	As at 31 December 2018	*As at 31 December 2019*	*As at 31 December 2020*
Allotted, called up and fully paid			
Opening number of shares	10,000,000	10,000,000	20,985,325
Capital reduction and reorganisation:			
Class A to F ordinary £1 shares	–	(10,000,000)	–
Class A1 to F1 ordinary shares £1.00821212	–	9,900,000	–
Class G ordinary shares £0.01	–	870,000	–
Shares issued during the year:			
Class G ordinary shares £0.01	–	217,500	–
Class H ordinary shares £1	–	9,997,825	–
Closing number of shares	10,000,000	20,985,325	20,985,325

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Allotted, called up and fully paid			
Ordinary class A to F Shares of £1 each (2018:10,000,000; 2019: Nil; 2020: Nil)	10,000	–	–
Ordinary class H Shares of £1 each *(2018: Nil; 2019:* 9,997,825; 2020: 9,997,825)	–	9,998	9,998
Ordinary class G Shares of £0.01 each *(2018: Nil; 2019:* 1,087,500; 2020: 1,087,500)	–	11	11
Ordinary class A1 to F1 Shares of £1.00821212 each *(2018: Nil; 2019:* 9,900,000; 2020: 9,900,000)	–	9,981	9,981
	10,000	19,990	19,990

Voting rights

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

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

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 per cent. of the votes cast at any general meeting of the company

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

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

Redeemable

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

26. Retirement benefit scheme

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Defined contribution schemes:			
Charge to income statement	169	214	336

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The outstanding pension contributions at each period end was, 2020: 50,358, 2019: £45,717 and 2018: £17,775.

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 consolidated historical financial information.

In May 2020 the Group discovered that APP had been receiving cash payments for goods from a customer in contravention of the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("IoP Regs') in so far as the regulations relate strictly to High Value Dealers ("HVDs"), within APP. DAC Beachcroft LLP was instructed to investigate the situation and based on the investigation undertaken to date, the Group believes that APP's breach of the IoP HVD requirements was a non-deliberate breach. The Group has made a self-report to HMRC relating to the historical contraventions of the IoP Regs HVD requirements which have been identified within the APP business unit and it is the Group's intention to engage with HMRC on a co-operative basis for the purposes of seeking to reach an agreed outcome. It is, however, not possible to say, at this stage, what the outcome of HMRC's review of the self-report will be nor is it possible to assess the possible liability which may arise from engagement with HMRC. Breach of the IOP Regs gives rise to the prospect of both civil and criminal penalties, public censure and/or action against officers of a company who are determined to have been knowingly concerned in a contravention of the regulations (including temporary or permanent prohibition from acting in a management capacity).

The breaches occurred over a 10-year period from August 2010, cumulatively amounting to up to £2,927,635 (which represents 0.2 per cent. of turnover in the same period within APP). The Directors are confident that any potential fine levied would be covered by the warranties contained in the sale and purchase agreement for APP when it was acquired by Lords Group Trading Limited in December 2019 in relation to any penalties which relate to the period prior to the acquisition.

The Group has since conducted training for all relevant staff and has updated and implemented improved systems and controls which was overseen by a third party. The Directors are confident that the situation has been remedied and the risks in the business are now being appropriately managed.

28. Financial Instruments Financial assets

Financial assets measured at amortised cost comprise trade receivables, other receivables, accrued income and cash. It does not include prepayments.

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Trade receivables	14,025	40,746	48,513
Other receivables	131	265	134
Accrued income	–	15	–
Cash at bank and on hand	2,523	3,361	16,342
	16,679	44,387	64,989

The fair value measurement of the Group's financial and non-financial assets and liabilities utilities market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial assets measured at fair value include derivative financial assets, as follows:

	Level	*As at 31 December 2018 £'000*	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Forwards	1	–	3,540	575
Listed investments	1	1	1	1
Unlisted Investments	2	3	3	3
		4	3544	579

One of the Group's subsidiaries local currency is pounds sterling but due to international purchases in foreign currencies, the subsidiary seeks to reduce the foreign exchange risk by entering into forward contracts. At each period end, the Group has forward contracts with sterling equivalent as identified above, whereby the fair value of these forwards contracts is not materially different to the outstanding amount.

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and borrowings. It does not include deferred income and other taxation and social security.

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Trade payables	12,616	53,244	59,228
Other payables	2,377	1,748	2,385
Accruals	1,583	2,858	2,816
Borrowings	10,978	32,798	39,260
	27,554	90,648	103,689

Financial risk management

The Group is exposed through its operation to the following financial risks: credit risk, interest rate risk, foreign exchange risk and liquidity risk. Risk management is carried out by the directors of the Group. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from the Group's operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In order to minimise the risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes to the historical financial information.

The Group seeks to obtain charging orders over the property of trade receivables, where appropriate. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information. No impairments to trade receivables, have been made to date. Further disclosures regarding trade and other receivables are provided in note 15.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "B+" are accepted.

Currently all financial institutions whereby the company holds significant levels of cash are rated from AA- to A+.

Interest rate risk

The Group's only current borrowings are at a fixed interest rate of libor +4.25 per cent., therefore interest rate risk exposure for the Group is minimal. See borrowing Note 23 for more detail.

Foreign exchange risk

Foreign exchange risk arises when the Group enter into transactions in a currency other than their functional currency. The Group's policy is, where possible, to settle liabilities denominated in a currency other than its functional currency with cash already denominated in that currency.

Liquidity risk

The Group seeks to maintain sufficient cash balances. Management reviews cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

A maturity analysis of the Group's trade and other payables is shown below:

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Less than one year	14,993	54,992	61,613
Due after one year	364	2,107	2,840
	15,357	57,099	64,453

A maturity analysis of borrowings is shown in note 22.

Capital Disclosures

The capital structure of the business consists of cash and cash equivalents, debt and equity. Equity comprises share capital, share premium and retained losses and is equal to the amount shown as 'Equity' in the balance sheet. Debt comprises various items which are set out in further detail above and in the notes to the accounts.

The Group's current objectives when maintaining capital are to:

- Safeguard the Group's ability as a going concern so that it can continue to pursue its growth plans.
- Provide a reasonable expectation of future returns to shareholders.
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

During the years ended 31 December 2018, 31 December 2019 and 31 December 2020 the Group's business strategy remained unchanged.

29. Discontinuing operation and held for sale

On 1 January 2019, there was a demerger of Lords Builders Merchants Holdings Limited (the previous ultimate parent company of the Lords Builders Merchants Group) where the entities in the group were split into two parts, a trading group (whose principal activity is the distribution of building materials and DIY goods) and a property management and investment subgroup. The demerger was implemented to streamline operations in each distinct group, increase efficiencies and create centres of excellence within both groups. Following the demerger Lords Group Trading Plc became the ultimate parent company of the Lord Trading Group. The Property Subgroup consisted of Gempoint 2000 Limited ("Gempoint 2000"), Ganesh Assets Limited ("Ganesh Assets") and Mansfield Limited ("Mansfield).

As the disposal group was part of a group demerger there was no consideration received as part of the transaction. The disposal group and discontinued operations disclosed throughout the historical financial information departs from IFRS 5's requirement for recognition of assets as held for sale as a demerger is considered a non-cash transaction and under IFRS 5 would usually not be held for sale but discontinued at point of disposal. The Property Subgroup has been shown as held for sale and as a discontinued operation from 1 January 2018, up until it was demerged on 1 January 2019. This is so that the historical financial information provides a track record of the continuing activities of the Group throughout the track record period.

This departure from IFRS has been made in order to apply the accounting conventions set out in the Annexure to SIR2000, being those commonly used in the preparation of historical financial information intended to show a true and fair view, for the purposes of an investment circular. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial information and cash flow information

	31 December 2018 £'000
Revenue	160
Cost of sales	–
Gross profit	160
Administrative expenses	522
Other operating income	38
Fair value movements on investment properties	45
Fair value movements on listed investments	(17)
Profit from operations	748
Share of loss on investments	(3)
Finance income	4
Finance expense	(215)
Income from investments	11
Profit before taxation	545
Taxation	(53)
Profit for the year from discontinued operations	492
Total comprehensive income attributable to:	
Attributable to the owners of the parent	492
Non-controlling interest	–
	492
Cash flows from discontinued operations	
Net cash generated from operating activities	1,112

	31 December 2018 £'000
Net cash used in investing activities	(299)
Nat cash used in from financing activities	(704)
Net cash flows from discontinued operations	109

Assets and liabilities of disposal group classified as held for sale

	31 December 2018 £'000
Assets	
Current assets	
Trade and other receivables	629
Cash and cash equivalents	560
Total current assets	1,189
Non-current assets	
Property, plant and equipment	11,553
Right-of-use Assets	56
Investment property	3,361
Investments	768
Total non-current assets	15,738
Total asset held for sale	16,927

	31 December 2018 £'000
Liabilities	
Current liabilities	
Trade and other payables	27
Lease liabilities	11
Borrowings	1,072
Accruals and deferred income	245
Corporation tax	56
Current tax liabilities	35
Total current liabilities	1,446
Non-current liabilities	
Borrowings	6,371
Deferred tax	36
Lease liabilities	324
Total non-current liabilities	6,731
Total liabilities held for sale	8,177

If the investment properties had been accounted for under historic cost accounting rules, the properties would have been measured at £2,474,339.

Bank loans comprise mortgages with Barclays Bank and banking facilities with HSBC. The subgroup had undrawn facilities with HSBC on 31 December 2018. Other loans comprised of invoice financing from Royal Bank of Scotland and Barclays Bank. The facility was limited to 90 per cent. of debts with an upper limit of £12,975,000, of which £7,931,813 was undrawn on 31 December 2018 (2019: £nil)

30. Business combinations

Kings Langley Building Supplies Limited

On 03 September 2018, Carboclass Limited completed the acquisition of 100 per cent. of the share capital of Kings Langley Building Supplies Limited for a total consideration of £1,372,727. The principal reason for the acquisition was to acquire a customer based in Kings Langley, Watford and Aylesbury. The following table summarises the fair value of assets acquired, and liabilities assumed at the Acquisition Date:

	Fair value £'000's
Intangible asset - customer relationships	150
Property, plant and equipment	744
Inventory	1,161
Trade and other receivables	705
Cash and cash equivalents	1
Trade and other payables	(2,187)
Deferred tax liability	(29)
Total provisional fair value	545
Consideration	1,373
Goodwill	828

The provisional fair values include recognition of an intangible asset related to customer relationships of £150,385, which will be amortised over 10 years on a straight-line basis. The goodwill of £828,000 comprises the potential value of additional new customers in Kings Langley, Watford and Aylesbury which is not separately recognised. Trade receivables of £437,000 were acquired, of which were subsequently received in the period ended 31 December 2018. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19 per cent., which is the effective tax rate over the amortisation period, and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes. Acquisition costs totalled £98,000 and are disclosed within the statement of comprehensive income.

In the period from 03 September 2018 to 31 December 2018, Kings Langley Building Supplies Limited has contributed £2,238,000 to Group revenues and a loss of £360,000 to the Group's comprehensive profit. If the acquisition had taken place on 1 January 2018, Kings Langley Building Supplies Limited would have contributed £7,408,000 to Group revenues and a loss of £469,000 to the Group's comprehensive profit.

Purchase consideration	*£'000's*
Initial consideration	1,000
Deferred and contingent consideration	373
Total Consideration	1,373

The deferred and contingent consideration has been discounted to a present value of £373,000 using an interest rate of 4.84 per cent.. Deferred consideration of £200,000 was paid in full on 31 August 2019 and contingent consideration of £200,000, based on the acquired entity achieving sales revenue of £9,250,000 or more in the 12-month period immediately preceding July 2020, was paid on 31 August 2020.

The net cash sum expended on Acquisition in the year ended 31 December 2018 is as follows:

Analysis of cash flows on Acquisition	*£'000's*
Cash paid as consideration on Acquisition	(1,000)
Cash acquired at Acquisition	1
Net cash flow on Acquisition	(999)

Huntingdon Timber Limited

On 01 July 2019, Hevey Limited, a 75 per cent. indirect subsidiary of Lords Group Trading Limited, completed the acquisition of 100 per cent. of the share capital of Huntingdon Timber Limited for a total consideration of £3,091,718.

The Group has elected to measure the non-controlling interest at fair value using the partial goodwill method. The principal reason for the acquisition was to acquire a customer based in Huntingdon. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value £'000's
Intangible asset - customer relationships	1,516
Property, plant and equipment	124
Inventory	434
Trade and other receivables	670
Cash and cash equivalents	1,018
Trade and other payables	(934)
Deferred tax liability	(322)
Total fair value	2,506
Less: non-controlling interests share of assets	(626)
Consideration	3,092
Goodwill	1,212

The fair values include recognition of an intangible asset related to customer relationships of £1,516,000, which will be amortised over 10 years on a straight-line basis. The goodwill of £1,212,000 comprises the potential value of additional new customers in Huntingdon which is not separately recognised. Trade receivables of £429,000 were acquired, of which were subsequently received in the period ended 31 December 2019.

Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19 per cent., which is the effective tax rate over the amortisation period, and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes. Acquisition costs totalled £107,000 and are disclosed within the statement of comprehensive income.

In the period from 01 July 2019 to 31 December 2019, Huntingdon Timber Limited has contributed £1,837,000 to Group revenues and a loss of £120,000 to the Group's comprehensive profit. If the acquisition had taken place on 1 January 2019, Huntingdon Timber Limited would have contributed £4,035,000 to Group revenues and a loss of £534,000 to the Group's comprehensive profit.

Purchase consideration	*£'000's*
Initial consideration	2,900
Deferred consideration	192
Total Consideration	3,092

The net cash sum expended on Acquisition in the year ended 31 December 2019 is as follows:

Analysis of cash flows on Acquisition	*£'000's*
Cash paid as consideration on Acquisition	(2,900)
Cash acquired at Acquisition	1,018
Net cash flow on Acquisition	(1,882)

APP Wholesale Limited

On 06 December 2019, Lords Group Trading Limited completed the acquisition of 100 per cent. of the share capital of APP for a total consideration of £35,882,000.

The principal reason for the acquisition was to acquire the customer base of the Company. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value *£'000's*
Intangible asset - customer relationships	5,174
Intangible assets - trade names	1,951
Property, plant and equipment	839
Right of use assets	8,431
Inventories	32,569
Trade and other receivables	33,446
Cash and cash equivalents	4,258
Trade and other payables	(41,081)
Lease liabilities	(8,425)
Lease dilapidations provision	(415)
Deferred tax liability	(1,432)
Total fair value	35,315
Consideration	35,882
Goodwill	567

The fair values include recognition of an intangible asset related to customer relationships of £5,174,000 and an intangible asset related to trade names of £1,951,000, both of which will be amortised over 9 years on a straight- line basis.

The goodwill of £567,000 comprises the potential value of additional new customers in APP which is not separately recognised.

Trade receivables of £26,003,000 were acquired, of which £9,653,000 were subsequently received in the period ended 31 December 2019.

Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19 per cent., which is the effective tax rate over the amortisation period, and a corresponding amount recognised as goodwill. The amount recognised as goodwill will not be deductible for tax purposes.

Acquisition costs totalled £1,336,839 and are disclosed within the statement of comprehensive income.

In the period from 06 December 2019 to 31 December 2019, APP has contributed £10,568,738 to Group revenues and a loss of £72,788 to the Group's comprehensive profit. If the acquisition had taken place on 1 January 2019, APP would have contributed £192,308,000 to Group revenues and a profit of £2,025,000 to the Group's comprehensive profit.

Purchase consideration	*£'000's*
Initial consideration - cash	20,000
Initial Consideration - Seller's director loan balance	2,650
Initial consideration - shares	10,000
Deferred consideration	3,232
Total Consideration	35,882

The fair value of the 9,997,825 H Ordinary Shares and 217,500 G Ordinary Shares issued as part of the consideration paid for APP of £10,000,000 was based on a share valuation of Lords Group Trading Limited at the Acquisition Date. There were no costs directly attributable to the issue of the shares that have been netted against the deemed proceeds.

Deferred consideration has been discounted at a nominal interest rate of 5.1 per cent. over the life of the payments. Deferred consideration is payable at the end of each quarter following the date of the acquisition up until 31 December 2021. It has been paid in full at each quarter covered by the historical financial information.

The net cash sum expended on Acquisition in the year ended 31 December 2019 is as follows:

Analysis of cash flows on Acquisition	*£'000's*
Cash paid as consideration on Acquisition	(20,000)
Cash acquired at Acquisition	4,258
Net cash flow on Acquisition	(15,742)

31. 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. At 31 December 2020, the outstanding contracts all mature within 5 months (2019: 12 months; 2018: None) 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; 2018 £Nil).

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; 2018: £Nil).

32. Commitments and contingences

The Group had the following capital or financial commitments during the historical financial information period:

	As at 31 December 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Contracts for future capital expenditure not provided in the financial statements:			
Property, plant and equipment	–	–	207

33. Non controlling interest

	Year ended 31 December 2018 £'000	*Year ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
At 1 January	1,997	2,336	3,244
Business Acquisitions	–	627	–
Total comprehensive income	339	281	185
Capital contribution by NCI	–	–	70
At 31 December	2,336	3,244	3,499

34. Reserves

Revaluation reserve

Revaluation reserve represents the surplus or deficit on the revaluation of assets less any associated deferred taxation.

Merger reserve

Merger reserve relates to non-distributable amounts in excess of the nominal value of ordinary shares issued in connection with the share for share exchange with Fastlane Investments Limited. Fastlane was demerged from the Group on 1 January 2019.

Capital redemption reserve

Capital redemption reserve relates to amounts transferred following the redemption or purchase of the company's own shares, and which the Company cannot pay to shareholders as dividends. In 2020 this reserve was transferred to the Merger reserve on acquisition of Lords Group Trading Limited.

Retained earnings

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

35. Related party transactions

31 December 2018

The following transactions occurred between Carboclass Limited and Weldit LLP a 75 per cent. owned subsidiary:

- Management fees payable of £12,000 (2017: £12,000) and sales of £25,273.
- At the year end Weldit owed Carboclass Limited £27,507.

The following transactions occurred between Carboclass Limited and Hevey Building Merchants Limited a 75 per cent. owned subsidiary:

- Management fees payable of £150,000 and interest payable of £64,671.
- At the year end Carboclass owed Hevey £2,495,048.

Included in other creditors is an amount of £Nil loaned to the son of one of the Directors. The loan attracted interest of 3 per cent. and was repayable in 36 months. The loan was fully paid during the year ended 31 December 2018.

At the year end the Group was owed £116,937 by RNS Assets Ltd, a company under common control. At the year end the Group was owed £456,325 by Ganesh Assets Limited an associate company.

At the year end the Group owed £nil to Lords SSAS. During the year the Group was charged £5,773 of loan interest by Lords SSAS. Interest was calculated at 6 per cent. per annum.

During the year, Lords SSAS charged rent of £56,500 to the Group. At the balance sheet date the Group owed an amount of £16,950 to Lords SSAS relating to the quarterly rental due on property held by SSAS. The Directors of the Group are trustees of Lords SSAS.

During the 2018 period, dividends of £80,350 were paid to S Patel, £40,175 to R Patel and N Patel £40,175.

31 December 2019

The following transactions occurred between Carboclass Limited and Weldit LLP a 75 per cent. owned subsidiary:

- Management fees payable of £18,000 and sales of £35,878.
- At the year end Weldit owed Carboclass Limited £17,493.

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

- Management fees receivable of £165,000 and interest payable of £133,487.
- At the year end Carboclass owed Hevey £2,137,223.

The following transactions occurred between APP and Weldit LLP a 75 per cent. owned subsidiary:

- Interest payable of £1,907.
- At 31 December Weldit owed APP £830,535.

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

At the year end, Mr A Pierce, a Director owed a total of £33,774 to APP, a subsidiary of the Group.

During the period property rent of £10,000, which was considered to be market value, was paid to Mr A Pierce by APP.

During the 2019 period, dividends of £100,000 were paid to S Patel, £50,003 to R Patel and N Patel £50,000.

31 December 2020

The following transactions occurred between Carboclass Limited and Weldit LLP a 75 per cent. owned subsidiary:

- Management fees payable of £18,000, sales of £nil and purchases of £2,452.
- At the year end, Carboclass Limited owed Weldit LLP £891.

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

- Management fees receivable of £165,000 and interest payable of £72,250.
- At 31 December Hevey owed Carboclass £282,509.

The following transactions occurred between APP and Weldit LLP a 75 per cent. owned subsidiary:

- At year end the partnership owed APP £764,835 and paid interest of £25,535.

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. At 31 December the Group owed Gempoint £174,250.

At 31 December Mr A Pierce, a Director owed a total of £nil to APP, a subsidiary of the Group.

During the period property rent of £120,000, was paid to Mr A Pierce by APP. No amounts were owed at the year end.

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

Compensation paid to key management personnel in each period is disclosed in note 5.

36. Ultimate 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.

37. Post balance sheet events

On 29th January 2021, the Group entered a new lease to relocate the Bristol facility of APP 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.

On 1st March 2021, the Group entered a new lease to relocate the Croydon facility of APP 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.

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 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.

Acquisitions

On 3rd March 2021, the Group acquired 100 per cent. of the share capital of Map Building & Civil Engineering Supplies Ltd ("MAP") for £5,525,000 (based on a purchase price of £5,325,000, as adjusted for completion accounts and fees). MAP is a single site operation based in Ikleston, Derbyshire.

The fair values of MAP at the acquisition date are yet be finalised by management and as such only provisional fair values are supplied below. Management has 12 months from the acquisition to finalise the acquisition accounting.

	Fair value *£'000's*
Property, plant and equipment	1,423
Inventories	524
Trade and other receivables	3,009
Cash and cash equivalents	127
Investments	3
Trade and other payables	(3,231)
Provisions	(102)
Total fair value	1,752
Consideration	5,525
Goodwill	3,773

On 6th April 2021, the Group acquired 75 per cent. of the share capital of Condell Limited ("Condell") for £2,317,600. Condell is a two site operation, based in Sutton and Horsham.

The fair values of Condell at the acquisition date are yet be finalised by management and as such only provisional fair values are supplied below. Management has 12 months from the acquisition to finalise the acquisition accounting.

	Fair value *£'000's*
Property, plant and equipment	970
Inventories	857
Trade and other receivables	726
Cash and cash equivalents	948
Trade and other payables	(2,085)
Borrowings	(817)
Total fair value	599
Consideration	2,318
Goodwill	1,719

Related party transactions

On Admission, Gary O'Brien will receive a payment of £250,000 from the Company in respect of services provided to the Company, of which the net proceeds after tax will be used to subscribe for Placing Shares.

Refinancing

On or around the time of Admission, the Company and certain other members of the Group will enter into a revolving credit facility agreement with HSBC pursuant to which, HSBC will make a £30,000,000 revolving credit facility available to Lords Builders Merchants, APP and Carboclass for the purposes of (i) refinancing existing facilities and (ii) financing the general corporate and working capital purposes of the Group (including the financing of acquisitions).

Restructuring

On 1 July 2021, the Company was re-registered as a public limited company.

