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Company Registration No. 11275148 (England and Wales)

HOLYHEAD TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

HOLYHEAD TOPCO LIMITED

COMPANY INFORMATION

Directors	J L Jones	
	D Morris	
	T Owen	
	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)
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 4 Hardman Square Spinningfields Manchester M3 3EB	

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HOLYHEAD TOPCO LIMITED

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HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the Strategic Report on the Company and the Group for the year ended 31 December 2020.

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 before exceptional charges increased by 20% to £56.1m (2019: £46.6m). This was despite difficult trading conditions under the Covid 19 outbreak in which the Group's branches closed entirely for around 6 weeks from the last week of March. Year on year, turnover saw a £22.9m fall to £358.0m.

The reduction in loss after taxation of £5.4m from £41.7m to £36.3m reflects:

- A decrease of £0.4m in gross profit with an underlying improvement in gross margin by 2.1%, arising from an increase in sales to non account customers and a reduction in the mix of direct sales;
- net savings in overheads of £7.8m arising mainly from the Group restructuring referred to below and reduced net costs following the period of closure;
- a reduction exceptional items of £5.2m (prior year exceptionals principally related to the restructuring of Ridgeons following acquisition; offset by
- an increase interest charges of £5.0m and corporation tax charge of £2.2m.

The adjusted EBITDA is set out as follows:

	2020	2019
Loss after tax	£(36.3)m	£(41.7)m
Taxation	£6.0m	£3.8m
Interest payable	£50.0m	£45.0m
Exceptional items	£1.8m	£7.0m
Share based payments	£0.6m	£-
Depreciation	£7.7m	£6.2m
Amortisation	£26.3m	£26.3m
Adjusted EBITDA	£56.1m	£46.6m

During the first half of 2020, in order to mitigate in part the impact of branch closures and reduced volumes, the Group undertook a number of cost reduction actions and was also able to access government assistance from the Coronavirus Job Retention Scheme (CJRS) and Business Rates Relief arrangements. In the second quarter of the year, advantage was also taken of the government scheme to defer £5.1m of VAT which was repaid in full in March 2021.

The results included a full year of acquisitions made in 2019 and a part year impact of the three trading acquisitions made in 2020. The 2020 acquisitions were:

- AC Roof Truss in March 2020 – a single site timber engineering business specialists based in Welshpool providing roof truss and timber frame components to the construction market;
- Milfords Limited in September 2020 – a two site builders merchant business based in Leeds; and
- Uriah Woodhead Limited in November 2020 – a two site builders merchant business based in Bradford.

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 2020 acquisitions were hived up into the trading company (Huws Gray Limited) on acquisition and together, they contributed £6.6m turnover and £1.4m of EBITDA to the business. Further details are set out in Note 29 to these financial statements.

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Review of the business and future developments (cont)

As at 31 December 2020, the Group had net liabilities of £99.4m (2019: £63.7m) 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 £190.7m (2019: £211.7m) and the funding owed to shareholders (being debenture loans, preference shares, preference share dividends and accumulated interest totalling £332.8m (2019: £288.0m) (see note 20 of the accompanying statements)) are excluded, the Group has underlying net assets of £42.7m (2019: £12.6m).

Exceptional charges of £1.8m (2019: £7.0m) charged to the profit and loss were principally costs incurred in relation to the completion of restructuring of the Group operations post integration of the 2018 acquisition of the Ridgeons Group. In 2020 the business exited from a number of the ex-Ridgeons Plumstock and ATC branches as part of the focus on core building materials sites. This was completed during the summer of 2020.

The number of sites at 31 December 2020 decreased from 107 to 105, comprising 5 additions from acquisition and 7 closures of the Ridgeons sites noted above.

In early 2021, the Group has completed three further acquisitions:

- Builders Supplies West Coast Limited on 31 January 2021 – a four site builders merchant business based on the Fylde coast in Lancashire;
- Higgins Trade Suppliers Limited on 31 May 2021 – a three site builders merchant business based in Wellingborough; and
- Sandysike Builders Merchants Limited on 30 July 2021 – a single site builders merchant based in Longtown, Cumbria

and opened a site in Burnley for which the property was purchased at the end of 2020 and has been redeveloped. This takes the current number of sites to 114. Heads of terms have been agreed for further acquisitions in 2021.

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 an 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:

- Covid 19 Pandemic. The Group has invested significant management time and resource in creating processes to address the risks associated with Covid 19. Consideration has been focussed on the safety of our colleagues, customers and suppliers whilst trying to optimise the customer experience.
- 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 has brought changes to customer buying behaviours with an increase in on-line sales. 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.
- 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.
- 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.

HOLYHEAD TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties (cont)

Financial risk

The Group uses various financial instruments, these include shareholder and bank 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 revolving credit facilities and overdraft facilities. The maturity of borrowings is set out in the notes to the financial statements.

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 and bank borrowings. The Group's exposure to interest rate fluctuations on its borrowings is managed with the use of both fixed and floating rate facilities.

Key performance indicators

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

- Revenue: £358.0m (2019: £380.9m)
- Gross margin: 36.5%% (2019: 34.4%)
- Adjusted EBITDA: £56.1m (2019: £46.6m)
- Employee numbers: 1,574 (2019: 1,661) employees

The reduction in employee numbers of 87 in the year is principally a result of the business rationalisations noted on page 1.
Monthly management accounts are prepared to review the KPIs.

Events after the reporting date

On 31 January 2021, the Group acquired 100% of the share capital of Paxcorn Limited (trading as Builders Supplies (West Coast) Limited), a builder's merchant based in Fylde, North West Lancashire, as part of its buy and build strategy to consolidate the market.

On 8 February 2021 there was a major fire at one of the branches. This has reopened using temporary buildings.

On 31 May 2021, the Group acquired 100% of the share capital of Higgins Trade Supplies Limited (trading as Higgins Building Supplies Ltd and Higgins Landscape & Garden Centre Limited), a builder's merchant based in Wellingborough, Northants, as part of its buy and build strategy to consolidate the market.

