For immediate release **28 September 2021**

Lords Group Trading plc
("Lords" or the "Group")

Interim Results

Lords Group Trading (AIM:LORD), a leading distributor of building materials in the UK, today announces its unaudited Interim Results for the six months ended 30 June 2021 ("H1 2021" or the "Period").

Financial Highlights

- Group revenues of £179.0 million (H1 2020: £124.0 million)
- Group like-for-like revenue growth of 36.9% and 20.2% on a two year like-for-like basis** versus H1 2019
- Gross profit increased by 40% to £29.3 million (H1 2020: £20.9 million)
- Gross profit margin reduced slightly to 16.4% (H1 2020: 16.8%), due to divisional sales mix disruption as a result of Covid-19
- Adjusted EBITDA* increased by 62% to £10.5 million (H1 2020: £6.5 million)
- Profit before tax of £4.5 million (H1 2020: £0.3 million loss before tax)
- 0.63 pence per share proposed interim dividend, in line with progressive dividend policy outlined at IPO
- Performance in line with market expectations for the full year

**Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs on an IFRS basis and therefore prior to lease liability payments during the period in accordance with IFRS 16.*
*** like-for-like sales is a measure of growth in sales, adjusted for new, divested and acquired locations.*

Operational Highlights

- Successful admission to AIM on 20 July 2021, raising gross proceeds of £52.0 million in an oversubscribed Placing (£30.0 million for the Group, £22.0 million for existing shareholders)
- Strong performance across the Group and a notable record contribution from Lords Builders Merchants
- Continued increase in the Group's Online Instore strategy with Y-on-Y digital sales growth in H1 2021 of 41.9%
- Integration of MAP Building & Engineering Supplies Ltd and Condell Limited are well advanced following the acquisition in March 2021 and April 2021 respectively
- Pipeline of potential acquisition opportunities remains robust and a number of conversations provide interesting inorganic growth potential for the Group
- The Plumbing and Heating division relocated its Croydon and Bristol facilities to provide capacity for future growth
- Customer satisfaction remains robustly strong in H1 2021 with a satisfaction score of 4.7 out of 5.0 (H1 2020: 4.7 out of 5), a fantastic testament to the customer-led ethos of the Group's employees
- Colleague engagement remains exceptionally high with the Group's Q2 2021 survey delivering a score of 4.7 out of 5.0 (No comparative available)
- Continued progress across the Group's sustainability programme

Current Trading and Outlook

Lords is strategically focused on the Repair, Maintenance, and Improvement ("RMI") market which represents 80% of Group revenue. The long-term fundamentals of the RMI market are supported by pent up demand due to historic under investment in the UK housing stock and enhanced consumer savings triggered by the Covid-19 pandemic.

The Board is very encouraged by the strong first half performance across the Group and, while there remain product availability issues for a variety of reasons, it is confident in the full year outlook for Lords against a backdrop of positive macro trends.

Commenting on the Interim Results, Gary O'Brien, Chairman of Lords, commented:

"Market conditions remained favourable in our core markets throughout the period and I am delighted to report on a very strong first half, which was subsequently followed by our successful AIM IPO in July.

"We have continued to focus on our stated strategy of bolt-on acquisitions and organic growth, with H1 2021 reflecting significant milestones in both channels. I am also pleased to report that the acquisition pipeline remains strong and we are in discussions with a number of potential businesses that would enhance the Group's proposition.

"The strength of these results supports our first interim dividend payment to shareholders of 0.63 pence per share.

"This period has been hugely successful for the Group, underpinned by the significant milestone of a public listing. I am extremely grateful to every colleague in the Group for their continued dedication and customer first ethos."

Shanker Patel, Chief Executive Officer, added:
"I want to thank all of our exceptional colleagues for their superb contribution and customer focus in delivering an excellent set of maiden interim results. During this period Lords has delivered record operating profits and margins, and continues to deliver strong cash generation.

"2021 represents another key year in our strategic development and I'm delighted with the progress delivered in the half year with the acquisitions of MAP Building & Engineering Supplies Ltd and Condell Limited. Most importantly, the continued high engagement from our colleagues and customers is nothing short of exceptional and uniquely positions Lords in our market.

"The overall outlook for Lords remains positive given the strength of our diversified portfolio model, macro trends, investment pipeline and strong balance sheet."

This announcement contains inside information.

For further enquiries:

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Notes to editors:
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:

- **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 25 locations in the UK.

- **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 Group has grown to a business operating from 34 sites. Lords aims to become a £500 million turnover building materials distributor group by 2024 as it grows its national presence.

Lords was admitted to trading on AIM in July 2021 with the ticker LORD.L. For additional information please visit www.lordsgrouptradingplc.co.uk.

Chief Executive Officer's Review

On behalf of the Board, I am pleased to introduce Lord's maiden set of interim results since the Group's successful admission to trading on AIM in July 2021. The Group has performed strongly in the first half of 2021, delivering enhanced profitability and numerous strategic milestones.

Results for H1 2021

The results for H1 2021 demonstrate the success of our strategy which has been executed by our management team and colleagues, supported by favourable market conditions. We continue to focus on strategic growth opportunities and creating a great experience for our colleagues and customers, which has always been Lords' strength.