Immediately prior to the re-organisation detailed below, the issued share capital of the Company comprised 20,985,325 shares (fully paid), which were separated into the following classes: 4,826,250 A1 ordinary shares of £1.00821212 each, 2,475,000 B1 ordinary shares of £1.00821212 each, 123,750 D1 ordinary shares of £1.00821212 each, 123,750 E1 ordinary shares of £1.00821212 each, 2,351,250 F1 ordinary shares of £1.00821212 each, 1,087,500 G ordinary shares of £0.01 each and 9,997,825 H ordinary shares of £1.00 each.

On 10 June 2021, the Company completed a solvency statement reduction of capital pursuant to which the nominal value of the A1 ordinary shares of £1.00821212 each, the B1 ordinary shares of £1.00821212 each, the D1 ordinary shares of £1.00821212 each, the E1 ordinary shares of £1.00821212 each and the F1 ordinary shares of £1.00821212 each were reduced to £0.05; 7,522,825 H ordinary shares of £1.00 each were cancelled; and the nominal value of the remaining 2,475,000 H ordinary shares of £1.00 each was reduced to £0.05.

On 24 June 2021, R Patel received a distribution from the Rajen Trust of 1,361,250 F1 ordinary shares of £0.05 each and 53,831 G ordinary shares of £0.01 each.

On 24 June 2021, Nilesh Patel transferred to Shanker Patel 618,750 B1 ordinary shares of £0.05 each and 54,375 G ordinary shares of £0.01 each.

By a deed dated 24 June 2021 Rajen Patel made a conditional gift of 618,750 F1 ordinary shares of £0.05 each and 54,375 G ordinary shares of £0.01 each to Shanker Patel representing 6,296,250 Ordinary Shares (post the Reorganisation) and 5 per cent. of the Existing Ordinary Shares as at the date of this document. The gift is conditional upon Shanker Patel remaining as Chief Executive Officer of the Company for the two years following the date of the gift. On 24 June 2023 the gift may become unconditional and the shares will then be beneficially owned by Shanker. Until that date, the beneficial ownership of the shares and all rights attaching thereto remains with Rajen Patel. The gift may also become unconditional if during the two year period Shanker dies, is unable to carry out his duties as Chief Executive Officer due to incapacity or an offer for the Company is declared unconditional in all respects.

On 14 July 2021, the Company reorganised its share capital so that each of the A1 ordinary shares of £0.05 each, the B1 ordinary shares of £0.05 each, the D1 ordinary shares of £0.05 each, the E1 ordinary shares of £0.05 each and F1 ordinary shares of £0.05 each were converted into five G ordinary shares of £0.01 each; each of the H ordinary shares of £0.05 each were converted into five G ordinary shares of £0.01 each; all of the G ordinary shares of £0.01 each were re-designated as ordinary shares of £0.01 each; and all of the ordinary shares of £0.01 each were sub-divided into ordinary shares of £0.005.

Following completion of the Reorganisation, the issued share capital of the Company was 125,925,000 Ordinary Shares.

PART V

FINANCIAL INFORMATION RELATING TO APP WHOLESALE LIMITED

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF APP WHOLESALE LIMITED

The following is the full text of a report on APP Wholesale Limited from RSM Corporate Finance LLP, the Reporting Accountants, to the Directors of the Company

RSM

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The Directors
Lords Group Trading plc
Unit 1
Radford Industrial Estate
Goodhall Street
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14 July 2021

Dear Sirs,

APP Wholesale Limited ("APP")

We report on the historical financial information of APP set out in Section B of Part V of the admission document of Lords Group Trading plc (the "Company") dated 14 July 2021 (the "Admission Document"). This historical financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 2 to the historical financial information. This report is required by Item 18.3.1 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980 (the "Prospectus Delegated Regulation") as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Item 18.3.1 of Annex 1 of the Prospectus Delegated Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 18.3.1 of Annex 1 of the Prospectus Delegated Regulation as applied by paragraph (a) of Schedule Two to the AIM Rules for Companies, or consenting to its inclusion in the Admission Document.

Responsibilities

The directors of the Company (the "Directors") are responsible for preparing the historical financial information in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion, the historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of APP as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with IFRS.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Item 1.2 of Annex 1 and Item 1.2 of Annex 11 of the Prospectus Delegated Regulation as applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

RSM Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: HISTORICAL FINANCIAL INFORMATION OF APP WHOLESALE LIMITED

Statement of comprehensive income

For the year ended 31 July 2018, the 17-month period ended 31 December 2019 and the year ended 31 December 2020

	Note	*Year ended 31 July 2018 £'000*	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Revenue	4	167,239	279,464	203,578
Cost of sales		(148,613)	(249,760)	(180,666)
Gross profit		18,626	29,704	22,912
Other operating income	6	38	48	180
Administrative expenses		(11,822)	(19,260)	(16,073)
Exceptional expenses	7	–	(3,787)	(1,346)
Distribution expenses		(164)	(119)	(54)
Operating profit	10	6,678	6,586	5,619
Finance income	11	11	34	27
Finance expense	11	(240)	(638)	(928)
Profit before taxation		6,449	5,982	4,718
Taxation	12	(1,249)	(1,737)	(931)
Profit for the period attributable to the owners of the company		5,200	4,245	3,787
Other comprehensive income				
Total other comprehensive income		–	–	–
Total comprehensive income attributable to the owners of the company		5,200	4,245	3,787

Statement of financial position

	Note	*As at 31 July 2018 £'000*	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Assets				
Current assets				
Inventories	14	26,730	33,636	33,075
Trade and other receivables	15	19,233	28,105	38,541
Cash and cash equivalents	18	2,907	73	11,787
Total current assets		48,870	61,814	83,403
Non-current assets				
Property, plant and equipment	16	1,884	834	832
Intangible assets	17	4,587	–	–
Right-of-use assets	20	9,369	9,592	8,571
Other receivables	15	–	23,971	13,472
Total non-current assets		15,840	34,397	22,875
Total assets		64,710	96,211	106,278
Liabilities				
Current liabilities				
Trade and other payables	19	23,445	41,635	47,677
Borrowings	21	5,144	11,605	13,824
Lease liabilities	20	1,011	832	872
Current tax liabilities		1,224	396	963
Total current liabilities		30,824	54,468	63,336
Non-current liabilities				
Borrowings	21	–	3,000	–
Financial liabilities	19	84	–	1,564
Lease liabilities	20	8,107	8,702	7,827
Other lease liability provisions	22	381	492	518
Deferred tax	23	78	68	65
Total non-current liabilities		8,650	12,262	9,974
Total liabilities		39,474	66,730	73,310
NET ASSETS		25,236	29,481	32,968
Issued capital and reserves				
Share capital	24	1,000	1,000	1,000
Retained earnings		24,236	28,481	31,968
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		25,236	29,481	32,968

Statement of changes in equity

	Note	*Share capital £'000*	*Retained earnings £'000*	*Total equity £'000*
Balance at 01 August 2017		1,000	19,536	20,536
Comprehensive Income		–		
Profit for the period		–	5,200	5,200
Transactions with owners				
Dividends	13	–	(500)	(500)
Balance at 31 July 2018		1,000	24,236	25,236
Balance at 01 August 2018		1,000	24,236	25,236
Comprehensive Income				
Profit for the year		–	4,245	4,245
Balance at 31 December 2019		1,000	28,481	29,481
Balance at 01 January 2020		1,000	28,481	29,481
Comprehensive Income				
Profit for the year		–	3,787	3,787
Transactions with owners				
Dividends	13	–	(300)	(300)
Balance at 31 December 2020		1,000	31,968	32,968

Statement of cash flows

	Note	*Year ended 31 July 2018 £'000*	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Cash flows from operating activities				
Profit before taxation		6,449	5,982	4,718
Adjustments for non-cash/non-operating items:				
Depreciation of property, plant and equipment	16	119	216	162
Impairment of intangibles	17	–	4,587	–
Amortisation of right-of-use asset	20	599	1,325	1,021
Loss on disposal of property, plant and equipment		6	1,090	6
Finance income	11	(11)	(34)	(27)
Finance expense	11	240	638	928
		7,402	13,804	6,808
Changes in operating assets and liabilities:				
Decrease/(increase) in inventories	14	1,455	(6,906)	561
(Increase)/decrease in trade and other receivables	15	(1,423)	(32,843)	63
(Decrease)/increase in trade and other payables	19	(8,299)	18,190	7,606
Cash (used in)/generated by operations		(865)	(7,755)	15,038
Corporation tax paid		(424)	(2,575)	(367)
Net (used in)/generated by operating activities		(1,289)	(10,330)	14,671
Cash flows from investing activities				
Purchase of property, plant and equipment	16	(388)	(255)	(165)
Interest received	11	11	34	27
Net cash used in investing activities		(377)	(221)	(138)
Cash flows from financing activities				
Proceeds from borrowing		3,522	9,458	–
Repayment of borrowings		–	–	(782)
Interest paid on lease liabilities and dilapidations	20	(240)	(628)	(474)
Repayments of lease liabilities	20	(469)	(1,019)	(809)
Other financial liabilities		(33)	(84)	–
Bank interest paid	11	–	(10)	(97)
Interest on financial liabilities	11	–	–	(357)
Dividends paid	13	(500)	–	(300)
Net cash from financing activities		2,280	7,717	(2,819)
Net increase/(decrease) in cash and cash equivalents		614	(2,834)	11,714
Cash and cash equivalents at beginning of period	18	2,293	2,907	73
Cash and cash equivalents at end of period	18	2,907	73	11,787

Notes to the APP historical financial information

1. General Information

APP Wholesale Limited ("APP") is a private company formed in the UK. APP is domiciled in the UK and its registered office is Unit 1 Radford Industrial Estate, Goodhall Street, London, NW10 6UA. The principal activity of APP is the retail, wholesale and distribution of plumbing and heating goods.

2. Accounting policies

2.1 *Basis of preparation*

The historical financial information provided for APP is in respect of the year ended 31 July 2018, the 17-months ended 31 December 2019 and the year ended 31 December 2020 and is prepared for the purposes of the admission of Lords Group Trading Plc, the ultimate controlling party of APP, to AIM, a market operated by the London Stock Exchange. The entire issued share capital of APP was acquired by Lords Group Trading Plc on 17 December 2019.

The directors of the Company (the "Directors") are responsible for preparing this historical financial information in accordance with international financial reporting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").The historical financial information is prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities, which are revalued and measured at fair value through profit or loss. The historical financial information is presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The principal accounting policies adopted in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. APP have applied the requirements of IFRS 16 Leases from 1 August 2017, in advance of its effective date of 1 January 2019, to facilitate consistent presentation across the periods shown within the historical financial information. The effects of adoption have been recognised directly in opening retained earnings.

2.2 *Going concern*

Whilst APP, throughout the period of the historical financial information, was in both a net current asset and net asset position and is profitable in each period, it relies on available group funding to meet its obligations. As a result of this APP has obtained a letter of support from Lords Group Trading Plc, the ultimate parent company. Cross guarantees exist between APP and Lords Group Trading Plc and its subsidiaries (the "Group") to support the Group's financial arrangements.

APP is part of the Lords Group Trading Plc Group. The Directors have taken a number of actions to assess the Group's ability to continue as going concern in light of Covid-19 and there being covenants on the Group loans to be complied with, such as reviewing the Group's cash flow forecast using severe, yet plausible downturn scenarios, stress testing the Group's cash flow forecasts, reviewing the Group's revenue projections and assessing the adequacy of available committed facilities and the covenants thereon.

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors formed the judgement at the time of approving the APP historical financial information that there was a reasonable expectation that APP has adequate resources to continue in operational existence for a period of at least twelve months. For these reasons, they continue to adopt the going concern basis in preparing APP's historical financial information.

2.3 *New standards, amendments and interpretations or Adoption of new and revised standards*

With effect from the 1 August 2017, APP has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

IFRS 9 - Financial instruments (effective 1 January 2018 and early adopted);

IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018 and early adopted);
IFRS 16 - Leases (effective 1 January 2019 and early adopted); and

IFRIC 23 - Uncertainty over Income Tax Positions (effective 1 January 2019 and early adopted).

IFRS 9 Financial instruments

IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. Given there have been no changes in the classification or measurement of financial assets and liabilities a detailed table has not been provided.

(i) Recognition, classification, and measurement of financial instruments

APP has assessed which business models apply to the financial instruments at the date of initial application and has designated the financial assets and financial liabilities into the appropriate IFRS 9 measurement categories based on the facts and circumstances at that date. As at 1 August 2017, there were no significant classification and measurement adjustments. APP's financial assets comprise of trade and other receivables and cash items. These financial assets are to be classified and measured at amortised cost. APP's principal financial liabilities include trade and other payables. These financial liabilities continue to be classified and measured at amortised cost.

(ii) Impairment of financial assets

The impact of the new accounting methodology for determining the impairment provision for trade receivables resulted in no material change in the provision for impairment of trade receivables. Under the new policy a loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significant since initial recognition. In cases where the credit risk has not increased significantly, APP measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information. Trade receivables longer than one year overdue and specific risk trade receivables with no reasonable expectation of recovery are impaired and hence provided for in full unless reliable supporting information to determine otherwise is available. APP does not present its impairment losses separately in the statement of comprehensive income, but in the notes thereto.

No recognition, measurement, or classification changes have been recorded on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became effective on 1 January 2018 and superseded the revenue recognition included in IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations.

Under IFRS 15, revenue is now recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which APP expects to be entitled in exchange for those goods and services. The underlying principle is a five-step approach to determine performance obligations, the consideration and the allocation thereof, and timing of revenue recognition.

IFRS 15 also includes guidance on the presentation of assets and liabilities arising from contracts with customers, which depends on the relationship between the company's performance and the customers' payment.

APP operates through retail point of sale transactions and website orders. Revenue is recognised when APP delivers a product to the customer.

No recognition, measurement, or classification changes have been recorded on adoption of IFRS 15.

IFRS 16 Leases

IFRS 16 'Leases' replaced IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases and has been applied from 1 August 2017 using the modified retrospective approach. Under IFRS 16 the main difference for APP is that certain leases that the company holds as a lessee are recognised on the balance sheet, as both a right-of-use ("ROU") asset and a largely offsetting lease liability. Low value and short-term leases were excluded from these calculations under the practical expedients allowed in the standard. The ROU asset is depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability is increased for the accumulation of interest and reduced by cash lease payments. There is no impact on cashflow.

On the income statement APP recognises a depreciation charge and an interest charge instead of a straight-line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease.

APP has elected to exclude all short-term leases and all leases for which the underlying asset is of low value.

The adoption of IFRS 16 has resulted in the recognition of a ROU asset with a carrying value of £9,368,652 together with a corresponding financial liability of £9,117,896 at the year ended 31 July 2018; a ROU asset with a carrying value of £9,592,161 together with a corresponding financial liability of £9,533,867 at the period ended 31 December 2019 and; a ROU asset with a carrying value of £8,570,768 together with a corresponding financial liability of £8,698,835 at the period ended 31 December 2020.

There was a debit of £1,020,393 in 2020 (2019: £1,325,461; 2018: £599,353) to depreciation costs and a £474,115 debit in 2020 (2019: £627,538; 2018: £239,811) to finance costs in the Statement of Comprehensive Income.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on this historical financial information together with estimates with a significant risk of material adjustment in the next year are discussed in note 3.

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. The standard is effective for financial years commencing on or after 1 January 2019. IFRIC 23 will not have any impact as there is no uncertainty over income tax treatments for APP.

2.4 ***New standards, amendments and interpretations not yet adopted***

The amendments to IAS 28 Investments in Associates and Joint Ventures and IFRS 1 First-time Adoption of International Financial Reporting Standards are not considered to be relevant to APP's operations. The following standards, amendments and interpretations are not yet effective and have not been early adopted by APP:

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. There is not considered to be an impact of this standard.

2.5 ***Revenue recognition***

IFRS 15 "Revenue from Contracts with Customers" is a principle-based model of recognising revenue from contracts with customers. It has a five-step model that requires revenue to be recognised with control over goods and services are transferred to the customer.

APP operates through retail point of sale transactions and website orders. Revenue is recognised when APP delivers a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery, or in the case of certain merchant transactions, payable on set credit terms.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. Production based taxes are not included in revenue, they are paid on production and recorded within cost of sales.

Amounts received in advance are recorded as contract liabilities and revenue is recognised as the performance obligations are met.

2.6 ***Other operating income***

Other operating income represents all other income received by APP.

2.7 ***Rebates***

Rebates received from suppliers for the purchase of stock are netted off against inventory. 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.

2.8 ***Employee benefits: Pension obligations***

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

The contributions are recognised as an expense in the 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 APP in independently administered funds.

2.9 ***Net finance costs***

Finance expense

Finance expense comprises of other borrowing costs which are expensed in the period in which they are incurred and reported in finance costs.

Finance income

Finance income relates to deposit income.

2.10 ***Current and deferred taxation***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income or 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 UK where APP operates and generate taxable income.

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

- 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 timing differences relate to interests in subsidiaries, associates, branches and joint ventures and APP can control their reversal 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 ***Goodwill***

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is considered to have an indefinite useful life. Goodwill has been fully impaired during the period ending 31 December 2019.

2.12 ***Property plant and equipment***

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

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

- Land and buildings Leasehold - the length of the lease
- Plant and machinery - 20 per cent. reducing balance
- Fixtures, fittings & equipment - 15 per cent. reducing balance
- Computer equipment - 15 per cent. reducing balance
- Motor vehicles - 25 per cent. reducing balance

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 statement of comprehensive income.

2.13 ***Inventories***

Inventories are valued at the lower of cost and net realisable value, where net realisable value is an estimate of the selling price less cost to complete and sell.

At each reporting date an assessment is made for any impairment in the values of inventories held. Any impairment in the value of inventories is recognised at the reporting date.

2.14 ***Leased assets***

At inception of a contract, APP assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, APP assesses whether: an identified physically distinct asset can be identified; and APP has the right to obtain substantially all of the economic benefits from the asset throughout the period of use and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case APP's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of APP if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

ROU assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where APP is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. ROU assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When APP revises its estimate of the term of any lease (because, for example, it re- assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. An equivalent adjustment is made to the carrying value of the ROU asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

2.15 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and in hand and short term highly liquid deposits which are subject to an insignificant risk of changes in value.

2.16 ***Financial assets***

APP classifies its financial assets at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

Financial Assets recognised at amortised cost

APP's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, APP follows the 3-stage approach to expected credit losses. Step 1 is to estimate the probability that the debtor will default over the next 12 months. Step 2 considers if the credit risk has increased significantly since initial recognition of the debtor. Finally, Step 3 considers if the debtor is credit impaired, following the criteria under IFRS 9.

Financial assets recognised at fair value through profit or loss

Financial instruments such as forwards, swaps and forward exchange contracts are classified as derivative financial assets and liabilities at fair value through profit or loss. Derivative financial assets and liabilities are initially measured at fair value at the date the derivative contract is entered into and are subsequently remeasured to fair value at each financial period end date. The resulting gain or loss is recognised in fair value gains/(losses) through profit or loss immediately. APP does not apply hedge accounting.

A derivative with a positive fair value is recognised as a financial asset, whereas derivative with a negative fair value is recognised as a financial liability, unless a bilateral netting agreement exists between APP and the counterparty, in which case derivative financial asset and liability positions with the counterparty are aggregated to produce a single netted asset or liability.

The fair value of the derivative contracts us based on their observable prices in the exchange marketplace requiring no significant adjustment.

2.17 ***Financial liabilities***

APP measures its financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when APP becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost

APP's financial liabilities held at amortised cost comprise trade payables and other short-dated monetary liabilities, and bank and other borrowings in the consolidated statement of financial position.

Trade payables and other short-dated monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of APP's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

2.18 ***Exceptional items and Government grants***

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

Exceptional items also includes Government grants for the Job Retention Scheme and Small Business Retail Grants.

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and APP 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.

In the year ended 31 December 2020, APP 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 IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' 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.

2.19 ***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.

2.20 ***Impairment of 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. For the purposes of assessing impairment, assets are carried at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

Where there is any indication that an asset may be impaired, the carrying value of the asset (or CGUs 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. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. Goodwill is reviewed for impairment on an annual basis, with any impairment to goodwill not reversed at a later period.

2.21 ***Equity instruments***

The Equity instruments issued by APP are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of APP.

2.22 ***Provisions***

Provisions are recognised when APP has a legal or constructive present obligation as a result of a past event, it is probable that APP will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

3. Significant accounting estimates and judgements

APP makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

Judgements

The following are the areas requiring the use of judgement that may significantly impact the historical financial information.

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary, to reflect current estimates, based on technological advancement, future investments, economic utilisation, and the physical condition of the assets. See the subsequent notes to the accounts for the carrying amount of the tangible fixed assets and note 2.9 for the useful economic lives for each class of asset.

Recognition of deferred remuneration

In response to the sale of APP to Lords Group Trading Plc in December 2019, APP agreed a remuneration package for certain employees contingent on them remaining with APP for six months post-sale. The value of the package was £1.7 million including tax and social security costs. Management have assessed that the primary purpose of this remuneration package was to benefit the Lords Group Trading Plc group as enlarged by the acquisition of APP, and therefore the cost of the remuneration package has been recognised in the profit and loss account of APP for the year ended 31 December 2020 (as an exceptional item), once the employees met the requirement to remain with APP for six months post-sale, rather than a cost of the acquisition.

Estimates and assumptions

The following are areas requiring significant estimates and assumptions that may significantly impact the historical financial information.

Inventories provision

The levels of inventories, net of provisions, are set out in the notes to the accounts. For each line of inventory, a provision is made against the cost of the inventory where the net realisable value is expected to be less than cost. Net realisable value is the estimated selling price of inventories, where that selling price is a judgement based mainly upon recent selling patterns and the ageing and condition for each inventory line.

Lease Liabilities

APP makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. Management performs assessments on each individual lease and ensures the implicit interest rate are reviewed against latest expected borrowing terms for the entity, lease length, specialisation and risk of each asset, class and type of asset, where and when the asset will be used, and the currency of each lease. Additional details are noted in Note 20.

Recoverability of debtors

Key judgements 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.

4. Revenue from contracts with customers

All of APP's revenue was generated from the sale of goods in the UK and was recognised at a point in time (rather than over time). No one customer makes up 10 per cent. or more of revenue in any period.

5. Segment Information

Factors that management used to identify APP's reportable segments

The Chief Operating Decision Maker ("CODM") has been identified as the Directors. The CODM reviews APP's internal reporting in order to assess performance and allocate resources. The CODM has determined that there is one single operating segment, based on internal reporting, as being the retail, wholesale and distribution of plumbing and heating goods.

6. Other operating income

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Rent receivable	38	48	180
	38	48	180

7. Exceptional expenses

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Deferred remuneration	–	–	1,707
Restructuring costs	–	–	182
Profit on disposal of property	–	(1,100)	–
Impairment of intangible assets	–	4,587	–
Royal Bank of Scotland ID fee	–	300	–
Government grants - job retention scheme	–	–	(483)
Government grants - small business retail grants	–	–	(60)
	–	3,787	1,346

Exceptional costs for the 17-month period ended 31 December 2019 relate to:

- the sale and lease back of APP's property in Tamworth, recognising a profit on disposal of £1,100,000;
- goodwill previously recognised in APP was fully impaired; and
- £300,000 was incurred in respect of arrangement fees to RBS on APP's invoice discounting facility.