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 this date the ultimate controlling party of the company became The Blackstone Group Inc and the entire debt of the business was refinanced. On 30 June 2021, Patagonia Bidco Limited signed a sale and purchase agreement for a further 201 trading sites from Grafton Group (UK) place. For further details see later in this report and note 31 to these financial statements.

On 30 July 2021, the Group acquired 100% of the share capital of Sandysike Builders Merchants Limited, a builder's merchant based in Longtown, Cumbria, as part of its buy and build strategy to consolidate the market.

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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 strategic acquisition of the Ridgeons Group in 2018 resulted in an extended and large scale integration programme on a scale not undertaken before but still following the tried and tested integration programme of the Group. This included a process of consultation and communication as deemed appropriate with employees, customers and suppliers. The hive across of the trade and assets of Ridgeons was completed in January 2019 but further work continued into 2020 on the post acquisition integration and rationalisation.

This programme was completed in 2020 and whilst the principal objective was to retain talent through a TUPE process, it included the restructure and consolidation of certain functions as part of a structuring to establish the optimum management structure for the long term. Whilst the Group has retained a sizeable office control function in Pampisford, Cambridge, its core head office continues to be in Anglesey, North Wales. 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.

During 2020, the Group completed the rationalisation of the Group's non core operations resulting in the closure of a small number of ATC and Plumbstock branches, again adopting a process of long term planning and communication.

During 2020, the Group created an Executive board, formalising 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.

There have been no significant changes to the Holyhead Group strategy in 2020. The strategy of the Group 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.

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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 Company's employees, suppliers and customers while also having regard to a range of broader factors including the impact of the Company's operations on the community and environment and ensuring responsible business practices.

Colleagues

Our people are key to the success of the Company 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 company 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 company strategy.

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
Director

Date: September 2021
3/9/2021

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HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and consolidated financial statements for the year ended 31 December 2020.

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 £36.3m (2019: £41.7m).

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.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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.

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 considering 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. Post year end on 30 June 2021, the Group’s new parent undertaking, Patagonia Bidco Limited has 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 is subject to CMA approval.

HOLYHEAD TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Auditor

Grant Thornton UK LLP were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

Energy consumption	**kWh**	**kWh**
Aggregate of energy consumption in the year		
- Gas combustion	3,127,242	
- Electricity purchased	4,432,293	
- Fuel consumed for transport	32,437,129	
		39,996,664

Emissions of CO2 equivalent	**Metric tonnes**	**Metric tonnes**
Scope 1 - direct emissions		
- Gas combustion	637	
- Fuel consumed for owned transport	8,385	
		9,022
Scope 2 - indirect emissions		
- Electricity purchased		1,033
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company		-
Total gross emissions		10,055
Intensity ratio		
kilo CO2e per employee		6,392

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.

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:

- Appointed 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.
- A program in place for any new acquisitions to replace and update old electrics & heating systems to more efficient ones, including replacing lighting with LED, gas boilers and heaters etc.
- Fleet - replacing fleet on rolling program with more efficient vehicles wherever possible and continuing to review fleet technologies to ensure fleet efficiency.
- 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.

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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.

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Going Concern

Following the staged re-opening of the business in May 2020 which had closed as a result of the Covid-19 pandemic, the business has provided strong levels of trading in the interim period, subject to complying with government guidance for example of social distancing and the closure of showrooms.

Whilst acknowledging the ongoing negative impact the Covid-19 pandemic has had on the wider economy in 2021 and perhaps beyond, there are a number of positive indicators from trading since operations resumed, including strong demand, which are continuing in 2021. 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 a net loss and negative net assets for the period, purely as a function of private equity financial investment instruments which are interest bearing. This interest is not payable until the exit of the financial investor and is funded on such an exit, and as such needs to be discounted when considering the performance and position of the Group during this period of investment. 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.

As explained more fully within ‘Note 31 – Events occurring after the reporting period’, the Group was acquired by Patagonia Bidco Limited on 18 June 2021. At this point all of the Group’s long term debt, as shown with Note 20, was repaid and the Group was refinanced with a short term bridge financing facility of £530m arranged by the Group’s controlling party, The Blackstone Group Inc. There are no banking covenants attached to this facility and due to its short term nature, this facility is repayable on demand within one year.

On 18 June 2021, commitment papers were signed to enable the future refinancing of this short term facility. The new facilities comprise a revolving facility to be used for working capital and acquisitions and £550m of senior secured Term loan B. Management anticipate that the drawdown will be completed in autumn 2021 and are comfortable that the available facilities are adequate to repay the short term financing as provided by Blackstone Group Inc.

On 30 June 2021, Group’s new parent undertaking Patagonia Bidco Limited signed a sale and purchase agreement with Grafton Group (UK) plc and Rock Brook Netherlands BV for the purchase of 201 Grafton GB sites in the UK from Grafton Group (UK) plc with the completion being subject to CMA approval.

As part of the 18 June 2021 commitment papers, funding was additionally agreed for the acquisition of the Grafton GB sites noted above. These facilities represent a further Term loan B of £400m which will cover the consideration for this acquisition, to be drawn at completion of the acquisition.

Various scenarios for trading over the coming twelve months 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. The completion of the acquisition of the Grafton GB sites is subject to CMA approval and the directors have considered the various possible outcomes and timings to the process. Even when modelling plausible ‘worst-case’ scenarios, including for example, further restrictions to trade or a protracted CMA approval process, there is still reasonable liquidity and banking covenant headroom for at least the next twelve months. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

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
Director

Date: September 2021
3/9/2021

HOLYHEAD TOPCO LIMITED

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

Opinion

We have audited the financial statements Holyhead Topco Limited (the 'parent company') and its subsidiaries for the year ended 31 December, which comprise 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 the 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 company's affairs as at 31 December 2020 and of its 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 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 and 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 company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the 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 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 or 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.

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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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 and 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 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. 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 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 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.

- We assessed the susceptibility of the group and 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 recognition of impairment in relation to investments, the recognition of impairment in relation to goodwill, useful economic lives of assets and residual values, the valuations of pensions, provisioning in relation to inventory, trade receivables and dilapidations.

  - Identifying and testing journal entries, in particular manual entries posted to revenue and unusual journal combinations impacting revenue.