Our colleagues have remained resolutely determined to give our customers the best experience buying building materials despite the disruption caused by the ongoing pandemic. As a Group, teamwork and agility has enabled Lords to navigate the pressures on availability, inflation and resource. The success of our approach has been recognised by our customers with our 4.7 out of 5.0 customer service score being maintained through H1 2021, a testament to our customer service philosophy and to our valued colleagues.

The Group delivered adjusted EBITDA of £10.5 million which represents a H1 record with continued margin enhancement as EBITDA margins improved to 5.9% (H1 2020: 5.2%).

Cash conversion remains strong with cash generated from operations of £8.7 million (H1 2020: £12.1 million) supported by continued strong working capital management. This approach allows the Group to continue to invest in acquisitions and organic growth opportunities that deliver customer proposition enhancements and sustainable returns. The comparator with 2020 reflects the Group's response to the pandemic, with working capital having normalised in H2 2020.

Group Strategy

Our strategy remains focused on the substantial consolidation opportunity in our markets alongside product range extension and digital innovation. We remain focused on the Repair, Maintenance and Improvements ("RMI") market which complements our service and digital led propositions.

In March, the Group announced the 100% share purchase of MAP Building & Engineering Supplies Ltd ("MAP") which is complementary to our Midlands division, Hevey Building Supplies Limited, with regards to geography, customers and product range. MAP serves numerous large conurbations from its location in Ilkeston, Derbyshire and will benefit from the Group's focus on extended product range, technology and business development in years to come.

In April, the Group announced the 75% share purchase of Condell Limited which operates from sites in Sutton and Horsham. The business is complimentary to Lords Builders Merchants through its geographical fit, product range and digital focus.

In addition, and following the period end, the Group acquired the business and assets of the Malton Road, London W10 branch of Nu-line Builders Merchants Limited in August 2021, further enhancing Lords' strong London presence.

It is anticipated that upstream supply chain pressure will continue to some extent over the coming months, predominantly within our Merchanting division. We are confident that our partnership approach with suppliers and large well stocked premises will continue to minimise the impact on our customers.

We are committed to minimising the impact of our business on the environment. In our own operations, the focus areas are reducing energy consumption and carbon emissions, in the broader building supplies sector we see collaboration with stakeholders as an opportunity to reduce waste through recycling and careful waste management. In the first half, Boiler Box was launched by our Plumbing and Heating division offering the market a structured recycling solution for the 1.2 million boilers replaced each year in the UK. Through proof of concept, Boiler Box is recycling in excess of 95% of every boiler (measured by weight) processed at our dedicated recycling centre in Erith. The service is offered through our Mr Central Heating website and branches to installers and homeowners. To further advance our environmental initiatives, the Group became a member of the newly formed Builders Merchant Federation Sustainability Forum which launched in June this year.

Digital remains a strategic priority for the Group, with 50% of customers transacting across channels with Group brands. We continue to invest in our digital capabilities through our dedicated in-house teams including the opening of our 8th transactional website. Year on year, digital sales grew in H1 2020 by 41.9%.

The overall outlook for Lords remains positive given the strength of our diversified portfolio model, macro trends, investment pipeline and strong balance sheet.

Shanker Patel
Chief Executive Officer
28 September 2021

Financial Review

Revenue and Gross Margin

The Group delivered revenue of £179.0 million in the first six months of 2021 (H1 2020: £124.0 million), representing a total increase of 44.4% (£55.0 million). When the impact of acquisitions is excluded from revenue, like for like ("LFL") revenue was up 36.9% and 20.2% on a two year LFL basis.

The comparator versus H1 2020 is distorted by the initial impact of COVID-19 in Q2 2020, however the Group's two year LFL performance is exceptionally strong and reflects the Group performance more appropriately.

Revenue by division:

	H1 2021 £'000	H1 2020 £'000	% Growth	% LFL Growth	% 2yr LFL Growth
Plumbing and heating	117,889	85,359	38.1%	38.1%	23.5%
Merchanting and other services	61,077	38,635	58.1%	34.7%	13.0%
Total Group	**178,966**	**123,994**	**44.3%**	**36.9%**	**20.2%**

Gross Profit margins reduced to 16.4% (H1 2020: 16.8%) with the prior year figure inflated due to extended COVID-19 sales disruption in the lower margin Plumbing & Heating division in Q2 2020.

Overhead expenses

Overheads increased from £14.4 million in H1 2020 to £18.8 million in H1 2021 as a result of sales growth and acquisitions in H1 2021. The Group's key performance indicator remains cost to serve* which improved to 10.5% (H1 2020: 11.6%). The Group continues to focus on operational leverage and expect further efficiency through scale in due course.

	H1 2021 £'000	H1 2020 £'000
Revenue (£'000)	178,966	123,994
Overheads (£'000)	18,801	14,372
Cost to serve*	10.5%	11.6%

**Cost to serve is defined as distribution costs, administrative expenses and other operating income as a percentage of revenue*

Depreciation and amortisation

Depreciation and amortisation has increased to £3.7 million (H1 2020: £3.6 million) in line with acquisitions made in 2021 and in addition to continued capital expenditure investment in the Group's three P's (People, Plant, Premises) programme.

