

HOLYHEAD MIDCO 1 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



HOLYHEAD MIDCO 1 LIMITED

COMPANY INFORMATION

Directors	J L Jones D Morris T Owen A T Wagstaff C P Bithell	(Appointed 1 October 2020)
Company number	11275477	
Registered office	C/O Huws Gray Ltd Head Office Industrial Estate Llangefni Anglesey Wales LL77 7JA	
Auditor	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB	

HOLYHEAD MIDCO 1 LIMITED

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HOLYHEAD MIDCO 1 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business and future developments

The Company's loss for the financial period was £13.8m (2019: loss of £12.3m)

As at 31 December 2020, the Company had net liabilities of £19.1m (2019: £5.3m), generated purely as a function of interest accruing on private equity financial investment instruments but which are not payable until the exit of the financial investor.

The Company has an investment in a Group of Companies operating in the builders merchant market. The strategy of the trading businesses moving forwards is to grow revenues through a combination of organic growth and further bolt on acquisitions as it consolidates its position in the builders merchant market.

The Group's focus continues to be providing an excellent service selling building materials to trade and retail from well invested business operations.

Principal risks and uncertainties

The Company uses various financial instruments, these include loans from parent companies, loan notes and investments in group companies and their 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 Company to a number of financial risks which are described in more detail below

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, fluctuations to activity in the construction markets and cashflow interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The activities of the Company are to finance group operations and ensure sufficient liquidity within its operating investments in group companies, the liquidity of these group companies is managed short term through flexibility achieved by credit facilities and overdraft facilities with longer term investments and financing from group assets and investments.

Credit risk

The principal assets of the Company's investment in Group operations are cash and trade debtors, credit risk associated with cash is limited, the principal credit risk arises therefore from 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 dedicated to monitor the group's debtor ledger on a daily basis to help mitigate and manage financial loss.

Interest rate risk

The Group operations that are a part of the Company's investments are financed through a combination of longer term investments and financing from group assets and investments, retained profits and bank borrowings. The Company's investment exposure to interest rate fluctuations on its borrowings is managed with the use of fixed and floating rate facilities.

Key performance indicators

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

- EBITDA: £(16k) loss (2019: £(15k) Loss)
- Net liabilities: £19.1m (2019: net liabilities £5.3m)

Events after the reporting date

This Company is a non trading company that was not directly affected by the Covid-19 pandemic. However, there was an impact on the Group via the operating companies - please see Huws Gray Limited for further details. The directors do not consider the impact on the Group to have a bearing on the value of investments held within this Company.

HOLYHEAD MIDCO 1 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Section 172(1) statement

From the perspective of the board, the matters that it 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. Directors have received training and are aware of and understand their responsibilities under this section of the Act.


Strategic, commercial and operational decisions specifically affecting Holyhead Midco 1 Limited are made at the monthly Board meeting, with due consideration of the strategic objectives of the Holyhead Topco Limited Board.

The original founders of Huws Gray continue to be heavily involved in the day to day management of the business after 30 years, and ensure that the ethos of Employing People to Succeed and the primary purpose of Delivering Excellence in Quality, Service and Value to our Customers is instilled across the business.

Holyhead Midco 1 Limited is a non-trading holding company within the Holyhead group of companies that exists to facilitate the private equity investment in the group. All disclosures required under S172 (1) of the Companies Act 2006 are detailed in the Strategic Report of the ultimate holding company Holyhead Topco Limited. There are no other significant events during the year specific to Holyhead Midco 1 Limited requiring S172(1) of the Companies Act 2006 disclosure.

The Group is committed to its Corporate Social Responsibilities. Communities and employees are supported via various fund raising and sponsorship events. Details of our Data/Privacy Policy, Anti-Slavery and Environment Policies and the results of the Groups' Gender Pay Gap report can be found on the website www.huwsgray.co.uk.

On behalf of the board



T Owen
Director

Date: September 2021
16/9/2021

HOLYHEAD MIDCO 1 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report with the audited financial statements of the Company for the year ending 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 11275477.

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

E S Evans

(Resigned 31 July 2020)

A T Wagstaff

C P Bithell

(Appointed 1 October 2020)

Results and dividends

The results for the year are set out on page 10.

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

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.

Financial risk management

The financial risk management of the Company is described in the Strategic Report on page 1.

Future developments

An indication of the likely future development of the business is included in the Strategic report on page 1.

Independent auditors

Grant Thornton UK LLP were appointed as auditor to the Company 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.

HOLYHEAD MIDCO 1 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial 9 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 company's auditor is 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 company's auditor is aware of that information.

Going concern

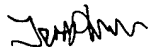
Owing to the corporate structure of the company, the face of the financial statements show a net loss for the period, purely as a function of private equity financial investment instruments which are interest bearing. This interest is not payable until the exit of the financial investor, and as such needs to be discounted when considering the performance and position of the company during this period of investment. The company is not under any increased risk as a result of this corporate structure, which is common place in the private equity investment structures.

