

HOLYHEAD TOPCO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

HOLYHEAD TOPCO LIMITED

COMPANY INFORMATION

Directors	J L Jones D Morris T Owen S T Thompstone A T Wagstaff I C A Northen C P Bithell
Company number	11275148
Registered office	c/o Huws Gray Ltd Head Office Industrial Estate Llangefni Anglesey Wales LL77 7JA
Independent auditors	Grant Thornton UK LLP Landmark St Peter's Square 1 Oxford Street Manchester M1 4PB
Solicitors	Addleshaw Goddard LLP One St Peters Square Manchester M2 3DE Excello Law One City Place Queens Road Chester CH1 3BQ

HOLYHEAD TOPCO LIMITED

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HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the Strategic Report on the Company and the Group for the year ended 31 December 2021.

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of Holyhead Topco Limited ("the Company", "the Group" or "Topco").

Review of the business and future developments

The Group's objectives remain to be the Builders Merchant of choice in each of the locations that we operate, selling building materials to trade and retail customers from well invested business operations. Our focus is on supporting our colleagues to be the best they can be in order to provide exceptional levels of customer service and through investment in facilities for strong stock levels with wide locally held stock ranges.

The directors are pleased that the Group's adjusted EBITDA (being operating profit before charging depreciation, amortisation, share-based payments charge and exceptional charges) increased by 71% to £96.0m (2020: £56.1m). Trading was strong across the business. Challenges in supply were addressed by deeper stock holdings and successful partnerships with suppliers to manage challenges as they arose. Note that the prior period included more difficult trading conditions from the Covid 19 outbreak and in which the Group's branches closed entirely for around 6 weeks. Year on year, turnover saw a £138.3m rise to £496.3m.

The improvement in profitability came from an improvement in gross margin by 1.9%, arising mainly from an increase in sales to non account customers. The improvement in loss after taxation also reflects a reduction in interest charges of £2.2m, and then net of an increase in exceptional items of £17.5m and corporation tax charge of £13.4m.

The adjusted EBITDA is set out as follows:

	2021	2020
Loss after tax	(£30.2m)	(£36.3m)
Taxation	£19.4m	£6.0m
Interest payable	£47.8m	£50.0m
Exceptional items	£19.3m	£1.8m
Share based payments	£3.7m	£0.6m
Depreciation	£8.2m	£7.7m
Amortisation	£27.8m	£26.3m
Adjusted EBITDA	<u>£96.0m</u>	<u>£56.1m</u>

Cash generated from operations of £27.3m in the year (2020: £62.3m) is after investment in stock of £25.4m (2020: inflow of £4.6m) and an increase in amounts owed from parent company of £26.7m (2020: N/A).

The results included a full year of acquisitions made in 2020 and a part year impact of the five trading acquisitions made in 2021. The 2021 acquisitions were all builders merchant sites:

- Paxcorn Limited (*trading as Builders Supplies West Coast) in January 2021, four sites based on the Fylde coast in Lancashire;
- Higgins Building Supplies in June 2021, three sites based in Wellingborough and Irthlingborough, Northamptonshire;
- Sandysike Builders Merchants Limited in July 2021, a single site based near Carlisle, Cumbria;
- TBS Building Supplies Limited in September 2021, two sites based in Towcester and Daventry, Northamptonshire; and
- Exall Jones Timber and Builders Merchants in October 2021, two sites based in Swansea.

This continues the Group's strategy of growing by a combination of bolt on acquisitions as well as organically. Following on from each acquisition the Group normally invests in each of the sites and rationalises space usage to maximise the product offering available to the customer. Each of the 2021 acquisitions were hived up into the trading company (Huws Gray Limited) on acquisition and together, they contributed £25.2m turnover to the business. Further details are set out in Note 29 to these financial statements.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Review of the business and future developments (cont)

On 18 June 2021, the entire issued share capital of the Company was acquired by Patagonia Bidco Limited, a company registered in England and Wales. On that date the ultimate controlling party of the Company became The Blackstone Group Inc and the entire debt of the business was refinanced within the Blackstone Group. On 30 June 2021, Patagonia Bidco Limited signed a sale and purchase agreement for a further 201 trading sites from Grafton Group (UK) plc. This acquisition completed on 31 December 2021.

On 1 November 2021, the parent company's debt was refinanced to third party banks and the Company and its Group become party to a cross guarantee of the parent company's debt which as at 31 December 2021 totalled £950m. The Group has shared access to a Rolling Capital Facility of £125m which at 31 December 2021 and the date of these accounts is undrawn. Both of the parent company facilities are not due for repayment within five years.

As at 31 December 2021, the Group had net liabilities of £125.9m (2020: £99.4m) principally as a result of the amortisation of goodwill and the accruing of interest on debenture loans and preference shares owned by the shareholders in the Group. If the Group's goodwill of £178.6m (2020: £190.7m) and the funding owed to shareholders of £581.6m (2020: £332.8m) are excluded, the Group has underlying net assets of £273.7m (2020: £42.5m). Following the refinancing in 2021, the group has net current assets of £180.5m (2020: £96.7m).

Exceptional charges of £19.3m (2020: £1.8m) charged to profit and loss were principally the payment of an all employee bonus on the sale of the business and the write off of previously capitalised debt. The 2020 exceptional item related to costs incurred in relation to the completion of restructuring of the Group operations post integration of the 2018 acquisition of the Ridgeons Group.

The number of sites at 31 December 2021 increased from 105 to 118, due to the 13 additions from 2021 acquisitions.

In early 2022, the Group has completed one further acquisition:

- Brick and Stone (Scotland) Limited on 1 March 2022 – a single site brick and stone specialist in Broxburn, West of Edinburgh.

The board of the Group's parent undertaking, Patagonia Bidco Limited is considering opportunities for the expansion of the Group's trade from the transfer in of certain other businesses within the Patagonia Bidco Limited group.

Principal risks and uncertainties

The Group has established a risk register which is used to help to identify and manage the Group's principal and emerging risks. This is reviewed and updated on a quarterly basis and assessment is made of the quality of the mitigation available and whether any further action can be taken.

In addition to the financial risks listed below, the Group considers the following to be significant risks which could have a material impact on the Group's operations and the achievement of its strategic objectives:

- **Supplier risk – product availability.** We are experiencing a number of supply line issues regarding availability of product which we are addressing through our strong supplier partnerships, ensuring that increased stock is held where possible and product is well distributed around our branches.
- **Changing customer landscape.** The Covid pandemic brought changes to customer buying behaviours with an increase in on-line sales. Whilst our core business is to be the well stocked local provider of building materials, focussed on timber and heavyside products which do not lend themselves well to a central distribution model, the Group is developing on-line sales and customer service capabilities.
- **Cyber threat and data security.** Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses. We are looking to meet this with increased investment in appropriate technology and enhanced controls processes.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (cont)

- **People.** Our colleagues are key to our success. Our ability to recruit, develop and retain staff is critical to the high levels of customer service which we look to deliver, with strong product knowledge. We continually review our benefits package to ensure that it is appropriate to the work and skills which our colleagues bring. Projects are underway to enhance our training and apprenticeship programmes.
- **Price inflation.** Cost inflation continues to be seen across both product and overheads. This is largely passed through via proactive pricing action.

Financial risk

The Group uses various financial instruments, these include shareholder loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail below.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by access to revolving credit facilities and overdraft facilities made available on a shared basis through the Group's parent company, Patagonia Bidco Limited.

Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Significant resources are allocated to monitor the Group's debtor ledger on a daily basis to help mitigate and manage financial loss.

Interest rate risk

The Group finances its operations through a mixture of retained profits, finance leases and shareholder borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed with the use of fixed rate facilities.

Key performance indicators

The Group used the following key performance indicators to monitor the Group's performance:

- Revenue: £496.3m (2020: £358.0m)
- Gross margin: 38.3% (2020: 36.5%)
- Adjusted EBITDA: £96.0m (2020: £56.1m)
- Employee numbers: 1,792 (2020: 1,574) employees

The increase in employee numbers in the year is principally a result of the businesses acquired in the year. Monthly management accounts are prepared to review the KPIs.

Events after the reporting date

On 1 March 2022, the Group acquired 100% of the share capital of Brick and Stone (Scotland) Limited – a single site brick and stone specialist in Broxburn, West of Edinburgh, as part of its buy and build strategy to consolidate the market.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172(1) statement

The Company is the parent of the Holyhead Topco Group (the "Group"). The matters that the board is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group board in relation both to the Group and all entities within the Group.

The directors of the Group, in line with their duties under s172 of the Companies Act 2006, act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

The Group has a clear corporate strategy and proven track record of buy and build acquisitions. Following each bolt on acquisition, the strategy employed is to hive up the trade and assets of the acquired business into Huws Gray Limited making the acquired subsidiary dormant, and to integrate the trading operations while simplifying and aligning the corporate structures.

Additionally, a strategic and operational review of each site is carried out. A defined programme of major capital investment, site remodelling and operational and technological integration is undertaken as necessary to drive efficiency, enhance the customer experience and align the operations of the newly acquired business with the successful Huws Gray operating model.