Exceptional costs for the year ended 31 December 2020 relate to a management incentive plan for key employees as a result of the sale of the entire capital of APP to Lords Group Trading Plc. Further as a result of the coronavirus epidemic APP underwent a restructuring programme which resulted in costs of £182,000. All Government grant receipts in respect of Coronavirus Job Retention Scheme and for Small Business Retail Grants were included as exceptional items for the period.

8. Employee benefit expenses

Employee benefit expenses (including Directors) comprise:

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Wages and salaries	5,122	8,063	7,791
Social security contributions and similar taxes	515	794	954
Pension costs	56	177	144
	5,693	9,034	8,889

Average number of people (including directors) employed by activity:

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Management & Administration	11	15	23
Sales & Operations	148	169	184
	159	184	207

9. Director emoluments

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of APP. The Directors consider key management personnel to be the directors of APP.

Director emoluments comprise:

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Remuneration for qualifying services	574	577	2,642
Social security contributions and similar taxes	71	117	115
Dividends	500	–	–
Pension costs	5	12	11
	1,150	706	2,768

Directors participating in defined contribution pension as at the period end 2020 was 3 (2019: 3; 2018: 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Remuneration for qualifying services	178	252	1,095
Social security contributions and similar taxes	23	37	30
Dividends	500	–	–
	701	289	1,125

The value of APP's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £Nil (2019: £Nil; 2018: £Nil).

10. Expenses by nature

Operating profit is stated after charging/crediting:

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Depreciation of property, plant and equipment	119	216	162
Amortisation of right-of-use assets	599	1,325	1,021
Royal Bank of Scotland ID Fee	–	300	–
Deferred remuneration liability	–	–	1,707
Gain on disposal of fixed assets	(6)	(1,090)	(4)
Impairment of intangible assets	–	(4,587)	–
Restructuring expense	–	–	182
Defined contribution pension plan	56	177	144
Foreign exchange gains	(20)	(3)	(14)
Bad debt write off	62	110	154
Inventory recognised as an expense	148,613	249,760	180,666
Auditor remuneration	23	25	81

11. Finance income and finance expense

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Other interest receivable	1	2	–
Interest on amounts received from group undertakings	–	–	26
Interest on bank deposits	10	32	1
Total finance income	11	34	27

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Interest on bank loans & overdrafts	–	(10)	(97)
Other interest on financial liabilities	–	–	(239)
Interest on amounts owed from group undertakings	–	–	(118)
Interest on lease liabilities	(240)	(628)	(474)
Total finance expense	(240)	(638)	(928)

12. Taxation

	Year ended 31 July 2018 £'000	17-month period ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Analysis of charge in year			
Current tax on profits for the year	1,224	1,739	956
Adjustments in respect of previous years	–	8	(22)
Total current tax	1,224	1,747	934
Deferred tax			
Origination and reversal of temporary differences	25	(10)	(9)
Effect of tax rate change on opening balance	–	–	8
Adjustments in respect of prior periods	–	–	(2)
Total deferred tax	25	(10)	(3)
Tax charge per statement of comprehensive income	1,249	1,737	931

The tax charges for the periods presented differ from the standard rate of corporate tax in the UK. The differences are explained below:

	Year ended 31 July 2018 £'000	17-month period ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Profit on ordinary activities before tax	6,449	5,982	4,718
Tax using APP domestic tax rates	1,225	1,137	896
Effects of:			
Expenses not deductible for tax purposes	32	485	4
Adjustments in respect of prior periods	–	7	(24)
Deferred tax not recognised	1	108	47
Change in rate of corporation tax	(9)	–	8
Total taxation charges	1,249	1,737	931

The main rate of UK corporation tax was 19 per cent. for the periods ended 31 July 2018, 31 December 2019 and 2020.

13. Dividends

	Year ended 31 July 2018 £'000	Period ended 31 December 2019 £'000	Year ended 31 December 2020 £'000
Interim paid – £0.50 per £1 share	500	–	–
Interim paid – £0.30 per £1 share	–	–	300
	500	–	300

No final dividends were paid at the end of each reporting period covered by the Historical Financial Information.

14. Inventories

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Finished goods and goods for resale	26,730	33,636	33,075

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

Inventories are stated after a provision for impairment of £2,625,557 (2019- £3,513,861; 2018 - £4,341,000). Inventory provisions are based on estimates and assumptions of management and include consideration of slow moving items, damaged items and possibility of theft.

The provision for inventory obsolescence is recognised in administrative expenses in the Statement of Profit and Loss.

15. Trade and other receivables

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Amounts falling due within one year:			
Trade receivables	18,438	26,103	35,587
Other receivables	37	115	578
Prepayments	733	1,887	2,376
Accrued income	25	–	–
	19,233	28,105	38,541

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Amounts falling after one year:			
Amounts due from group undertakings	–	23,971	13,472
	–	23,971	13,472

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value. Accrued income represents amounts where revenue has been recognised due to performance obligations being complete that have not been billed to the customer.

There is a fixed term of repayment which have been agreed with group undertakings so that they are repayable on 31 December 2024. All amounts owed are unsecured borrowings and are non-interest bearing except Weldit LLP, a Group company, which borrows from APP at a rate of 3.5 per cent.

Analysis of trade receivables based on age of invoices:

	< 30 £'000	31 - 60 £'000	61 -90 £'000	> 90 £'000	Total Gross £'000	ECL £'000	Total Net £'000
31 July 2018	17,541	544	73	354	18,512	(74)	18,438
31 December 2019	25,528	145	91	410	26,174	(71)	26,103
31 December 2020	22,949	11,851	895	49	35,744	(157)	35,587

APP applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed there is no material impact on the transition to ECL from previous methods of estimating the provision for doubtful accounts.

16. Property, plant and equipment

	Land and buildings freehold £'000	*Plant and Machinery £'000*	*Fixtures, fittings and equipment £'000*	*Motor Vehicles £'000*	*Land and buildings leasehold improvements £'000*	*Total £'000*
Cost						
At 01 August 2017	1,289	181	572	148	171	2,361
Additions	–	19	275	–	94	388
Disposals	–	(8)	–	(22)	–	(30)
At 31 July 2018	1,289	192	847	126	265	2,719
Depreciation						
At 01 August 2017	175	70	348	83	64	740
Charge for the period	26	20	44	16	13	119
Disposals	–	(8)	–	(16)	–	(24)
At 31 July 2018	201	82	392	83	77	835
Net book amount						
At 31 July 2018	1,088	110	455	43	188	1,884
Cost						
At 01 August 2018	1,289	192	847	126	265	2,719
Additions	–	51	117	49	38	255
Disposals	(1,289)	(2)	–	(86)	–	(1,377)
At 31 December 2019	–	241	964	89	303	1,597
Depreciation						
At 01 August 2018	201	82	392	83	77	835
Charge for the period	31	28	110	19	28	216
Disposals	(232)	(1)	–	(55)	–	(288)
At 31 December 2019	–	109	502	47	105	763
Net book amount						
At 31 December 2019	–	132	462	42	198	834
Cost						
At 01 January 2020	–	241	964	89	303	1,597
Additions	–	67	–	98	–	165
Disposals	–	–	(40)	–	–	(40)
At 31 December 2020	–	308	924	187	303	1,722
Depreciation						
At 01 January 2020	–	109	502	47	105	763
Charge for the period	–	57	10	75	20	162
Disposals	–	–	(35)	–	–	(35)
At 31 December 2020	–	166	477	122	125	890
Net book amount						
At 31 December 2020	–	142	447	65	178	832

Depreciation charge is recognised in administrative expenses in the Statement of Profit and Loss.

17. Intangible assets

	Goodwill *£'000*
Cost	
At 01 August 2017	4,587
At 31 July 2018	–
Amortisation	
At 01 August 2017	–
Charge for the year	–
At 31 July 2018	–
Net book amount	
At 31 July 2018	4,587
Cost	
At 01 August 2018	4,587
Impairment	(4,587)
At 31 December 2019	–
Amortisation	
At 01 August 2018	–
Charge for the period	–
Impairment	–
At 31 December 2019	–
Net book amount	
At 31 December 2019	–
Cost	
At 01 January 2020	–
At 31 December 2020	–
Amortisation	
At 01 January 2020	–
At 31 December 2020	–
Net book amount	
At 31 December 2020	–

Goodwill relates to the historical acquisition of Compass Plumbing Company Limited, which was brought forward on 1 August 2017 with a net book value of £4,587,000. APP have applied the exemptions for business combinations that occurred prior to the date of transition to IFRS and have therefore not applied IFRS 3 retrospectively. The brought forward net book value of £4,587,000 has therefore been included as the cost at the transition date, in line with the exemptions of IFRS 1. Prior to the acquisition by Lords Group Trading Plc, the historical goodwill was impaired to £nil.

Amortisation charge is recognised in administrative expenses in the Statement of Profit and Loss.

18. Cash and cash equivalents

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Cash at bank available on demand	2,895	69	11,782
Petty cash	12	4	5
	2,907	73	11,787

19. Trade and other payables

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Amounts falling due within one year:			
Trade payables	21,992	40,200	46,092
Other payables	4	–	–
Accruals	462	836	1,006
Deferred income	3	123	251
Other taxation and social security	984	476	328
	23,445	41,635	47,677

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Amounts falling after one year:			
Other financial liabilities	84	–	1,564
	84	–	1,564

20. Leases

Nature of leasing activities

APP leases a number of assets with all lease payments fixed over the lease term.

	As at 31 July 2018	*As at 31 December 2019*	*As at 31 December 2020*
Number of active leases	13	15	13

Extension, termination, and break options

APP sometimes negotiates extension, termination, or break clauses in its leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

On a case-by-case basis, APP will consider whether the absence of a break clause would expose APP to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term;

- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for APP.

As at 31 December 2020, 31 December 2019 and 31 July 2018 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because all lease calculations are based on the break clause being exercised at the earliest opportunity, as expected by APP. APP has chosen to apply the practical expedient in C3 of IFRS 16 to not reassess whether a contract is, or contains, a lease at the date of initial application.

Incremental borrowing rate

APP has adopted a range from 4.17 per cent. to 5.12 per cent. as its incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. APP performed a sensitivity analysis on the incremental borrowing rate and identified if the incremental borrowing rate increased to 8 per cent. for all assets there would be a reduction in the carrying amount of the right-of-use asset at 31 December 2020 of £1,419,657 (2019: £1,569,501; 2018: £1,508,000); there would be a subsequent decrease in the lease liability of £1,141,812 (2019: £1,327,409; 2018: £1,356,108k). If the incremental borrowing rate decreased to 3 per cent. for all assets there would be an increase in the carrying amount of the right-of-use asset at 31 December 2020 of £1,105,483 (2019: £1,215,029; 2018: £1,113,765); there would be a subsequent increase in the lease liability of £859,162k (2019: £1,033,944; 2018: £991,461).

Right-of-use assets

	Leasehold Property £'000	*Motor vehicles £'000*	*Total £'000*
Cost			
At 01 August 2017	3,209	200	3,409
Additions	6,450	109	6,559
Disposals	–	–	–
At 31 July 2018	9,659	309	9,968
Depreciation			
At 01 August 2017	–	–	–
Charge for the period	553	46	599
Disposals	–	–	–
At 31 July 2018	553	46	599
Net book amount	9,106	263	9,369
At 31 July 2018			
Cost			
At 01 August 2018	9,659	309	9,968
Additions	1,548	–	1,548
Disposals	(89)	–	(89)
At 31 December 2019	11,118	309	11,427
Depreciation			
At 01 August 2018	553	46	599
Charge for the period	1,231	94	1,325
Disposals	(89)	–	(89)
At 31 December 2019	1,695	140	1,835
Net book amount	9,423	169	9,592
At 31 December 2019			

	Leasehold Property £'000	Motor vehicles £'000	Total £'000
Cost			
At 01 January 2020	11,118	309	11,427
Additions	–	–	–
Disposals	–	–	–
At 31 December 2020	11,118	309	11,427
Depreciation			
At 01 January 2020	1,695	140	1,835
Charge for the period	955	66	1,021
Disposals	–	–	–
At 31 December 2020	2,650	206	2,856
Net book amount	8,468	103	8,571
At 31 December 2020			

Lease liabilities

	Leasehold Property £'000	Motor vehicles £'000	Total £'000
At 1 August 2017	3,053	200	3,253
Additions	6,234	110	6,344
Interest expense	221	9	230
Lease payments (including interest)	(658)	(51)	(709)
At 31 July 2018	8,850	268	9,118
At 1 August 2018	8,850	268	9,118
Additions	1,462	–	1,462
Interest expense	586	15	601
Lease payments (including interest)	(1,542)	(105)	(1,647)
At 31 December 2019	9,356	178	9,534
At 1 January 2020	9,356	178	9,534
Additions	–	–	–
Interest expense	441	7	448
Lease payments (including interest)	(1,210)	(73)	(1,283)
At 31 December 2020	8,587	112	8,699

Reconciliation of minimum lease payments and present value

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Within 1 year	1,604	1,280	1,280
Later than 1 year and less than 5 years	4,231	4,715	4,532
After 5 years	6,236	6,460	5,361
Total including interest cash flows	12,071	12,455	11,173
Less: interest cash flows	(2,953)	(2,921)	(2,474)
Total principal cash flows	9,118	9,534	8,699

Short term or low value lease expense

	For the year ended 31 July 2018 £'000	For the 17-month period ended 31 December 2019 £'000	For the year ended 31 December 2020 £'000
Total short term lease costs	807	1,358	1,031

This amount relates to individual vans which are rented on a monthly basis by APP.

21. Borrowings

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Current			
Other loans	4,914	11,605	13,824
Director's loan	230	–	–
	5,144	11,605	13,824
Non-current			
Bank loans	–	3,000	–
Total borrowings	5,144	14,605	13,824

A maturity analysis of APP's borrowings is shown below:

	As at 31 July 2018 £'000	As at 31 December 2019 £'000	As at 31 December 2020 £'000
Less than 1 year	5,144	11,605	13,824
Later than 1 year and less than 5 years	–	3,000	–
	5,144	14,605	13,824

At 31 December 2018, other loans comprise invoice financing from Royal Bank of Scotland. The facility was limited to 85 per cent. of debts with an upper limit of £10,000,000.

At 31 December 2019 and 31 December 2020, bank loans payable within one year comprise invoice financing from a syndicate of HSBC UK bank plc and National Westminster bank plc. The facility is limited to 90 per cent. of debts with an upper limit of £25,500,000.

At 31 December 2019 and 31 December 2020, bank loans payable after one year comprise a revolving loan facility from a syndicate of HSBC UK Bank Plc and National Westminster Bank Plc. The revolving loan facility attracts interest of libor +4.25 per cent. and is repayable in December 2022. The full facility available for bank loans across the Group is £12.5 million of which £3 million was drawn down by APP at 31 December 2019 and £nil was drawn down at 31 December 2020. On or around the time of Admission, the Group's bank loan, invoice financing and revolving loan facilities will be refinanced with HSBC, as set out in Note 28.

National Westminster Bank Plc hold a fixed and floating charge dated 6 December 2019 incorporating all the property or undertaking of APP.

Royal Bank of Scotland Invoice Finance Limited hold a fixed and floating charge dated 6 December 2019 incorporating all the property or undertaking of APP.

Loans and other debts due to shareholders and members rank equally with debts due to ordinary creditors in the event of a winding up.

22. Other Provisions

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Amounts falling after one year:			
Lease liability dilapidations	381	492	518
	381	492	518

Lease liability dilapidations

	Leasehold Property £'000
At 1 August 2017	156
Additions	215
Interest expense	10
At 31 July 2018	381
At 1 August 2018	381
Additions	84
Interest expense	27
At 31 December 2019	492
At 1 January 2020	492
Additions	–
Interest expense	26
At 31 December 2020	518

As part of APP's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. These costs have been charged in line with IFRS 16 and shown separately to the lease obligation liability. The provision is expected to be utilised between 2023 and 2034 as the leases terminate. Due to the significant number of leased properties and the difficulties in predicting expenditure that will be required on return of a property to the landlord many years into the future, the dilapidations provision is considered a source of estimation. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates.

23. Deferred taxation

Deferred tax assets and liabilities are offset where APP has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Balances:			
Accelerated capital allowances	78	68	65

Movement in period

	£'000
At 1 August 2017	53
Charge to income statement	25
At 31 July 2018	78
At 1 August 2018	78
Charge to income statement	(10)
At 31 December 2019	68
At 1 January 2020	68
Charge to income statement	(3)
At 31 December 2020	65

The deferred tax liabilities set out above are expected to reverse within 12 months and relate to accelerated capital allowances that are expected to mature within the same period.

24. Share capital

Share capital

	As at 31 July 2018	*As at 31 December 2019*	*As at 31 December 2020*
Allotted, called up and fully paid			
Opening number of £1 shares	1,000,000	1,000,000	1,000,000
Closing number of £1 shares	1,000,000	1,000,000	1,000,000

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Allotted, called up and fully paid			
Opening share capital	1,000	1,000	1,000
Closing share capital	1,000	1,000	1,000

Voting rights

Shareholders are entitled to one voting right per share.

Dividends

Shareholders are entitled to dividends out of the profits of APP available for distribution.

25. Retirement benefit scheme

	Year ended 31 July 2018 £'000	*17-month period ended 31 December 2019 £'000*	*Year ended 31 December 2020 £'000*
Defined contribution schemes:			
Charge to income statement	56	177	144

APP operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of APP in an independently administered fund. The outstanding pension contributions at each period end was, 2020: £69,000, 2019: £33,000 and 2018: £4,000.

26. Commitments and contingences

APP had the following capital or financial commitments:

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Contracts for future capital expenditure not provided in the financial statements:			
Property, plant and equipment	–	–	207

Capital commitments relate to costs required to relocate two APP sites. See note 28 for further details.

27. Financial Instruments

Financial assets

Financial assets measured at amortised cost comprise trade receivables, other receivables, accrued income and cash. It does not include current tax receivable and prepayments.

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Trade receivables	18,438	26,103	35,587
Other receivables	37	24,086	578
Accrued income	25	–	–
Cash at bank and on hand	2,907	73	11,787
	21,407	50,262	47,952

The fair value measurement of APP's financial and non-financial assets and liabilities measured at fair value through the profit and loss utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial assets measured at fair value include derivative financial assets, as follows:

	Level	*As at 31 July 2018 £'000*	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Forwards	1	–	3,540	575

APP's local currency is pounds sterling but due to international purchases in foreign currencies, APP seeks to reduce the foreign exchange risk by entering into forward contracts. At each period end, APP has forward contracts with sterling equivalent as identified above, whereby the fair value of these forwards contracts is not materially different to the outstanding amount.

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and borrowings. It does not include deferred income and other taxation and social security.

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Trade payables	21,992	40,200	46,092
Other payables	88	–	1,564
Accruals	462	836	1,006
Borrowings	5,144	14,605	13,824
	27,686	55,641	62,486

Financial risk management

APP is exposed through its operation to the following financial risks: credit risk, interest rate risk, foreign exchange risk and liquidity risk. Risk management is carried out by the directors of APP. APP uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

APP finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from APP's operations.

Credit risk

Credit risk is the risk of financial loss to APP if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In order to minimise the risk, APP endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes to the historical financial information.

APP seeks to obtain charging orders over the property of trade receivables, where appropriate. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information. Further disclosures regarding trade and other receivables are provided in note 15.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "B+" are accepted. All cash was held by banks with ratings A-1 and above.

Interest rate risk

APP's only current borrowings are at a fixed interest rate of libor +4.25 per cent., therefore interest rate risk exposure for APP is minimal.

Foreign exchange risk

Foreign exchange risk arises when APP enter into transactions in a currency other than their functional currency. APP's policy is, where possible, to settle liabilities denominated in a currency other than its functional currency with cash already denominated in that currency.

Liquidity risk

APP seeks to maintain sufficient cash balances. Management reviews cash flow forecasts on a regular basis to determine whether APP has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

A maturity analysis of APP's trade and other payables is shown below:

	As at 31 July 2018 £'000	*As at 31 December 2019 £'000*	*As at 31 December 2020 £'000*
Less than one year	23,438	41,512	47,426
Due after one year	84	–	1,564
	23,522	41,512	48,990

A maturity analysis of borrowings is shown in note 21.

Capital Disclosures

The capital structure of the business consists of cash and cash equivalents, debt and equity. Equity comprises share capital, share premium and retained losses and is equal to the amount shown as 'Equity' in the balance sheet. Debt comprises various items which are set out in further detail above and in the notes to the accounts.

APP's current objectives when maintaining capital are to:

- Safeguard APP's ability as a going concern so that it can continue to pursue its growth plans.
- Provide a reasonable expectation of future returns to shareholders.
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term.

APP sets the amount of capital it requires in proportion to risk. APP manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, APP may issue new shares or sell assets to reduce debt.

During the periods ended 31 July 2018, 31 December 2019 and 31 December 2020 APP's business strategy remained unchanged.

28. Post balance sheet events

On 29th January 2021, APP entered a new lease to relocate the Bristol facility 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 was relocated through the first quarter of 2021.

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

On or around the time of Admission, Lords Group Trading Plc and certain other members of the Group will enter into a revolving credit facility agreement with HSBC pursuant to which, HSBC will make a £30,000,000 revolving credit facility available to Lords Builders Merchants, APP and Carboclass as borrowers for the purposes of (i) refinancing existing facilities and (ii) financing the general corporate and working capital purposes of the Group (including the financing of acquisitions).

29. Contingent liability

In May 2020 the Group discovered that APP had been receiving cash payments for goods from a customer in contravention of the The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("IoP Regs") in so far as the regulations relate strictly to High Value Dealers ("HVDs"). DAC Beachcroft LLP was instructed to investigate the situation and based on the investigation undertaken to date, the Group believes that APP's breach of the IoP HVD requirements was a non-deliberate breach. The Group has made a self report to HMRC relating to the historical contraventions of the IoP Regs HVD requirements which have been identified within the APP business and it is the Group's intention to engage with HMRC on a co-operative basis for the purposes of seeking to reach an agreed outcome. It is, however, not possible to say, at this stage, what the outcome of HMRC's review of the self-report will be nor is it possible to assess the possible liability which may arise from engagement with HMRC. Breach of the IOP Regs gives rise to the prospect of both civil and criminal penalties, public censure and/or action against officers of a company who are determined to have been knowingly concerned in a contravention of the regulations (including temporary or permanent prohibition from acting in a management capacity).

The breaches occurred over a 10-year period from August 2010, cumulatively amounting to up to £2,927,635 (which represents 0.2 per cent. of turnover in the same period). The Directors are confident that any potential fine levied would be covered by the warranties contained in the sale and purchase agreement for APP when it was acquired by Lords Group Trading Plc in December 2019 in relation to any penalties which relate to the period prior to the acquisition.