  - Assess the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- 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

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- In assessing the potential risk of material misstatement, we obtained an understanding of the group and 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 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

September 2021
3/9/2021

4 Hardman Square
Spinningfields
Manchester
M3 3EB

HOLYHEAD TOPCO LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	**3**	358,024	380,933
Cost of sales		(227,443)	(249,946)
Gross profit		130,581	130,987
Administrative expenses excluding exceptional items		(113,890)	(116,909)
Exceptional items	**5**	(1,762)	(6,957)
Administrative expenses		(115,652)	(123,866)
Other operating income	**4**	4,799	-
Operating profit	**6**	19,728	7,121
Interest payable and similar expenses	**10**	(50,027)	(44,994)
Loss before taxation		(30,299)	(37,873)
Tax on loss	**11**	(6,030)	(3,787)
Loss for the financial year		(36,329)	(41,660)
Loss for the financial year is attributable to:			
- Owners of the parent company		(36,332)	(41,674)
- Non-controlling interests		3	14
		(36,329)	(41,660)

All results are from continuing operations.

The notes on pages 22 to 53 are an integral part of the financial statements.

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HOLYHEAD TOPCO LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Loss for the year	(36,329)	(41,660)
Other comprehensive income		
Return on Scheme assets excluding interest income	7,588	(10,739)
Experience gains on defined benefit obligations	641	(277)
Actuarial losses arising from change in assumptions	(6,829)	(3,967)
Adjustments in excess of interest in accordance with the limits in FRS 102 paragraph 28.22	-	15,359
Recognition of pension assets not previously recognised	-	3,566
Movement in pension assets due to former shareholders of Ridgeon Group Limited	(706)	(3,566)
Authorised surplus payments charge	(380)	-
Tax relating to other comprehensive income	(266)	(675)
Other comprehensive income for the year	48	(299)
Total comprehensive loss for the year	(36,281)	(41,959)
Total comprehensive loss for the year is attributable to:		
- Owners of the parent company	(36,284)	(41,973)
- Non-controlling interests	3	14
	(36,281)	(41,959)

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HOLYHEAD TOPCO LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Goodwill	**12**		190,969		211,719
Negative goodwill	**12**		(304)		-
Net goodwill			190,665		211,719
Tangible assets	**13**		133,483		127,541
Investment properties	**14**		402		402
Investments	**15**		1		1
			324,551		339,663
Current assets					
Stocks	**17**	64,424		66,218	
Debtors falling due after more than one year	**18**	772		1,402	
Debtors falling due within one year	**18**	57,335		58,583	
Cash at bank and in hand		39,651		6,890	
		162,182		133,093	
Creditors: amounts falling due within one year	**19**	(65,504)		(50,934)	
Net current assets			96,678		82,159
Total assets less current liabilities			421,229		421,822
Creditors: amounts falling due after more than one year	**20**		(501,950)		(466,851)
Provisions for liabilities	**23**		(18,691)		(18,672)
Net assets excluding pension liability			(99,412)		(63,701)
Net liabilities			(99,412)		(63,701)
Capital and reserves					
Called up share capital	**26**		292		292
Share premium account	**28**		837		837
Profit and loss reserves			(100,560)		(64,846)
Equity attributable to owners of the parent company			(99,431)		(63,717)
Non-controlling interests			19		16
			(99,412)		(63,701)

The financial statements on pages 15 to 53 were approved by the board of directors on 3/9/2021 September 2021 and are signed on its behalf by:

T Owen
Director

C P Bithell
C P Bithell
Director

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HOLYHEAD TOPCO LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments	**15**		14,479		13,909
Current assets					
Debtors falling due after more than one year	**18**	190,206		169,791	
Debtors falling due within one year	**18**	-		50	
		190,206		169,841	
Creditors: amounts falling due within one year	**19**	(10)		(10)	
Net current assets			190,196		169,831
Total assets less current liabilities			204,675		183,740
Creditors: amounts falling due after more than one year	**20**		(206,239)		(184,229)
Net liabilities			(1,564)		(489)
Capital and reserves					
Called up share capital	**26**		292		292
Share premium account	**28**		837		837
Profit and loss reserves			(2,693)		(1,618)
Opening profit and loss reserve			(1,618)		212
Loss in year			(1,075)		(1,830)
Closing profit and loss reserve			(2,693)		(1,618)
Total equity			(1,564)		(489)

The financial statements on pages 15 to 53 were approved by the board of directors on 3/9/2021 September 2021 and are signed on its behalf by:

C P Bithell

T Owen
Director

C P Bithell
Director

Company Registration No. 11275148

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HOLYHEAD TOPCO LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	292	837	(22,874)	(21,745)	2	(21,743)
Year ended 31 December 2019:						
Loss in the year	-	-	(41,674)	(41,674)	14	(41,660)
Other comprehensive expenditure	-	-	(299)	(299)	-	(299)
Total comprehensive loss for the year	-	-	(41,972)	(41,972)	14	(41,958)
Transactions with members:						
Balance at 31 December 2019	292	837	(64,846)	(63,717)	16	(63,701)
Year ended 31 December 2020:						
Loss in the year	-	-	(36,332)	(36,332)	3	(36,329)
Other comprehensive income	-	-	48	48	-	48
Total comprehensive loss for the year	-	-	(36,284)	(36,284)	3	(36,281)
Transactions with members:						
Credit to equity for equity settled share-based payments	-	-	570	570	-	570
Balance at 31 December 2020	292	837	(100,560)	(99,431)	19	(99,412)

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HOLYHEAD TOPCO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital	Share premium account	Profit and loss reserves	Total
		£'000	£'000	£'000	£'000
Balance at 1 January 2019		292	837	212	1,341
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(1,830)	(1,830)
Balance at 31 December 2019		292	837	(1,618)	(489)
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(1,645)	(1,645)
Transactions with members:					
Credit to equity for equity settled share-based payments		-	-	570	570
Balance at 31 December 2020		292	837	(2,693)	(1,564)

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HOLYHEAD TOPCO LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Cash flows from operating activities					
Cash generated from operations	**34**		62,307		39,570
Interest paid			(12,135)		(12,686)
Income taxes refunded/(paid)			318		(6,040)
Net cash inflow from operating activities			50,490		20,844
Investing activities					
Purchase of business		(12,342)		(3,585)	
Purchase of intangible assets		(133)		(1,300)	
Purchase of tangible fixed assets		(9,652)		(15,792)	
Proceeds on disposal of tangible fixed assets		1,933		1,528	
Net cash used in investing activities			(20,194)		(19,149)
Financing activities					
Proceeds of new bank loans		23,180		8,880	
Repayment of bank loans		(20,100)		(2,500)	
Payment of finance leases obligations		(615)		(1,336)	
Net cash generated from financing activities			2,465		5,044
Net increase in cash and cash equivalents			32,761		6,739
Cash and cash equivalents at beginning of year			6,890		151
Cash and cash equivalents at end of year			39,651		6,890

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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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.