EBITDA

The Group's Adjusted EBITDA increased by 62% to £10.5 million in H1 2021, compared to £6.5 million in the same period last year. Adjusted EBITDA as a percentage of turnover improved to 5.9% (H1 2020: 5.2%).

Adjusted EBITDA by division:

	H1 2021 £'000	H1 2021 Margin	H1 2020 £'000	H1 2020 Margin
Plumbing and heating	4,605	3.9%	3,290	3.9%
Merchanting and other services	5,926	9.7%	3,212	8.3%
Total Group	**10,531**	**5.9%**	**6,502**	**5.2%**

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional and acquisition costs on an IFRS basis and therefore prior to lease liability payments during the period in accordance with IFRS 16.

Profit before tax

The Group generated a profit before tax for the period of £4.5 million, compared to £0.3 million loss in the prior period. Interest on bank loans and overdrafts reduced to £0.4 million (H1 2020: £0.5 million) as net debt reduced by £8.6 million.

Earnings per share

Basic earnings per share was 2.1 pence based on the number of shares immediately after listing on AIM. The comparable figure in H1 2020 was a loss per share of 0.2 pence.

Dividend

The Board proposes a maiden interim dividend for the period of 0.63 pence per ordinary share. This is in line with the guidance provided in the Group's AIM Admission Document, which indicated that it was the Board's intention to commence a progressive dividend policy following Admission.

It is proposed that the maiden interim dividend be paid on 1 November 2021 to shareholders on the register at the close of business on 8 October 2021. The Company's ordinary shares will therefore be marked ex-dividend on 7 October 2021.

Cashflow

The Group generated operating cash flow before movements in working capital of £9.5 million in H1-2021 compared to £4.9 million in H1 2020. Cash generated from operations was £8.7 million (H1 2020: £12.1 million) and this was used for business acquisitions of £5.8 million and repayment of loan and lease liabilities of £11.4 million, which left cash at £5.1 million down from £16.3 million at 31 December 2020. Prior year comparators are distorted by COVID-19 working capital levers which were deployed in Q2 2020.

Balance Sheet and Liquidity

The net bank debt position (defined as cash less borrowings) at 30 June 2021 was £25.6 million, up from £22.9 million at 31 December 2020. This position reflects the pre-IPO balance sheet position.

Intangible assets rose to £23.0 million (31 December 2020: £18.2 million) as a result of acquisitions.

Post balance sheet events

Admission to the AIM

On 20 July 2021 Lords Group Trading plc announced admission of its entire issued share capital to trading on the AIM market of the London Stock Exchange. In conjunction with Admission, gross proceeds of £52.0 million were successfully raised by way of an oversubscribed placing with institutional investors of 54,736,839 new and existing ordinary shares of 0.5 pence each at a price of 95 pence per share, comprising a primary placing to raise £30.0 million (before expenses) for the Company and a secondary placing to raise £22.0 million (before expenses) for certain existing shareholders.

Capital reorganisation

By 20 July 2021, Lords Group Trading plc had completed a capital reorganisation and converted all shares in existence on 30 June 2021 into 125,925,000 new ordinary shares with nominal value of 0.5 pence. Details of the capital reorganisation are disclosed in notes 17 and 20. The reorganisation was completed to facilitate the IPO.

Restructuring of financing

On 20 July 2021 the CBILS, revolving loan facility, term loans and invoice financing that existed at 30 June 2021 were repaid with the funds raised in the AIM listing and replaced with following financing arrangements from HSBC UK Bank plc:

1. An invoice financing facility of £10.0 million attracting an interest rate of 1.80%.
2. A revolving credit facility of £30.0 million repayable after three years and attracting a base interest rate of 2.25% with fixed tiers up to 3.00% based on leverage.

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

Acquisition of the business and assets of Nu-Line Builders Merchants Limited Malton Road branch

On 31 August 2021 Lords acquired the business and assets of the Malton Road, London W10 branch of Nu-line Builders Merchants Limited for a consideration of £600,000. Under the Transaction, the Group had the Malton Road property leases assigned to it and took on circa 25 of Nu-Line's employees (the "Malton Branch").

For the year to 31 March 2021, the Malton Branch in its acquired form, achieved revenues of £5.8 million and an EBITDA of £0.2 million, and would be expected to generate revenues of £8.0 million and EBITDA of £0.8 million under Lords' ownership in FY 2022.