The Group has since conducted training for all relevant staff and has updated and implemented improved systems and controls which was overseen by a third party. The Directors are confident that the situation has been remedied and the risks in the business are now being appropriately managed.

30. Related party transactions

In the 17-month period ended 31 December 2019, APP completed a sale and lease back of a freehold property in Tamworth to Mr A Pierce, a director of APP, for £2,000,000, creating a profit on disposal of £1,100,000. APP entered a 15-year lease.

Property rent of £120,000 was paid to Mr A Pierce during the year ended 31 December 2020 (2019: £10,000, 2018: £Nil), which was considered to be market value. No amounts were owed at any period end in respect of the above.

At 31 December 2020, Mr A Pierce was owed a total of £Nil, (2019: owed £33,774) (2018: was owed £230,582).

Compensation paid to key management personnel in each period is disclosed in note 9.

31. Ultimate controlling party

On 17 December 2019, the entire share capital of APP was sold to Lords Group Trading Plc, both the immediate and ultimate parent.

APP was previously controlled by Allan Pierce but from 17 December 2019 has been controlled by Lords Group Trading Plc, by virtue of its majority shareholding.

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group (the "pro forma financial information") has been prepared to illustrate the effect on the consolidated net assets of the Group as if the placing and repayment of debt had taken place on 31 December 2020.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Group as at 31 December 2020, set out in the financial information on the Group for the year ended 31 December 2020 set out in Section B of Part IV of this document and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

£'000	Group net assets as at 31 December 2020 *Note 1*	Adjustment *Note 2*	Adjustment *Note 3*	Unaudited pro-forma net assets of the Group as at 31 December 2020 *Note 4*
Assets				
Current assets				
Inventories	40,004	–	–	40,004
Trade and other receivables	52,633	–	–	52,633
Cash and cash equivalents	16,342	27,670	(39,260)	4,752
Total current assets	108,979	27,670	(39,260)	97,389
Non-current assets				
Property, plant and equipment	4,417	–	–	4,417
Right-of-use asset	27,059	–	–	27,059
Intangible assets	18,198	–	–	18,198
Other receivables	78	–	–	78
Investments	4	–	–	4
Total non-current assets	49,756	–	–	49,756
Total assets	158,735	27,670	(39,260)	147,145
Liabilities				
Current liabilities				
Trade and other payables	66,111	–	–	66,111
Borrowings	20,738	–	(20,738)	-
Lease liabilities	3,704	–	–	3,704
Current tax liabilities	1,055	–	–	1,055
Total current liabilities	91,608	-	(20,738)	70,870

£'000	Group net assets as at 31 December 2020 *Note 1*	Adjustment *Note 2*	Adjustment *Note 3*	Unaudited pro-forma net assets of the Group as at 31 December 2020 *Note 4*
Non-current liabilities				
Borrowings	18,522	–	(18,522)	–
Lease liabilities	23,912	–	–	23,912
Other provisions	787	–	–	787
Trade and other payables	2,840	–	–	2,840
Deferred tax	2,801	–	–	2,801
Total non-current liabilities	48,862	–	(18,522)	30,340
Total liabilities	140,470	–	(39,260)	101,210
NET ASSETS	18,265	27,670	–	45,935

Notes

1. The net assets of the Group have been extracted without material adjustment from the Group's historical financial information as set out in Section B of Part IV of this document.
2. The gross proceeds of the Placing receivable by the Company are £30,000,000 and expenses are £2,330,000 (excluding VAT). Net proceeds of the Placing receivable by the Company, as shown above, are therefore £27,670,000.
3. On or around Admission, Lords Group Trading Plc and certain other members of the Group will enter into a revolving credit facility agreement with HSBC pursuant to which, HSBC will make a £30,000,000 revolving credit facility available to Lords Builders Merchants, APP and Carboclass. No draw down under this HSBC facility has been assumed in the above pro forma statement of net assets. As part of the refinancing, the Group's existing borrowings (totalling £39,260,000 as at 31 December 2020) are to be fully repaid on or around Admission. No adjustment has been made to reflect repayments and interest on existing borrowings since 31 December 2020.
4. No adjustment has been made for any other movement in the net assets of the Group since 31 December 2020, save as disclosed above.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

1.1 The Company, whose registered office appears on page 10 of this document, and the Directors, whose names, addresses and functions appear on page 10 of this document, accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales under the Companies Act 2006, where it remains domiciled, on 22 October 2018 as a private limited company with the name Lords Group Trading Limited and with registered number 11633708.

2.2 On 1 July 2021, the Company was re-registered as a public limited company with the name Lords Group Trading plc.

2.3 The liability of the members of the Company is limited.

2.4 The Company, directly or indirectly, owns or holds the entire issued share capital of the companies set out in paragraph 4 below.

2.5 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder. The Ordinary Shares have been created pursuant to the Companies Act and other relevant preceding legislation.

2.6 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares. The Company is domiciled within the United Kingdom.

2.7 The Company's registered office is at Second floor, 12-15 Hanger Green, London W5 3EL. The telephone number of the Company is +44(0) 20 8963 7533.

2.8 The Company's website address at which the information required by Rule 26 of the AIM Rules for Companies can be found is www.lordsgrouptrading.co.uk.

2.9 The accounting reference date of the Company is 31 December.

3. SHARE CAPITAL

3.1 The Company's Ordinary Shares are in registered form and are capable of transfer in both certificated form and uncertificated form. The register of members for the Company will be maintained by the Company's registrars, Link Group 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

3.2 At the date of incorporation, the Company had one A ordinary share of £1 in issue which was held by Shanker Patel.

3.3 There have been the following changes in the Company's share capital since incorporation:

3.3.1 On 1 January 2019, 4,874,999 A ordinary shares of £1 each were allotted and issued to Shanker Patel. On that same date 4,875 A ordinary shares of £1 each held by Shanker Patel were re-designated as G ordinary shares of £1 each and then cancelled as part of a capital reduction.

3.3.2 On 1 January 2019, 2,500,000 B ordinary shares of £1 each were allotted and issued to Nilesh Patel. On that same date 2,500 B ordinary shares of £1 each held by Nilesh Patel were re-designated as H ordinary shares of £1 each and then cancelled as part of a capital reduction.

3.3.3 On 1 January 2019, 125,500 D ordinary shares of £1 each were allotted and issued to Shanker Patel and Rachna Dewan as trustees of the Nehru Trust. On that same date 125 D ordinary shares of £1 each were re-designated as I ordinary shares of £1 each and then cancelled as part of a capital reduction.

3.3.4 On 1 January 2019, 125,500 E ordinary shares of £1 each were allotted and issued to Rajen Patel and Ranak Patel as trustees of the Ruhi Trust. On that same date 125 E ordinary shares of £1 each were re-designated as J ordinary shares of £1 each and then cancelled as part of a capital reduction.

3.3.5 On 1 January 2019, 2,375,000 E ordinary shares of £1 each were allotted and issued to Rajen Patel and Ranak Patel as trustees of the Rajen Trust. On that same date 2,375 E ordinary shares of £1 each were re-designated as K ordinary shares of £1 each and then cancelled as part of a capital reduction.

3.3.6 On 27 June 2019, 4,870,124 A ordinary shares of £1 each held by Shanker Patel were consolidated, subdivided and re-designated resulting in Shanker Patel holding 4,826,250 A1 ordinary shares of £1.00821212 each and 424,125 G ordinary shares of £0.01 each.

3.3.7 On 27 June 2019, 2,497,500 B ordinary shares of £1 each held by Nilesh Patel were consolidated, subdivided and re-designated resulting in Nilesh Patel holding 2,475,000 B1 ordinary shares of £1.00821212 each and 217,500 G ordinary shares of £0.01 each.

3.3.8 On 27 June 2019, 124,875 D ordinary shares of £1 each held by Shanker Patel and Rachna Dewan as trustees of the Nehru Trust were consolidated, subdivided and re-designated resulting in Shanker Patel and Rachna Dewan as trustees of the Nehru Trust holding 123,750 D1 ordinary shares of £1.00821212 each and 10,875 G ordinary shares of £0.01 each.

3.3.9 On 27 June 2019, 124,875 E ordinary shares of £1 each held by Rajen Patel and Ranak Patel as trustees of the Ruhi Trust were consolidated, subdivided and re-designated resulting in Rajen Patel and Ranak Patel as trustees of the Ruhi Trust holding 123,750 E1 ordinary shares of £1.00821212 each and 10,875 G ordinary shares of £0.01 each.

3.3.10 On 27 June 2019, 2,372,625 E ordinary shares of £1 each held by Rajen Patel and Ranak Patel as trustees of the Rajen Trust were consolidated, subdivided and re-designated resulting in Rajen Patel and Ranak Patel as trustees of the Rajen Trust holding 2,351,250 F1 ordinary shares of £1.00821212 each and 206,625 G ordinary shares of £0.01 each.

3.3.11 On 6 December 2019, 217,500 G ordinary shares of £0.01 each were allotted and issued to Allan Paul Pierce and 9,997,825 H ordinary shares of £1.00 each were allotted and issued to Allan Paul Pierce. These shares were issued as part of the consideration for the acquisition of the entire issued share capital of APP, further details of which are set out in paragraph 13.7 of Part VII of this document and represent more than 10 per cent. of the issued share capital of the Company.

3.4 As at 31 December 2019 and 31 December 2020 and immediately prior to the re-organisation detailed below, the issued share capital of the Company comprised 20,985,325 shares (fully paid), which were separated into the following classes: 4,826,250 A1 ordinary shares of £1.00821212 each, 2,475,000 B1 ordinary shares of £1.00821212 each, 123,750 D1 ordinary shares of £1.00821212 each, 123,750 E1 ordinary shares of £1.00821212 each, 2,351,250 F1 ordinary shares of £1.00821212 each, 1,087,500 G ordinary shares of £0.01 each and 9,997,825 H ordinary shares of £1.00 each.

3.5 On 10 June 2021, the Company completed a solvency statement reduction of capital pursuant to which:

3.5.1 the nominal value of the A1 ordinary shares of £1.00821212 each, the B1 ordinary shares of £1.00821212 each, the D1 ordinary shares of £1.00821212 each, the E1 ordinary shares of £1.00821212 each and the F1 ordinary shares of £1.00821212 each were reduced to £0.05;

3.5.2 7,522,825 H ordinary shares of £1.00 each were cancelled; and

3.5.3 the nominal value of the remaining 2,475,000 H ordinary shares of £1.00 each was reduced to £0.05.

3.6 On 24 June 2021, Rajen Patel received a distribution from the Rajen Trust of 1,361,250 F1 ordinary shares of £0.05 each and 53,831 G ordinary shares of £0.01 each.

3.7 On 24 June 2021, Nilesh Patel transferred to Shanker Patel 618,750 B1 ordinary shares of £0.05 each and 54,375 G ordinary shares of £0.01 each. By a deed dated 24 June 2021 Rajen Patel made a conditional gift of 618,750 F1 ordinary shares of £0.05 each and 54,375 G ordinary shares of £0.01 each to Shanker Patel representing 6,296,250 Ordinary Shares (post the Reorganisation) and 5 per cent. of the Existing Ordinary Shares as at the date of this document. The gift is conditional upon Shanker Patel remaining as Chief Executive Officer of the Company for the two years following the date of the gift. On 24 June 2023 the gift may become unconditional and the shares will then be beneficially owned by Shanker. Until that date, the beneficial ownership of the shares and all rights attaching thereto remains with Rajen Patel. The gift may also become unconditional if during the two year period Shanker dies, is unable to carry out his duties as Chief Executive Officer due to incapacity or an offer for the Company is declared unconditional in all respects.

On Admission, Shanker Patel's shareholding in the Company will be below 30 per cent. If the gift becomes unconditional and, as a result, Shanker Patel's shareholding moves from below 30 per cent. to between 30 per cent. and 50 per cent., the Takeover Panel has agreed to waive any obligation upon him to make an offer under Rule 9 of the Takeover Code.

3.8 On 14 July 2021, the Company reorganised its share capital so that:

3.8.1 each of the A1 ordinary shares of £0.05 each, the B1 ordinary shares of £0.05 each, the D1 ordinary shares of £0.05 each, the E1 ordinary shares of £0.05 each and F1 ordinary shares of £0.05 each were converted into five G ordinary shares of £0.01 each;

3.8.2 each of the H ordinary shares of £0.05 each were converted into five G ordinary shares of £0.01 each;

3.8.3 all of the G ordinary shares of £0.01 each were re-designated as ordinary shares of £0.01 each; and

3.8.4 all of the ordinary shares of £0.01 each were sub-divided into ordinary shares of £0.005.

3.9 Following completion of the Reorganisation, the issued share capital of the Company was 125,925,000 Ordinary Shares.

3.10 On 14 July 2021, the Company passed the following resolutions:

"**THAT**, conditional on the passing of resolutions 1,2, 3 and 4, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors of the Company (the "**Directors**") be and are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "**relevant securities**") up to an aggregate nominal amount of:

5.1 £157,895 in connection with the proposed placing (the "**Placing**") to take place on or around the time of admission of the Company's ordinary shares to trading on AIM but for no other purpose;

5.2 £262,507 (in additional to the authorities conferred in sub-paragraph 5.1 above),

provided that this authority, unless duly renewed, revoked, varied or extended, will expire on the date falling fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and, the directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred by the resolution had not expired.

THAT, conditional on the passing of resolutions 1,2, 3, 4 and 5, the Directors be and they are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 1 above as if section 561(1) of the Act did not apply to any such allotment provided that:

6.1 the power conferred by this resolution shall be limited to:

6.1.1 the allotment of equity securities for cash in connection with an offer of, or invitation to apply for, equity securities:

(a) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

(b) to holders of any other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depositary receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever;

6.1.2 in the case of the authorities granted under resolution 5:

(a) the allotment (otherwise than pursuant to sub-paragraphs 6.1.1 above) of equity securities in connection with the Placing;

(b) the allotment (otherwise than pursuant to sub-paragraphs 6.1.1 and 6.1.2(a) above) of equity securities up to an aggregate nominal value of £78,752,

6.2 unless duly renewed, revoked, varied or extended, this power will expire on the date falling fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and, the directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred by the resolution had not expired."

3.11 On 14 July 2021, Shanker Patel gifted 78,947 Ordinary Shares to Tilak Patel and 78,947 Ordinary Shares to Rita Dewan.

3.12 As at the date of this document, the issued and fully paid share capital of the Company is as follows:

	Number	*Nominal Value (£)*
Issued and Fully Paid Ordinary Shares	125,925,000	629,625

3.13 The issued share capital of the Company immediately following Admission assuming all of the New Ordinary Shares are issued and none of the Share Option are exercised will be as follows:

	Number	*Nominal Value (£)*
Issued and Fully Paid Ordinary Shares	157,503,947	787,520

3.14 There are share options granted over a maximum of 12,936,670 Ordinary Shares under the CSOP, but subject to performance based conditions that restrict the extent to which these share options vest. The CSOP performance measures target Group EBITDA growth, as reported in the Company's audited financial statements, in the 5 year period commencing from the vesting commencement date and running to 31 December 2021 (CSOP share options awarded to Chris Day and Timothy Holton) and 31 December 2022 (CSOP share options awarded to Jamie Herd and Steve Bath). Management expectations are currently that CSOP share options over an aggregate of 1,975,267 Ordinary Shares will vest in respect of the period to 31 December 2021, with a further 1,130,446 CSOP share options over Ordinary Shares vesting in respect of the period to 31 December 2022. This estimate will vary based on final audited EBITDA results for each period and subject to the prevailing price per Ordinary Share at the point of vesting. CSOP Options over Ordinary Shares which do not vest will lapse.

3.15 Details of the share options are set out below:

Option Holder	*Date of Grant*	*Earliest date of exercise*	*Expiry Period*	*Maximum number of Options granted and unexercised*	*Exercise price per share*
Chris Day	27 June 2019	1 March 2022	10th anniversary from the grant date	4,975,590	£0.005
Jamie Herd	27 June 2019	1 January 2023	10th anniversary from the grant date	1,990,294	£0.005
Steve Bath	27 June 2019	12 March 2023	10th anniversary from the grant date	1,990,294	£0.005
Timothy Holton	27 June 2019	1 January 2022	10th anniversary from the grant date	3,980,491	£0.005

Details of the terms on which the CSOP share options have been issued can be found at paragraph 19 below.

3.16 In addition, it is intended that options over Ordinary Shares will be granted by the Company under the LTIP following Admission, representing approximately one per cent. of the Enlarged Share Capital.

3.17 Save as disclosed in paragraph 3.15, as at date of this document, the Company has not granted any options or warrants to subscribe for Ordinary Shares which remain outstanding. It does not hold any shares in treasury.

3.18 Save for the Ordinary Shares proposed to be issued pursuant to the Placing, any options to be granted in the future under the LTIP, DBP and SIP and save as set out in paragraph 3.15:

3.18.1 no share or loan capital of the Company or any of its Subsidiaries has been issued or been agreed to be issued fully or partly paid, either for cash or for consideration other than cash and no issue is now proposed; and

3.18.2 neither the Company nor any of its Subsidiaries has granted any options, warrants or convertible loan notes over its shares or loan capital which remains outstanding or has agreed, conditionally or unconditionally, to grant any such options, warrants or convertible loan notes.

3.19 The New Ordinary Shares will be allotted fully paid in registered form and may be held in either certificated or in uncertificated form. Application will be made to the London Stock Exchange for the Enlarged Share Capital (including the New Ordinary Shares) to be admitted to trading on AIM. All the Ordinary Shares (including the New Ordinary Shares) may be transferred into the CREST system for which there will be no charge to stamp duty or stamp duty land tax on the transfer (unless made for consideration).

3.20 The nominal value of the New Ordinary Shares to be issued under the Placing is 0.5 pence. The issue price of the New Ordinary Shares will be 95 pence. The difference between the issue price and the nominal value will be credited to the share premium account.

3.21 The New Ordinary Shares were created under and are subject to the provisions of the Companies Act and are issued in pound sterling.

3.22 The New Ordinary Shares will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared or made or paid in respect of Ordinary Shares after the date of issue and no Shareholders in the Company enjoy different or enhanced voting rights.

3.23 Save as disclosed in this document, there are no Ordinary Shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiary undertakings holds any shares in the Company.

3.24 Save for the New Ordinary Shares to be issued pursuant to the Placing, any options to be granted in the future under the LTIP, DBP and SIP and any Ordinary Shares to be issued pursuant to options as detailed in paragraph 3.14 above, there are no agreements or undertakings pursuant to which the Company has agreed to issued Ordinary Shares.

3.25 On completion of the Placing the issued share capital of the Company shall be increased by 31,578,947 Ordinary Shares. The holders of the Existing Ordinary Shares will be diluted by the allotment and issue of the New Ordinary Shares. The effect of the allotment and issue of the New Ordinary Shares (assuming that the New Ordinary Shares are subscribed for by parties who are not holders of Existing Ordinary Shares) will be that holders of Existing Ordinary Shares at the date of this document will own 65.1 per cent., in aggregate, of the Enlarged Share Capital following Admission. A comparison of the net asset value per Ordinary Share as of the date of the latest balance sheet before the Placing and the Placing Price per Ordinary Share within that Placing is as follows: 14.5 pence against 95.0 pence.

4. SUBSIDIARY UNDERTAKINGS

The Company currently has 17 subsidiary undertakings, the details of which are as follows:

Company	*Country of Incorporation*	*Principal Activity*	*Direct Shareholder*	*% of Ownership Interest*	*% of Voting Power*
Lords Group Ventures Limited	England & Wales	Investment Company	The Company	100	100
APP Wholesale Limited	England & Wales	Distribution of heating and hot water products to the plumbing sector	The Company	100	100
Lords Builders Merchants Holdings Ltd	England & Wales	Holding Company	The Company	100	100
Fastlane Investments Limited	England & Wales	Holding Company	Lords Builders Merchants Holdings Ltd	100	100
Carboclass Limited	England & Wales	Sale of building and construction materials	Fastlane Investments Limited	100	100
Hevey Building Suppliers Limited	England & Wales	Sale of building and construction materials	Carboclass Limited	75*	75
Huntingdon Timber Limited	England & Wales	Dormant	Hevey Building Suppliers Limited	100	100
MAP Building & Civil Engineering Supplies Ltd	England & Wales	Civils merchant	Hevey Building Suppliers Limited	100	100
eBuildingsupplies Ltd	England & Wales	Digital Buying Platform	Fastlane Investments Limited	100	100
Lords at Home Ltd	England & Wales	Group's houseware brand: sale of furniture, household goods, hardware and ironmongery	Fastlane Investments Limited	100	100

Company	*Country of Incorporation*	*Principal Activity*	*Direct Shareholder*	*% of Ownership Interest*	*% of Voting Power*
George Lines (Merchants) Limited	England & Wales	Dormant	Carboclass Limited	100	100
E.Hussey & Sons Limited	England & Wales	Dormant	Carboclass Limited	100	100
Kings Langley Building Supplies Limited	England & Wales	Dormant	Carboclass Limited	100	100
Newstore Limited	England & Wales	Dormant	Carboclass Limited	100	100
Bomax Limited	England & Wales	Dormant	George Lines (Merchants) Limited	100	100
Weldit Limited Liability Partnership	England & Wales	Metal plate manufacturer	Carboclass Limited	75**	75
Condell Limited	England & Wales	Sale of building and construction materials	Carboclass Limited	75***	75

* The other 25 per cent. is owned by Mark Mulvey

** The other 25 per cent. is owned by MRP Agencies Ltd

*** The other 25 per cent. is owned by James McMeckan

5. ARTICLES OF ASSOCIATION

The Articles contain provisions, *inter alia*, to the following effect:

5.1 **Objects**

The Articles contain no specific restriction on the Company's objects and therefore, by virtue of section 31(1) of the Companies Act, the Company's objects are unlimited.

5.2 **General meetings**

5.2.1 A general meeting shall be held in every year as the annual general meeting of the Company (and specified as such in the notice convening the meeting), at such time (within a period of not more than six months beginning with the day following the Company's accounting reference date) and place as may be determined by the directors. The Board shall determine in relation to each annual general meeting the means of attendance at and participation in the meeting, including whether the persons entitled to attend and participate in the annual general meeting shall be enabled to do so by simultaneous attendance and participation at a physical place anywhere in the world determined by it, and by means of electronic facility or facilities determined by it. The general meetings referred to in this paragraph 5.2.1 shall be called annual general meetings.

5.2.2 All general meetings other than annual general meetings shall be called general meetings. The directors may call a general meeting whenever they think fit and shall in any event do so when and in the manner required by the Companies Act. General meetings shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the Statutes. If at any time there are not within the United Kingdom sufficient directors capable of acting to form a quorum for a meeting of the directors, any director or any two members of the Company may convene a general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the directors. The Board shall determine in relation to each general meeting the means of attendance at and participation in the meeting, including whether the persons entitled to attend and participate in the general meeting shall be enabled to do so by simultaneous attendance and participation at a physical place anywhere in the world determined by it, and by means of electronic facility or facilities determined by it

5.2.3 An annual general meeting shall be called by not less than twenty one clear days' notice in writing and all other general meetings shall (subject to the provision of the Statutes) be called by not less than fourteen clear days' notice in writing (or such shorter period as the Companies Act permits). A general meeting shall, notwithstanding that it is called by shorter notice than that specified in this paragraph 5.2.3, be deemed to have been duly called if it is so agreed by such members as is prescribed by the Statutes.