The Group is managed from two main offices with its core head office in Anglesey, North Wales and a sizeable office control function in Pampisford, Cambridge. Decisions on structure and investment are made with a long term view, factoring in the Board's expectations of future increased growth and site performance expectations post site investment and resultant Return on Investment. Following the acquisition by the Company's parent, Patagonia Bidco Limited of the further 201 sites which completed on 31 December 2021, a review of management structures and integration planning is underway to bring the businesses together with centralised support functions.

During 2021, the Group maintained an Executive board which formalises the distinction between the daily operations of the business and the execution of the Group's strategy, and the Holyhead Topco Limited board which is responsible for the long-term sustainable strategy and success of the business, generating value for shareholders whilst taking all stakeholders into account.

The acquisition at the year end of the 201 additional sites by the Company's parent represents a step change in the development of the group but whilst maintaining the same underlying strategy. This strategy is to continue to grow revenue through a combination of organic growth and further bolt on acquisitions under the Buy and Build model in order to further grow the Group's position as one of the leading independents in the Builders Merchants sector in the UK, and to create value to meet the investment return expectations of the Board and Investors.

The Group's risk profile is set out under risks and uncertainties above. The Board remains focussed on the Group's core business and to delivering an exceptional service to its target customer base, as well as investing in operational and technological efficiencies in order to reduce operational gearing to mitigate risk and exposure to instabilities in a cyclical market.

Identity of private equity firm owner

Patagonia Holdco 3 Limited is the ultimate UK holding company of the Company and prepares consolidated statutory accounts (the Patagonia Holdco 3 Group). The Company and its Group is included as part of this Patagonia Holdco 3 Group consolidation. Echo Topco Limited is the ultimate parent of the Group. Echo Topco Limited is registered in Jersey and is controlled by The Blackstone Group Inc via Echo Midco Limited (Jersey). Investments are held as 75.0% Blackstone and 25.0% management.

Blackstone is one of the world's leading investment firms, that seeks to create positive economic impact and long term value for investors, the companies in which it invests, and the communities in which it works. Blackstone's asset management business had \$881 billion in assets under management as at 31 December 2021 across a range of investment vehicles. Blackstone has experience investing in merchanting business, like Huws Gray. Blackstone's investment in Huws Gray has been made through its Private Equity Strategy, which invests in high-quality businesses.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Identity of private equity firm owner (cont)

Due to the filing deadline requirements of the Group the necessary disclosures under the Walker Guidelines are being made in the statutory accounts of Holyhead Topco Limited for the year ended 31 December 2021. For the year ended 31 December 2022 these will be made in Patagonia Holdco 3 Limited.

Details of ultimate parent company board composition

The board of Echo Topco Limited comprises of the following individuals:

Terry Owen	Founder and Executive Chairman	Founded Huws Gray in 1990 and led the development of the business through organic growth and acquisitions. Responsible with the board for group strategy.
Ian Northen	CEO	Joined Huws Gray in 2018 following merger with Ridgeons (previously CEO of Ridgeons). Chartered accountant. MA in Economics and Management Studies from Cambridge University.
Charles Bithell	CFO	Joined Huws Gray in 2020 as CFO. Previous worked as CRO and Finance Director for several UK firms primarily in the construction sector. Chartered accountant. MA in Mathematics from Oxford University.
Dewi Morris	Strategic Director	Joined Huws Gray in 1992 and responsible for acquisitions, site development and rationalisation.
Andrew Wagstaff	Central Operations Director	Joined Huws Gray in 1995 and currently serving as Central Operations Director. BA in Mathematics from Liverpool University.
Juergen Pinker	Investor Director (Blackstone)	Senior Managing Director in the PR Group at Blackstone, where he joined in 2011. Has been involved in the execution of Blackstone's investments in Intertrust, ATC, Elian, Scout24, Armacell, Cerdia, Schenck Process, Stow Group (aka Averys), BME, Desotec, Huws Gray and Array Technologies Inc. Serves on the board of Cerdia, Schenck Process, Stow Group, BME, Desotec, Huws Gray.
Natacha Jamar	Investor Director (Blackstone)	Managing Director in the PE Group at Blackstone, where she joined in 2009. Has been involved in the execution of Blackstone's investments in ICS/Pulse, Versace, Armacell, Merlin, BME Group and Huws Gray. Serves on the board of BME and Huws Gray.
Luca Bonanomi	Investor Director (Blackstone)	Principal in the PE Group at Blackstone where he joined in 2013. Has been involved in Blackstone's investments in Center Parcs, Intertrust, Elian, Armacell, JOA, Clarion, BME, Huws Gray and Grafton's Traditional Merchanting Operations. Serves on the board of BME and Huws Gray.
Jean-Jacques M Lafont	Non Executive Director	Currently non executive Chairman of BME, a leading European Builders Merchant Group. Previously Co-Founder and Executive Chairman of Alliance Automotive Group
Stephen Thompstone	Non Executive Director	Currently Managing Director at Wyckham Blackwell Ltd, providing timber engineering solutions. Previously Chief Executive of Grafton Merchanting GB Limited.

Statement of engagement with colleagues, customers, suppliers, and Investors and other lenders

The directors consider the potential impact of decisions on relevant stakeholders such as the Group's employees, suppliers and customers while also having regard to a range of broader factors including the impact of the Group's operations on the community and environment and ensuring responsible business practices.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of engagement with colleagues, customers, suppliers, and Investors and other lenders (cont)

Colleagues

Our people are key to the success of the Group and the company directors have established structures to provide for effective engagement with the wider workforce. These are based around a flat structure and open culture. Members of senior and area management regularly visit branches to meet colleagues. Specific schemes have been put in place for colleague feedback and ideas, career development and a system put in place to provide visibility of relevant employee issues to senior management. The Group also provides a confidential feedback process if required. All of these processes allow the views of colleagues to be considered at board level. There is regular internal communication from senior management to colleagues covering business development and Group strategy.

The Group believe that having a diverse workforce brings not only diversity of thought, but it also drives innovation and progress, which is key to everything we do.

	Male	Female	Total
Directors	7	-	7
Senior Management	174	27	201
All Other Employees	1,483	188	1,671
Total Employees	1,664	215	1,879

The above employee data is based on the 31 December 2021 headcount.

The Group's selection process for employment, promotion, training or any other benefit is based on aptitude and ability. The Group is committed to working with employees in order that they develop to their full potential. Resources of the workforce will continue to be fully utilised to maximise the efficiency and diversity of the Group.

Customers

Providing strong levels of service and product availability to our customers is critical to our success and we look to create repeat business through engagement with our customers. We communicate on a daily basis in order to drive improvements in the quality of our service proposition, our product offering and to ensure that customer expectations are met e.g. providing them with ethical, sustainable and high quality products at a fair price. We aim to build strong lasting relationships, to understand their needs and views and listen to how we can improve our product offer and service.

Suppliers and sustainability

Our businesses work to maintain an efficient dialogue with suppliers to build strong, long term relationships. Engagement with suppliers is both through regular feedback from branches and more formal reviews from category managers. The company has established systems to co-ordinate supplier feedback from branches to the category managers and senior management. Key areas of focus include product availability and consistency of quality, innovation and product development, health and safety and compliance with our ethical standards. We discuss specific areas such as reducing packaging waste, product range, quality and traceability. Business support and overhead suppliers are monitored from head office on behalf of the branches with specialist teams covering transport, property and non stock purchases. The Group's Energy and Carbon report is disclosed in the Directors' report.

Investors and other lenders

The directors value long term partnerships with the funders to and investors in the business. The founders and management retain a significant stake in the equity and debt of the business. A critical element of this relationship is to share common goals and values which support the business trading model, creating a framework for the appropriate approach to and focus on colleagues, customers and suppliers. Jointly backed by management and private equity investors, the business is funded on a long term and conservative basis to allow prioritisation of investment in improvement of sites and expansion by acquisition over the payment of ongoing returns to investors.

On behalf of the board



T Owen
Chairman

27 May 2022

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and consolidated financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the Company during the period was that of a holding company. The Company is incorporated in England and Wales with a Company Registration Number of 11275148. The principal activity of the Group was selling building materials to trade and retail customers in the United Kingdom.

Results and dividends

Results for the period and financial position for the Group are shown in the annexed financial statements. The Group's loss for the financial period was £30.2m (2020: loss of £36.3m).

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J L Jones	
D Morris	
T Owen	
R J Booth	(Resigned 18 June 2021)
S W Robinson	(Resigned 18 June 2021)
S T Thompstone	
A T Wagstaff	(Appointed 18 June 2021)
I C A Northen	(Appointed 18 June 2021)
C P Bithell	(Appointed 18 June 2021)

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Supplier payment policy

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

Financial Risk Management

The financial risk management of the Group and Company are described in the Strategic Report on pages 2 and 3.

Employment policy

The Group places great emphasis on its employees and has continued its practice of keeping them informed on matters affecting their employment and the financial and economic factors affecting the performance of the Group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Employee involvement

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be considered when making decisions that are likely to affect their interests. Employee involvement in Huws Gray Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance.

Information about matters of concern to employees is given through information bulletins such as staff notice boards, Facebook Group, staff handbook, email and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance. Employees also have access to Strava Group social fitness network and an Employee Care phone line, and are also able to express opinions and ideas via an online portal suggestion box and regular team briefings and individual appraisals. Post year end, in 2022, the Group has established Workvivo as a communication tool, allowing more regular updates to employees.