The Group consists of Holyhead Topco Limited and all of its subsidiaries.

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 Business combinations

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.

1.3 Basis of consolidation

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 2020. 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 2020

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1 Accounting policies (Continued)

1.4 Going concern

Owing to the corporate structure of the Group, the face of the financial statements show a net loss and negative net assets for the period, purely as a function of private equity financial investment instruments which are interest bearing. This interest is not payable until the exit of the financial investor and is funded on such an exit, and as such needs to be discounted when considering the performance and position of the Group during this period of investment. 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.

As explained more fully within 'Note 31 – Events occurring after the reporting period', the Group was acquired by Patagonia Bidco Limited on 18 June 2021. At this point all of the Group's long term debt, as shown with Note 20, was repaid and the Group was refinanced with a short term bridge financing facility of £530m arranged by the Group's controlling party, The Blackstone Group Inc. There are no banking covenants attached to this facility and due to its short term nature, this facility is repayable on demand within one year.

On 18 June 2021, commitment papers were signed to enable the future refinancing of this short term facility. The new facilities comprise a revolving facility to be used for working capital and acquisitions and £550m of senior secured Term loan B. Management anticipate that the drawdown will be completed in autumn 2021 and are comfortable that the available facilities are adequate to repay the short term financing as provided by Blackstone Group Inc.

On 30 June 2021, Group's new parent undertaking Patagonia Bidco Limited signed a sale and purchase agreement with Grafton Group (UK) plc and Rock Brook Netherlands BV for the purchase of 201 Grafton GB sites in the UK from Grafton Group (UK) plc with the completion being subject to CMA approval.

As part of the 18 June 2021 commitment papers, funding was additionally agreed for the acquisition of the Grafton GB sites noted above. These facilities represent a further Term loan B of £400m which will cover the consideration for this acquisition, to be drawn at completion of the acquisition.

Various scenarios for trading over the coming twelve months 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. The completion of the acquisition of the Grafton GB sites is subject to CMA approval and the directors have considered the various possible outcomes and timings to the process. Even when modelling plausible 'worst-case' scenarios, including for example, further restrictions to trade or a protracted CMA approval process, there is still reasonable liquidity and banking covenant headroom for at least the next twelve months. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

1.5 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.

1.6 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.

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1 Accounting policies (Continued)

1.7 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.

1.8 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.

1.9 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.

1.10 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, 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.

In accordance with its procedures, the Group reviews the estimated useful lives and residual values of its tangible fixed assets on an ongoing basis.

The latest residual values review indicated that the depreciation on freehold land and buildings was different than previously stated in earlier financial statements.

As a result, effective from 1 January 2020, the Group has changes its depreciation policy relating to freehold land and buildings to better reflect the estimated residual value, which has been reduced to nil.

The freehold land and buildings were previously not depreciated, and this has been increased to 2% on cost.

The effect of this change is to increase the 2020 deprecation charge by £1,817k.

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1 Accounting policies (Continued)

1.11 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.

1.12 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

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.

1.13 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 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. Goodwill is tested at a Group level as lower levels of cash generating unit cannot be separately identified.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

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1 Accounting policies (Continued)

1.14 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.

1.15 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.

1.16 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (Continued)

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.

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.

1.17 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.

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1 Accounting policies (Continued)

1.18 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.

1.19 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.

1.20 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 Accounting policies (Continued)

1.21 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'.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

At the year end, the scheme was in the process of being bought out. Post year end the buyout of all policies has been completed and the scheme is in the process of being wound up. Under the sale and purchase agreement for Ridgeons Limited in 2018 is was agreed that any surplus in the scheme would be passed back to the vendor, net of a required 35% tax deduction. In these accounts, that deduction has been applied directly to the asset rather than being shown separately as deferred tax as it does not relate to the companies liability for tax but is a tax on withdrawals from the scheme.

1.22 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.

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1 Accounting policies (Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The group has no cash-settled arrangements.

1.23 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.

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Pension asset recoverability

During the acquisition of Ridgeon Group Limited, an agreement was reached that any recovered surplus from the scheme would be reimbursed to the former shareholders. Management have noted that no specific guidance is contained within accounting standards in respect of this scenario and as such have been required to form an appropriate accounting policy in order to reflect the substance of this transaction. Given that the plan and obligation were assumed at the same time, in contemplation of one another and there is clear economic linkage between the asset and the liability, management have determined that it is appropriate to recognise the vendor obligation as a cost of accessing the asset, thus reducing the asset recognised to £Nil. This treatment is considered by management to be a key judgement given the lack of definitive guidance in this area.

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.

2 Judgements and key sources of estimation uncertainty (Continued)

Impairment of investments

Investments are initially valued at cost and subsequent annual impairment reviews are carried out. Calculation of any impairment requires judgments to be made as to the recoverability of the future economic benefit of the investments with the value in use tested using the group's own cost of capital and the market rate. For this purpose, the Group makes conservative estimates of the future economic benefit based on the current profitability and cashflows generated by those investments with the uncertainty that current performance cannot be assumed to reflect future performance.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. A review has been performed to assess whether there are any impairment indicators at the reporting date and no impairment has been identified. For this purpose, the Group's estimates of future cashflows are based on the current cashflows generated by those investments with the uncertainty that current performance cannot be assumed to reflect future performance.

Useful economic lives of 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.