5.2.4 The notice shall specify whether the meeting shall be a physical only meeting or a simultaneous physical and electronic meeting, the place, the day and hour of meeting (and electronic facility for the meeting, which electronic facility may vary from time to time and from meeting to meeting as the Board, in its sole discretion sees fit) and, in case of special business, the general nature of such business. The notice shall be given to the members (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive notice from the Company), to the directors and to the auditors. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such.

5.2.5 The accidental omission to give notice of a meeting or to send an appointment of proxy with a notice to a person entitled to receive the same when so required or the non-receipt of a notice or appointment of proxy by any such person shall not invalidate the convening of or the proceedings at that meeting.

5.2.6 Subject to any provisions in respect of adjourned meetings, for all purposes the quorum for a general meeting shall be not less than two members present in person, by a duly authorised corporate representative or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present when the meeting proceeds to business. The appointment of a chairman in accordance with the provisions of the Articles shall not be treated as part of the business of the meeting. In calculating whether a quorum is present, if two or more persons are appointed as proxies for the same member or two or more persons are appointed as corporate representatives of the same corporate member, only one of such proxies or only one of such corporate representatives shall be counted.

5.2.7 If within fifteen minutes (or such longer interval as the chairman in his absolute discretion thinks fit) from the time appointed for the meeting a quorum is not present or if during a meeting such quorum ceases to be present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to such day and to such time and place as the chairman (or, in default, the board) shall appoint. At any such adjourned meeting, the member or members present in person, by a duly authorised corporate representative or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

5.3 Voting rights

5.3.1 Subject to any special terms as to voting upon which any shares may have been issued or may for the time being be held or a suspension or abrogation of voting rights pursuant to the Articles, every member present in person, by a duly authorised corporate representative or by proxy shall upon a show of hands have one vote and every member so present shall upon a poll have one vote for every share of which he is holder.

5.3.2 All resolutions put to the members at any general meeting which is held partly by means of an electronic facility or facilities shall be voted on by a poll, which poll votes may be cast by such electronic means as the Board in its sole discretion deems appropriate for the purposes of the meeting.

5.4 **Suspension of rights**

5.4.1 No member shall, unless the directors otherwise determine, be entitled to be present or to vote, either in person or by proxy, at any general meeting or at a separate meeting of the holders of any class of shares or upon any poll or to exercise any privilege as a member in relation to meetings of the Company in respect of any shares held by him (Relevant Shares) if either:

(a) any calls or other monies due and payable in respect of the Relevant Shares remain unpaid; or

(b) he or any other person appearing to be interested in any Relevant Shares (Other Person) has been duly served, pursuant to any provision of the Statutes concerning the disclosure of interests in voting shares, with a notice (Statutory Notice) lawfully requiring the provision to the Company (within such period (not being less than fourteen days) after service of the Statutory Notice as is specified in such notice) of information regarding any of such Relevant Shares and he or such Other Person is in default in complying with the Statutory Notice.

5.4.2 For the purposes of paragraph 5.4.1(b) above, a person shall be treated as appearing to be interested in any shares if the member holding such shares has: (i) informed the Company that he is, or may be, so interested; or (ii) given to the Company a notification pursuant to a statutory notice which fails to establish the identity of the person or persons interested in such shares and if (after taking into account such notification and any other relevant notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in such shares.

5.4.3 Paragraph 5.7.3(b) below sets out details on the prohibition on the transfer of shares where a statutory notice has not been complied with.

5.4.4 The directors may withhold any dividend or other monies payable to any member on or in respect of shares representing at least 0.25 per cent. (one quarter of one per cent.) of the issued shares of the relevant class if such member or any person appearing to be interested in any such shares has been duly served with, but is in default in complying with, a Statutory Notice. Any such dividend or other monies so withheld shall be paid to the member entitled thereto within seven days after the earlier of the occurrence of the two events described in Articles 20.3.3(a) and 20.3.3(b) of the Articles.

5.5 **Variation of rights**

Subject to the provisions of the Statutes, if at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class (whether or not the Company is being wound up) may be varied or abrogated: (i) in such manner (if any) as may be provided by such rights; or (ii) in the absence of any such provision, either with the consent in writing of the holders of at least 75 (seventy-five) per cent. of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting (convened and conducted pursuant to the provisions of the Articles) of the holders of the issued shares of that class, but not otherwise.

5.6 **Classes of share**

The share capital of the Company is currently made up of Ordinary Shares. The Ordinary Shares are voting shares and benefit from all of the rights attaching to those shares contained within the Articles and as summarised in paragraphs 5.2, 5.3, 5.4, 5.5, 5.7, 5.9 and 5.15 of this Part VII.

5.7 **Transfer of shares**

5.7.1 All transfers of uncertificated shares shall be made in accordance with and be subject to the CREST Regulations and the facilities and requirements of the Relevant System concerned and, subject thereto in accordance with any arrangements made by the board pursuant to the Articles.

5.7.2 All transfers of certificated shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor, and (except in the case of fully paid shares) the instrument shall also be signed by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof.

5.7.3 The directors may, in their absolute discretion (but subject to any rules or regulations of the London Stock Exchange, any rules published by the FCA applicable to the Company from time to time, the CREST Regulations and section 771(2) of the Companies Act), refuse to register any transfer of shares or renunciation of a renounceable letter of allotment:

(a) unless all of the following conditions are satisfied:

(i) it is in respect of a fully paid share;

(ii) it is in respect of a share on which the Company does not have a lien;

(iii) it is in respect of only one class of share;

(iv) it is in favour of a single transferee or renouncee or not more than four joint holders as transferees or renouncees;

(v) it is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty; and

(vi) the conditions referred to in Article 9.4 have been satisfied in respect thereof;

(b) (subject to Article 20.3.3 of the Articles) the transferor or renouncer of which or any person appearing to be interested in which has been served with, but is in default in complying with, a Statutory Notice (as defined above), provided always that this paragraph shall not apply in respect of a transfer or renunciation (i) which is a permitted sale within the meaning set out in Article 20.3.4 of the Articles or (ii) of shares by a transferor or renouncer whose holding of shares immediately prior to the proposed transfer represents less than 0.25 per cent. (one quarter of one per cent.) of the issued shares of the relevant class;

(c) the directors shall not refuse to register any transfer or renunciation of any partly paid shares which are admitted to the Official List or AIM on the grounds that they are partly paid shares in circumstances where such a refusal would prevent dealings in such shares from taking place on an open and proper basis;

(d) the directors may refuse to register a transfer or renunciation of uncertificated shares in such other circumstances (if any) as may be permitted by the CREST Regulations and the requirements of the Relevant System concerned;

(e) if the directors refuse to register a transfer or renunciation, they shall, within two months after the date on which in the case of certificated shares the transfer or renunciation was lodged with the Company send to the transferee or renouncee notice of the refusal or, in the case of uncertificated shares, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the facilities and requirements of the Relevant System. In addition, in the case of uncertificated shares: (a) at the same time as it sends the transferee notice of the refusal to register a transfer, the directors will provide the transferee with its reasons for the refusal; and (b) any instrument of transfer which the directors refuse to register shall (except in the case of suspected or actual fraud) be returned to the person depositing it.

5.8 **Allotment of shares**

Subject to the provisions of the Statutes regarding pre-emption rights and any resolution of the Company relating thereto or relating to any authority to allot relevant securities, the board may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, to such persons (including the directors themselves), at such times and generally on such terms and conditions as the board may decide, provided that no share shall be issued at a discount to its nominal value.

5.9 **Dividends and other distributions**

5.9.1 Subject as hereinafter provided and to the Statutes, the Company by ordinary resolution in general meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits, but no larger dividend shall be declared than is recommended by the directors.

5.9.2 Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this paragraph as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share carries any particular rights as to dividends, such share shall rank for dividend accordingly.

5.9.3 Subject to the provisions of the Statutes, the directors may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the directors to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the directors may pay such interim dividends on shares which rank after shares conferring preferential dividend rights, unless at the time of payment any preferential dividend is in arrears. Provided that the directors act in good faith, they shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

5.9.4 No dividend or other monies payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

5.9.5 All dividends or other sums payable on or in respect of a share unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. All dividends unclaimed for a period of twelve years from the date they became due for payment shall be forfeited and shall revert to the Company absolutely. The payment of any unclaimed dividend or other sum payable by the Company on or in respect of any share into a separate account shall not constitute the Company a trustee thereof.

5.9.6 The directors may deduct from any dividend or other monies payable to any member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to shares of the Company.

5.9.7 The Company may pay any dividend or other sum payable in cash or by cheque, dividend warrant, money order, direct debit, bank transfer or any other method as the board may consider appropriate. In respect of shares in uncertificated form, where the Company is authorised to do so by or on behalf of the holder or joint holders in such manner as the Company shall from time to time consider sufficient, the Company may also pay any such dividend or other sum by means of the Relevant System (subject always to the facilities and requirements of the Relevant System).

5.9.8 With the sanction of an ordinary resolution of the Company in general meeting, any dividend may be paid and satisfied either wholly or in part by the distribution of specific assets (including, without limitation, paid up shares or debentures of any other company) and the directors shall give effect to any such resolution provided that no such distribution shall be made unless recommended by the directors. Where any difficulty arises in regard to the distribution, the directors may settle the same as they think expedient, and in particular may issue fractional certificates, fix the value for distribution of such specific assets or any part thereof, determine that cash payments may be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and vest any such assets in trustees upon trust for the persons entitled to the dividend as may seem expedient to the directors.

5.10 **Appointment of directors**

5.10.1 Unless and until otherwise determined by the Company in general meeting, the number of directors shall not be less than two and, unless and until otherwise determined as aforesaid, there shall be no limit on the maximum number of directors.

5.10.2 The continuing directors may act notwithstanding any vacancy in their body, provided that if the number of the directors be less than the prescribed minimum the remaining director shall forthwith appoint an additional director or additional directors to make up such minimum or shall convene a general meeting of the Company for the purpose of making such appointment. If there be no director or directors able or willing to act, then any two members may summon a general meeting for the purpose of appointing directors. Any additional director so appointed shall (subject to the provisions of the Statutes and the Articles) hold office only until the dissolution of the annual general meeting of the Company next following such appointment unless he is re-elected during such meeting and he shall not retire by rotation at such meeting or be taken into account in determining the rotation of retirement of directors at such meeting.

5.10.3 Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board.

5.10.4 Without prejudice to the power of the Company pursuant to the Articles, the directors shall have power at any time to appoint any person either to fill a casual vacancy or as an addition to the board, but so that the total number of directors shall not exceed any maximum number fixed in accordance with the Articles. Subject to the provisions of the Statutes and of the Articles, any director so appointed shall hold office only until the dissolution of the annual general meeting of the Company next following such appointment unless he is re-elected during such meeting, and he shall not retire by rotation at such meeting or be taken into account in determining the rotation of retirement of directors at such meeting.

5.11 **Remuneration of directors**

5.11.1 There shall be paid out of the funds of the Company by way of remuneration of directors who are not managing or executive directors appointed under the relevant provisions of the Articles fees at such rates as the directors may from time to time determine provided that such fees do not in aggregate exceed £250,000 per annum or such other figure as the Company may in general meeting from time to time determine. Such fees shall be divided among such directors in such proportion or manner as may be determined by the directors and, in default of determination, equally. A fee payable to a director pursuant to this paragraph is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the Articles and accrues from day to day.

5.11.2 If, in the opinion of the directors, it is desirable that any of their number should perform any special services on behalf of the Company or its business, such director or directors may be paid such reasonable additional remuneration (whether by way of fees, salary, percentage of profits or otherwise) and expenses therefor as the directors may from time to time determine.

5.11.3 The directors may establish or concur or join with other companies (being subsidiary undertakings of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, annuities, sickness or compassionate allowances, life assurance benefits, donations, gratuities or other benefits for employees (which expression as used in this paragraph shall include any director who may hold or have held any office or place of profit) and ex-employees of the Company and of any such other companies and their wives, widows, relatives, families or dependants, or any class or classes of such persons.

5.12 **Retirement and removal of directors**

5.12.1 At each annual general meeting, one-third of the directors who are subject to retirement by rotation and in office at the opening of business on the date of the notice calling the relevant annual general meeting or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, or if their number is less than three then one of them, shall retire from office. A director retiring at a meeting shall retain office until the dissolution of such meeting. Any director retiring pursuant to paragraphs 5.10.2 and 5.10.4 above shall not be taken into account in determining the number of directors who are to retire by rotation in accordance with this paragraph.

5.12.2 The directors to retire at each annual general meeting shall include such of the directors referred to in paragraph 5.12.1 who wish to retire and not offer themselves for re-election (if any) together with, to the extent that the number of such directors is insufficient to meet the number required to retire under paragraph 5.12.1, such of the directors who have been longest in office as are necessary to meet such number. As between two or more who have been in office an equal length of time, the director(s) to retire shall (in default of agreement between them) be determined by lot. The length of time a director has been in office shall be computed from his last election, re-election or appointment when he has previously vacated office. A retiring director shall be eligible for re-election.

5.12.3 Without prejudice to the provisions of the Statutes, the Company may by ordinary resolution remove any director before the expiration of his term of office (without prejudice to a claim for compensation or damages for breach of any service contract).

5.13 **Directors' interests and conflicts**

5.13.1 For the purpose of section 175 of the Companies Act, the directors shall have the power to authorise by a resolution of the directors passed in accordance with the Articles, any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under that section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

5.13.2 Authorisation of a matter under paragraph 5.13.1 shall be effective only if:

(a) the matter in question shall have been proposed in writing for consideration at a meeting of the directors, in accordance with the board's normal procedures or in such other manner as the directors may determine;

(b) any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together the Interested Directors); and

(c) the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

5.13.3 Any authorisation of a matter under paragraph 5.13.1 shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently and may be terminated by the directors (by a resolution of the directors (other than any Interested Directors) passed in accordance with the Articles at any time.

5.13.4 Subject to any conditions or limitations imposed under the paragraph 5.13.3, a director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or person connected with him) derives from any matter authorised by the directors under paragraph 5.13.1 and any contract, transaction, arrangement or proposal relating thereto shall not be liable to be avoided on the grounds of any such benefit.

5.13.5 Subject to compliance with Article 30.2.2, a director, notwithstanding his office, may have an interest of the following kind:

(a) where a director (or a person connected with him) is a director or other officer of, or employed by, or otherwise interested (including by the holding of shares) in any Relevant Company;

(b) where a director (or a person connected with him) is a party to, or otherwise interested in, any contract, transaction, arrangement or proposal with a Relevant Company, or in which the Company is otherwise interested;

(c) where the director (or a person connected with him) acts (or any firm of which he is a partner, employee or member acts) in a professional capacity for any Relevant Company (other than as auditor) whether or not he or it is remunerated therefor;

(d) an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(e) an interest, or a transaction, arrangement or proposal giving rise to an interest, of which the director is not aware;

(f) any matter already authorised under paragraph 5.13.1; or

(g) any other interest authorised by ordinary resolution.

5.13.6 No authorisation under paragraph 5.13.1 shall be necessary in respect of any such interest.

5.13.7 A director shall not save as otherwise agreed by him be accountable to the Company for any benefit which he (or a person connected with him) derives from any interest referred to in paragraph 5.13.5, and no contract, transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest.

5.13.8 Save as provided in Article 30.3, and whether or not the interest is one which is authorised pursuant to paragraph 5.13.1 or permitted under paragraph 5.13.5 a director shall not be entitled to vote on any resolution in respect of any contract, transaction, arrangement or proposal, in which he (or a person connected with him) is interested. Any vote of a director in respect of a matter where he is not entitled to vote shall be disregarded.

5.13.9 A director shall not be counted in the quorum for a meeting of the directors in relation to any resolution on which he is not entitled to vote.

5.13.10 Subject to the provisions of the Statutes, a director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contract, transaction, arrangement or proposal:

(a) in which he has an interest of which he is not aware;

(b) in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(c) in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;

(d) which involves the giving of any security, guarantee or indemnity to the director or any other person in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(e) concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings (i) in which offer he is or may be entitled to participate as a holder of securities; or (ii) in the underwriting or sub-underwriting of which he is to participate;

(f) concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor, employee or otherwise, provided that he (together with persons connected with him) is not the holder of, or beneficially interested in, one per cent. or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of the relevant body corporate;

(g) relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;

(h) concerning the purchase or maintenance by the Company of insurance for any liability for the benefit of directors or for the benefit of persons who include directors;

(i) concerning the giving of indemnities in favour of directors;

(j) concerning the funding of expenditure by any director(s) on (i) defending criminal, civil or regulatory proceedings or actions against him or them; (ii) in connection with an application to the court for relief; or (iii) defending him or them in any regulatory investigations;

(k) concerning the doing of anything to enable any director(s) to avoid incurring expenditure as described in paragraph (j) immediately above; and

(l) in respect of which his interest, or the interest of directors generally, has been authorised by ordinary resolution.

5.14 **Powers of the directors**

5.14.1 The business of the Company shall be managed by the directors who, in addition to the powers and authorities by the Articles or otherwise expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company and as are not by the Statutes or by the Articles required to be exercised or done by the Company in general meeting, subject nevertheless to such directions (being not inconsistent with any provisions of the Articles or of the Statutes) as may be given by the Company in general meeting. No direction given by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if such direction had not been given. The provisions contained in the Articles as to any specific power of the directors shall not be deemed to abridge, limit or restrict the general powers hereby given.

5.14.2 Subject to the following provisions of the Articles, the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

5.15 **Return of Capital**

The liquidator on any winding-up of the Company (whether voluntary or under supervision or compulsory) may, with the authority of a special resolution and after deduction of any provision made under section 187 of the Insolvency Act 1986 and section 247 of the Companies Act, divide among the members in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind, or shall consist of properties of different kinds, and for such purpose may set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between members or classes of members. If any such division shall be otherwise than in accordance with the existing rights of the members every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with section 110 of the Insolvency Act 1986.

5.16 In the summary of the Articles set out in paragraph 5 above, the following defined terms shall have the following meanings:

5.16.1 "**Official List**" the list of securities that have been admitted to listing which is maintained by the FCA in accordance with section 74(1) of the Financial Services and Markets Act 2000;

5.16.2 "**Relevant Company**" the Company; a subsidiary undertaking of the Company; any holding company of the Company or a subsidiary undertaking of any such holding company; anybody corporate promoted by the Company; or anybody corporate in which the Company or its holding company is otherwise interested;

5.16.3 "**Relevant System**" a computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument and which facilitates supplementary and incidental matters in accordance with the CREST Regulations; and

5.16.4 "**Statutes**" the Companies Act as defined in Section 2 of the Companies Act and every other statute, order, regulation, instrument or other subordinate legislation in force from time to time relating to companies and affecting the company.

Other points to note in relation to the Articles:

5.17 The provisions of section 561 of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 1166 of the Companies Act) will apply to the extent not disapplied by a special resolution of the Company.

5.18 There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.

5.19 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed.

5.20 There are no conditions in the Articles governing changes in capital which are more stringent than is required by law.

5.21 Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.

5.22 There are no conversion or redemption rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

6. DIRECTORS' AND OTHER INTERESTS

6.1 The interests of each of the Directors in the ordinary share capital of the Company (all of which are beneficial) which have been or will be required to be notified to the Company pursuant to section 5 of the Disclosure Guidance and Transparency Rules or which will be required to be maintained under the provisions of section 808 of the Companies Act, or which are interests of a person connected with any of the Directors (within the meaning of section 252 of the Companies Act), which interests would be required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules, and the existence of which is known to the Directors or could with reasonable diligence be ascertained by them as at 13 July 2021 (being the last date practicable prior to the publication of this document) and as at Admission are as set out below:

Name	*Number of Existing Ordinary Shares as at the date of this document*	*% of Existing Ordinary Shares as at the date of this document*	*Number of Ordinary Shares on Admission*	*% of the Enlarged Share Capital on Admission*	*Number of Share Options*
Shanker Patel*	56,508,356	44.9%	45,982,041	29.2%	Nil
Chris Day	Nil	Nil	Nil	Nil	4,975,595
Gary O' Brien**	Nil	Nil	136,842	0.1%	Nil
Dawn Moore	Nil	Nil	Nil	Nil	Nil
Andrew Harrison	Nil	Nil	52,631	0.0%	Nil
Total	56,508,356	44.9%	46,171,514	29.3%	4,975,595

*includes Ordinary shares held by his related trust and children

**On 8 July 2021, Gary O'Brien entered into an agreement to transfer the Ordinary Shares acquired by him under the Placing to his SSAS at the Placing Price. Following completion of the transfer the legal owner of the Ordinary Shares will change but Gary will remain as the beneficial owner

6.2 Save as disclosed in this document, none of the Directors has or will have any interest in the ordinary share capital or loan capital of the Company following Admission nor does any person connected with the Directors (within the meaning of section 252 of the Companies Act) have any such interest whether beneficial or non-beneficial.

6.3 Save as disclosed in this document, none of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

6.4 There are no outstanding loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

6.5 There is no Director nor member of a Director's family who has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.

7. SUBSTANTIAL SHAREHOLDERS

7.1 As at 13 July 2021 (being the last practicable date prior to the date of this document) and as at Admission, save as set out below, the Company was not aware of any person, who, directly or indirectly, had an interest representing 3 per cent. or more of the issued ordinary share capital (being the threshold at or above which, in accordance with the provisions of section 5 of the Disclosure Guidance and Transparency Rules, any interest must be disclosed by the Company).

Name	*Number of Existing Ordinary Shares as at the date of this document*	*% of Existing Ordinary Shares as at the date of this document*	*Number of Ordinary Shares on Admission*	*% of the Enlarged Share Capital on Admission*
Shanker Patel*	56,508,356	44.9%	45,982,041	29.2%
Rajen Patel**	25,185,000	20.0%	21,500,790	13.7%
Allan Pierce	25,185,000	20.0%	19,921,843	12.6%
Premier Miton Group	Nil	Nil	15,700,000	10.0%
Nilesh Patel	18,888,750	15.0%	15,204,540	9.7%
Charles Stanley	Nil	Nil	10,625,000	6.7%
Schroders	Nil	Nil	8,400,000	5.3%
Slater Investments	Nil	Nil	7,050,000	4.5%
Total	125,767,106	99.9%	144,384,214	91.7%

*includes Ordinary Shares held by his related trust and children

**includes Ordinary Shares held by his related trusts and child

7.2 Save as disclosed in paragraph 7.1 above or paragraph 22.4 below, the Directors are not aware of any person who directly, or indirectly, jointly or severally, exercises or could exercise control over the Company.

7.3 The Company's shareholders listed in paragraphs 6.1 and 7.1 of this Part VII do not have voting rights preferential to other holders of Ordinary Shares.