The founders of the Huws Gray business and other directors maintain a keen interest in the day to day operation and undertake regular branch visits to meet staff and review trading results.

To support the Group's objective of Employing People to Succeed, a dedicated training programme co-ordinates various regular courses and updates.

There is no employee wide share scheme at present, but the directors are in the position of creating a broader scheme as a means of further encouraging the involvement of employees in the Group's performance.

To the extent that decisions made by the Board during the year as referred to within the Section 172(1) disclosure in the Strategic report affected employees, any necessary announcements and consultation programmes were undertaken, during which alternative proposals from employees were communicated to and considered by the Board, and affected employees were also given the opportunity to consider other vacancies within the Group. Reasons for the proposed changes and eventual outcomes were clearly communicated and those affected employees were kept informed via verbal and written communication.

With any structural changes or following acquisitions, a full communication and training programme involving both colleagues and customers is used when system and pricing changes are introduced, in line with established integration procedures. Staff are provided with classroom training supported by experienced colleagues post go live. Feedback from staff is used to refine some of the processes being introduced to better integrate the nuances and cultures of businesses being integrated and their customers.

Following acquisitions and as part of ongoing review, processes and policies are kept under regular review with the aim of mutual learning and developing best practice. The Group has invested in technology to enable the businesses to operate seamlessly across the country.

Future developments

The Group's strategy is to grow by a combination of bolt on acquisitions as well as organically. Following on from each acquisition the Group normally invests in each of the sites and rationalises space usage to maximise the product offering available to the customer. During the year, the Group's new parent undertaking, Patagonia Bidco Limited signed a sale and purchase agreement for the purchase of 201 Grafton GB sites in the UK from Grafton Group (UK) plc and Rock Brook Netherlands BV which was subject to CMA approval. The acquisition completed on 31 December 2021.

Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the group will be put at a General Meeting.

HOLYHEAD TOPCO LIMITED**DIRECTORS' REPORT (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****Energy and carbon report**

	2021	2020
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year	53,522,684	39,996,664
<i>Emissions of CO2 equivalent</i>	Metric tonnes	Metric tonnes
Scope 1 - direct emissions		
- Gas combustion	2,162	637
- Fuel consumed for owned transport	8,933	8,385
	11,095	9,022
Scope 2 - indirect emissions		
- Electricity purchased	1,324	1,033
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company	14	-
Total gross emissions	12,433	10,055
<i>Intensity ratio</i>		
kilo CO2e per employee	7,146	6,392

The increase in energy consumption is due to an increase in the number of branches in the Group in addition to short term closure of branches due to Covid in 2020.

Quantification and reporting methodology

The Group has followed the 2019 HM Government Environmental Reporting Guidelines. The Group has also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in kilogram CO2e per employee, the recommended ratio for the sector.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Measures taken to improve energy efficiency

During the reported financial year, the Group has completed a range of actions in order to improve its energy efficiency. These included:

- The Group appointing a specialist consultant to broker electric and gas renewals across the Group, including ongoing trending and analysis to help identify sites where usage is higher than expected, which in turn will drive specific actions and surveys as required. Schneider Energy have been appointed to manage electric/gas supply contracts, administer data collation and subsequent SECR reporting.
- A program is in place for newly acquired businesses to replace and update old electrics and heating systems with more efficient ones, including replacing lighting with LED, gas boilers and heaters.
- ReTech were appointed in the year to carry out surveys of the Group's property estate and make recommendations for action.
- Fleet is being replaced on a rolling program with more efficient vehicles being used wherever possible and the Group continues to review fleet technologies to ensure fleet efficiency, looking at alternative fuels (electric, HVO) and ongoing driver behaviour monitoring.
- Inclusion of safe and fuel efficient driving as part of the driver CPC program; and
- Looking at options for using a specialist building management company to assess potential areas for energy performance improvements and subsequent savings

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditors of the Company are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditors of the Company are aware of that information.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Going Concern

During the year and post year end, the business has provided strong levels of trading and cash generation to support future growth.

Whilst acknowledging the current challenging trading conditions created by the war in Ukraine and the ongoing negative impact the Covid-19 pandemic has had on supply and the wider economy in 2021 and in particular, product supply and high levels of price inflation, the Group has been able to trade well in 2022. Cost inflation continues to be seen across both product and overheads, largely passed through via pro-active pricing action.

Having consulted with stakeholders extensively during the last few months, including banks, staff, customers and suppliers, the directors consider the group to be in a strong and well prepared position and are confident in the market outlook.

Owing to the corporate structure of the Group, the face of the financial statements show negative net assets, purely as a function of parent Group loans. These loans are not repayable on demand and not expected or required to be repaid in the foreseeable future. They are backed by long term loans set out below. The Group is not under any increased risk as a result of this corporate structure, which is common place in the private equity investment structures. The Group is profitable at EBITDA level and cash generative at the operating activities level.

As explained in the Strategic Report, the Group was acquired by Patagonia Bidco Limited on 18 June 2021. At this point all of the Group's long term bank debt, as shown within Note 22, was repaid and the Group was refinanced with intercompany debt from its parent, Patagonia Bidco Limited.

At 31 December 2021, Patagonia Bidco Limited has £950m of Term Loan B facilities which were used, together with equity investment from shareholders to fund the acquisitions in 2021 and are subject to cross guarantees from the Group.

The Group has access through Patagonia Bidco Limited to an RCF facility of £125m which was undrawn at 31 December 2021 and is currently undrawn. This is available to support working capital needs, capital investments and acquisitions.

The Patagonia Bidco Limited term loans are considered by the directors to be covenant light. They are repayable in 7 years and there are no covenants unless the RCF is drawn by £50m or more at the end of a reporting quarter.

Various scenarios for trading over the period to December 2023 have been modelled, with varying degrees of sensitivity analysis taken into consideration, and the most likely scenarios indicate more than satisfactory liquidity and banking covenant headroom. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

Matters covered in the Strategic Report

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report in accordance with section 414C(II) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Items normally reserved for the Directors' Report relating to risks and uncertainties have been included within the Strategic Report.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Stakeholder engagement

The key stakeholder groups identified by the Board include employees, customers, investors and other lenders and suppliers. To the extent that decisions made by the Board during the year, as referred to within the Section 172(1) disclosure in the Strategic report, affected any of those stakeholder groups, communication and inclusion was carried out by various means.

The trade and assets of each acquisition during the year has been hived across into Huws Gray Limited in the year. In respect of all such transfers of trade and assets, all suppliers and customers were contacted via letter and directly by the Group's commercial team. The investors and other lenders receive regular communications and presentations throughout the year with opportunity for discussion at monthly Board meetings. Additionally, decisions are proposed by and agreed by the Board acting on advice from the Group's professional and legal advisers.

On behalf of the board



T Owen
Chairman

27 May 2022

HOLYHEAD TOPCO LIMITED

Independent auditor's report to the members of Holyhead Topco Limited

Opinion

We have audited the financial statements of Holyhead Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Group Profit and Loss Account, The Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

HOLYHEAD TOPCO LIMITED

Independent auditor's report to the members of Holyhead Topco Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

HOLYHEAD TOPCO LIMITED

Independent auditor's report to the members of Holyhead Topco Limited (continued)

Auditor's responsibilities for the audit of the financial statements (cont)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent company and the industry in which it operates through our general commercial and sector experience and discussions with management. We determined that the following laws and regulations were most significant: the Companies Act 2006, FRS 102 'the Financial Reporting Standards applicable in the UK and Republic of Ireland', relevant UK tax legislation and the Pensions Regulator's Codes of Practice and relevant compliance regulations. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures within the financial statements such as Health and Safety laws and regulations. The risk of non-compliance with Health and Safety laws and regulations was addressed through inquiries with the Health and Safety department.
- We made inquiries with management to understand whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minutes. From the procedures performed we did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - Challenging assumptions and judgements made by management in its significant accounting estimates, being: the fair value of acquired assets and liabilities, useful economic lives of assets and residual values, provisioning in relation to inventory and supplier rebates receivable.
 - Identifying and testing journal entries, in particular manual entries posted to revenue and unusual journal combinations impacting revenue.
 - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

HOLYHEAD TOPCO LIMITED

Independent auditor's report to the members of Holyhead Topco Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (cont)

- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates in and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
- In assessing the potential risk of material misstatement, we obtained an understanding of the Group and parent company's operations, including the nature of its revenue sources to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in material misstatement, and the Group and parent company's control environment, including the adequacy of procedures for the authorisation of transactions.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Stuart Muskett
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
Manchester

27 May 2022

HOLYHEAD TOPCO LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	496,295	358,024
Cost of sales		<u>(306,094)</u>	<u>(227,443)</u>
Gross profit		190,201	130,581
Administrative expenses excluding exceptional items		<u>(134,178)</u>	<u>(113,891)</u>
Exceptional items	5	<u>(14,297)</u>	<u>(1,762)</u>
Administrative expenses		(148,475)	(115,653)
Other operating income	4	<u>150</u>	<u>4,799</u>
Operating profit	6	41,876	19,727
Interest payable and similar expenses	10	(47,746)	(50,027)
Exceptional items - finance costs	5	<u>(4,962)</u>	<u>-</u>
Loss before taxation		(10,832)	(30,300)
Tax on loss	11	<u>(19,348)</u>	<u>(6,030)</u>
Loss for the financial year		<u><u>(30,180)</u></u>	<u><u>(36,330)</u></u>
Loss for the financial year is attributable to:			
- Owners of the parent company		(30,205)	(36,333)
- Non-controlling interests		<u>25</u>	<u>3</u>
		<u><u>(30,180)</u></u>	<u><u>(36,330)</u></u>

All results are from continuing operations.