Chris Day
Chief Financial Officer
28 September 2021

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

	Note	6 months ending 30 June 2021 £'000 (unaudited)	6 months ending 30 June 2020 £'000 (unaudited)
Revenue		178,966	123,994
Cost of sales		(149,634)	(103,120)
Gross profit		29,332	20,874
Distribution costs		(1,661)	(1,333)
Administrative expenses		(17,752)	(13,699)
Other operating income		612	660
Adjusted EBITDA **		10,531	6,502
Exceptional items	6	(1,057)	(1,707)
EBITDA *		9,474	4,795
Depreciation		(656)	(518)
Amortisation		(3,090)	(3,097)
Operating profit		5,728	1,180
Finance income		4	6
Finance costs	7	(1,276)	(1,497)
Profit/ (loss) before taxation		4,456	(311)
Taxation	8	(973)	81
Profit / (loss) for the six-month period		3,483	(230)
Other comprehensive income		-	-
Total comprehensive income		3,483	(230)
Profit / (loss) for the six-month period attributable to:			
Owners of the parent company		3,248	(321)
Non-controlling interests		235	91
		3,483	(230)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share (pence)	9	N/A	N/A
Diluted earnings per share (pence)	9	N/A	N/A

**EBITDA is defined as earnings before interest, tax depreciation and amortisation and, in accordance with IFRS, prior to lease liability payments during the period.*

***Adjusted EBITDA is EBITDA but also excluding exceptional items.*

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	30 June 2021 £'000 (unaudited)	31 December 2020 £'000
Fixed assets			
Intangible assets	10	23,009	18,198
Property, plant, and equipment	11	8,138	4,417
Right-of-use asset	12	25,862	27,059
Other receivables	13	34	78
Investments		112	4
		57,155	49,756
Current assets			
Inventories		39,006	40,004
Trade and other receivables	13	53,010	52,633
Cash and cash equivalents		5,105	16,342
		97,121	108,979
Total assets		**154,276**	**158,735**
Current liabilities			
Trade and other payables	14	(66,127)	(66,111)
Borrowings	15	(18,210)	(20,738)
Lease liabilities	16	(3,524)	(3,704)
Current tax liabilities		(1,570)	(1,055)
Total current liabilities		(89,431)	(91,608)
Non-current liabilities			
Trade and other payables	14	(2,792)	(2,840)
Borrowings	15	(12,460)	(18,522)
Lease liabilities	16	(23,073)	(23,912)
Deferred tax		(3,526)	(2,801)
Provisions		(808)	(787)
Total non-current liabilities		(42,659)	(48,862)
Total liabilities		**(132,090)**	**(140,470)**
Net assets		**22,186**	**18,265**
Capital and reserves			
Share capital	17	630	19,990
Merger reserve		(9,980)	(9,980)
Retained earnings		27,364	4,756
Equity attributable to owners of the parent company		18,014	14,766
Non-controlling interests		4,172	3,499
Total equity		**22,186**	**18,265**

The above condensed consolidated statement of comprehensive financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Called up share capital £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Equity attributable to owner of parent company £'000	Non-Controlling Interests £'000	Total equity £'000
(unaudited)							
As at 1 January 2020	19,990	2,500	(12,480)	1,833	11,843	3,244	15,087
Reclassification of capital redemption reserve	-	(2,500)	2,500	-	-	-	-
Profit for the financial period and total comprehensive income	-	-	-	(321)	(321)	91	(230)
Capital contribution by non-controlling interests	-	-	-	-	-	70	70
As at 30 June 2020	19,990	-	(9,980)	1,512	11,522	3,405	14,927

	Called up share capital £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Equity attributable to owner of parent company £'000	Non-controlling Interests £'000	Total equity £'000
(unaudited)							
As at 1 January 2021	19,990	-	(9,980)	4,756	14,766	3,499	18,265
Profit for the financial period and total comprehensive income	-	-	-	3,248	3,248	235	3,483
NCI share of acquisitions	-	-	-	-	-	438	438
Capital reorganisation	(19,360)	-	-	19,360	-	-	-
As at 30 June 2021	630	-	(9,980)	27,364	18,014	4,172	22,186

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	6 months ending 30 June 2021 £'000 (unaudited)	6 months ending 30 June 2020 £'000 (unaudited)
Cash flows from operating activities		
Profit / (loss) before taxation	4,456	(311)
Adjusted for:		
Depreciation of property, plant, and equipment	656	518
Amortisation of intangibles	987	926
Amortisation of right-of-use assets	2,103	2,171
Loss on disposal of property, plant, and equipment	-	3
Movement in provisions	21	132
Finance income	(4)	(6)
Finance expense	1,276	1,497
Operating cash flows before movements in working capital	**9,495**	**4,930**
Decrease in inventories	2,379	6,328
Decrease in trade and other receivables	3,244	9,560
Decrease in trade and other payables	(6,374)	(8,695)
Cash generated by operations	8,744	12,123
Corporation tax paid	(559)	(747)
Net cash generated by operating activities	**8,185**	**11,376**
Cash flows from investing activities		
Purchase of intangible assets	-	(29)
Business acquisitions (net of cash acquired)	(5,792)	-
Purchase of property, plant, and equipment	(839)	(425)
Purchase of investments	(105)	-
Interest received	4	6
Net cash used in investing activities	**(6,732)**	**(448)**
Cash flows from financing activities		
Principal paid on lease liabilities	(2,004)	(1,703)
Interest paid on lease liabilities	(709)	(775)
Receipts from borrowings	-	15,000
Repayment of borrowings	(9,410)	(16,005)
Bank interest paid	(416)	(527)
Non-controlling interest cash contribution	-	70
Interest on financial liabilities	(151)	(194)
Net cash outflow from financing activities	**(12,690)**	**(4,134)**
Net (decrease) / increase in cash and cash equivalents	**(11,237)**	**6,794**
Cash and cash equivalents at the beginning of the period	**16,342**	**3,361**
Effect of foreign exchange rates	-	-
Cash and cash equivalents at the end of the period	**5,105**	**10,155**

The above condensed consolidated statement of changes of cash flows should be read in conjunction with the accompanying notes.