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.

Pension valuations and asset recoverability

The valuation of the defined benefit pension scheme asset and associated liability to the previous shareholders of Ridgeon Group Limited are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are considered to be subject to significant uncertainty.

3 Turnover and other revenue

	2020	**2019**
	£'000	**£'000**
Turnover analysed by class of business		
Builders' merchants	358,024	380,933

3 Turnover and other revenue (Continued)

	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	358,024	380,933

4 Other operating income

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme income	4,799	-

5 Exceptional items

	2020 £'000	2019 £'000
Group reorganisation	1,762	6,957

The current and prior year's exceptional costs relate to the group reorganisation and closure of branches, predominantly redundancy costs and exit lease payments, along with the hive up of trade to a single company.

6 Operating profit

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging/(crediting):		
Government grants	(4,799)	-
Depreciation of owned tangible fixed assets	7,658	6,234
Loss/(profit) on disposal of tangible fixed assets	101	(216)
Amortisation of intangible assets	26,288	26,265
Share-based payments charge (Note 25)	570	-
Operating lease charges	3,550	4,487

7 Auditors' remuneration

Fees payable to the company's auditors and associates:	2020 £'000	2019 £'000
For audit services		
Audit of the financial statements of the group and company	10	8
Audit of the financial statements of the company's subsidiaries	238	210
	248	218
For other services		
Taxation compliance services	40	15
Other taxation services	37	221
All other non audit services	-	18
	77	254

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8 Employees

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

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Administration	140	156	-	-
Sales	1,434	1,505	-	-
	1,574	1,661	-	-

Their aggregate remuneration comprised:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Wages and salaries	48,795	47,251	-	-
Social security costs	4,328	4,442	-	-
Other pension costs	1,762	1,798	-	-
	54,885	53,491	-	-

9 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	525	477

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2019 - 0).

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

	2020 £'000	2019 £'000
Remuneration for qualifying services	161	117

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	14,341	12,725
Interest on debenture loans and preference shares	35,794	32,264
	50,135	44,989
Other finance costs:		
Net interest on the net defined benefit liability	(108)	5
Total finance costs	50,027	44,994

11 Tax on loss

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	5,341	4,216
Adjustments in respect of prior periods	10	(600)
Total current tax	5,351	3,616
Deferred tax		
Origination and reversal of timing differences	509	7
Changes in tax rates	286	(13)
Adjustment in respect of prior periods	(116)	177
Total deferred tax	679	171
Total tax charge	6,030	3,787

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tax on loss (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:

	2020 £'000	2019 £'000
Loss before taxation	(30,299)	(37,873)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(5,757)	(7,196)
Tax effect of expenses that are not deductible in determining taxable profit	11,857	12,610
Tax effect of income not taxable in determining taxable profit	-	(588)
Adjustments in respect of prior years	(216)	(600)
Effect of change in corporation tax rate	271	(13)
Group relief	(4)	(604)
Deferred tax adjustments in respect of prior years	(121)	178
Taxation charge	6,030	3,787
Taxation charge in the financial statements	6,030	3,787

Expenses that are not deductible in determining taxable profit include Corporate Interest Restriction, Hybrid and Thin Capitalisation adjustments.

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:

	2020 £'000	2019 £'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	266	675

In the Finance Bill 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. Further changes were included in the draft Finance Act 2021 which stated that from 1 April 2023 the UK corporation tax rate will increase to 25%. Deferred taxes at the balance sheet date have been measured and reflected in these financial statements using these enacted tax rate at the balance sheet date of 19%.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Intangible fixed assets

Group	**Goodwill**	**Negative goodwill**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2020	256,456	-	256,456
Additions - prior year acquisitions	133	-	133
Additions - business combinations (Note 29)	5,479	(378)	5,101
At 31 December 2020	262,068	(378)	261,690
Amortisation and impairment			
At 1 January 2020	44,737	-	44,737
Amortisation charged for the year	26,362	(74)	26,288
At 31 December 2020	71,099	(74)	71,025
Carrying amount			
At 31 December 2020	190,969	(304)	190,665
At 31 December 2019	211,719	-	211,719

The company had no intangible fixed assets at 31 December 2020 or 31 December 2019.

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

Group	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	90,787	4,704	16,434	6,502	14,998	133,425
Additions	6,229	510	1,083	1,074	756	9,652
Business combinations	4,853	-	635	155	339	5,982
Disposals	(783)	(818)	(532)	(445)	(1,117)	(3,695)
Transfers	(580)	3,512	(6,031)	5,542	(2,443)	-
At 31 December 2020	100,506	7,908	11,589	12,828	12,533	145,364
Depreciation and impairment						
At 1 January 2020	-	293	1,914	796	2,881	5,884
Depreciation charged in the year	1,817	735	1,429	1,125	2,552	7,658
Eliminated in respect of disposals	-	-	(438)	(315)	(908)	(1,661)
At 31 December 2020	1,817	1,028	2,905	1,606	4,525	11,881
Carrying amount						
At 31 December 2020	98,689	6,880	8,684	11,222	8,008	133,483
At 31 December 2019	90,787	4,411	14,520	5,706	12,117	127,541

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

The transfers relate to the reclassification of assets acquired to be consistent with the Group’s accounting treatment.