7.4 The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

8. SELLING SHAREHOLDERS

8.1 Subject to Admission occurring, certain Shareholders are selling up to 23,157,892 Existing Ordinary Shares, in aggregate, pursuant to the Placing.

8.2 The following table sets out each of the Selling Shareholders, the number of Sale Shares and their relationship with the Company:

Name	*Number of Ordinary Shares held as at the date of this document*	*Number of Sale Shares*	*Number of Ordinary Shares held on Admission*	*Relationship with the Company*	*Business Address*
Shanker Patel*	56,508,356	10,526,315	29.2%	Group Chief Executive Officer and majority shareholder	Second floor, 12-15 Hanger Green, London W5 3EL
Allan Pierce	25,185,000	5,263,157	12.6%	APP founder and former director of the Company	Second floor, 12-15 Hanger Green, London W5 3EL

Name	Number of Ordinary Shares held as at the date of this document	Number of Sale Shares	Number of Ordinary Shares held on Admission	Relationship with the Company	Business Address
Nilesh Patel	18,888,750	3,684,210	9.7%	Founder of Lords Builders Merchants and a former director of the Company	Second floor, 12-15 Hanger Green, London W5 3EL
Rajen Patel**	25,185,000	3,684,210	13.7%	Lords Finance Director from 2004 to 2016	Second floor, 12-15 Hanger Green, London W5 3EL

*includes Ordinary Shares held by his related trust and children

**includes Ordinary Shares held by his related trusts and child

9. ADDITIONAL INFORMATION ON THE DIRECTORS

9.1 Other than directorships of the Company, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

Name	Current Directorships and Partnerships	Past Directorships and Partnerships
Shanker Patel	Condell Limited MAP Building & Civil Engineering Supplies Ltd Lords Group Ventures Limited APP Wholesale Limited Lords Group Real Estate Limited Kings Langley Building Supplies Limited Hevey Building Supplies Limited E.Hussey & Sons Limited Lords Builders Merchants Holdings Limited George Lines (Merchants) Limited RNS Capital Limited H&B Buying Group LLP RNS Assets Limited Mansfield Radcliffe Gate Limited eBuildingsupplies Ltd Ganesh Assets Limited Newstore Limited Carboclass Limited Gempoint 2000 Limited Fastlane Investments Limited Lords at Home Ltd Huntingdon Timber Limited Wohngut Holdings GMBH Gut Ostersiefen VVG	Twenty Three Prince Albert Road (Management) Limited
Chris Day	Carboclass Limited Huntingdon Timber Limited Kings Langley Building Supplies Limited Hevey Building Supplies Limited Condell Limited MAP Building & Civil Engineering Supplies Ltd Lords Group Ventures Limited APP Wholesale Limited	None

Name	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Gary O'Brien	Polaris Property Management Ltd Chiltern Management Associates Ltd Polaris Investment Management Limited Polaris Trustees Ltd Polaris Southend Ltd Winter Hill Fifty Five Limited Chiltern Glasgow Developments Limited Cresney Limited TDI Corporation Limited	Revive Natures Products Ltd John Lewis of Hungerford plc First Partner Solutions Ltd Yorton Development Ltd The Club London Ltd International Social Commerce Limited TCI Infrastructure (Africa) Limited Cepacs Homes Ltd Cepacs (Europe) Ltd Cepacs Construction Limited
Dawn Moore	Sheffield Women's Aid Sheffield Teaching Hospitals NHS Foundation Trust	None
Andrew Harrison	None	PTS Group Limited City Plumbing Supplies Holdings Limited Direct Heating Spares Limited Grundy & Pilling Limited KA Venture Limited Solfex Limited Travis Perkins P&H Holdings Limited National Shower Spares Limited The Underfloor Heating Store Limited Connections (AML) Limited Primaflow Limited Travis Perkins Trading Company Limited Benchmarx Kitchens and Joinery Limited The Mosaic Tile Company Limited

9.2 Save as disclosed in paragraph 9.3, none of the Directors has:

9.2.1 any unspent convictions in relation to indictable offences;

9.2.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements;

9.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

9.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

9.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

9.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

9.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9.3 Gary O'Brien was appointed as a director of Facia Limited on 1 April 1995. On 1 June 1996, an administrative receiver was appointed who ceased to act on 14 February 2003. On 10 December 1996, a resolution was passed to voluntarily wind up the company and a liquidator was appointed. The company was dissolved on 14 February 2012.

9.4 Save as disclosed in this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.

9.5 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

10. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION

10.1 Save as disclosed below, there are no service agreement or letters of appointment, existing or proposed between any Director and the Company that have been entered into or varied within six months prior to the date of this document. There are no existing or proposed service agreements or letters of appointment between the Company and any of the Directors which do not expire or are not determinable by the Company without payment of compensation within 12 months immediately preceding the date of this document.

Executive Directors

Shanker Patel

On 14 July 2021, Shanker Patel entered into a new service agreement with the Company pursuant to which his appointment as Chief Executive Officer was confirmed. The agreement can be terminated by either party giving to the other not less than six months' notice in writing. The Company may, in its sole and absolute discretion, terminate the agreement at any time and with immediate effect by notifying Mr Patel that it is doing so and making a payment in lieu of notice. The agreement contains provisions for early termination, *inter alia*, in the event that he breaches any material term of the agreement. The basic salary payable to Mr Patel is £400,000 per annum. This is to be reviewed from time to time without any obligation to increase the same. In addition, Mr Patel is entitled to a travel/car allowance, a contribution towards private medical insurance and an annual bonus subject to the satisfaction of agreed performance conditions. The service agreement contains restrictive covenants for a period of 18 months' following the termination of his employment.

Chris Day

On 14 July 2021, Chris Day entered into a new service agreement with the Company pursuant to which his appointment as Chief Financial Officer was confirmed. The agreement can be terminated by either party giving to the other not less than six months' notice in writing. The Company may, in its sole and absolute discretion, terminate the agreement at any time and with immediate effect by notifying Mr Day that it is doing so and making a payment in lieu of notice. The agreement contains provisions for early termination, *inter alia*, in the event that he breaches any material term of the agreement. The basic salary payable to Mr Day is £200,000 per annum. This is to be reviewed from time to time without any obligation to increase the same. In addition, Mr Day is entitled to a travel/car allowance, a contribution towards private medical insurance, a contribution towards his pension and an annual bonus subject to the satisfaction of agreed performance conditions. The service agreement contains restrictive covenants for a period of 12 months' following the termination of his employment.

Non-Executive Directors

Gary O'Brien

On 14 July 2021, Gary O'Brien entered into a new non-executive letter of appointment with the Company pursuant to which his appointment as a non-executive director and Chairman was confirmed. His appointment may be terminated earlier by either party giving to the other three months' prior written notice. Gary is required to seek re-election by the Shareholders in accordance with the provisions of the Articles. The fee payable to Mr O'Brien is £85,000 gross per annum payable monthly in arrears. The Company is entitled to terminate Mr O'Brien's appointment with immediate effect in certain circumstances. His removal, cessation or retirement in accordance with the Articles of the Company will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

Dawn Moore

On 14 July 2021, Dawn Moore entered into a new non-executive letter of appointment with the Company pursuant to which her appointment as a non-executive director was confirmed. Her appointment may be terminated earlier by either party giving to the other three months' prior written notice. Dawn is required to seek re-election by the Shareholders in accordance with the provisions of the Articles. The fee payable to Ms Moore is £45,000 gross per annum payable monthly in arrears. The Company is entitled to terminate Dawn's appointment with immediate effect in certain circumstances. Her removal, cessation or retirement in accordance with the Articles of the Company will not give her any right to compensation or damages and no fee will be payable to her for any period after such removal, cessation or retirement.

Andrew Harrison

On 14 July 2021, Andrew Harrison entered into a new non-executive letter of appointment with the Company pursuant to which his appointment as a non-executive director was confirmed. His appointment may be terminated earlier by either party giving to the other three months' prior written notice. Andrew is required to seek re-election by the Shareholders in accordance with the provisions of the Articles. The fee payable to Mr Harrison is £45,000 gross per annum payable monthly in arrears. The Company is entitled to terminate Andrew's appointment with immediate effect in certain circumstances. His removal, cessation or retirement in accordance with the Articles of the Company will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

10.2 None of the service agreements or non-executive director letters of appointment provide for benefits upon termination of employment.

10.3 The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the financial year ending 31 December 2021 are estimated to be £590,000 excluding benefits and any VAT payable thereon.

10.4 The date of appointment to the Board for each of the Directors was as follows:

10.4.1 Shanker Patel – 22 October 2018

10.4.2 Chris Day – 2 January 2019

10.4.3 Gary O'Brien – 1 July 2020

10.4.4 Dawn Moore – 1 July 2020

10.4.5 Andrew Harrison – 1 March 2021

11. EMPLOYEES

11.1 As at the date of this document, the Group has approximately 650 employees including the executive Directors.

11.2 The following table shows the number of permanent employees, including directors, working for the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

Year	*Number of employees*
31 December 2018	326
31 December 2019	349
31 December 2020	507

11.3 The following table shows the number of permanent employees, including directors, working for the Group in each activity as at 31 December 2020:

Activity	*Number of employees*
Directors and Administration	39
Sales, retain and manufacturing	468

11.4 The senior management team consists of, amongst others, Kevin Ellis (Group Financial Controller), Paul Markham (Managing Director, Weldit), Tilak Patel (Managing Director, Lords at Home), Michael Brockman (Managing Director, APP Wholesale), Mark Mulvey (Managing Director, Hevey Building Supplies) and Jamie Herd (Managing Director, Lords Builders Merchants and George Lines).

11.5 It is anticipated that following Admission the Group will retain its current employee levels and will look to increase the level of employees in line with the anticipated growth of the Group.

12. PRINCIPAL ESTABLISHMENTS

12.1 The Company's registered office, head office, principal place of business and principal establishment is at Second floor, 12-15 Hanger Green, London W5 3EL.

12.2 The registered office for all companies within the Group, save for the Company, is Unit 1 Radford Industrial Estate, Goodhall Street, London NW10 6UA.

12.3 The Group also has 33 sites and sales offices throughout the UK.

13. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company and its Subsidiaries (i) within the two years immediately preceding the date of this document and are, or may be material; or (ii) which contains any provision under which the Company or any of its Subsidiaries has any obligation or entitlement which is material to the Company or the subsidiary as at the date of this document:

The Company

13.1 On 14 July 2021, the Company, the Directors, the Selling Shareholders and Cenkos entered into the Placing Agreement pursuant to which the Company appointed Cenkos as its agent to procure subscribers for the New Ordinary Shares at the Placing Price, the Selling Shareholders appointed Cenkos as their agent to procure buyers for the Sale Shares at the Placing Price and Cenkos agreed to use its reasonable endeavours to procure subscribers and buyers for such shares. The Placing has not been underwritten. The obligations of Cenkos are conditional, *inter alia*, on Admission occurring on or before 8.00 a.m. on 20 July 2021 or such later date (being no later than 8.00 a.m. on 31 August 2021) as the Company and Cenkos may agree. The Placing Agreement contains (i) certain warranties given by the Company and the Directors in favour of Cenkos (including warranties relating to the accuracy of the information in this document and the Company's incorporation and capacity) and (ii) certain warranties given by the Selling Shareholders. The liability of the Directors and the Selling Shareholders is limited. The Placing Agreement also contains an indemnity given by the Company in favour of Cenkos.

13.2 On 14 July 2021, the Company, Cenkos and Shanker Patel ("**Mr Patel**") entered into a relationship agreement pursuant to which, conditional on Admission, Mr Patel has undertaken that, *inter alia*, the Group and the business shall be managed for the benefit of the Shareholders as a whole and independently of him and his associates and all transactions, agreements and arrangements between any member of the Group and him and his associates shall be on an arm's length basis and on normal commercial terms. Mr Patel and his associates will also, *inter alia*, (i) exercise their respective voting rights to ensure that the independence of the Board is maintained; and (ii) not exercise their voting rights in favour of any resolution to cancel the Company's admission to trading on AIM. Mr Patel has also undertaken to the Company and Cenkos that he shall and, in relation to his associates, shall procure (so far as he is reasonably able to do so) that each of his associates shall ensure that no contract or arrangement between the Company or any member of the Group and Mr Patel or (so far as he is able) his associates shall be entered into or varied after Admission unless it has been approved by a majority of the independent directors and (if Mr Patel is a director at such time) he shall abstain from voting on any resolution of the Board relating to any such contract or arrangement. The agreement will terminate automatically upon (a) the Ordinary Shares ceasing to be traded on AIM; or (b) Mr Patel together with his associates ceasing to have, in aggregate, an interest in 20 per cent. or more of the voting rights attaching to the Company's Ordinary Shares.

13.3 On 14 July 2021, the Company entered into a nominated adviser and broker agreement with Cenkos pursuant to which, conditional upon Admission, the Company appointed Cenkos to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The agreement sets out the ongoing responsibilities of both parties and contains various undertakings, indemnities and warranties given by the Company to Cenkos. The Company or Cenkos may terminate the agreement at any time on or after the second anniversary of the date of the agreement by Cenkos or the Company giving to the other not less than three months' prior written notice.

13.4 On 14 July 2021, the Lock-In Shareholders (save for Shanker Patel) each entered into a lock-in agreement with the Company and Cenkos pursuant to which each of the Lock-in Shareholders has agreed with the Company and Cenkos, conditional upon Admission, not to dispose of Ordinary Shares held by him/her/it for a period of 12 months from the date of Admission except in certain limited circumstances. The agreement also contain certain orderly market provisions which apply for a further 12 month period after the expiry of the lock-in period.

13.5 On 14 July 2021, the Company, Cenkos and Shanker Patel entered into a lock-in agreement pursuant to which Shanker Patel has agreed with the Company and Cenkos, conditional upon Admission, not to dispose of Ordinary Shares held by him for a period of 18 months from the date of Admission except in certain limited circumstances. The agreement also contain certain orderly market provisions which apply for a further six month period after the expiry of the lock-in period.

13.6 On 7 June 2021, the Company and Lords Builders Merchants entered into a short form sale and purchase agreement pursuant to which the Company agreed to sell the entire issued share capital of APP to Lords Builders Merchants for £37,271.731 to be settled by the allotment of 1,000,000 new ordinary shares in Lords Builders Merchants at a price of £37.271731 per share.

13.7 On 6 December 2019, the Company entered into a share purchase agreement to acquire the entire issued share capital of APP Wholesale Limited ("**APP**") from Allan Pierce ("**Mr Pierce**") ("**APP SPA**"). Pursuant to the terms of the APP SPA, the total consideration payable by the Company was £36,150,000, satisfied/to be satisfied by the payment of £22,650,000 on completion of the APP SPA, the issuing of Ordinary Shares in the Company and the payment of deferred consideration payments totalling £3,500,000. Under the terms of the APP SPA, Mr Pierce gave warranties in relation to APP's business, finances and operational status. Mr Pierce also agreed to indemnify the Company and APP against all costs arising in connection with a number of specified issues. Under the terms of the APP SPA, Mr Pierce is restricted for a period of five years from 6 December 2019 from: competing with the business of APP and dealing with any person who on 6 December 2019, or any 12 month period before then was a customer of APP in connection with any competing business; soliciting suppliers of APP who supplied goods or services to APP during the 12 month period preceding completion of the APP SPA; and offering employment to any person who is at the time of the offer and was on 6 December 2019 an employee of APP in an executive or managerial position. Mr Pierce also undertook to not, at any time after 6 December 2019: do or say anything to damage the goodwill or reputation of APP or which may lead any person to cease to do business with APP; hold himself out as being interested or connected with APP; and use any of the intellectual property rights of APP. Mr Pierce's continued involvement in APP and the Group in accordance with his service agreement is not considered a breach of any the undertakings given by him.

Due to COVID-19, the Company and Mr Pierce agreed amendments to the deferred consideration payment dates so that the Company was not obligated to make any deferred payments to him until 2021. This agreement was recorded in a letter executed as a deed by Mr Pierce and the Company on 25 June 2021.

13.8 On 6 December 2019, and following the acquisition of APP, the Company entered into a shareholders' agreement (the "**APP Shareholders' Agreement**") with the Shareholders for the purposes of regulating the exercise of their rights in relation to the Company. The APP Shareholders' Agreement contains various provisions on information rights, the right to appoint directors, shareholder obligations and the transfer of shares. The APP Shareholders' Agreement also states that in the event of an initial public offering ("**IPO**"), Mr Pierce (as defined in paragraph 13.7 above) shall have the right to insist upon such proportion of the H ordinary shares held by him (or such ordinary shares as may have been converted from H ordinary shares into ordinary shares for the purposes of the IPO immediately prior to the IPO) being placed as is necessary for Mr Pierce to realise a £10,000,000 gross payment in cash from the placing proceeds. In the event that Mr Pierce is not able to realise at least £10,000,000 in cash or such placement is not reasonably likely to result in him receiving the gross amount of £10,000,000 in cash his prior written consent will be required to proceed with the IPO. On 15 June 2021, Mr Pierce signed a letter waiving this right under the APP Shareholders' Agreement. The agreement will automatically terminate on Admission.

Hevey Building Suppliers

13.9 On 3 March 2021, Hevey Building Suppliers entered into a share purchase agreement to acquire the entire issued share capital of MAP from two sellers (the "**MAP Sellers**") ("**MAP SPA**"). Pursuant to the terms of the MAP SPA, the total consideration payable by Hevey Building Supplies was £5,325,000, satisfied by the payment of £4,825,000 on completion of the MAP SPA and the payment of the deferred consideration payment of £500,000 12 months after completion of the MAP SPA. Under the terms of the MAP SPA, the MAP Sellers gave warranties in relation to MAP's business, finances and operational status. The MAP Sellers agreed to indemnify Hevey Building Supplies and MAP against all losses arising out of or in connection with a number of specified issues. Under the terms of the MAP SPA, the MAP Sellers are restricted, for the period of three years from 3 March 2021, from: being employed or engaged in any restricted business; canvassing or soliciting certain restricted customer or certain prospective customers or inducing a restricted customer or prospective customer to cease or refrain from conducting business with MAP; having any business dealings with restricted customers or prospective customers; having any business dealings or soliciting or enticing away any person who at completion of the MAP SPA or at any time during the period of 36 months immediately preceding 3 March 2021 been a supplier of goods or services to MAP, if such dealings or solicitation causes or is reasonably likely to cause such supplier to cease supplying or reduce its supply to MAP; and offering employment to any person employed or engaged by MAP on 3 March 2021. The sellers also undertook to not use, in the course of any business, any of the words "MAP Building & Civil Engineering", any trade or service mark, business or domain name, design or logo which at completion of the MAP SPA is being or has been used by MAP or anything which is capable of confusion with any of the words, marks, names, designs or logos. The MAP Sellers also undertook to not do or say anything which may be harmful to the reputation of MAP or to present themselves as connected in any capacity with MAP or interested or concerned in any way in the shares in MAP.

13.10 On 1 July 2019, Hevey Building Supplies entered into a share purchase agreement to acquire the entire issued share capital of Huntingdon Timber Limited ("**Huntington Timber**") from various sellers (the "**Huntingdon Sellers**") ("**Huntingdon SPA**"). The total consideration payable under the Huntingdon SPA is the aggregate of the initial consideration of £2,900,000 and the deferred consideration of £200,000. The total consideration paid by Hevey Building Supplies was £3,142,268 pursuant to the completion accounts post completion adjustment to the consideration. Under the terms of the Huntingdon SPA, the Huntingdon Sellers gave warranties in relation to Huntingdon Timber's business, finances and operational status. The Huntingdon Sellers agreed to indemnify Hevey Building Supplies against all losses arising in connection with a number of specified issues. The Huntingdon Sellers undertook to not, for a period of three years following completion of the Huntingdon SPA: solicit any senior employee or consultant employed or engaged by Huntingdon Timber at 1 July 2019; carry on or be engaged in any business which compete with the business of Huntingdon Timber at 1 July 2019; interfere with or disrupt any trading arrangements or relationships with suppliers or solicit or entice away any supplier of Huntingdon Timber; canvass or solicit certain restricted customers in competition with the business of Huntingdon Timber or Hevey Building Supplies' business as carried out on 1 July 2019; induce a restricted customer to cease conducting business with Huntingdon Timber or Hevey Building Supplies' business; and have any business dealings with restricted customers in competition with Huntingdon Timber's business or Hevey Building Supplies' business as carried on at 1 July 2019.

Carboclass Limited ("Carboclass")

13.11 On 6 April 2021, Carboclass entered into a share purchase agreement to acquire a 75 per cent. shareholding in Condell from two sellers (the "**Condell Sellers**") ("**Condell SPA**"). Pursuant to the terms of the Condell SPA, the aggregate consideration payable by Carboclass was £2,317,600, satisfied/to be satisfied by the payment of the completion payment of £1,942,000 on 6 April 2021 and the payment of two deferred consideration payments totalling £187,000 each. Under the terms of the Condell SPA the sellers gave warranties in relation to Condell's business, finances and operational status. The Condell Sellers also agreed to indemnify Carboclass and Condell against any costs which arise in connection with a number of specified issues. The Condell Sellers undertook to not, for a period of 3 years from 6 April 2021: carry on or be engaged in any business which would compete with the business carried on by Condell at the date of completion of the Condell SPA; for the purpose of any other business solicit or entice away from Condell any supplier to Condell who has supplied goods to Condell at any time during the period of 12 months preceding the date of completion of the Condell SPA, if that solicitation causes or would cause such supplier to cease supplying or materially reduce its supply to Condell; offer employment to any person who is at the time of the offer and is on 6 April 2021 employed by Condell in an executive or managerial position; and deal with or solicit the custom of any person who is at 6 April 2021 or has been at any time during the period of 12 months preceding 6 April 2021 a client or customer of Condell with a view to providing goods or services in competition with the company. The Condell Sellers also undertook to not: do or say anything which is likely or intended to damage the goodwill or reputation of Condell or which may lead any person to cease to do business with Condell; or use any of the intellectual property rights owned by Condell or any intellectual property rights licences to Condell or any the name "Condell" or any name intended to be confused or capable of confusion.

13.12 On 6 April 2021 and following the acquisition of Condell, Carboclass entered into a shareholders' agreement (the "**Condell Shareholders' Agreement**") with James McMeckan and Condell pursuant to which the parties agreed to regulate the exercise of their rights in relation to Condell. The Condell Shareholders' Agreement contains various provisions on finance and the future conduct of the business, the transfer of shares, the issue of further shares, drag-along and tag-along rights and reversed matters. The Condell Shareholders' Agreement also contains a put option and a call option in respect of the shares held by James McMeckan which can only be exercised on the earlier of a number of events including the date which is four years and six months following the date of the agreement, the death of James McMeckan, the death of Shanker Patel or upon the exchange of contracts to sell a controlling interest in various companies within the Group. The consideration payable for the option shares is the market value (as defined in the Condell Shareholders' Agreement). The Condell Shareholders' Agreement shall terminate if a resolution is passed to wind up Condell or when James McMeckan (or his estate) ceases to have any beneficial interest in any shares.