1. General information

Lords Group Trading Limited is a private limited company incorporated in England and Wales. The registered office is 2nd Floor 12-15 Hanger Green, London W5 3EL. 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.

2. Basis of preparation

These condensed interim financial statements are for the six months ended 30 June 2021 and have not been audited. These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

These condensed interim financial statements have been prepared in accordance with the recognition and measurement requirements of UK-adopted International Accounting Standards (UK-IAS) and adopting the accounting policies that will be applied in the 31 December 2021 financial statements and consistent with those disclosed in the admission document to AIM, but do not contain all the disclosures required for full compliance with UK-IAS. They should be read in conjunction with the historical financial information contained within the admissions document to AIM which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The 31 December 2020 annual financial statements were prepared under FRS 102. The 31 December 2020 full year accounts have been reported on by the Group's auditors and delivered to the Registrar of companies. The auditors' report was unqualified and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006 or any matter to which the auditors drew attention by way of emphasis.

The Group's last three years of financial information has been restated to International Accounting Standards in conformity with the requirements of the Companies Act 2006 I within the historic financial information contained within the admission document to AIM. This is available on the Group's website at: www.lordsgrouptradingplc.co.uk

These interim financial statements are presented in Pound sterling (£), which is also the functional currency of the Company. These interim financial statements have been approved by the Board of Directors.

3 Accounting policies

Going concern

The Group is well funded with strong support from stakeholders. The Group operates strong cashflow management and forecasting enabling cash receipts and payments to be balanced in accordance with trading levels. The Board of directors has completed a rigorous review of the Group's going concern assessment and its cashflow liquidity which included:

- The Group's cash flow forecasts and revenue projections for all subsidiaries.
- Reasonably possible changes in trading performance, including a number of downside scenarios.
- Reviewing the committed facilities available to the Group and the covenants thereon.
- Reviewing the Group's policy towards liquidity and cash flow management.

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the interim financial statements that there is a reasonable expectation that the Group and subsidiaries have adequate resources to continue in operational existence for at least 12-months from the date of signing these interim financial statements.

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4 Critical accounting judgements and estimates

The preparation of financial information in compliance with UK-adopted International Accounting Standards 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 financial information are reasonable and prudent.

Key accounting estimates and judgements

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. 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.

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.

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 revenue growth, sales mix and volumes, 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 attrition rates used were based on the historic attrition of customers in years prior to the acquisition for each acquisition. The EBIT percentages used were based on the actual EBIT percentage in the year prior to acquisition for each acquisition. The discount rate used for each acquisition was based on the weighted average cost of capital at the acquisition date for each acquisition.

Inventories provision

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 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.

5 Segmental Reporting

The Group operates through the following two divisions:

- 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.

- 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.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) which is considered to be the Group Board.

All of the Group’s revenue was generated from the sale of goods in the UK for both periods. No one customer makes up 10% or more of revenue in any period.

The segmental results for the six months ended 30 June 2021 are as follows:

	Plumbing and Heating	Merchanting	Total
	£'000	**£'000**	**£'000**
Revenue	117,889	61,077	178,966
Cost of sales	(105,143)	(44,491)	(149,634)
Gross profit	12,746	16,586	29,332
Distribution costs	(36)	(1,625)	(1,661)
Administrative expenses	(8,203)	(9,549)	(17,752)
Other operating income	98	514	612
Adjusted EBITDA	4,605	5,926	10,531
Exceptional items (note 6)	-	(1,057)	(1,057)
EBITDA	4,605	4,869	9,474
Depreciation	(78)	(578)	(656)
Amortisation	(906)	(2,184)	(3,090)
Operating profit	3,621	2,107	5,728
Finance income	-	4	4
Finance costs	(394)	(882)	(1,276)
Profit before taxation	3,227	1,229	4,456

The segmental results for the six months ended 30 June 2020 are as follows:

	Plumbing and Heating	Merchanting and other services	Total
	£'000	**£'000**	**£'000**
Revenue	85,359	38,635	123,994
Cost of sales	(75,487)	(27,633)	(103,120)
Gross profit	9,872	11,002	20,874
Distribution costs	(27)	(1,306)	(1,333)
Administrative expenses	(6,649)	(7,050)	(13,699)
Other operating income	94	566	660
Adjusted EBITDA	3,290	3,212	6,502
Exceptional items (note 6)	(1,707)	-	(1,707)
EBITDA	1,583	3,212	4,795
Depreciation	(71)	(447)	(518)
Amortisation	(906)	(2,191)	(3,097)
Operating profit	606	574	1,180
Finance income	1	5	6
Finance costs	(456)	(1,041)	(1,497)
Profit / (loss) before taxation	151	(462)	(311)

6. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA reflects earnings before tax, interest, depreciation and amortisation. Adjusted EBITDA includes the removal of various one-time, irregular and non-recurring items from EBITDA. The purpose of adjusted EBITDA is to get a normalised number that is not distorted by irregular gains, losses or other items. The following items have been included as adjustments to EBITDA:

	6 months ending 30 June 2021 £'000	6 months ending 30 June 2020 £'000
Costs associated with listing on AIM	568	-
Cost of subsidiary acquisitions	489	-
Deferred remuneration liability	-	1,707
	1,057	1,707

All costs which had been incurred associated with Company's admission to trading on AIM on 20 July 2021 were expensed as occurred and disclosed as exceptional items.