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Plant and equipment	601	1,296	-	-
Motor vehicles	1,828	7,568	-	-
	2,429	8,864	-	-

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Investment property

	Group 2020 £'000	Company 2020 £'000
Fair value		
At 1 January 2020 and 31 December 2020	402	-

15 Fixed asset investments

	Notes	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
Investments in subsidiaries	**16**	-	-	14,479	13,909
Other investments		1	1	-	-
		1	1	14,479	13,909

Movements in fixed asset investments
Group

	Other £'000
Cost or valuation	
At 1 January 2020 and 31 December 2020	1
Carrying amount	
At 31 December 2020	1
At 31 December 2019	1

Movements in fixed asset investments
Company

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2020	13,909
Additions	570
At 31 December 2020	14,479
Carrying amount	
At 31 December 2020	14,479
At 31 December 2019	13,909

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held Direct	% Held Indirect
C R S Wholesale (Cambridge) Limited	Dormant	Ordinary	-	100.00
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
James Wilby Builders Merchants Limited	Dormant	Ordinary	-	100.00
Penrith Building Supplies Ltd	Dormant	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 Property	Property management	Ordinary	-	100.00
Ridgeons Forest Products Limited	Dormant	Ordinary	-	100.00
Ridgeons Limited	Non trading	Ordinary	-	100.00
Ridgeons Timber Engineering Solutions Limited	Dormant	Ordianry	-	100.00
Shropshire Building Supplies Limited	Dormant	Ordinary	-	100.00
Simmons of Stafford Limited	Dormant	Ordinary	-	100.00
Southport Timber Company Limited	Dormant	Ordinary	-	100.00
J.E.Fuller Limited	Dormant	Ordinary	-	100.00
K F Supplies Limited	Dormant	Ordinary	-	100.00
SW Newco Limited	Dormant	Ordinary	-	100.00
A.C. Roof Trusses Limited	Non trading	Ordinary	-	100.00
South Milford (Holdings) Limited	Non trading	Ordinary	-	100.00
Milford Limited	Non trading	Ordinary	-	100.00
Uriah Woodhead & Son (Holdings) Limited	Non trading	Ordinary	-	100.00
Uriah Woodhead & Son Limited	Non trading	Ordinary	-	100.00

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

As part of the ongoing corporate simplification exercise, C R S Wholesale (Cambridge) Limited was dissolved on 18 May 2021, and Ridgeons Timber Engineering Solutions Limited is in the process of being dissolved.

17 Stocks

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Finished goods and goods for resale	64,424	66,218	-	-

Inventories are stated after provisions for rebates £8,941k (2019: £5,702k) and slow moving products £3,422k (2019: £2,534k).

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Debtors

	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Trade debtors	45,299	47,278	-	-
Corporation tax recoverable	-	2,977	-	-
Other debtors	11,040	6,946	-	50
Prepayments and accrued income	992	1,379	-	-
	57,331	58,580	-	50
Deferred tax asset (note 24)	4	3	-	-
	57,335	58,583	-	50
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	190,206	169,791
Deferred tax asset (note 24)	772	1,402	-	-
	772	1,402	190,206	169,791
Total debtors	58,107	59,985	190,206	169,841

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.

Other debtors mainly comprises of rebates from suppliers.

19 Creditors: amounts falling due within one year

		Group		Company	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Debenture loans	**21**	10,261	9,061	-	-
Obligations under finance leases	**22**	937	1,247	-	-
Trade creditors		28,980	23,028	-	-
Corporation tax payable		2,696	6	-	-
Other taxation and social security		9,540	6,814	-	-
Other creditors		5,052	4,502	-	-
Accruals and deferred income		8,038	6,276	10	10
		65,504	50,934	10	10

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Creditors: amounts falling due after more than one year

		Group		Company	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Debenture loans	21	116,339	103,754	-	-
Bank loans and overdrafts	21	178,322	175,242	-	-
Obligations under finance leases	22	1,056	1,361	-	-
Preference shares	21	151,998	151,998	151,998	151,998
Preference dividends payable		54,241	32,231	54,241	32,231
Other creditors		(6)	2,265	-	-
		501,950	466,851	206,239	184,229
Payable within one to two years		508	806	-	-
Payable within two to five years		116,881	555	-	-
Payable after five years		384,561	465,490	206,239	184.229

Debenture loans are repayable on redemption or exit by 30 April 2026, carry an interest rate of 12% and mature by 2024.

Bank loans are subject to interest at 5.5% and repayable by April 2025.

Preference shares are subject to 12% interest and are repayable by 30 April 2026, or with agreements throughout the group that the lender will always give the borrower a minimum of twelve months' notice to make payments once demanded.

Subsequent to the year end, 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. Further details of this transaction can be found in Note 31.

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

Payable other than by instalments	206,477	465,490	206,239	184,229

21 Loans and overdrafts

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Debenture loans	126,600	112,815	-	-
Bank loans	178,322	175,242	-	-
Preference shares	151,998	151,998	151,998	151,998
Accumulated loan interest	4,362	2,265	-	-
	461,282	442,320	151,998	151,998
Payable within one year	10,261	9,061	-	-
Payable within one to two years	-	-	-	-
Payable within two to five years	309,284	-	-	-
Payable after five years	141,737	433,259	151,998	151,998

21 Loans and overdrafts (Continued)

The bank overdraft facility of £9.0m was unutilised at the balance sheet date, in addition there was also a further £19.5m of RCF available for utilisation.

At 31 December 2020, unsecure debenture loans amounting to £93,700k, and unsecured redeemable payment in kind notes totalling £32,900, were listed on TISE, The International Stock Exchange based in Guernsey.

The long-term loans are secured by fixed charges over the properties of the group.

On 18 June 2021, the Group's bank facilities were repaid and cancelled as part of the sale of the Company. They were replaced with short term bridge financing from the Group’s new controlling party, Blackstone LLP. Irrevocable undertakings have now been received for the refinancing of this debt. For more details see Note 31.

22 Finance lease obligations

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Future minimum lease payments due under finance leases:				
Within one year	937	1,335	-	-
In two to five years	915	1,451	-	-
In over five years	231	-	-	-
	2,083	2,786	-	-
Less: future finance charges	(90)	(178)	-	-
	1,993	2,608	-	-

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.