13.13 On 3 September 2018, Carboclass entered into a share purchase agreement to acquire the entire issued share capital of Kings Langley Building Supplies Limited ("**Kings Langley**") from two sellers (the "**KS Sellers**") ("**Kings Langley SPA**"). Pursuant to the terms of the Kings Langley SPA, the aggregate consideration payable by Carboclass was £1,400,000, satisfied/to be satisfied by the payment of a completion payment of £1,000,000, a further payment of £200,000 on the first anniversary of completion £200,000 and a final payment £200,000 (subject to adjustment) on 31 August 2020. The final payment of £200,000 (subject to adjustment) has subsequently been pushed back to 31 August 2021. Under the terms of the Kings Langley SPA the KS Sellers gave warranties in relation to Kings Langley's business, finances and operational status. The KS Sellers also agreed to indemnify Carboclass and Kings Langley against any costs which arise in connection with a number of specified issues. The sellers undertook to not, for a period of 3 years from 3 September 2018: carry on or be engaged in any business which would compete with the business carried on by Kings Langley at the date of completion of the Kings Langley SPA; for the purpose of any other business solicit or entice away from Kings Langley any supplier to Kings Langley who has supplied goods to Kings Langley at any time during the period of 12 months preceding the date of completion of the Kings Langley SPA, if that solicitation causes or would cause such supplier to cease supplying or materially reduce its supply to Kings Langley; solicit, interfere with or endeavor to entice away from Kings Langley any senior employee or consultant employed or engaged by Kings Langley as at 3 September 2018; and have any business dealings with, solicit the custom of or induce a customer to cease or refrain from doing business with the company where such customer is a customer at

3 September 2018 or has been at any time during the period of 12 months preceding 3 September 2018.

13.14 On 27 October 2017, Carboclass entered into a shareholders' agreement (the "**Hevey Shareholders' Agreement**") with Mark Mulvey and Hevey Building Supplies pursuant to which the parties agreed to regulate the exercise of their rights in relation to Hevey Building Supplies. The Hevey Shareholders' Agreement contains various provisions on finance and the future conduct of the business, the transfer of shares, the issue of further shares, drag-along and tag-along rights and reversed matters. The Hevey Shareholders' Agreement also contains a put option and a call option in respect of the shares held by Mark Mulvey which can only be exercised on the earlier of a number of events including the date which is not less than six months prior to the fifth anniversary of the date of the agreement, the death or incapacity of Mark Mulvey, the death of Shanker Patel or upon the exchange of contracts to sell a controlling interest in various companies within the Group. The consideration payable for the option shares is the market value (as defined in the Hevey Shareholders' Agreement). The Hevey Shareholders' Agreement shall terminate if a resolution is passed to wind up Hevey Building Supplies or when only one person remains as the legal and beneficial holder of the shares.

13.15 On 31 January 2003, Carboclass entered into a limited liability partnership agreement with Mr Pritchard in relation to their membership interests in Weldit. The agreement contains various provisions on the business of Weldit, profit and loss entitlements, voting entitlement, the members obligations, duties and management responsibilities, drawings and the retirement and resignation of members. In January 2013, Mr Pritchard transferred his interest in Weldit to MRP Agencies Ltd.

14. RELATED PARTY TRANSACTIONS

14.1 Save as disclosed in this document including Notes 35 and 37 of Part IV, Note 30 of Part V and paragraphs 13 and 14.2 and 14.3 of this Part VII, the Group has not entered into a transaction with a related party during the periods covered by the historical financial information set out in Parts IV and V of this document and between 31 December 2020 and the date of this document.

14.2 Since 31 December 2020, the only related party transactions have been the continued payment to Gempoint 2000 Limited, a company of which Shanker Patel is also a director, of rent for properties leased by the Group and the continued payment to Mr Pierce, the founder of APP and former director of the Company, of rent for the property leased by APP.

14.3 On Admission, Gary O'Brien will receive a payment of £250,000 from the Company in respect services provided to the Company, of which the net proceeds after tax will be used to subscribe for Placing Shares.

15. TAKEOVER OFFERS BY THIRD PARTIES FOR THE COMPANY'S SHARES

There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

16. PRINCIPAL INVESTMENTS

16.1 Save as set out in paragraphs 13.6, 13.7, 13.9, 13.10, 13.11 and 13.13 above, there were no principal investments made by the Company for each financial year for the period covered by the historical financial information set out in Parts IV and V of this document up to the date of this document.

16.2 There are no principal investments of the Company that are in progress or on which the Company has made any firm commitment.

16.3 Carboclass Limited has a 75 per cent. interest in the following three entities:

16.3.1 Hevey Building Suppliers, further details of which are set out in paragraphs 4 and 13.14 of this Part VII;

16.3.2 Weldit Limited Liability Partnership, further details of which are set out in paragraphs 4 and 13.15 of this Part VII;

16.3.3 Condell Limited, further details of which are set out in paragraphs 4 and 13.12 of this Part VII.

17. INTELLECTUAL PROPERTY

17.1 The Group has a number of registered trademarks including, amongst others, DYNATEC, SCAN KERB, FlushKING and Mr Central Heating as well as various logos.

17.2 APP owns one patent with the title Thermostatic radiator valve.

17.3 The Group has a large number of domain names including, amongst others, Lordsgrouptrading.co.uk, Lordsathome.co.uk, Lordsbm.com, Georgelines.co.uk, buywedi.co.uk, mapcivils.com, Welditnfs.com Bomax.co.uk, ebuildingsupplies.co.uk, hevey.co.uk, huntingdontimber.co.uk, appwholesale.co.uk, columnrads.co.uk, flushking.co.uk, compass-plumbing.co.uk, everflo.co.uk and mrcentralheating.co.uk.

18. LEGAL AND ARBITRATION PROCEEDINGS

18.1 Save as set out below, there are no governmental, legal or arbitration proceedings in which the Group is involved or of which the Group is aware, pending or threatened by or against the Group which may have or have had in the past twelve months preceding the date of this document a significant effect on the Group's financial position.

18.2 In December 2019, the Company acquired APP. In May 2020, the Company discovered that APP had been receiving cash payments for goods from a customer in contravention of The IoP Regs in so far as the IoP Regs relate strictly to HVDs. The Company immediately took steps to prevent APP from receiving any further such cash payments and subsequently engaged with professional advisers for the purposes of carrying out a process of remediation and investigation. DAC Beachcroft LLP was instructed to investigate the situation and based on the investigation undertaken to date, the Company believes that APP's breach of the IoP HVD requirements was a non-deliberate breach. The Company has made a self-report to HMRC relating to the historical contraventions of the IoP Regs HVD requirements which have been identified within the APP business and it is the Company's intention to engage with HMRC on a co-operative basis for the purposes of seeking to reach an agreed outcome. At this stage it is not clear how long it may take HMRC to review and respond to the Company's self-report nor is it possible to assess the possible liability which may arise from engagement with HMRC. Under the APP SPA (as defined in paragraph 13.7 above), the Company may have some warranty protection in respect of this matter and intends to pursue this when the outcome is known.

19. CURRENT SHARE OPTION ARRANGEMENTS

The CSOP

19.1 The CSOP was established by Lords on 27 June 2019. Select Directors and key senior employees were granted options to acquire G Ordinary shares in Lords at an exercise price equal to the market value of a share on the date of grant. At the time of grant, the CSOP was the only long-term incentive arrangement in place for the Group and was implemented with the intention of retaining the participants and incentivising them to deliver exceptional financial performance for the Group. The awards will not vest on IPO and will instead continue through the Reorganisation on terms similar to those originally set. The continuation of vesting ensures the ongoing retention of the participants.

19.2 In consequence of the Reorganisation, holders of these options will have their options adjusted under the terms of the CSOP plan rules to ensure the value of the options is unaffected by the Reorganisation.

19.3 No options will be granted under the CSOP after Admission other than replacement options.

Exercise Price

19.4 The price per Ordinary Share payable upon the exercise of the options, following adjustment is expected to be £0.005 per Ordinary Share.

Performance Price

19.5 Options are subject to performance conditions which will determine how many (if any) of the Ordinary Shares will vest and which a participant may acquire on exercise of the option.

19.6 The options may be exercised no earlier than the fifth anniversary of the vesting commencement date and subject to the satisfaction of performance targets based on the Group's EBITDA performance.

19.7 The Board may vary the performance conditions applying to options if an event occurs which results in the conditions no longer being a fair measure of performance provided that, in the reasonable option of the Board, the new conditions are not materially more or less challenging that the original conditions would have been but for the event in question. The original performance conditions will be amended as part of the Reorganisation process to ensure that the level of performance vesting remains consistent with the original intentions of the grants.

Exercise of Options

19.8 An option will normally only be exercisable from the date on which all restrictions or conditions applying to the option have been satisfied or cease to have effect and the Board has determined the extent to which the performance conditions have been satisfied and the option has vested (in each case, subject to any dealing restrictions). Earlier exercise is permitted if the participant leaves employment in certain specified circumstances. An option may not be exercised later than the 10th anniversary of the grant date.

Cessation of employment

19.9 Except in certain circumstances set out below, options will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

19.10 However, if a participant so ceases because of their death, ill-health, injury, disability, redundancy, retirement with the agreement of their employer, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances determined at the discretion of the Board ("**Good Leaver Reason**") their option will vest immediately. The proportion of the option which shall vest will be determined by the Board taking into account the satisfaction of any performance conditions or other conditions.

19.11 To the extent that options vest for a Good Leaver Reason, they may be exercised for a period of six months following vesting (or such longer period as the Board determines). To the extent that options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Board determines). An option will lapse in relation to any unvested Ordinary Shares.

Takeover and other corporate events

19.12 In the event of a takeover, compulsory acquisition of Ordinary Shares, scheme of arrangement, asset sale or winding up of the Company, options will vest early. The proportion of the option which shall vest will be determined by the Board taking into account such factors as the Board may consider relevant including, but not limited to, the period of time the option has been held by the participant and performance conditions or other conditions. To the extent that options vest they may be exercised for a period of six months following vesting.

19.13 In the event of an internal reorganisation, the number of Ordinary Shares subject to an option, the description of the Ordinary Shares, the exercise price or any one or more of these shall be adjusted in such manner as the Board determines.

Variation of Capital

19.14 In the event of any variation in the Company's share capital (including a rights issue or any sub-division or consolidation of the Company's share capital), the Board may adjust the number of Shares under an option and/or the price payable on the exercise of an option.

Amendments

19.15 The Board may amend the CSOP in any respect. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

20. FUTURE SHARE PLAN ARRANGEMENTS

The Company has established the LTIP, the DBP and the SIP under which awards may be made on or after Admission (together the "**Employee Share Plans**").

Any reference in this paragraph 20 to the "**Board**" includes any designated committee of the Board. Information on the principal features of the LTIP, DBP and SIP are summarised below.

20.1 **The LTIP**

20.1.1 The LTIP was adopted by the Board on 14 July 2021 conditional on Admission.

Status

20.1.2 The LTIP is a discretionary share plan permitting the grant of a variety of awards over Ordinary Shares. Under the LTIP, the Board, the trustee of an employee benefit trust established by a Group company or a duly authorised person (the "**Grantor**") may grant to eligible employees awards over Ordinary Shares ("**LTIP Awards**"). LTIP Awards may take the form of (i) nil-cost (or nominal cost) options or market priced options over Ordinary Shares ("**Options**"), (ii) conditional share awards (i.e., conditional rights to acquire Ordinary Shares) ("**Conditional Share Awards**") and/or (iii) Ordinary Shares which are subject to restrictions and the risk of forfeiture ("**Restricted Shares**"). No payment is required for the grant of a LTIP Award (unless the Board determines otherwise).

20.1.3 The LTIP may be used for the grant of LTIP Awards which are subject to performance conditions and continued employment or which are subject to continued employment only. The LTIP may also be used to provide buy-out awards to compensate new employees for forfeited awards from the individual's previous employer.

Eligibility

20.1.4 All employees (including Executive Directors) of the Group are eligible for selection to participate in the LTIP at the discretion of the Grantor, provided that (unless the Board determines otherwise) they have not given or received notice of termination (an "**Award Holder**").

20.1.5 LTIP Awards may be granted to eligible employees at any time on or after Admission. For any LTIP Awards granted during the 42 days beginning on Admission, the Board reserves the right to calculate market value by reference to the Offer Price.

20.1.6 No LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

Performance conditions

20.1.7 The Board may impose performance conditions on the vesting of LTIP Awards. Where performance conditions are specified for LTIP Awards, the performance measurement period for such conditions will ordinarily be three years.

20.1.8 Any performance conditions applying to LTIP Awards may be varied, substituted or waived if the Grantor considers it appropriate, provided the Grantor considers that the new performance conditions are reasonable and are not materially less difficult to satisfy than the original conditions (except in the case of waiver).

Vesting

20.1.9 LTIP Awards which are subject to performance conditions and continued employment will normally vest on the third anniversary of the date of grant to the extent that any applicable performance conditions have been satisfied. LTIP Awards which are subject to continued employment only will normally vest on such date or dates as the Grantor may determine on grant.

20.1.10 LTIP Options which have vested will normally remain exercisable following vesting for the period set by the Grantor not exceeding 10 years from grant.

20.1.11 The Grantor retains discretion to adjust the level of vesting of LTIP Awards upwards or downwards if in its opinion the level of vesting resulting from the application of any applicable performance conditions is not a fair and accurate reflection of business performance, the participant's personal performance and such other factors as the Board may consider appropriate.

Holding period post vesting

20.1.12 At its discretion, the Grantor may grant LTIP Awards subject to a holding period of a maximum of two years following vesting.

20.1.13 In the event of cessation of employment (except where cessation is by reason of death), the participant will normally remain subject to any post-vesting holding requirements.

20.1.14 In the event of a takeover, compulsory acquisition of Ordinary Shares, scheme of arrangement or winding-up of the Company, the LTIP Awards will be released from the holding period.

Malus

20.1.15 The Board may decide, at the vesting of a LTIP Award or at any time before, that the number of Ordinary Shares subject to a participant's LTIP Award shall be reduced (including to nil) and/or that additional conditions shall be imposed on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

(a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or the audited accounts of any member of the Group;

(b) the assessment of any performance target or condition in respect of an LTIP Award was based on error, or inaccurate or misleading information;

(c) the discovery that any information used to determine the number of Ordinary Shares subject to a LTIP Award was based on error, or inaccurate or misleading information;

(d) action or conduct of an Award Holder, in the reasonable opinion of the Board, which amounts to fraud or gross misconduct;

(e) events or the behaviour of an Award Holder have led to the censure of a member of the Group by a regulatory authority or have had a significant detrimental impact on the reputation of any member of the Group provided that the Board is satisfied that the relevant Award Holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them;

(f) a material failure of risk management of the Company, a member of the Group or a business unit of the Group; or

(g) the Company or any member of the Group or business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of Plan Shares is materially reduced provided that the Board determines following an appropriate review of accountability that the Award Holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

Clawback

20.1.16 The Board may apply clawback to all or part of a participant's LTIP Award in substantially the same circumstances as apply to malus (as described above) during the period of two years following the vesting of a LTIP Award. Clawback may be effected, among other means, by requiring the transfer of Ordinary Shares, payment of cash or reduction of awards.

Cessation of employment

20.1.17 Except in certain circumstances set out below, a LTIP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

20.1.18 However, if a participant so ceases because of their death, ill-health, injury, disability, redundancy, retirement with the agreement of their employer, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances determined at the discretion of the Board ("**Good Leaver Reason**") their LTIP Award will ordinarily vest on the date when it would have vested if they had not so ceased to be a eligible employee, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the LTIP Award and the participant's cessation of employment as a proportion of the normal vesting period.

20.1.19 If a participant ceases to be a Group employee or director for a Good Leaver Reason, the Board can alternatively decide that their LTIP Award will vest early when they leave. If a participant dies, a proportion of their LTIP Award will normally vest on the date of their death, unless the Board determines otherwise. The extent to which a LTIP Award will vest in these situations will be determined by the Board at its absolute discretion taking into account, among other factors, the period of time the LTIP Award has been held and the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the LTIP Award and the participant's cessation of employment as a proportion of the normal vesting period.

20.1.20 To the extent that Options vest for a Good Leaver Reason, they may be exercised for a period of six months following vesting (or such longer period as the Board determines). To the extent that Options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Board determines).

Takeover and other corporate events

20.1.21 In the event of a takeover, compulsory acquisition of Ordinary Shares, scheme of arrangement, or winding-up of the Company, LTIP Awards will vest early. The proportion of the LTIP Awards which vest shall be determined by the Board in its absolute discretion taking into account such factors as the Board may consider relevant including, but not limited to, the period of time the LTIP Award has been held by the participant and having regard to any applicable performance conditions.

20.1.22 To the extent that Options vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may be exercised for a period of six months measured from the relevant event (or in the case of a takeover, such longer period as the Board determines) and will otherwise lapse at the end of that period. To the extent that Options vest in the event of a compulsory acquisition of Ordinary Shares, they may be exercised during the period beginning with the date on which a notice is served under section 979 of the Companies Act and ending seven clear days before entitlement to serve such notice ceases.

20.1.23 In the event of a demerger, distribution or any other corporate event, the Board may determine that LTIP Awards shall vest to the extent determined by the Board taking into account the same factors as set out above. Options that vest in these circumstances may be exercised during such period as the Board determines.

20.1.24 The Board may, in its discretion, allow LTIP Awards to vest prior to and conditional upon the occurrence of any of the events set out above and an Option will then lapse on the occurrence of the event if not exercised prior to the event.

20.1.25 If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that LTIP Awards will not vest but that the unvested portion of the LTIP Awards will be replaced by equivalent new awards over shares in the new acquiring company.

Variation of capital

20.1.26 If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to awards granted under the LTIP, including the number of Ordinary Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

Dividend equivalents

20.1.27 In respect of any award granted under the LTIP, the Board may decide that participants will receive a payment (in cash and/or additional Ordinary Shares) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

Alternative settlement

20.1.28 At its discretion, the Board may decide to satisfy awards granted under the LTIP with a payment in cash or Ordinary Shares equal to any gain that a participant would have made had the relevant award been satisfied with Ordinary Shares.

Rights attaching to Ordinary Shares

20.1.29 Except in relation to the award of Ordinary Shares subject to restrictions, Ordinary Shares issued and/or transferred under the LTIP will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when an Option is exercised or an award vests will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their issue). A participant awarded Ordinary Shares subject to restrictions shall have the same rights as a holder of Ordinary Shares in issue at the time that the participant acquires the Ordinary Shares, save to the extent set out in the agreement with the participant relating to those Ordinary Shares.

20.2 **The DBP**

20.2.1 The DBP was adopted by the Board on 14 July 2021 conditional on Admission.

Status

20.2.2 The DBP is a discretionary plan which incorporates the Company's bonus scheme as well as a mechanism for the deferral of bonus as a cash amount or into awards over Ordinary Shares.

Types of deferred award under the DBP

20.2.3 Deferred awards can take the form of a cash award or a deferred award over Ordinary Shares ("**DBP Awards**"). Deferred awards over Ordinary Shares which are granted under the DBP may take the form of (i) nil-cost options over Ordinary Shares ("**DBP Options**"), (ii) conditional awards (namely a conditional right to acquire Shares) ("**DBP Conditional Awards**") and/or (iii) Ordinary Shares which are subject to restrictions and the risk of forfeiture ("**DBP Restricted Shares**". No payment is required for the grant of an DBP Award (unless the Board determines otherwise).

Eligibility

20.2.4 All employees (including executive Directors) of the Group are eligible for selection to participate in the DBP at the discretion of the Board.

Bonus opportunity

20.2.5 Participants selected to participate in the DBP for a financial year of the Company may be eligible to receive a discretionary annual bonus subject to satisfying performance conditions and targets set for that financial year. The maximum bonus (including any part of the bonus deferred into an DBP Award) deliverable under the DBP for participants will set by the Board at the beginning of the financial year. The Board will determine the bonus to be awarded following the end of the relevant financial year. The Board retains discretion to adjust the level of bonus awarded upwards or downwards if in its opinion the level of bonus resulting from the application of applicable performance conditions is not a fair and accurate reflection of business performance, a participant's personal performance or such other factors as the Board considers appropriate.

20.2.6 Except in certain circumstances, an DBP participant who ceases to be employed by or hold office with the Group before the bonus determination is made will cease to be eligible to receive a bonus. However, if a participant ceases to be employed or hold office with the Group for a Good Leaver Reason (as defined above), they will remain eligible for a bonus. The performance conditions and targets will be considered and the bonus will be deliverable in the same way and at the same time as if the individual had not ceased to be employed or hold office with the Company, unless the Board otherwise decides, although the value of the bonus may be pro-rated to reflect the reduced period of time between the start of the financial year and the participant's cessation of employment as a proportion of that financial year.

20.2.7 In addition, in the event that a corporate event occurs as described below, a participant may be eligible to receive a bonus as soon as practicable after the relevant event, the amount of which shall be determined by the Board taking into account the performance conditions and targets. The value of the bonus will be pro-rated to reflect the reduced period of time between the start of the financial year and the relevant corporate event as a proportion of the relevant financial year unless the Board otherwise decides.

20.2.8 Malus and clawback provisions may apply to a bonus awarded under the DBP as described below.

Grant of DBP Awards

20.2.9 The Board may determine that a proportion of a participant's annual bonus is deferred into a DBP Award.

20.2.10 DBP Awards may be granted at any time on or after Admission. No DBP Awards may be granted more than 10 years from the date when the DBP was adopted.

Vesting of DBP Awards

20.2.11 DBP Awards will normally vest on the second anniversary of the date of grant (or such other date or dates as the Board may determine on grant). DBP Options which have vested will normally remain exercisable following vesting for the period set by the Board not exceeding 10 years from grant.

Malus

20.2.12 The Board may decide (a) at the time of payment of a cash bonus or at any time before to reduce the amount of the bonus (including to nil) and/or (b) at the vesting of the DBP Award or any time before to reduce the cash award or number of Ordinary Shares subject to an DBP

Award (including to nil) and/or that additional conditions shall be imposed on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

(a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or the audited accounts of any member of the Group;

(b) the assessment of any performance target or condition in respect of an LTIP Award was based on error, or inaccurate or misleading information;

(c) the discovery that any information used to determine the number of Ordinary Shares subject to a LTIP Award was based on error, or inaccurate or misleading information;

(d) action or conduct of an Award Holder, in the reasonable opinion of the Board, which amounts to fraud or gross misconduct;

(e) events or the behaviour of an Award Holder have led to the censure of a member of the Group by a regulatory authority or have had a significant detrimental impact on the reputation of any member of the Group provided that the Board is satisfied that the relevant Award Holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them;

(f) a material failure of risk management of the Company, a member of the Group or a business unit of the Group; or

(g) the Company or any member of the Group or business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of Plan Shares is materially reduced provided that the Board determines following an appropriate review of accountability that the Award Holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

Clawback

20.2.13 The Board may apply clawback to all or part of a participant's cash bonus and/or DBP Award in substantially the same circumstances as apply to malus (as described above) during the period of two years following the payment of the cash bonus to which the DBP Award relates. Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

Cessation of employment

20.2.14 Except in certain circumstances, set out below, an DBP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

20.2.15 However, if a participant so ceases for a Good Leaver Reason, their DBP Award will immediately in full (unless the Board otherwise determines), subject to any condition imposed and the operation of malus or clawback.