The notes on pages 25 to 57 are an integral part of the financial statements.

HOLYHEAD TOPCO LIMITED**GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £'000	2020 £'000
Loss for the year	<u>(30,180)</u>	<u>(36,330)</u>
Other comprehensive income		
Return on Scheme assets excluding interest income	(3,057)	7,588
Experience gains on defined benefit obligations	-	641
Actuarial gains/(losses) arising from change in assumptions	3,122	(6,829)
Movement in pension assets due to former shareholders of Ridgeon Group Limited	-	(706)
Authorised surplus payments charge	-	(380)
Tax relating to other comprehensive income	-	(266)
Other comprehensive income for the year	<u>65</u>	<u>48</u>
Total comprehensive (loss) for the year	<u>(30,115)</u>	<u>(36,282)</u>
Total comprehensive income/(loss) for the year is attributable to:		
- Owners of the parent company	(30,140)	(36,285)
- Non-controlling interests	<u>25</u>	<u>3</u>
	<u>(30,115)</u>	<u>(36,282)</u>

HOLYHEAD TOPCO LIMITED**GROUP BALANCE SHEET****AS AT 31 DECEMBER 2021**

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	12		178,602		190,969
Negative goodwill	12		-		(304)
Net goodwill			178,602		190,665
Tangible assets	13		153,829		133,483
Investment properties	14		-		402
Investments	15		1		1
			<u>332,432</u>		<u>324,551</u>
Current assets					
Stocks	17	95,627		64,424	
Debtors falling due after more than one year	18	164		772	
Debtors falling due within one year	18	99,456		57,335	
Cash at bank and in hand		34,460		39,651	
			<u>229,707</u>	<u>162,182</u>	
Creditors: amounts falling due within one year	19	<u>(49,247)</u>		<u>(65,504)</u>	
Net current assets			<u>180,460</u>		<u>96,678</u>
Total assets less current liabilities			<u>512,892</u>		<u>421,229</u>
Creditors: amounts falling due after more than one year	20		<u>(608,752)</u>		<u>(501,950)</u>
Provisions for liabilities					
Provisions	23	2,092		1,883	
Deferred tax liability	24	27,914		16,808	
			<u>(30,006)</u>	<u>(18,691)</u>	
Net liabilities			<u>(125,866)</u>		<u>(99,412)</u>
Capital and reserves					
Called up share capital	26		292		292
Share premium account	28		837		837
Profit and loss reserves			<u>(127,039)</u>		<u>(100,560)</u>
Equity attributable to owners of the parent company			<u>(125,910)</u>		<u>(99,431)</u>
Non-controlling interests			<u>44</u>		<u>19</u>
			<u>(125,866)</u>		<u>(99,412)</u>

HOLYHEAD TOPCO LIMITED
GROUP BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 27 May 2022 and are signed on its behalf by:



T Owen
Chairman



C P Bithell
CFO

HOLYHEAD TOPCO LIMITED**COMPANY BALANCE SHEET****AS AT 31 DECEMBER 2021**

	Notes	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Investments	15		17,766		14,479
Current assets					
Debtors falling due after more than one year	18	213,015		190,206	
Creditors: amounts falling due within one year	19	-		(10)	
Net current assets			213,015		190,196
Total assets less current liabilities			230,781		204,675
Creditors: amounts falling due after more than one year	20		(230,988)		(206,239)
Net liabilities			(207)		(1,564)
Capital and reserves					
Called up share capital	26		292		292
Share premium account	28		837		837
Profit and loss reserves			(1,336)		(2,693)
Total equity			(207)		(1,564)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,929,566 (2020 - loss of £1,645,169).

The financial statements were approved by the board of directors and authorised for issue on 27 May 2022 and are signed on its behalf by:



T Owen
Chairman



C P Bithell
CFO

Company Registration No. 11275148

HOLYHEAD TOPCO LIMITED**GROUP STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Equity attributable to owners of the parent company £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2020		292	837	(64,846)	(63,717)	16	(63,701)
Year ended 31 December 2020:							
Loss for the year		-	-	(36,332)	(36,332)	3	(36,329)
Other comprehensive income:							
Actuarial gains on defined benefit plans		-	-	(380)	(380)	-	(380)
Remeasurements on post-employment benefits		-	-	694	694	-	694
Tax relating to other comprehensive income		-	-	(266)	(266)	-	(266)
Total comprehensive income for the year		-	-	(36,284)	(36,284)	3	(36,281)
Credit to equity for equity settled share-based payments	25	-	-	570	570	-	570
Balance at 31 December 2020		292	837	(100,560)	(99,431)	19	(99,412)
Year ended 31 December 2021:							
Loss for the year		-	-	(30,205)	(30,205)	25	(30,180)
Other comprehensive income:							
Remeasurements on post-employment benefits		-	-	65	65	-	65
Total comprehensive income for the year		-	-	(30,140)	(30,140)	25	(30,115)
Credit to equity for equity settled share-based payments	25	-	-	3,661	3,661	-	3,661
Balance at 31 December 2021		292	837	(127,039)	(125,910)	44	(125,866)

HOLYHEAD TOPCO LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2020		292	837	(1,618)	(489)
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(1,645)	(1,645)
Credit to equity for equity settled share-based payments	25	-	-	570	570
Balance at 31 December 2020		292	837	(2,693)	(1,564)
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(1,930)	(1,930)
Credit to equity for equity settled share-based payments	25	-	-	3,287	3,287
Balance at 31 December 2021		292	837	(1,336)	(207)

HOLYHEAD TOPCO LIMITED**GROUP STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	35		27,288		62,307
Interest paid			(11,558)		(12,135)
Income taxes (paid)/refunded			(16,181)		318
Exceptional items paid			(14,297)		-
Net cash (outflow)/inflow from operating activities			(14,748)		50,490
Investing activities					
Purchase of business		(31,078)		(12,342)	
Purchase of intangible assets		(663)		(133)	
Purchase of tangible fixed assets		(15,743)		(9,652)	
Proceeds on disposal of tangible fixed assets		1,854		1,933	
Proceeds on disposal of investment property		252		-	
Net cash used in investing activities			(45,378)		(20,194)
Financing activities					
Repayment of loan notes		(126,600)		-	
Proceeds of new bank loans		-		23,180	
Proceeds of new parent company loans		366,457		-	
Repayment of bank loans and RCF		(183,900)		(20,100)	
Payment of finance leases obligations		(1,022)		(615)	
Net cash generated from financing activities			54,935		2,465
Net (decrease)/increase in cash and cash equivalents			(5,191)		32,761
Cash and cash equivalents at beginning of year			39,651		6,890
Cash and cash equivalents at end of year			34,460		39,651

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Holyhead Topco Limited ("the company") is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is c/o Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Holyhead Topco Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Holyhead Topco Limited, when preparing the Group financial statements, have not prepared individual profit and loss accounts as permitted by Section 408 of the Companies Act 2006.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.3 Going concern

During the year and post year end, the business has provided strong levels of trading and cash generation to support future growth.

Whilst acknowledging the current challenging trading conditions created by the war in Ukraine and the ongoing negative impact the Covid-19 pandemic has had on supply and the wider economy in 2021 and in particular, product supply and high levels of price inflation, the Group has been able to trade well in 2022. Cost inflation continues to be seen across both product and overheads, largely passed through via pro-active pricing action.

Having consulted with stakeholders extensively during the last few months, including banks, staff, customers and suppliers, the directors consider the group to be in a strong and well prepared position and are confident in the market outlook.

Owing to the corporate structure of the Group, the face of the financial statements show negative net assets, purely as a function of parent Group loans. These loans are not repayable on demand and not expected or required to be repaid in the foreseeable future. They are backed by long term loans set out below. The Group is not under any increased risk as a result of this corporate structure, which is common place in the private equity investment structures. The Group is profitable at EBITDA level and cash generative at the operating activities level.

As explained in the Strategic Report, the Group was acquired by Patagonia Bidco Limited on 18 June 2021. At this point all of the Group's long term bank debt, as shown within Note 22, was repaid and the Group was refinanced with intercompany debt from its parent, Patagonia Bidco Limited.

At 31 December 2021, Patagonia Bidco Limited has £950m of Term Loan B facilities which were used, together with equity investment from shareholders to fund the acquisitions in 2021 and are subject to cross guarantees from the Group.

The Group has access through Patagonia Bidco Limited to an RCF facility of £125m which was undrawn at 31 December 2021 and is currently undrawn. This is available to support working capital needs, capital investments and acquisitions.

The Patagonia Bidco Limited term loans are considered by the directors to be covenant light. They are repayable in 7 years and there are no covenants unless the RCF is drawn by £50m or more at the end of a reporting quarter.