23 Provisions for liabilities

		Group		Company	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Dilapidation provision		1,883	2,702	-	-
Deferred tax liabilities	24	16,808	15,970	-	-
		18,691	18,672	-	-

HOLYHEAD TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Provisions for liabilities (Continued)

Movements on provisions:

Group	Dilapidation provision £'000
At 1 January 2020	2,701
Release of provision in the year	(818)
At 31 December 2020	1,883

24 Deferred taxation

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

Group	Liabilities 2020 £'000	Liabilities 2019 £'000	Assets 2020 £'000	Assets 2019 £'000
Accelerated capital allowances	16,808	15,970	-	-
Retirement benefit obligations	-	-	772	1,227
Short term timing differences	-	-	4	178
	16,808	15,970	776	1,405

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2020 £'000	Company 2020 £'000
Liability at 1 January 2020	14,565	-
Charge to profit or loss	682	-
Charge to other comprehensive income	266	-
Acquired as part of the intergroup hive up	519	-
Liability at 31 December 2020	16,032	-

25 Share-based payment transactions

Group

	Number of shares		Weighted average exercise price	
	2020	**2019**	**2020**	**2019**
	Number	**Number**	**£'000**	**£'000**
Outstanding at 1 January 2020	1,281,804	1,273,303	2.68	2.68
Granted	200,200	8,501	8.94	2.99
Expired	(197,606)	-	-	-
Outstanding at 31 December 2020	1,284,398	1,281,804	3.61	2.68
Exercisable at 31 December 2020	-	-	-	-

Direct Measurement

The Black-Scholes model which 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).

During the year, the company recognised total share-based payment expenses of £570,000 (2019 - £nil) which related to equity settled share based payment transactions.

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, which we understand is anticipated, as at each date of grant, to take place on 31 December 2022.

This was omitted in prior periods, the impact of which is not material.

26 Share capital

	2020	**2019**	**2020**	**2019**
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	1,164,682	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
	11,682,238	11,670,644	292	292

26 Share capital (Continued)

	2020	2019	2020	2019
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
Preference shares classified as liabilities			15,200	15,200

All Ordinary shares have the right to vote. It is the right to dividend and the right to return that varies. All shares are not redeemable.

Preference shares have no voting rights. They have a right to a fixed dividend. The shares are redeemable. Preference share dividends are treated as interest.

On 17 December 2020, 11,594 Ordinary C shares were allotted at par value.

27 Retirement benefit schemes

	2020	2019
Defined contribution schemes	**£'000**	**£'000**
Charge to profit or loss in respect of defined contribution schemes	1,762	1,798

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Defined benefit schemes

	2020	2019
Key assumptions	**%**	**%**
Discount rate	1.24%	2.04%
Expected rate of increase of pensions in payment RPI	3.06%	3.11%
Expected rate of increase of pensions in payment CPI	2.56%	2.21%
RPI Inflation	3.16%	3.21%
CPI Inflation	2.56%	2.21%

Mortality assumptions	**2020**	**2019**
Assumed life expectations on retirement at age 65:	**Years**	**Years**
Retiring today		
- Males	22.4	22.3
- Females	24.1	23.8
Retiring in 20 years		
- Males	24.1	23.9
- Females	25.6	25.4

27 Retirement benefit schemes (Continued)

Amounts recognised in the profit and loss account	**2020 £'000**	**2019 £'000**
Net interest on net defined benefit liability/(asset)	(107)	(565)
Interest costs on adjustment for limit in FRS 102 paragraph 28.22	-	570
Other costs and income	454	509
Total costs	347	514

Amounts taken to other comprehensive income	**2020 £'000**	**2019 £'000**
Return on scheme assets excluding interest income	(7,588)	10,739
Experiance gains and (losses) on defined benefit obligations	(641)	277
Actuarial gains and (losses) arising from change in assumptions	6,829	3,967
Effect of changes in the amount of surplus that is not recoverable	-	(15,359)
Recognition of pension asset not previously recognised	-	(3,566)
Movement in pension assets due to former shareholders of Ridgeon Group Limited	706	3,566
Authorised surplus payment charge	380	
Tax relating to other comprehensive income	266	675
Total costs/(income)	(48)	299

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

Group	**2020 £'000**	**2019 £'000**
Present value of defined benefit obligations	(41,205)	(37,566)
Fair value of plan assets	47,777	43,052
Taxation	(2,300)	(1,920)
Less net pension assets due to former shareholders	(4,272)	(3,566)
Total liability recognised	-	-

As part of the Share Purchase Agreement, proceeds from the sale of the defined benefit pension scheme will be passed to the previous shareholders. As such the pension scheme asset will not be recognised under consolidation.

The company had no post-employment benefits at 31 December 2020 or 1 January 2020.

As per the scheme rules, the tax burden relating to the surplus is to be borne by the administrators.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Retirement benefit schemes (Continued)

Movements in the present value of defined benefit obligations	**Group 2020 £'000**
Liabilities at 1 January 2020	37,566
Benefits paid	(3,283)
Actuarial gains and losses	6,189
Interest cost	733
At 31 December 2020	41,205

Movements in the fair value of plan assets	**Group 2020 £'000**
Fair value of assets at 1 January 2020	43,052
Interest income on Scheme assets	841
Return on Scheme assets in excess of interest income	7,588
Benefits paid	(3,283)
Contributions by the employer	33
Administration expenses	(454)
At 31 December 2020	47,777

The actual return on plan's assets were £8,429k (2019 - (£9,230k)).

After the year end, the scheme's assets have been used to buy out all of the scheme's liabilities and the scheme is in the process of being wound up.

Fair value of plan assets at the reporting period end

	Group 2020 £'000	**2019 £'000**
Interest linked gilts	-	1,609
Cash and net current assets	6,572	5,572
Insured pensions	41,205	35,871
	47,777	43,052

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28 Share premium account

	Group 2020 £'000	2019 £'000	Company 2020 £'000	2019 £'000
At the beginning and end of the year	837	837	837	837

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

29 Acquisition of a business

a) On 11 March 2020 the group acquired 100 percent of the issued share capital of A.C. Roof Trusses Limited.

Net assets acquired	Book Value £'000	Adjustments £'000	Fair Value £'000
Property, plant and equipment	900	-	900
Stock	293	-	293
Trade and other receivables	655	-	655
Cash and cash equivalents	1,429	-	1,429
Trade and other payables	(930)	(44)	(974)
Tax liabilities	(102)	-	(102)
Total identifiable net assets	2,245	(44)	2,201
Goodwill			1,647
Total consideration			3,848

The consideration was satisfied by:	**£'000**
Cash	3,848

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 2020.

The acquired company contributed turnover of £4,684k and profit after tax of £1,011k since acquisition. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £5,175k, and profit after tax of £1,117k.

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29 Acquisition of a business (Continued)

b) On 30 September 2020 the group acquired 100 percent of the issued share capital of South Milford (Holdings) Limited.