If Holyhead Midco 1 Limited is unable to meet such liabilities, as stated in the letter of support, Huws Gray Limited, a group undertaking, will meet these liabilities, and will not demand repayment until Holyhead Midco 1 Limited has sufficient funds. As such, these financial statements have been prepared on a going concern basis.

This company is a non trading company that was not directly affected by the Covid-19 pandemic. However, there was an impact on the group via the operating companies - please see Huws Gray Limited for further details. The directors do not consider the impact on this company to affect going concern in any way.

HOLYHEAD MIDCO 1 LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board



T Owen
Director

Date: September 2021
16/9/2021

HOLYHEAD MIDCO 1 LIMITED

Independent auditor's report to the members of Holyhead Midco 1 Limited

Opinion

We have audited the financial statements Holyhead Midco 1 Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

HOLYHEAD MIDCO 1 LIMITED

Independent auditor's report to the members of Holyhead Midco 1 Limited (Continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the 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 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 company or to cease operations, or have no realistic alternative but to do so.

HOLYHEAD MIDCO 1 LIMITED

Independent auditor's report to the members of Holyhead Midco 1 Limited (Continued)

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 parent company, and the industry in which it operates. We determined the Companies Act 2006 and FRS 102 to be the most significant laws and regulations applicable to the entity. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. 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 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: recoverability of intercompany balances and impairment of investments;
 - Testing manual journal entries, in particular journal entries related to management estimates and entries determined to be large or relating to unusual transactions; and
 - Assessing 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
- In assessing the potential risk of material misstatement, we obtained an understanding of the company's operations 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.

HOLYHEAD MIDCO 1 LIMITED

Independent auditor's report to the members of Holyhead Midco 1 Limited (Continued)

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

16/9/2021

September 2021

4 Hardman Square
Spinningfields
Manchester
M3 3EB

HOLYHEAD MIDCO 1 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Administrative expenses		(16)	(15)
Interest receivable and similar income	6	20,375	18,191
Interest payable and similar expenses	7	(34,159)	(30,441)
Loss before taxation		(13,800)	(12,265)
Tax on loss	8	-	-
Loss for the financial year		(13,800)	(12,265)

All results are from continuing operations.

The notes on pages 14 to 22 are an integral part of the financial statements.

HOLYHEAD MIDCO 1 LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020


	2020	2019
	£'000	£'000
Loss for the year	(13,800)	(12,265)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(13,800)</u>	<u>(12,265)</u>

HOLYHEAD MIDCO 1 LIMITED**BALANCE SHEET****FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		107,609		107,609
Current assets					
Debtors falling due after more than one year	11	190,165		169,790	
Creditors: amounts falling due within one year	12	(10,271)		(9,071)	
Net current assets			179,894		160,719
Total assets less current liabilities			287,503		268,328
Creditors: amounts falling due after more than one year	13		(306,561)		(273,586)
Net liabilities			(19,058)		(5,258)
Capital and reserves					
Called up share capital	15		1,391		1,391
Share premium account			12,518		12,518
Profit and loss reserves			(32,967)		(19,167)
Total equity			(19,058)		(5,258)

The financial statements on pages 10 to 22 were approved by the board of directors on
are signed on its behalf by:

September 2021 and
16/9/2021



T Owen
Director

Company Registration No. 11275477

HOLYHEAD MIDCO 1 LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2020

	Share capital	Share premium account	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	1,391	12,518	(6,902)	7,007
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(12,265)	(12,265)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	1,391	12,518	(19,167)	(5,258)
Year ended 31 December 2020:				
Loss and total comprehensive income for the year	-	-	(13,800)	(13,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	1,391	12,518	(32,967)	(19,058)
	<hr/>	<hr/>	<hr/>	<hr/>

HOLYHEAD MIDCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Holyhead Midco 1 Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

1.1 Accounting convention

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

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

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

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Holyhead Midco 1 Limited is a wholly owned subsidiary of Holyhead Topco Limited and the results of Holyhead Midco 1 Limited are included in the consolidated financial statements of Holyhead Topco Limited which are available from C/O Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

The company's parent undertaking, Holyhead Topco Limited, includes the company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Owing to the corporate structure of the group, the face of the financial statements show a net loss and net liabilities 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 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 and cash generative and is able to pay its liabilities as they fall due. As such the accounts have been prepared on a going concern basis.

If Holyhead Midco 1 Limited is unable to meet such liabilities, Huws Gray Limited, a group undertaking, will meet these liabilities, and will not demand repayment until Holyhead Midco 1 Limited has sufficient funds, as stated in the Letter of Support. As such, these financial statements have been prepared on a going concern basis.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

HOLYHEAD MIDCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.4 Cash and cash equivalents

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.

1.5 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

HOLYHEAD MIDCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 company 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 company 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

HOLYHEAD MIDCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Derecognition of financial liabilities

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

1.6 Equity instruments

Equity instruments issued by the company 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 company.

1.7 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 company'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 when the company has 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.

1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

HOLYHEAD MIDCO 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****2 Judgements and key sources of estimation uncertainty**

In the application of the company'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.