The costs associated with acquiring Map Building & Civil Engineering Supplies Ltd and a 75% share of Condell Limited have been expensed and disclosed as exceptional items. Further details of these transactions are disclosed in note 19.

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

7. Finance costs

	6 months ending 30 June 2021	6 months ending 30 June 2020
Interest on bank loans and overdrafts	416	528
Other interest on financial liabilities	151	194
Interest on lease liabilities	709	775
	1,276	1,497

8. Taxation

Tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual rate for the year 30 June 2021 is 22.0% (2020: 26.1%).

9. Earnings per share

No earnings per share figures have been presented as at 30 June as the Group had not completed its capital reorganisation and still had three different classes of shares at that time. Details of the capital reorganisation are shown in note 17 and 20.

Basic earnings per share based on the number of shares immediately after listing on AIM were as follows:

	6 months ending 30 June 2021	**6 months ending 30 June 2020**
Earnings attributable to the equity holders of the parent (£'000)	3,248	(321)
Shares at listing (thousands)	157,505	157,505
Earnings/ (loss) per share (pence)- Basic	2.06	(0.20)

The Group has 12,936,000 outstanding share options with an exercise price of 0.072 pence per new ordinary share under a company share option plan which vest only after nonmarket based conditions have been met. The impact on the earnings per share if these options were exercised in full based on the share price on admission of 95p would be as follows:

	6 months ending 30 June 2021	**6 months ending 30 June 2020**
Earnings / (loss) attributable to the equity holders of the parent (£'000)	3,248	(321)
Shares at listing (thousands)	157,505	157,505
Adjustment for the share options and awards (thousands)	11,956	11,956
Earnings / (loss) per share (pence)- Diluted	1.92	(0.19)

10. Intangible assets

	Software	Customer relationships	Trade names	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2020					
Cost	650	14,570	1,951	5,243	22,414
Accumulated amortisation and impairment	(249)	(3,733)	(234)	-	(4,216)
Net book amount	401	10,837	1,717	5,243	18,198
Six months ended 30 June 2021					
Opening net book value	401	10,837	1,717	5,243	18,198
Acquired through business combinations	17	3,270	316	2,195	5,798
Amortisation charge	(48)	(824)	(115)	-	(987)
Closing net book value	370	13,283	1,918	7,438	23,009
At 30 June 2021					
Cost	667	17,840	2,267	7,438	28,212
Accumulated amortisation and impairment	(297)	(4,557)	(349)	-	(5,203)
Net book amount	370	13,283	1,918	7,438	23,009

11. Property, plant, and equipment

	Land and buildings freehold	Land and building leasehold improvements	Plant and Machinery	Motor vehicles	Fixtures, fittings, and equipment	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2020							
Cost	796	4,078	1,389	86	2,593	444	9,386
Accumulated depreciation and impairment	(109)	(2,225)	(886)	(23)	(1,400)	(326)	(4,969)
Net book amount	687	1,853	503	63	1,193	118	4,417
Half year ended 30 June 2021							
Opening net book value	687	1,853	503	63	1,193	118	4,417
Additions	-	170	268	-	311	90	839
Acquired through business combinations	842	1,961	645	-	81	9	3,538
Depreciation charge	(19)	(270)	(139)	(27)	(163)	(38)	(656)
Closing net book value	1,510	3,714	1,277	36	1,422	179	8,138
At 30 June 2021							
Cost	1,638	6,209	2,302	86	2,985	543	13,763
Accumulated depreciation and impairment	(128)	(2,495)	(1,025)	(50)	(1,563)	(364)	(5,625)
Net book amount	1,510	3,714	1,277	36	1,422	179	8,138

12. Right to use assets

	Leasehold property improvements £'000	Land and building £'000	Plant and Machinery £'000	Motor vehicles £'000	Total £'000
At 31 December 2020					
Cost	22,554	4,346	5,833	3,503	36,236
Accumulated amortisation and impairment	(4,675)	(647)	(1,998)	(1,857)	(9,177)
Net book amount	17,879	3,699	3,835	1,646	27,059
Half year ended 30 June 2021					
Opening net book value	17,879	3,699	3,835	1,646	27,059
Acquired through business combinations	586	-	-	320	906
Amortisation charge	(1,127)	(137)	(469)	(370)	(2,103)
Closing net book value	17,338	3,562	3,366	1,596	25,862
At 30 June 2021					
Cost	23,140	4,346	5,833	3,823	37,142
Accumulated amortisation and impairment	(5,802)	(784)	(2,467)	(2,227)	(11,280)
Net book amount	17,338	3,562	3,366	1,596	25,862

13. Trade and other receivables

	30 June 2021 £'000	31 December 2020 £'000
Due after more than one year		
Other receivables	34	78
	34	78
Due within one year		
Trade receivables	47,447	48,513
Related parties	-	44
Taxation and social security	-	560
Other receivables	80	134
Prepayments and accrued income	5,483	3,382
	53,010	52,633

14. Trade and other payables

Amounts falling due within one year:	**30 June 2021**	**31 December 2020**
	£'000	**£'000**
Trade payables	57,111	59,228
Other taxation and social security	2,315	1,682
Other payables	3,472	2,385
Accruals	3,229	2,816
	66,127	66,111

Amounts falling due after one year:	**30 June 2021**	**31 December 2020**
	£'000	**£'000**
Other payables	2,792	2,840
	2,792	2,840

Amounts falling due after one year represent deferred payments for acquisitions.