Net assets acquired	Book Value £'000	Adjustments £'000	Fair Value £'000
Property, plant and equipment	562	-	562
Stock	1,266	-	1,266
Trade and other receivables	832	-	832
Cash and cash equivalents	3,753	-	3,753
Trade and other payables	(1,262)	(145)	(1,407)
Tax liabilities	(57)	-	(57)
Total identifiable net assets	5,094	(145)	4,949
Goodwill			3,833
Total consideration			8,782

The consideration was satisfied by:	£'000
Cash	8,782

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 2020.

The acquired company contributed turnover of £1,885k and profit after tax of £118k since acquisition. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £8,126k, and profit after tax of £507k.

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29 Acquisition of a business (Continued)

c) On 1 December 2020 the group acquired 100 percent of the issued share capital of Uriah Woodhead & Son (Holdings) Limited.

Net assets acquired	**Book Value £'000**	**Adjustments £'000**	**Fair Value £'000**
Property, plant and equipment	2,620	1,900	4,520
Stock	1,294	-	1,294
Trade and other receivables	239	-	239
Cash and cash equivalents	1,656	-	1,656
Trade and other payables	(299)	(482)	(781)
Total identifiable net assets	5,510	1,418	6,928
Negative goodwill			(378)
Total consideration			6,550

The consideration was satisfied by:	**£'000**
Cash	6,550

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 2020.

The acquired company contributed turnover of £308k and loss after tax of £85k since acquisition. Had the acquisition taken place at the start of the financial year, the acquired company would have contributed turnover of £7,142k, and profit after tax of £357k.

Following a recent independent valuation the freehold property was adjusted to a fair value of £4.5m, confirming the directors expectations of negative goodwill arising from the purchase of a business with a loss making site.

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30 Operating lease commitments

Lessee

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

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within one year	3,039	3,830	-	-
Between two and five years	7,704	9,081	-	-
In over five years	30,499	31,102	-	-
	41,242	44,013	-	-

31 Events after the reporting date

On 29 January 2021, the Group acquired 100% of the share capital of Paxcorn Limited for net consideration of £9.2m, a Builders Merchant with four sites on the Fylde coast in Lancashire trading as Builders Supplies West Coast, as part of its buy and build strategy to consolidate the market.

On 31 May 2021, the Group acquired 100% of the share capital of Higgins Trade Supplies Limited for an initial gross consideration of £11.2m, a Builders Merchant with three sites in Wellingborough, Northants trading as Higgins Building Supplies and Higgins Landscape & Garden Centre, as part of its buy and build strategy to consolidate the market.

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 and the controlling party of the Group became The Blackstone Group Inc. At this point all of the Group’s long term debt was repaid and replaced with interim bridge financing facilities which have been arranged by the ultimate controlling party, The Blackstone Group Inc to the Group’s new parent undertaking, Patagonia Bidco Limited. These facilities are in place for up to one year and have no conditions or performance covenants attached to them. On 18 June 2021, commitment papers setting out irrevocable undertakings were received for the future refinancing of these facilities. The new facilities comprise a revolving facility to be used for working capital and acquisitions and £550m of senior secured Term loan B.

The funding arrangements are covenant-lite and mature on the date falling 7 years after the Closing Date with no amortisation.

On 30 June 2021, Group’s new parent undertaking Patagonia Bidco Limited signed a sale and purchase agreement with Grafton Group (UK) plc and Rock Brook Netherlands BV for the purchase of 201 Grafton GB sites in the UK from Grafton Group (UK) plc which is subject to CMA approval.

The funding agreed for the acquisition of the Grafton GB sites noted above requires the provision of cross guarantees between the trading companies of the newly enlarged group. The directors note that irrevocable covenant light funding commitments have been obtained for both the 18 June 2021 refinancing and the Grafton GB acquisition and that this will be crystallised in the coming 12 months.

On 30 July 2021, the Group acquired 100% of the share capital of Sandysike Builders Merchants Limited for an initial gross consideration of £1.95m, a Builder's Merchant based in Longtown, Cumbria, as part of its buy and build strategy to consolidate.

32 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 period Inflexion Partnership Capital Fund I (No.1) Limited Partnership charged interest on an outstanding loan of £13,785k (2019 - £19,115k), and directors' fees of £258k (2019 - £295k).

During the year, preference share dividends of £22,010k (2019 - £20,015k) were accrued

At the year end, Huws Gray was owed £134k (2019 - £173k) from its subsidiary, Qualplas Limited. During the year purchases from Qualplas Limited totalled £230k (2019 - £456k) and for sales to Qualplas Limited totalled £26k (2019 - £28k).

The remuneration of key management personnel is £1,475k (2019 - £1,255k).

33 Controlling party

During the year 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, the company's ultimate parent undertaking is Echo Topco Limited, a company registered in Jersey. The top company registered in England and Wales which in which the results of the Company are expected to be consolidated is Patagonia Holdco 3 Limited.

34 Cash generated from group operations

	2020 £'000	2019 £'000
Loss for the year after tax	(36,329)	(41,660)
Adjustments for:		
Taxation charged	6,030	3,787
Finance costs	50,027	44,994
Loss/(gain) on disposal of tangible fixed assets	101	(216)
Amortisation and impairment of intangible assets	26,288	26,265
Depreciation and impairment of tangible fixed assets	7,658	6,234
Pension scheme non-cash movement	314	376
Equity settled share based payment expense	570	-
(Decrease)/increase in provisions	(818)	1,486
Movements in working capital:		
Decrease/(increase) in stocks	4,647	(6,480)
Decrease in debtors	(2)	3,553
Increase in creditors	3,821	1,231
Cash generated from operations	62,307	39,570

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35 Analysis of changes in net debt - group

	1 January 2020	Cash flows	Non cash items	31 December 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,890	25,923	6,838	39,651
Borrowings excluding overdrafts	(442,321)	(3,079)	(15,882)	(461,282)
Obligations under finance leases	(2,608)	615	-	(1,993)
	(438,039)	23,459	(9,044)	(423,624)

Non cash items relate to cash acquired with businesses and accrued and PIC interest on borrowings.