Various scenarios for trading over the period to December 2023 have been modelled, with varying degrees of sensitivity analysis taken into consideration, and the most likely scenarios indicate more than satisfactory liquidity and banking covenant headroom. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.5 Cost of sales

Cost of sales are recognised at the fair value of the consideration paid or payable for goods and services provided in the normal course of business, and is shown net of VAT and other purchase related taxes.

The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates from suppliers. To the extent that supplier rebates have been earned on products which have not yet been sold, such rebates are not included in cost of sales but reduce the value of stock.

1.6 Exceptional item disclosure

Items which are deemed as non-recurring, or outside the normal activity of the company are classified as exceptional items. Exceptional items are disclosed separately on the Profit and Loss Account, and its related notes.

1.7 Intangible assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business 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 amortisation and accumulated impairment losses.

Management have been unable to determine a useful economic life of goodwill and as such have defaulted to 10 years.

1.8 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% on cost
Leasehold land and buildings	Over the length of the lease
Plant and equipment	15 - 20% on reducing balance
Fixtures and fittings	5 - 15% on reducing balance
Motor vehicles	25% on reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Property rented to a group entity is accounted for as tangible assets.

1.10 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.11 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For tangible fixed assets, the Group has ascertained the CGU to be individual trading branch locations.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment. Consistent with tangible assets, the Group has ascertained the CGU to be individual trading branch locations in the context of goodwill. The group of CGUs to which goodwill has been allocated is deemed to be at the entity level as goodwill arising on acquisitions reflects synergies (principally buying benefits) that benefit the whole business. This reflects the lowest level at which management monitor performance of CGUs given that goodwill cannot be isolated to a further down level. Accordingly, impairment testing for goodwill is carried out by reviewing the single group of CGUs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable (net of supplier rebates received), direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.13 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.14 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.15 Equity instruments

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

1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.17 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group 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.

1.18 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.19 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The difference between the fair value of the assets held in the group's defined pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. Changes in the defined scheme asset or liability arising from factors other than cash contributions by the group are charged to the profit and loss account or other comprehensive income in accordance with Section 28 of FRS102 'Employee Benefits'.

1.20 Share-based payments

The group provides share based payment arrangement to certain employees.

Equity settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight line basis over the vesting period. Using the Black-Scholes model, the amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The group has no cash-settled arrangements.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (continued)

1.21 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.22 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

During 2020 and 2021, the company benefited from both Business Rates Relief and Coronavirus Job Retention Scheme, which were Government run schemes.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

No critical judgements have been made in the preparation of the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

Tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of assets and the residual values are assessed annually and may vary depending on a number of factors. This uncertainty is mitigated by the Group's investment in ongoing maintenance which is intended to support the extension of the useful lives of assets. An error in the level of provision would impact the results of the business over the remaining life of the asset.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty (continued)

Fair values on acquired assets and liabilities

In determining the fair value of assets and liabilities that have been acquired, management have been required to apply estimation techniques. The directors have assessed the fair value of acquired assets, with the principal fair value adjustments being in relation to the fair value of acquired freehold properties. In respect of these properties, management have used the support of an independent valuation firm, Knight Frank. The valuations are estimates of the open market values using comparable recent market transactions, indices and data from third parties such as Land Registry and Valuation Office Agency.

Stock provision

Stock is recognised at the lower of cost and net realisable value. The Group sells products that are subject to changing consumer demands and as a result the net realisable value of stock is subject to various external influences. Management review many sources of information to determine the level of provisioning required and the Group uses its large structure and supplier relationships to continually manage the ageing and usage of stock to minimise the risk that stock cannot be sold at above cost, noting that in general, few of the Group's stock lines deteriorate with age. When calculating the stock provision management consider the nature and saleability of the stock but acknowledge that the use of sales projections are best estimates and may vary given demand resulting in a material change in the value of the provision required. An error in the level of provision would be seen to impact the results for the following year.

Rebate debtors receivable

Rebate debtors are recorded at their recoverable values and include an estimate of rebates receivable for which the rebate period does not coincide with these accounts or where the amount is yet to be finalised with the supplier. The recoverability of the rebate debtor is reviewed against post year end information, supplier agreements and historic trends to determine the level of receivable recognised in the accounts but management acknowledge that the amounts recorded are subject to variability given fluctuations in demand over the rebate period and negotiations with suppliers which may result in a change in the level of the rebate that is recoverable. An error in the level of provision would be seen to impact the results for the following year.

3 Turnover and other revenue

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Builders' merchants	496,295	358,024

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	496,295	358,024

4 Other operating income

	2021 £'000	2020 £'000
Coronavirus Job Retention Scheme income	150	4,799

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021**

5 Exceptional items	2021	2020
	£'000	£'000
Group reorganisation	1,333	1,762
Employee bonuses	12,964	-
	<u>14,297</u>	<u>1,762</u>
Charged within operating profit	<u>14,297</u>	<u>1,762</u>
Finance costs	<u>4,962</u>	<u>-</u>

The current and prior years exceptional costs relate to the following:

- Group reorganisation - being predominantly redundancy costs and exit lease payments, along with the hive up of trade from acquisitions to a single entity,
- Employee bonuses - bonuses paid to employees relating to the sale of the Group, and
- Finance costs - being write down of capitalised finance costs from the prior debt structure.

6 Operating profit	2021	2020
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Government grants	(150)	(4,799)
Depreciation of owned tangible fixed assets	8,187	7,658
(Profit)/loss on disposal of tangible fixed assets	(115)	101
Amortisation of intangible assets	27,817	26,288
Share-based payments charge	3,661	570
Operating lease charges	<u>3,542</u>	<u>3,550</u>

7 Auditor's remuneration	2021	2020
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	10	10
Audit of the financial statements of the company's subsidiaries	363	238
	<u>373</u>	<u>248</u>
For other services		
Taxation compliance services	56	40
Other taxation services	17	37
	<u>73</u>	<u>77</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****8 Employees**

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Administration	157	140	-	-
Sales	1,635	1,434	-	-
	<u>1,792</u>	<u>1,574</u>	<u>-</u>	<u>-</u>
Total	<u>1,792</u>	<u>1,574</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Wages and salaries	70,362	48,795	-	-
Social security costs	5,972	4,328	-	-
Pension costs	3,726	1,762	-	-
	<u>80,060</u>	<u>54,885</u>	<u>-</u>	<u>-</u>

Aggregate remuneration in the year included £12,964k (2020: £nil) relating to the cost of employee bonuses arising on the sale of the Group.

9 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	<u>3,383</u>	<u>525</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 0).

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	<u>1,548</u>	<u>161</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****10 Interest payable and similar expenses**

	2021	2020
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	5,280	14,341
Interest payable to parent undertaking	10,823	-
Interest on debenture loans and preference shares	31,661	35,794
	<u>47,764</u>	<u>50,135</u>
Other finance costs:		
Net interest on the net defined benefit asset	(18)	(108)
Total finance costs	<u>47,746</u>	<u>50,027</u>

11 Taxation

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	9,575	5,341
Adjustments in respect of prior periods	99	10
Total current tax	<u>9,674</u>	<u>5,351</u>
Deferred tax		
Origination and reversal of timing differences	2,969	509
Adjustment in respect of prior periods	66	(116)
Changes in tax rates	6,639	286
Total deferred tax	<u>9,674</u>	<u>679</u>
Total tax charge	<u>19,348</u>	<u>6,030</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****11 Taxation (continued)**

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£'000	£'000
Loss before taxation	(10,832)	(30,300)
Tax at standard rate	(2,059)	(5,757)
Fixed asset timing differences	517	1,539
Expenses not deductible for tax purposes	12,770	10,584
Adjustments to brought forward values	461	-
Adjustments in respect of prior periods	165	(216)
Other permanent differences	12	1
Remeasurement of deferred tax	7,482	(121)
Taxation charge	<u>19,348</u>	<u>6,030</u>

Expenses that are not deductible in determining taxable profit include Corporate Interest Restriction, Hybrid and Thin Capitalisation adjustments, Goodwill amortisation and bonuses paid on sale of the Group.