Impairment of investments

Investments are initially valued at cost and subsequent annual impairment reviews are carried out if an impairment trigger is identified. Calculation of any impairment requires judgements to be made as to the recoverability of the future economic benefit of the investments.

Intercompany balances

Intercompany balances are recorded at the recoverable value. The recoverability of the balances are subject to various external influences. Any changes to the recoverability will result in the recoverable value being impaired.

3 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	10	8

There is no audit fee in the current year. Any audit fees were incurred by a fellow group company.

The entity has incurred no non-audit fees in the period.

4 Operating loss

	2020 £'000	2019 £'000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	10	8

5 Directors' remuneration and employees

The entity incurs no costs for remunerating the directors (2019: same). The directors are remunerated via its group undertaking.

The company has no employees (2019: same).

HOLYHEAD MIDCO 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****6 Interest receivable and similar income**

	2020 £'000	2019 £'000
Interest income		
Interest receivable from group companies	20,375	18,191

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	20,375	18,191
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7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	20,374	18,191
Other interest on financial liabilities	13,785	12,250
	<u>34,159</u>	<u>30,441</u>

8 Taxation

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	(13,800)	(12,265)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(2,622)	(2,330)
Tax effect of expenses that are not deductible in determining taxable profit	1,295	1,151
Group relief	1,327	1,179
Taxation charge for the year	<u>-</u>	<u>-</u>

In the Finance Bill 2020, the government announced that corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. Further changes were included in the drafted Finance Act 2021 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 using these enacted tax rates and reflected in these financial statements.

HOLYHEAD MIDCO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investments in subsidiaries	10	107,609	107,609

10 Subsidiaries

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

Name of undertaking		Class of shares held	% Held	
			Direct	Indirect
Holyhead Bidco 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
Ridgeons Limited	Non trading	Ordinary	-	100.00
Ridgeons Timber Engineering Solutions Limited	Dormant	Ordinary	-	100.00
Ridgeons Forest Products Limited	Dormant	Ordinary	-	100.00
Ridgeon Holdings Limited	Non trading	Ordinary	-	100.00
Ridgeon Property Limited	Property management	Ordinary	-	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
K F Supplies Limited	Dormant	Ordinary	-	100.00
J.E.Fuller Limited	Dormant	Ordinary	-	100.00
SW Newco Limited	Non trading	Ordinary	-	100.00
A.C. Roof Trusses Limited	Dormant	Ordinary	-	100.00
South Milford (Holdings) Limited	Dormant	Ordinary	-	100.00
Milford Limited	Dormant	Ordinary	-	100.00
Uriah Woodhead & Son (Holdings) Limited	Dormant	Ordinary	-	100.00
Uriah Woodhead & Son Limited	Dormant	Ordinary	-	100.00
C R S Wholesale (Cambridge)	Dormant	Ordinary	-	100.00

All companies are registered at Huws Gray Limited, Industrial Estate, Llangeferni, 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.

HOLYHEAD MIDCO 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****11 Debtors**

	2020	2019
	£'000	£'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	190,165	169,790

Amounts owed by group undertakings are subject to 12% interest, 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.

12 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
	Notes	
Debenture loans	14	9,061
Accruals and deferred income	10	10
	10,271	9,071

13 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
	Notes	
Debenture loans	14	103,754
Loans from parent company	14	169,785
Amounts owed to group undertakings	63	47
	306,561	273,586

Debenture loans are repayable on redemption or exit and carry an interest rate of 12%.

Loans from parent company are subject to 12% interest and are repayable on demand, with agreements throughout the group that the lender will always give the borrower a minimum of twelve months' notice to make payments once demanded.

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

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

Payable other than by instalments	306,498	273,539
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HOLYHEAD MIDCO 1 LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****14 Loans and overdrafts**

	2020	2019
	£'000	£'000
Debenture loans	126,600	112,815
Loans from parent company	190,159	169,785
	<u>316,759</u>	<u>282,600</u>
Payable within one year	10,261	9,061
Payable after one year	<u>306,498</u>	<u>273,539</u>

Non-instalment debenture loans are repayable on redemption or exit and carry an interest rate of 12%.

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

Non-instalment group undertakings loans are repayable on redemption or exit and carry an interest rate of 12%.

15 Share capital

	2020	2019	2020	2019
	Number	Number	£'000	£'000
Ordinary share capital				
Issued and fully paid				
Ordinary of £1 each	<u>1,390,918</u>	<u>1,390,918</u>	<u>1,391</u>	<u>1,391</u>

16 Events after the reporting date

On 18 June 2021, the entire issued share capital of the Company's ultimate parent undertaking was acquired by Patagonia Bidco Limited, a company registered in England and Wales. At this point all of the Company's long term debt was repaid and replaced with interim facilities which have been provided 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.

17 Related party transactions

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

18 Ultimate controlling party

The ultimate controlling party, and ultimate parent company is deemed to be Holyhead Topco Limited, the financial statements of which are available from Huws Gray Limited Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

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.