20.2.16 If a participant ceases to be a Group employee or director for a Good Leaver Reason, the Board can alternatively decide that their DBP Award will continue until the normal time of vesting and whether it should be reduced *pro rata*. If an employee dies, their DBP Award will vest in full on the date of their death unless the Board determines otherwise.

20.2.17 To the extent that DBP Options vest for a Good Leaver Reason, they may be exercised for a period six months following vesting (or such longer period as the Board determines). To the extent that DBP Options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Board determines).

Corporate events

20.2.18 In the event of a takeover, compulsory acquisition of Ordinary Shares, scheme of arrangement, or winding-up of the Company, DBP Awards will vest early.

20.2.19 DBP Options which vest in the event of a takeover, scheme of arrangement, or winding-up of the Company may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Board determines) and will otherwise lapse at the end of that period. To the extent the DBP Options vest in the event of a compulsory acquisition of Ordinary Shares, they may be exercised during the period beginning with the date on which a notice is served under section 979 of the Companies Act and ending seven clear days before entitlement to serve such notice ceases.

20.2.20 The Board will have discretion to determine that vesting of DBP Awards of participants will be pro-rated to reflect the reduced period of time between grant and the relevant event as proportion of the normal vesting period. The Board will determine whether or not to pro-rate based on the circumstances of the relevant event.

20.2.21 In the event of a demerger, distribution or any other corporate event, the Board may determine that DBP Awards shall vest, to the extent determined by the Board. DBP Options that vest in these circumstances may be exercised during such period as the Board determines.

20.2.22 The Board may, in its discretion, allow the DBP Awards to vest prior to and conditional upon the occurrence of any of the events set out above and an DBP Option will then lapse on the occurrence of the event if not exercised prior to the event.

20.2.23 If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that DBP Awards will not vest but that the unvested portion of the DBP Awards will be replaced by equivalent new awards over shares in the new acquiring company.

20.3 **The SIP**

20.3.1 The SIP was adopted by the Board on 14 July 2021 conditional on Admission.

Status

20.3.2 The SIP is an all-employee share ownership plan which has been designed to meet the requirements of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003 so that if the Board decides to operate the SIP Ordinary Shares can be provided to UK employees under the SIP in a tax-efficient manner.

20.3.3 Under the SIP, eligible employees may be: (i) awarded up to £3,600 worth of free Ordinary Shares ("**SIP Employee Free Shares**") each year; (ii) offered the opportunity to buy Ordinary Shares with a value of up to the lower of £1,800 and 10 per cent. of the employee's pre-tax salary a year ("**Partnership Shares**"); (iii) given up to two free Ordinary Shares ("**Matching Shares**") for each Partnership Share bought; and/or (iv) allowed or required to purchase Ordinary Shares using any dividends received on Ordinary Shares held in the SIP ("**Dividend Shares**"). The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

SIP Trust

20.3.4 The SIP operates through a UK resident trust (the "**SIP Trust**"). The trustee of the SIP Trust purchases or subscribes for Ordinary Shares that are awarded to or purchased on behalf of participants in the SIP. A participant will be the beneficial owner of any Ordinary Shares held on their behalf by the trustee of the SIP Trust. Any Ordinary Shares held in the SIP Trust will rank equally with Ordinary Shares then in issue.

20.3.5 If a participant ceases to be in relevant employment, they will be required to withdraw their SIP Employee Free Shares, Partnership Shares, Matching Shares and Dividend Shares from the SIP Trust (or the SIP Employee Free Shares and Matching Shares may be forfeited as described below).

Eligibility

20.3.6 Each time that the Board decides to operate the SIP, all eligible UK resident tax-paying employees of the Company and its subsidiaries participating in the SIP must be offered the opportunity to participate. Other employees may be permitted to participate. Participants invited to participate must have completed a minimum qualifying period of employment before they can participate, as determined by the Board in relation to any award of Ordinary Shares under the SIP which may be different for each type of award from time to time. In the case of SIP Employee Free Shares (and, in certain circumstances, Partnership Shares and Matching Shares) that period must not exceed 18 months or, in certain other circumstances and only in the case of Partnership Shares or Matching Shares, six months.

SIP Employee Free Shares

20.3.7 Up to £3,600 worth of SIP Employee Free Shares may be awarded to each employee in a tax year. SIP Employee Free Shares must be awarded on the same terms to each employee, but the number of SIP Employee Free Shares awarded can be determined by reference to the employee's remuneration, length of service, number of hours worked and, if the Company so chooses, the satisfaction of performance targets based on business results or other objective criteria. There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the SIP Employee Free Shares from the SIP Trust (or otherwise dispose of the SIP Employee Free Shares) unless the participant leaves relevant employment.

20.3.8 The Board, at its discretion, may provide that the SIP Employee Free Shares will be forfeited if the participant leaves relevant employment other than in the circumstances of injury, disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or if the relevant employee's employer ceases to be an associated company (each a "**SIP Good Leaver Reason**") or on death. Forfeiture can only take place within three years of the SIP Employee Free Shares being awarded.

Partnership Shares

20.3.9 The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,800 or 10 per cent. of pre-tax salary in any tax year. The minimum salary deduction permitted, as determined by the Board, must be no greater than £10 on any occasion. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months (the "**Accumulation Period**") or Partnership Shares can be purchased out of deductions from the participant's pre-tax salary when those deductions are made. A participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Ordinary Shares purchased shall be determined by dividing the participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

20.3.10 Once acquired, Partnership Shares may be withdrawn from the SIP by the participant at any time.

Matching Shares

20.3.11 The Board may, at its discretion, offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all participants up to a maximum of two Matching Shares for every Partnership Share purchased (or such other maximum as may be provided by statute). There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the Matching Shares from the SIP Trust unless the participant leaves relevant employment.

20.3.12 The Board, at its discretion, may provide that the Matching Shares will be forfeited if the participant leaves relevant employment other than for a SIP Good Leaver Reason or on death or if the related Partnership Shares are withdrawn from the SIP. Forfeiture can only take place within three years of the Matching Shares being awarded.

Re-investment of dividends

20.3.13 The Board may allow or require a participant to re-invest the whole or part of any dividends paid on Ordinary Shares held in the SIP. Dividend Shares must be held in the SIP Trust for no less than three years.

Corporate events

20.3.14 In the event of a general offer for the Company (or a similar takeover event taking place) during a holding period, participants will be able to direct the trustee of the SIP Trust as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate re-organisation, any Ordinary Shares held by participants may be replaced by equivalent shares in a new holding company.

Variation of capital

20.3.15 Shares acquired on a variation of share capital of the Company will usually be treated in the same way as the Ordinary Shares acquired or awarded under the SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

Rights attaching to Ordinary Shares

20.3.16 Any Ordinary Shares allotted under the SIP will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

20.4 Provisions applying to each of the Employee Share Plans

Awards not transferable

20.4.1 Awards granted under the Employee Share Plans (other than where indicated otherwise in connection with the SIP under paragraph 20.3.8) are not transferable other than to a participant's personal representatives in the event of death, provided that under the LTIP and if the Board permits, awards and Ordinary Shares may be held by the trustees of an employee benefit trust as nominee for the participants.

Limits

20.4.2 The Employee Share Plans may operate over newly issued Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. The rules of each of the Employee Share Plans provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the relevant plan and under any other employees' share scheme operated by the Company. Shares issued out of treasury under the relevant Employee Share Plan will count towards these limits for so long as this is required under institutional shareholder guidelines. Awards which are issued before Admission and which will not be settled prior to or on Admission, or awards which are renounced or lapse, shall be disregarded for the purposes of these limits.

Amendments

20.4.3 The Board may, at any time, amend the provisions of the Employee Share Plans in any respect and may amend the SIP trust deed by way of a supplemental deed. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

Overseas plans

20.4.4 The Board may, at any time, establish further plans based on the Employee Share Plans for overseas territories. Any such plan shall be similar to the relevant Employee Share Plan, but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the relevant plan.

Benefits not pensionable

20.4.5 The benefits received under the Employee Share Plans are not pensionable.

21. TAXATION

The comments in this section are intended as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and, in the case of individual Shareholders, domiciled) for UK tax purposes in (and only in) the UK, who hold their Ordinary Shares as an investment (other than under tax exempt arrangements such as individual savings accounts), and who are the absolute beneficial owners of both their Ordinary Shares and any dividends paid on them.

The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold 5 per cent. or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme.

Any person who is in any doubt about his or her position should contact their professional adviser on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

21.1 Taxation of dividends

Under current UK tax legislation, the Company will not be required to withhold tax when paying a dividend (whether in cash or in the form of a stock dividend).

A Shareholder's liability to tax on dividends will depend on the individual circumstances of the Shareholder.

21.1.1 *UK tax resident individual Shareholders*

UK resident individual Shareholders have the benefit of an annual dividend allowance of £2,000. Dividends falling within this allowance will effectively be taxed at the rate of 0 per cent., but such dividends will still count as taxable income when determining how much of the basic rate band or higher rate band has been used.

Dividend income in excess of the annual dividend allowance (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for the fiscal period ended 5 April 2022: 7.5 per cent. to the extent it falls below the threshold for higher rate income tax; 32.5 per cent. to the extent that it falls above the threshold for higher rate income tax and below the additional rate band; and 38.1 per cent. to the extent that it falls above the threshold for the additional rate band.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

21.1.2 *UK discretionary trustees*

The annual dividend allowance is not available to UK resident trustees of a discretionary trust. UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 38.1 per cent., which mirrors the dividend additional rate.

21.1.3 ***UK tax resident individual Shareholders***

A UK resident corporate Shareholder will be liable to UK corporation tax unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009 (subject to anti avoidance rules and provided all conditions are met). It is anticipated that dividends should fall within one of such exempt classes but shareholders should seek independent advice to confirm their position (subject to anti-avoidance rules and provided all conditions are met).

If the conditions for exemption are not met, or cease to be satisfied, or such a corporate Shareholder elects for an otherwise exempt dividend to be taxable, then the corporate Shareholder will be subject to UK corporation tax on dividends received from the Company at the current rate of 19 per cent. (the UK corporation tax rate is due to increase to 25 per cent. with effect from 1 April 2023 in certain circumstances).

21.2 **Taxation of chargeable gains**

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares by UK resident Shareholders or Shareholders who carry on a trade in the UK through a permanent establishment with which their investment in the Company is connected may, depending on the relevant shareholder's circumstances, give rise to a liability to UK taxation on chargeable gains.

21.2.1 ***UK tax resident individual Shareholders***

Where a UK resident individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption and after taking account of any other available reliefs, such as capital losses.

For individuals, capital gains tax will be charged at 10 per cent. where the individual's taxable income and gains are within the income tax basic rate band. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the income tax basic rate band, capital gains tax will be charged at 20 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

Shareholders who are individuals and who are temporarily non resident in the UK may, under anti avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

21.2.2 ***UK tax resident corporate Shareholders***

Where a Shareholder is within the charge to UK corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss), depending on the circumstances and subject to any available exemption or relief.

The corporation tax rate applicable to a UK resident corporate Shareholder on such taxable gains is currently 19 per cent. (the UK corporation tax rate is due to increase to 25 per cent. with effect from 1 April 2023 in certain circumstances).

21.3 **Transactions in securities**

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and

Customs to raise tax assessments so as to cancel 'tax advantages' derived from certain prescribed 'transactions in securities'.

21.4 Stamp Duty and Stamp Duty Reserve Tax

An exemption from stamp duty and SDRT came into effect on 28 April 2014 in respect of securities admitted to trading on certain recognised growth markets (presently including AIM) and which are not listed on a Recognised Stock Exchange.

The Company anticipates that this exemption will apply to dealings in the Ordinary Shares such that from Admission, no liability to stamp duty or SDRT should arise in respect of any transfer on sale of the Ordinary Shares.

Absent an exemption from stamp duty and SDRT, any dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. In such circumstances, stamp duty or SDRT could be payable at the rate of 0.5 per cent. (rounded up to the next multiple of £5, if necessary) of the amount or value of the consideration given by the purchaser, subject to de a minimis limit and relevant anti-avoidance provisions.

The above comments are intended as a guide to the general stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements.

21.5 Summary

This summary of UK taxation issues can only provide a general overview of these areas and it is not a description of all the tax considerations that may be relevant to a decision to invest in the company. The summary of certain UK tax issues is based on the laws and regulations in force as at the date of this document and may be subject to any changes in UK laws occurring after such date. Professional advice should be taken with regard to individual circumstances. Any person who is in any doubt as to their tax position or where they are resident, or otherwise subject to taxation, in a jurisdiction other than the UK, should consult their professional adviser.

22. MANDATORY BIDS, SQUEEZE-OUT, SELL OUT RULES AND FOUNDER CONCERT PARTY

22.1 Mandatory bid

The Takeover Code applies to the Company and will continue to apply following Admission. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of The Panel on Takeovers and Mergers) to make a general cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

22.2 Squeeze-out

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it would compulsorily acquire their Ordinary Shares. Six weeks later, it would be entitled to execute a transfer of the outstanding Ordinary Shares to it and pay the consideration to the Company, which would hold it on trust for outstanding shareholders. The consideration offered to the shareholders whose Ordinary Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

22.3 **Sell-out**

The Companies Act would also give minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held (or had agreed to acquire) not less than 90 per cent. of the Ordinary Shares, any shareholder to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Ordinary Shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on those rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period under the offer. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

22.4 **Concert Party**

Under the Takeover Code, the Concert Party are presumed to be acting in concert for the purposes of the Takeover Code and, on Admission, will together hold Ordinary Shares representing an aggregate of up to 52.7 per cent. of the Enlarged Share Capital.

The maximum interests of the Concert Party in the Ordinary Shares of the Company following Admission are as follows:

	Interest in Ordinary Share immediately following Admission		*Maximum potential interest in Ordinary Shares**	
Name	*Number of Ordinary Shares*	*% of Ordinary Shares*	*Number of Ordinary Shares*	*% of Ordinary Shares*
Shanker Patel, his related trusts and children	45,982,041	29.2%	52,278,291	33.2%
Nilesh Patel	15,204,540	9.7%	15,204,540	9.7%
Rajen Patel, his related trust and child	21,500,790	13.7%	15,204,540	9.7%
Rita Dewan	78,947	0.1%	78,947	0.1%
Vrajesh Patel	157,894	0.1%	157,894	0.1%
Ashok Patel	42,105	0.0%	42,105	0.0%
Chirag Piyush Patel	10,526	0.0%	10,526	0.0%
Ragini Piyush Patel	15,789	0.0%	15,789	0.0%
Total	82,992,632	52.7%	82,992,632	52.7%

*assumes that the gift of shares from Rajen Patel to Shanker Patel described in paragraph 3.7 of Part VII of this document becomes unconditional and that there are no further changes to the Company's issued share capital from Admission

23. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company and its group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

24. NO SIGNIFICANT CHANGE

Save as disclosed, there has been no significant change in the financial position or financial performance of the Group since 31 December 2020, being the date to which the historical financial information set out in Section B of Part IV has been prepared.

25. GENERAL

25.1 The total expenses payable by the Company in connection with the Placing and Admission (including those fees and commissions referred to in paragraph 13 of this Part VII) are estimated to amount to approximately £2.3 million (excluding VAT). The net proceeds of the Placing receivable by the Company will be £27.7 million.

25.2 Cenkos which is authorised and regulated by the FCA, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. Cenkos is acting exclusively for the Company in connection with the Placing and Admission and not for any other persons. Cenkos will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with the Placing, Admission, this document or any matter, transaction or arrangement referred to in it.

25.3 Cenkos is registered in England and Wales under number 05210733 and its registered office is at 6.7.8 Tokenhouse Yard, London, EC2R 7AS.

25.4 The historical financial information set out in Parts IV and V of this document does not comprise statutory accounts for the purposes of section 434 of the Companies Act.

25.5 RSM Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Section A of Part IV and Section A of Part V in the form and context in which they appear and has authorised the contents of its reports for the purpose of Schedule Two of the AIM Rules for Companies.

25.6 Save as set out in this document, there are no patents or intellectual property rights, licences or industrial, commercial or financial contracts which are of material importance to the Group's business or profitability.

25.7 Save as set out in this document, as far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

25.8 Save as set out in this document, including paragraph 25.9 below, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

25.8.1 received, directly or directly, from the Company within the 12 months preceding the date of this document; or

25.8.2 entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or directly, from the Company on or after Admission any of the following:

(a) fees totalling £10,000 or more;

(b) securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with the value of £10,000 or more at the date of this document.

25.9 The Company has entered into a contractual arrangement with:

25.9.1 ONE Advisory Limited pursuant to which it will receive a fee of approximately £42,000 after Admission in respect of certain accounting workstreams, company secretarial workstreams and internal project management required as part of the admission process;

25.9.2 Grant Thornton UK LLP pursuant to which it will receive a fee of approximately £25,000 after Admission in respect of commercial acquisition due diligence;

25.9.3 Metyis UK Ltd pursuant to which it will receive a fee of approximately £110,000 after Admission in respect of a process improvement project;

25.9.4 PricewaterhouseCoopers LLP pursuant to which it will receive a fee of approximately £160,000 after Admission in respect of work done in respect of the Reoganisation and the existing and future share incentive schemes; and

25.9.5 Rebus Partners Limited pursuant to which it will receive a fee of approximately £40,000 after Admission in respect of work done in respect of the Reoganisation.

25.10 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in connection with the application for Admission.

25.11 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.

25.12 Save as disclosed in this document, so far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that are likely to have a material effect on the Company's prospects for the current financial year.

25.13 Save as disclosed in this document, the Directors are unware of any significant trends in production, sales and inventory and costs and selling prices from 31 December 2020 (being the date to which the historical financial information for the Group set out in Part IV of this document was prepared) to the date of this document.

25.14 Information in this document which has been sourced from third parties has been accurately reproduced and, so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

25.15 The Directors are not aware of any other information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses and prospects of the Company and the securities for which Admission is being sought, (ii) the rights attached to those securities and (iii) any other matter contained in this document.

25.16 The auditors for the period covered by the historical financial information in Part IV of this document were PricewaterhouseCoopers LLP of 40 Clarendon Road, Watford, WD17 1JJ, a member of the Institute of Chartered Accountants in England and Wales.

25.17 The auditors for the period covered by the historical financial information in Part V of this document were as follows:

25.17.1 for the year ended 31 July 2018, Kingston Smith LLP of Orbital House, 20 Eastern Road, Romford, Essex RM1 3PJ, a member of the Institute of Chartered Accountants in England and Wales. On 24 April 2019, Kingston Smith LLP resigned as auditors of APP;

25.17.2 for the period ended 31 December 2019, THP Limited of 34-40 High Street, Wanstead, London E11 2RJ, a member of the Institute of Chartered Accountants in England and Wales. On 7 September 2020, THP Limited resigned as auditors of APP; and

25.17.3 for the year ended 31 December 2020, PricewaterhouseCoopers LLP of The Atrium, 1 Harefield Road, Uxbridge UB8 1EX, a member of the Institute of Chartered Accountants in England and Wales.

Dated: 14 July 2021

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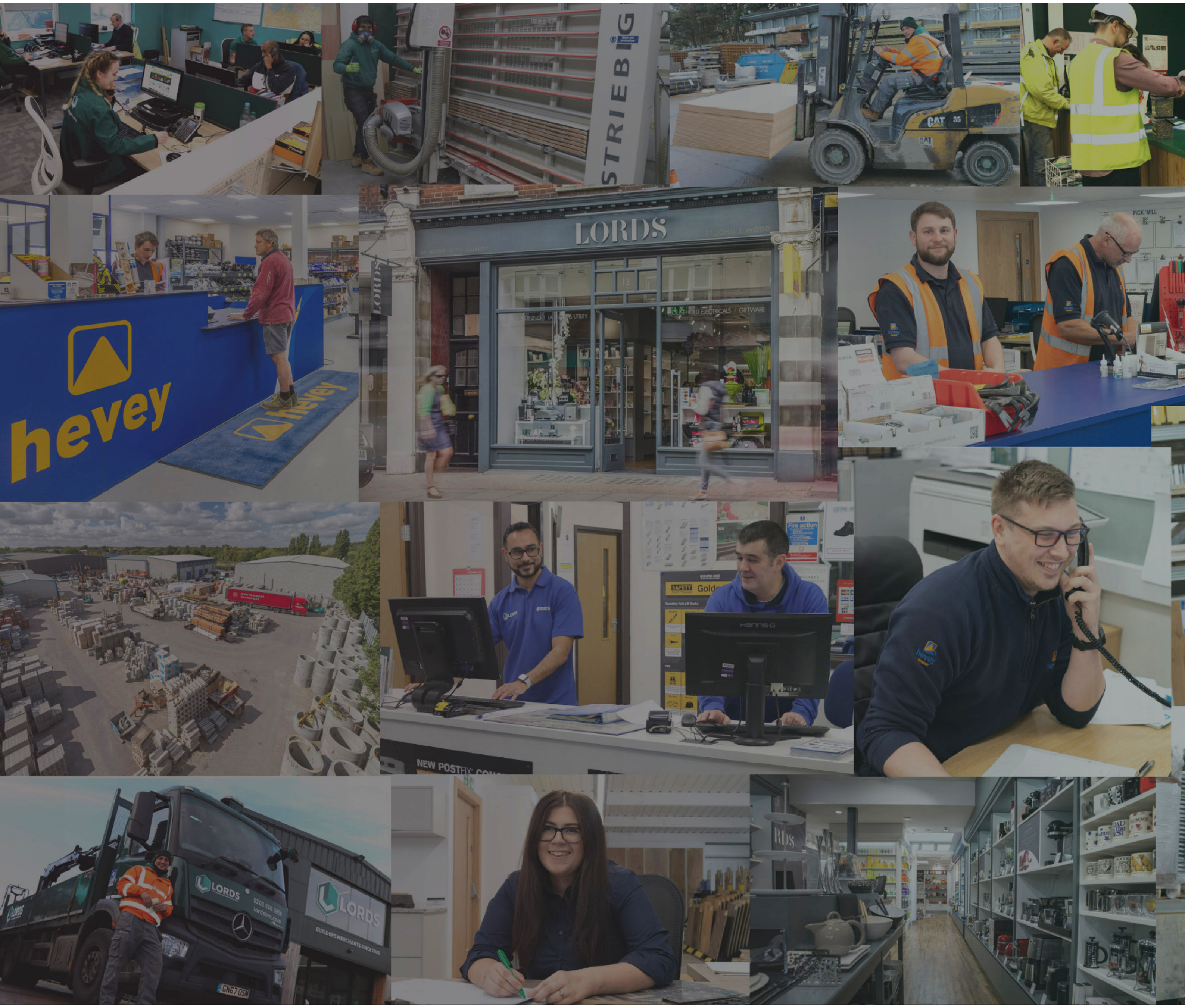
CONDELL Ltd BUILDING SUPPLIES | MAP building and civils supplies | Column Rads | Mr Central Heating | APP PLUMBING & HEATING



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