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021	2020
	£'000	£'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	-	266

The Finance Act 2021 states that the corporation tax main rate will remain at 19% up to and including 31 March 2023. From 1 April 2023, the UK corporation tax rate will increase to 25%, and therefore deferred taxes at the balance sheet date have been measured and reflected in these financial statements using the expected future tax rate of 25%.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****12 Intangible fixed assets**

Group	Goodwill	Negative goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	262,068	(378)	261,690
Additions to prior year goodwill	663	378	1,041
Additions - business combinations	14,713	-	14,713
	<u>277,444</u>	<u>-</u>	<u>277,444</u>
At 31 December 2021	277,444	-	277,444
Amortisation and impairment			
At 1 January 2021	71,099	(74)	71,025
Amortisation charged for the year	27,817	-	27,817
Adjustment to prior year goodwill	(74)	74	-
	<u>98,842</u>	<u>-</u>	<u>98,842</u>
At 31 December 2021	98,842	-	98,842
Carrying amount			
At 31 December 2021	<u>178,602</u>	<u>-</u>	<u>178,602</u>
At 31 December 2020	<u>190,969</u>	<u>(304)</u>	<u>190,665</u>

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

Goodwill calculated on the 2020 acquisition of South Milford (Holdings) Limited and Uriah Woodhead & Son (Holdings) Limited were adjusted in 2021, to reflect the final position within 12 months of acquisition.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****13 Tangible fixed assets**

Group	Freehold buildings	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2021	100,506	7,908	11,589	12,828	12,533	145,364
Additions	5,138	215	2,978	2,490	4,922	15,743
Business combinations	12,977	-	128	214	1,060	14,379
Disposals	(1,266)	-	(268)	(148)	(2,206)	(3,888)
Transfer from investment property (note 14)	150	-	-	-	-	150
At 31 December 2021	<u>117,505</u>	<u>8,123</u>	<u>14,427</u>	<u>15,384</u>	<u>16,309</u>	<u>171,748</u>
Depreciation and impairment						
At 1 January 2021	1,817	1,028	2,905	1,606	4,525	11,881
Depreciation charged in the year	2,185	517	1,638	1,060	2,787	8,187
Eliminated in respect of disposals	-	-	(243)	(55)	(1,851)	(2,149)
At 31 December 2021	<u>4,002</u>	<u>1,545</u>	<u>4,300</u>	<u>2,611</u>	<u>5,461</u>	<u>17,919</u>
Carrying amount						
At 31 December 2021	<u>113,503</u>	<u>6,578</u>	<u>10,127</u>	<u>12,773</u>	<u>10,848</u>	<u>153,829</u>
At 31 December 2020	<u>98,689</u>	<u>6,880</u>	<u>8,684</u>	<u>11,222</u>	<u>8,008</u>	<u>133,483</u>

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Plant and equipment	481	601	-	-
Motor vehicles	1,371	1,828	-	-
	<u>1,852</u>	<u>2,429</u>	<u>-</u>	<u>-</u>

HOLYHEAD TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

14 Investment property

	Group 2021 £'000	Company 2021 £'000
Fair value		
At 1 January 2021 and 31 December 2021	402	-
Disposals	(252)	-
Transfer to tangible fixed assets (note 13)	(150)	-
	<u> </u>	<u> </u>
At 31 December 2021	<u> </u>	<u> </u>

15 Fixed asset investments

	Notes	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Investments in subsidiaries	16	-	-	17,766	14,479
Other investments		1	1	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u> </u>	<u> </u>	<u>17,766</u>	<u>14,479</u>

Additions relates to business acquisitions made in the year as set out in Note 29.

Movements in fixed asset investments

Group	Other £'000
Cost or valuation	
At 1 January 2021 and 31 December 2021	<u> </u> 1
Carrying amount	
At 31 December 2021	<u> </u> 1
At 31 December 2020	<u> </u> 1

Movements in fixed asset investments

Company	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2021	14,479
Additions	3,287
	<u> </u>
At 31 December 2021	<u>17,766</u>
Carrying amount	
At 31 December 2021	<u>17,766</u>
At 31 December 2020	<u>14,479</u>

Additions relate to share based payment expense made in the year as set out in Note 25.

HOLYHEAD TOPCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held	
			Direct	Indirect
Holyhead Bidco Limited	Non trading	Ordinary	-	100.00
Holyhead Midco 1 Limited	Non trading	Ordinary	100.00	-
Holyhead Midco 2 Limited	Non trading	Ordinary	-	100.00
Huws Gray Limited	Builders' merchants	Ordinary	-	100.00
Qualplas Limited	Glaziers	Ordinary	-	80.00
Ridgeon Group Limited	Non trading	Ordinary	-	100.00
Ridgeon Holdings Limited	Non trading	Ordinary	-	100.00
Ridgeon Properties Limited	Non trading	Ordinary	-	100.00
Ridgeons Forest Products Limited	Non trading	Ordinary	-	100.00
Ridgeons Limited	Dormant	Ordinary	-	100.00
Shropshire Building Supplies Limited	Dormant	Ordinary	-	100.00
Simmons of Stafford Limited	Dormant	Ordinary	-	100.00
K F Supplies Limited	Dormant	Ordinary	-	100.00
SW Newco Limited	Non trading	Ordinary	-	100.00
A.C. Roof Trusses Limited	Dormant	Ordinary	-	100.00
South Milford (Holdings) Limited	Dormant	Ordinary	-	100.00
Milford Limited	Dormant	Ordinary	-	100.00
Uriah Woodhead & Son (Holdings) Limited	Dormant	Ordinary	-	100.00
Uriah Woodhead & Son Limited	Dormant	Ordinary	-	100.00
Paxcorn Ltd	Dormant	Ordinary	-	100.00
Builders Supplies (West Coast) Limited	Dormant	Ordinary	-	100.00
Higgins Trade Supplies Limited	Dormant	Ordinary	-	100.00
Higgins Holdings Limited	Dormant	Ordinary	-	100.00
Higgins Building Supplies Ltd	Dormant	Ordinary	-	100.00
Higgins Landascape & Garden Centre Limited	Dormant	Ordinary	-	100.00
Sandysike Builders Merchants Limited	Dormant	Ordinary	-	100.00
TBS Building Supplies Ltd	Dormant	Ordinary	-	100.00
Exall Jones Limited	Dormant	Ordinary	-	100.00

All companies are registered at Huws Gray Limited, Industrial Estate, Llangefni, Wales LL77 7JA.

17 Stocks

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	95,627	64,424	-	-

Inventories are stated after provisions for rebates £14,119k (2020: £8,941k) and slow moving products £3,788k (2020: £3,422k).

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****18 Debtors**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	53,308	45,299	-	-
Corporation tax recoverable	3,548	-	-	-
Amounts owed by parent undertakings	26,697	-	-	-
Other debtors	15,142	11,040	-	-
Prepayments and accrued income	711	992	-	-
	<u>99,406</u>	<u>57,331</u>	<u>-</u>	<u>-</u>
Deferred tax asset (note 24)	50	4	-	-
	<u>99,456</u>	<u>57,335</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	213,015	190,206
Deferred tax asset (note 24)	164	772	-	-
	<u>164</u>	<u>772</u>	<u>213,015</u>	<u>190,206</u>
Total debtors	<u>99,620</u>	<u>58,107</u>	<u>213,015</u>	<u>190,206</u>

Amounts owed by group undertakings are subject to 5.25% interest rate, and are repayable on demand, with agreements throughout the group that the lender will always give the borrower a minimum of twelve months' notice to make payments once demanded.

Amounts owed by parent undertakings are interest free, unsecured, and repayable on demand.

Other debtors mainly comprises of rebates due from suppliers.

19 Creditors: amounts falling due within one year

		Group		Company	
	Notes	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Debenture loans	22	-	10,261	-	-
Obligations under finance leases	21	487	937	-	-
Trade creditors		30,214	28,980	-	-
Corporation tax payable		-	2,696	-	-
Other taxation and social security		5,103	9,540	-	-
Other creditors		1,107	5,052	-	-
Accruals and deferred income		12,336	8,038	-	10
		<u>49,247</u>	<u>65,504</u>	<u>-</u>	<u>10</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****20 Creditors: amounts falling due after more than one year**

		Group		Company	
	Notes	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Debenture loans	22	-	116,339	-	-
Bank loans and overdrafts	22	-	178,322	-	-
Obligations under finance leases	21	484	1,056	-	-
Preference shares	22	151,998	151,998	151,998	151,998
Amounts owed to parent undertakings		377,280	-	-	-
Preference share dividends payable		78,990	54,241	78,990	54,241
Other creditors		-	(6)	-	-
		<u>608,752</u>	<u>501,950</u>	<u>230,988</u>	<u>206,239</u>
Payable within one to two years		153	508	-	-
Payable within two to five years		83	116,881	-	-
Payable after five years		<u>608,516</u>	<u>384,561</u>	<u>230,988</u>	<u>206,239</u>

On 18 June 2021, the total balance of the bank debt and debenture loans detailed above was repaid as part of an overall Group refinancing, funded by a long term loan from the Company's parent undertaking Patagonia Bidco Limited. This loan carries interest at 5.5% and is repayable in November 2031.

Preference shares are subject to 12% interest and are repayable by 30 April 2026. On 18 June 2021, all of the preference shares and accumulated dividends were bought by the Company's parent undertaking, Patagonia Bidco Limited. All terms relating to the preference shares remain unchanged.

Amounts included above which fall due after five years are as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Payable other than by instalments	<u>608,268</u>	<u>206,477</u>	<u>230,988</u>	<u>206,239</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****21 Finance lease obligations**

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Future minimum lease payments due under finance leases:				
Within one year	517	937	-	-
In two to five years	280	915	-	-
In over five years	218	231	-	-
	<u>1,015</u>	<u>2,083</u>	-	-
Less: future finance charges	(44)	(90)	-	-
	<u>971</u>	<u>1,993</u>	-	-

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is five years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Loans and overdrafts

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Debenture loans	-	126,600	-	-
Bank loans	-	178,322	-	-
Preference shares	151,998	151,998	151,998	151,998
Long term loans from parent undertaking	377,280	-	-	-
Accumulated loan interest	-	4,362	-	-
	<u>529,278</u>	<u>461,282</u>	<u>151,998</u>	<u>151,998</u>
Payable within one year	-	10,261	-	-
Payable within one to five years	-	309,284	-	-
Payable after five years	529,278	141,737	151,998	151,998

On 18 June 2021, the Group's bank facilities were repaid and cancelled as part of the sale of the Company.