15. Borrowings

	30 June 2021	**31 December 2020**
	£'000	**£'000**
Current		
Bank loans	7,292	2,388
Other loans	10,918	18,350
Total current borrowings	18,210	20,738
Non-current		
Bank loans	12,460	18,522
Total noncurrent borrowings	12,460	18,522
Total borrowings	**30,670**	**39,260**

Borrowings were refinanced on 20 July 2021, see events occurring after the reporting period, note 20. Loans under invoice financing are included within other loans.

16. Lease liabilities

	Leasehold property improvements	Land and buildings	Plant and Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	20,372	4,018	2,137	4,203	30,730
Additions	179	-	46	682	907
Interest expenses	995	201	89	222	1,507
Lease payments (including interest)	(3,058)	(393)	(866)	(1,211)	(5,528)
At 31 December 2020	18,488	3,826	1,406	3,896	27,616
At 1 January 2021	18,488	3,826	1,406	3,896	27,616
Acquired through business combinations	640	-	345	-	985
Interest expenses	467	97	37	108	709
Lease payments (including interest)	(1,441)	(197)	(443)	(632)	(2,713)
At 30 June 2021	18,154	3,726	1,345	3,372	26,597

Reconciliation of current and non-current lease liabilities

	30 June 2021	31 December 2020
	£'000	£'000
Current	3,524	3,704
Non-current	23,073	23,912
	26,597	27,616

17. Equity security issued

In preparation for listing on AIM the Group underwent a capital restructured of its share capital in order to have only one class of ordinary shares. This reorganisation was still in progress as at 30 June 2021. The movements in equity for the half year to 30 June 2021 and the subsequent movements until admission on 20 July 2021 are shown below:

Issues of shares during the half year by value	**A1 to F1 shares (£1.00821212 each)**	**G Shares (£0.01 each)**	**H Shares (£1 each)**	**New A1 to F1 shares (£0.05 each)**	**New H Shares (£0.05 each)**	**New ordinary shares (£0.005 each)**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 January 2021	9,981	11	9,998	-	-	-	19,990
Capital reduction of Alphabet shares	(9,981)	-	-	495	-	-	(9,486)
Cancellation of H shares	-	-	(7,523)	-	-	-	(7,523)
Capital reduction of H Shares in LGT	-	-	(2,475)	-	124	-	(2,351)
As at 30 June 2021	-	11	-	495	124	-	630
LGT Share capital reorganisation (New Alphabet and New H shares)	-	619	-	(495)	(124)	-	-
LGT Share capital reorganisation (ordinary shares)	-	(630)	-	-	-	630	-
As at admission to AIM on 20 July 2021	-	-	-	-	-	630	630
Placing on 20 July 2021	-	-	-	-	-	158	158
	-	-	-	-	-	788	788

Issues of shares during the half year by quantity	A1 to F1 shares (£1.00821212 each)	G Shares (£0.01 each)	H Shares (£1 each)	New A1 to F1 shares (£0.05 each)	New H Shares (£0.05 each)	New ordinary shares (£0.005 each)
	'000	'000	'000	'000	'000	'000
As at 1 January 2021	99,998	1,088	9,900	-	-	-
Capital reduction of Alphabet shares	(99,998)	-		9,900	-	-
Cancellation of H shares	-	-	(7,523)	-	-	-
Capital reduction of H Shares in LGT	-	-	(2,377)	-	2,475	-
As at 30 June 2021	-	1,088	-	9,900	2,475	-
LGT Share capital reorganisation (New Alphabet and New H shares)	-	61,875	-	(9,900)	(2,475)	-
LGT Share capital reorganisation (ordinary shares)	-	(62,963)	-	-	-	125,926
As at admission to AIM on 20 July 2021	-	-	-	-	-	125,926
Placing on 20 July 2021	-	-	-	-	-	31,579
	-	-	-	-	-	157,505

18. Contingencies

Contingent liabilities

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

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

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

19. Business Combinations

Map Building & Civil Engineering Supplies Ltd

On 3 March 2021, the Group concluded 100% share capital purchase of Map Building & Civil Engineering Supplies Ltd (MAP) for £5,325,000. Consideration was via an initial payment of £4,825,000 and deferred consideration of £500,000. MAP is a £16,000,000 turnover, single site operation based in Ikleston, Derbyshire. The principal reason for the acquisition was to acquire the customer base of MAP. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value
	£'000
Intangible Asset - Customer Relationships	2,591
Intangible Asset - Trade Names	190
Property, plant, and equipment	1,771
Right of use assets	36
Inventories	524
Trade and other receivables	2,935
Investments	3
Cash	127
Trade and other payables	(3,229)
Lease liabilities	(37)
Deferred tax liability	(626)
Total provisional fair value	4,285
Consideration	5,495
Goodwill	**1,210**

The provisional fair values include recognition of an intangible asset relating to customer relations of £2,591,000 and Trade Names of £190,000, which will be amortised over 11.75 years on a straight-line basis. The goodwill of £1,210,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19% which is the effective tax rate substantially enacted at the acquisition date. Acquisition cost totaled £396,000 and are disclosed within the statement of comprehensive income.