Certain members of the Group act as guarantors for the borrowings of the Company's parent, Patagonia Bidco Limited which include a term loan of £950m and an RCF of £125m. The RCF is undrawn at the balance sheet date and at the date of presentation of these accounts. Neither of these facilities are repayable within five years.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****23 Provisions for liabilities**

		Group		Company	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Dilapidation provision		2,092	1,883	-	-
Deferred tax liabilities	24	<u>27,914</u>	<u>16,808</u>	<u>-</u>	<u>-</u>
		<u>30,006</u>	<u>18,691</u>	<u>-</u>	<u>-</u>

Movements on provisions:

Group	Dilapidation provision
	£'000
At 1 January 2021	1,883
Additional provisions in the year	<u>209</u>
At 31 December 2021	<u>2,092</u>

24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon:

	Liabilities	Liabilities	Assets	Assets
	2021	2020	2021	2020
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	27,914	16,808	-	-
Tax losses	-	-	164	-
Retirement benefit obligations	-	-	-	772
Short term timing differences	-	-	50	4
	<u>27,914</u>	<u>16,808</u>	<u>214</u>	<u>776</u>

The company has no deferred tax assets or liabilities.

	Group	Company
	2021	2021
	£'000	£'000
Movements in the year:		
Liability at 1 January 2021	16,032	-
Charge to profit or loss	4,386	-
Effect of change in tax rate - profit or loss	5,288	-
Arising on acquisition	<u>1,994</u>	<u>-</u>
Liability at 31 December 2021	<u>27,700</u>	<u>-</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****25 Share-based payment transactions
Holyhead Topco Limited**

	Number of shares	
	2021 Number	2020 Number
Outstanding at 1 January 2021	1,284,398	1,281,804
Granted	-	200,200
Exercised	(1,284,398)	-
Expired	-	(197,606)
	<u> </u>	<u> </u>
Outstanding at 31 December 2021	-	1,284,398
	<u> </u>	<u> </u>
Exercisable at 31 December 2021	-	-
	<u> </u>	<u> </u>

Direct Measurement

The Black-Scholes model has been used for valuation of the share-based payment expense.

This model is perhaps the best known valuation model for share awards and is relatively straightforward to implement, requiring the determination of six inputs to the model (share price, exercise price, expected volatility, dividend yield, risk-free rate of return and expected life).

The C and E shares held by all individuals are subject to leaver provisions. In the event of an employee leaving as a bad leaver (including resignation or dismissal), their shares can be repurchased for the lower of cost and fair value.

In other words, other than in limited good leaver situations, an employee needs to continue to provide services to the Company over the period until an exit event to become unconditionally entitled to their C and E Shares. As such, in accordance with FRS 102, the share based payment expense should be recognised over the vesting period, being the period until an expected exit event.

On 18 June 2021, and as part of the purchase of the company by Patagonia Bidco Limited, the shares in Holyhead Topco Limited were sold as part of a drag and tag requirement in the Articles of the company which were sold at a price £50.45 per share.

For this Holyhead Topco Limited scheme, an accelerated share based payment expense of £3,287k (2020 - £570k) was recognised as the old scheme was completed during the vesting period.

Echo Topco Limited

	Number of shares	
	2021 Number	2020 Number
Outstanding at 1 January 2021	-	-
Granted	393,937	-
	<u> </u>	<u> </u>
Outstanding at 31 December 2021	393,937	-
	<u> </u>	<u> </u>
Exercisable at 31 December 2021	-	-
	<u> </u>	<u> </u>

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

25 Share-based payment transactions (continued)

Direct Measurement

The Black-Scholes model has been used for valuation of the share-based payment expense.

The B1 shares in Echo Topco Limited are held by an Employee Benefit Trust on behalf of all individuals and are subject to leaver provisions. In the event of an employee leaving as a bad leaver (including resignation or dismissal), their shares can be repurchased for the lower of cost and fair value.

In other words, other than in limited good leaver situations, an employee needs to continue to provide services to the Company over the period until an exit event to become unconditionally entitled to their B1 Shares.

As such, in accordance with FRS 102, the share based payment expense should be recognised over the vesting period, being the period until an expected exit event, which we understand is anticipated, as at each date of grant, to take place in 2026.

During the year, the company recognised total share-based payment expenses of £374k (2020 - £Nil) relating to the Echo Topco Limited scheme.

Shares awarded under this scheme are sweet equity, which carry no exercise price.

26 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£'000	£'000
Issued and fully paid				
A Ordinary of 2.5p each	3,995,510	3,995,510	100	100
B Ordinary of 2.5p each	6,276,208	6,276,208	157	157
C Ordinary of 2.5p each	1,176,276	1,176,276	29	29
D Ordinary of 2.5p each	117,122	117,122	3	3
E Ordinary of 2.5p each	117,122	117,122	3	3
	<u>11,682,238</u>	<u>11,682,238</u>	<u>292</u>	<u>292</u>
	2021	2020	2021	2020
Preference share capital	Number	Number	£'000	£'000
Issued and fully paid				
Preference of 0.001p each	1,519,983,217	1,519,983,217	15,200	15,200
	<u>1,519,983,217</u>	<u>1,519,983,217</u>	<u>15,200</u>	<u>15,200</u>
Preference shares classified as liabilities			15,200	15,200
			<u>15,200</u>	<u>15,200</u>

All Ordinary shares have the right to vote. Preference share dividends were treated as interest and are redeemable on or by 30 April 2026.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

27 Retirement benefit schemes

	2021	2020
	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	2,410	1,762

Defined benefit schemes

The Group previously operated a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at the earlier of the date the Scheme closed to accrual (30 June 2016), retirement or an earlier date of leaving service.

The Scheme was previously governed by Trustees, who are responsible for ensuring that there are sufficient funds to meet current and future obligations.

The Scheme received a payment of £15m during 2018 and the Trustees resolved to buy out the pension liabilities and wind up the Scheme. A quotation was received in May 2019 indicating that the Scheme had sufficient funds to transact, and throughout the subsequent period the Trustees and their advisers worked with Legal and General Assurance Society (LGAS) to finalise the buying out of all liabilities. Following confirmation on 25 February 2021 by LGAS of the True Up Premium payable by the Trustees, and the payment of this premium by the Trustees to LGAS, the buy-in policy was converted into a buy-out policy which was confirmed by LGAS on 11 March 2021. The formal winding up of the Scheme was triggered on 27 March 2021 when the Scheme had no remaining members. The Scheme was then de-registered with The Pensions Regulator as a registrable scheme on 29 March 2021.

In accordance with an agreement dated 13 October 2018 between the Principal Employer and the former shareholders of Ridgeon Group Limited, the remaining surplus in the Scheme was returned to the former shareholders on 16 June 2021. Please also note that there were around 10 members that had benefits previously secured via insured annuity policies. The pensions under these policies were assigned to the individual members as part of the buy-out process.

A payment of £6.515m was distributed to the beneficiaries, of which £2.280m related to withholding tax at 35% borne by the scheme administrators. The remaining £4.235m was then distributed to the former shareholders.

	27 March 2021	31 December 2020
	%	%
<i>Key assumptions</i>		
Discount rate	1.83	1.24
Expected rate of increase of pensions in payment	3.25	3.06
Expected rate of salary increases	2.80	2.56
RPI Inflation	3.45	3.16
CPI Inflation	2.85	2.56
	<u> </u>	<u> </u>
<i>Mortality assumptions</i>	2021	2020
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	22.5	22.4
- Females	24.1	24.1
	<u> </u>	<u> </u>
Retiring in 20 years		
- Males	24.2	24.1
- Females	25.7	25.6
	<u> </u>	<u> </u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****27 Retirement benefit schemes (continued)**

	2021	2020
	£'000	£'000
<i>Amounts recognised in the profit and loss account</i>		
Net interest on net defined benefit liability/(asset)	(18)	(107)
Other costs and income	141	454
	<u>123</u>	<u>347</u>
<i>Amounts taken to other comprehensive income</i>		
	2021	2020
	£'000	£'000
Return on scheme assets excluding interest income	3,057	(7,588)
Experience gains and (losses) on defined benefit obligations	-	(641)
Actuarial gains and (losses) arising from change in assumptions	(3,122)	6,829
Movement in pension assets due to former shareholders of Ridgeon Group Limited	-	706
Authorised surplus payment charge	-	380
Tax relating to other comprehensive income	-	266
	<u>(65)</u>	<u>(48)</u>

The amounts included in the balance sheet arising from obligations in respect of defined benefit plans are as follows:

	2021	2020
	£'000	£'000
Group		
Present value of defined benefit obligations	-	(41,205)
Fair value of plan assets	-	47,777
	<u>-</u>	<u>(4,428)</u>
Taxation	-	(2,300)
Less net pension assets due to former shareholders	-	(4,272)
	<u>-</u>	<u>(6,572)</u>
Total liability recognised	<u>-</u>	<u>-</u>

	Group
	2021
	£'000
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2021	41,204
Liabilities extinguished on settlements	(37,868)
Benefits paid	(332)
Actuarial gains and losses	(3,122)
Interest cost	118
	<u>-</u>
At 31 December 2021	<u>-</u>