Purchase consideration	**£'000**
Cash	4,924
Directors loan account repaid	84
Deferred consideration	487
Total Consideration	**5,495**

The net cash expended on acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	4,924
Less cash acquired at acquisition	(127)
Net cash movement	**4,797**

The deferred consideration of £500,000 has been discounted to a present value of £487,000 using an interest rate of 2.62%. The deferred consideration is payable on 30 March 2022.

Condell Limited

On 6th April 2021, the Group concluded a 75% share capital purchase of Condell Limited for £2,300,000. Condell is a £9,000,000 turnover, two site operation based in Sutton and Horsham. The principal reason for the acquisition was to acquire the customer base of Condell. The Group has elected to measure the non-controlling interest at fair value using the partial goodwill method. The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

	Fair value
	£'000
Intangible Asset - Customer Relationships	679
Intangible Asset - Trade Names	126
Intangible Asset - Software	17
Property, plant, and equipment	1,767
Right of use assets	870
Inventories	857
Trade and other receivables	726
Cash	948
Trade and other payables	(2,270)
Borrowings	(821)
Lease liabilities	(948)
Deferred tax liability	(198)
Total provisional fair value	1,753
NCI @ 25%	(438)
Consideration	2,300
Goodwill	**985**

The provisional fair values include recognition of an intangible asset relating to customer relations of £679,000 and Trade Names of £126,000, which will be amortised over 13.75 years on a straight-line basis. The goodwill of £985,000 comprises the potential value of additional new customers which is not separately recognised. Deferred tax has been calculated on the value of the intangible assets acquired at a corporation tax rate of 19%, which is the effective tax rate substantially enacted at the acquisition date. Acquisition cost totaled £93,000 and are disclosed within the statement of comprehensive income.

Purchase consideration	**£'000**
Initial consideration- cash	1,943
Deferred and contingent consideration	357
Total Consideration	**2,300**

A contingent consideration arrangement was agreed during the purchase of Condell Limited. An additional cash payment of £375,000 is payable if the entity meets an agreed EBITDA target in the two years following acquisition. The deferred and contingent consideration has been discounted to a present value of £357,000 using an interest rate of 3.31%. The deferred consideration is repayable in two equal instalments in April 2022 and April 2023.

The net cash expended on acquisition is as follows:

	£'000
Cash paid as consideration on acquisition	1,943
Less cash acquired at acquisition	(948)
Net cash movement	**995**

20. Events occurring after the reporting period

Capital reorganisation

By 20 July 2021 Lords Group Trading plc completed a capital reorganisation and converted all shares in existence on 30 June 2021 into 125,925,000 new ordinary shares with nominal value of 0.5p. Details of the capital reorganisation are disclosed in note 17.

Admission to the AIM and restructuring of financing

On 20 July 2021 Lords Group Trading plc announced admission of its entire issued share capital to trading on the AIM market of the London Stock Exchange. In conjunction with admission, gross proceeds of £52 million were successfully raised by way of an oversubscribed placing with institutional investors of 54,736,839 new and existing ordinary shares of 0.5 pence each in the Company at a price of 95 pence per ordinary share, comprising a primary placing to raise £30 million (before expenses) for the Company and a secondary placing to raise £22 million (before expenses) for certain existing shareholders of the Company.

On 20 July 2021 the CBILS, revolving credit facility, term loans and invoice financing that existed at 30 June 2021 were repaid with the funds raised in the restructuring and replaced with following financing arrangements from HSBC UK Bank plc:

- An invoice financing facility of £10 million attracting an interest rate of 1.80%.
- A revolving credit facility of £30 million repayable after three years and attracting a base interest rate of 2.25% with fixed tiers up to 3.00% based on leverage.

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

Acquisition of certain of the assets and business of Nu-Line Builders Merchants Limited's Malton Road branch

On 31 August 2021 acquired the business and assets of the Malton Road, London W10 branch of Nu-line Builders Merchants Limited for a consideration of £600,000. Under the Transaction, the Group had the Malton Road property leases assigned to it and took on circa 25 of Nu-Line's employees (the "Malton Branch"). For the year to 31 March 2021, the Malton Branch in its acquired form, achieved revenues of £5,800,000 and an EBITDA of £200,000.

For the year to 31 March 2021, the Malton Branch in its acquired form, achieved revenues of £5.8 million and an EBITDA of £0.2 million, and would be expected to generate revenues of £8.0 million and EBITDA of £0.8 million under Lords' ownership in FY 2022.

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