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****27 Retirement benefit schemes (continued)**

	Group 2021 £'000
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2021	47,777
Interest income	136
Return on plan assets (excluding amounts included in net interest)	(3,057)
Assets distributed on settlements	(37,868)
Benefits paid	(332)
Payment to sponsor shareholders	(6,515)
Administration expenses	(141)
	<hr/>
At 31 December 2021	-
	<hr/> <hr/>

Fair value of plan assets at the reporting period end

	Group 2021 £'000	2020 £'000
Cash and net current assets	-	6,572
Insured pensions	-	41,205
	<hr/>	<hr/>
	-	47,777
	<hr/> <hr/>	<hr/> <hr/>

28 Share premium account

Share premium arising from Ordinary shares have been classified as equity, and share premium arising from Preference shares have been classified as liabilities.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****29 Acquisition of a business**

a) On 31 January 2021 the group acquired 100 percent of the issued share capital of Paxcorn Limited.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Property, plant and equipment	1,541	1,449	2,990
Inventories	1,921	-	1,921
Trade and other receivables	1,088	-	1,088
Cash and cash equivalents	699	-	699
Trade and other payables	(1,981)	(195)	(2,176)
Tax liabilities	(12)	(363)	(375)
	<u>3,256</u>	<u>891</u>	<u>4,147</u>
Goodwill			<u>4,599</u>
Total consideration			<u>8,746</u>
			<u>8,746</u>
The consideration was satisfied by:			£'000
Cash			<u>8,746</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

The adjustment to property, plant and equipment relates to the revaluation of freehold property. No acquisition costs have been charged to the profit and loss account, in the year ended 31 December 2021.

The acquired company contributed turnover of £13,790k since acquisition. The impact on profit after tax cannot be separately measured due to the impact on supplier rebates and central costs. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £14,733k.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****29 Acquisition of a business (continued)**

b) On 31 May 2021 the group acquired 100 percent of the issued share capital of Higgins Holdings Limited.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Property, plant and equipment	3,154	3,863	7,017
Inventories	1,847	-	1,847
Trade and other receivables	2,013	-	2,013
Cash and cash equivalents	2,276	-	2,276
Trade and other payables	(1,647)	(112)	(1,759)
Tax liabilities	(427)	(966)	(1,393)
	<u>7,216</u>	<u>2,785</u>	
Total identifiable net assets			10,001
Goodwill			<u>2,671</u>
Total consideration			<u>12,672</u>
The consideration was satisfied by:			£'000
Cash			<u>12,672</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

The adjustment to property, plant and equipment relates to the revaluation of freehold property. No acquisition costs have been charged to the profit and loss account, in the year ended 31 December 2021.

The acquired company contributed turnover of £7,203k since acquisition. The impact on profit after tax cannot be separately measured due to the impact on supplier rebates and central costs. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £11,848k.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****29 Acquisition of a business (continued)**

c) On 30 July 2021 the group acquired 100 percent of the issued share capital of Sandysike Builders Merchants Limited.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Net assets acquired			
Property, plant and equipment	420	(5)	415
Inventories	301	(48)	253
Trade and other receivables	360	-	360
Cash and cash equivalents	1	-	1
Trade and other payables	(756)	(52)	(808)
Tax liabilities	19	-	19
	<u>345</u>	<u>(105)</u>	<u>240</u>
Total identifiable net assets			240
Goodwill			1,989
Total consideration			<u>2,229</u>
The consideration was satisfied by:			£'000
Cash			<u>2,229</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

No acquisition costs have been charged to the profit and loss account, in the year ended 31 December 2021.

The acquired company contributed turnover of £806k since acquisition. The impact on profit after tax cannot be separately measured due to the impact on supplier rebates and central costs. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £1,870k.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****29 Acquisition of a business (continued)**

d) On 7 September 2021 the company acquired 100 percent of the issued share capital of TBS Building Supplies Limited.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Property, plant and equipment	2,864	1,003	3,867
Inventories	1,206	(313)	893
Trade and other receivables	646	-	646
Cash and cash equivalents	913	-	913
Trade and other payables	(898)	(133)	(1,031)
Tax liabilities	(45)	(251)	(296)
	<u>4,686</u>	<u>306</u>	<u>4,992</u>
Goodwill			<u>2,330</u>
Total consideration			<u>7,322</u>
Satisfied by:			£'000
Cash			<u>7,322</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

The adjustment to property, plant and equipment relates to the revaluation of freehold property.

No acquisition costs have been charged to the profit and loss account, in the year ended 31 December 2021.

The acquired company contributed turnover of £2,275k since acquisition. The impact on profit after tax cannot be separately measured due to the impact on supplier rebates and central costs. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £6,730k.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****29 Acquisition of a business (continued)**

e) On 29 October 2021 the company acquired 100 percent of the issued share capital of Exall Jones Limited.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Property, plant and equipment	90	-	90
Inventories	845	-	845
Trade and other receivables	1,191	-	1,191
Cash and cash equivalents	824	-	824
Trade and other payables	(941)	(98)	(1,039)
Tax liabilities	(212)	-	(212)
	<u>1,797</u>	<u>(98)</u>	<u>1,699</u>
Total identifiable net assets			<u>1,699</u>
Goodwill			<u>3,123</u>
Total consideration			<u>4,822</u>
Satisfied by:			£'000
Cash			<u>4,822</u>

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

No acquisition costs have been charged to the profit and loss account, in the year ended 31 December 2021.

The acquired company contributed turnover of £1,080k since acquisition. The impact on profit after tax cannot be separately measured due to the impact on supplier rebates and central costs. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £7,247k.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****30 Operating lease commitments****Lessee**

At the reporting date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Within one year	2,984	3,039	-	-
Between two and five years	9,281	7,704	-	-
In over five years	31,249	30,500	-	-
	<u>43,514</u>	<u>41,243</u>	<u>-</u>	<u>-</u>

31 Capital commitments

The Group and the Company had no capital commitments as of 31 December 2021 or 31 December 2020.

32 Events after the reporting date

On 1 March 2022, the Group acquired 100% of the share capital of Brick and Stone (Scotland) Limited – a single site brick and stone specialist in Broxburn, West of Edinburgh, as part of its buy and build strategy to consolidate the market.

33 Related party transactions**Transactions with related parties**

The group has taken the exemption conferred by FRS 102 Section 33 not to disclose transactions with wholly owned subsidiary entities.

During the year the group entered into the following transactions with related parties:

During the year Inflexion Partnership Capital Fund I (No. 1) Limited Partnership charged interest on an outstanding loan of £6,912k (2020 - £13,785k).

At the year end, Huws Gray was owed £98k (2020 - £134k) from its subsidiary, Qualplas Limited. During the year purchases from Qualplas Limited totalled £331k (2020 - £230k) and sales to Qualplas Limited totalled £28k (2020 - £26k).

The remuneration of key management personnel is £3,383k (2020 - £1,475k).

34 Controlling party

Until 18 June 2021, the Group had no ultimate controlling party. The largest shareholder was Inflexion Partnership Capital Fund I (No. 1) Limited Partnership with approximately 34% of the share capital.

With effect from 18 June 2021 and therefore at the reporting date, the company's ultimate parent undertaking is Echo Topco Limited, a company registered in Jersey. The ultimate controlling party from this date is The Blackstone Group Inc. The largest group in which company which the results of the Company are expected to be consolidated is Patagonia Holdco 3 Limited, a company registered in England and Wales.

HOLYHEAD TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****35 Cash generated from group operations**

	2021	2020
	£'000	£'000
Loss for the year after tax	(30,180)	(36,329)
Adjustments for:		
Taxation charged	19,348	6,030
Finance costs	52,708	50,027
Exceptional items	14,297	-
(Gain)/loss on disposal of tangible fixed assets	(115)	101
Amortisation and impairment of intangible assets	27,817	26,288
Depreciation and impairment of tangible fixed assets	8,187	7,658
Pension scheme non-cash movement	65	314
Equity settled share based payment expense	3,661	570
Movements in working capital:		
(Increase)/decrease in stocks	(25,444)	4,647
Increase in debtors	(33,229)	(2)
(Decrease)/increase in creditors	(10,036)	3,821
Increase/(decrease) in provisions	209	(818)
Cash generated from operations	<u>27,288</u>	<u>62,307</u>

36 Analysis of changes in net debt - group

	1 January	Cash flows	Non-	31 December
	2021	£'000	cashflows	2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	39,651	(5,191)	-	34,460
Borrowings excluding overdrafts (1)	(304,922)	310,500	(5,578)	-
Preference shares	(151,998)	-	-	(151,998)
Preference dividends payable (2)	(54,241)	-	(24,749)	(78,990)
Long term loans from parent undertaking (3)	-	(366,457)	(10,823)	(377,280)
Obligations under finance leases	(1,993)	1,022	-	(971)
	<u>(473,503)</u>	<u>(60,126)</u>	<u>(41,150)</u>	<u>(574,779)</u>

Non-cashflows movements are as follows:

- (1) Amortisation and write down of capitalised bank fees
- (2) Accrued preference shares dividend
- (3) Interest accrued on long term loans from parent undertaking