Building Supplies Distribution Limited

Annual report and financial statements

Registered number 04725313

Year ended 31 December 2022

Contents

Company Information Building Supplies Distribution Limited

Directors	A T Wagstaff J B White (appointed 31 March 2023) I C A Northen
Company Number	04725313
Registered Office	c/o Huws Gray Limited Head Office Llangefni Industrial Estate Llangefni Anglesey Wales LL77 7JA
Independent auditors	Grant Thornton UK LLP Landmark St Peter's Square 1 Oxford Street Manchester M1 4PB

Strategic report

Introduction

This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of Building Supplies Distribution Limited ("the Company" or "BSD"). During the year the Company changed its name from Grafton Merchanting GB Limited (or" GMGB") to BSD Ltd.

Principal risks

There were none as the company ceased trading.

Key performance indicators

There were none as the company ceased trading.

Principal activities and future developments

On 1 January 2022 the trade and assets of Building Supplies Distribution Limited have transferred to Huws Gray Limited, a fellow group company Building Supplies Distribution Limited ceased trading effective 1 January 2022, prior to this the principal activity of the company was the supply of building and plumbing materials. The company is no longer a going concern, please refer to the going concern note.

Fair Review of Business

On 16th April 2021, Grafton Group Plc, the previous ultimate parent company, announced that it was undertaking a strategic review of some of its traditional merchanting businesses in Great Britain. As a result of this strategic review Grafton Group Plc announced on 1st July 2021, that it had entered into an agreement to divest its Traditional Merchanting Business in Great Britain, of which the Company is part, to Huws Gray, one of the UK's largest independent builders' merchants, that is controlled by equity funds managed by Blackstone. At the time, Huws Gray notified the transaction to the Competition and Markets Authority ("CMA"). The divestment completed on 31st December 2021 with Company now being owned by its immediate parent undertaking, Patagonia Bidco Limited. Current assets held in the current year totalled £264,596k all of which related to intercompany balances due from fellow group companies, the prior year current assets balance totalled £373,609k. Non-current assets held totalling £nil were all amounts owed by a fellow group company. Non current assets held in the prior year were £292,069k.

The adjusted EBITDA is set out as follows:

	2022	2021
	£'000	£'000
Profit/(loss) after tax	**5,601**	27,545
Taxation	-	9,109
Interest payable	-	2,516
Exceptional items	-	5,542
Share based payments/other non-trade	-	1,077
Depreciation	-	23,435
Amortisation	-	3,623
Adjusted EBITDA	**5,601**	72,847

On behalf of the board

Strategic report *(continued)*

On behalf of the board

Jonathan White

J B White
Director

30 June 2023

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors' indemnities

The Company maintained indemnity liability insurance for its directors and officers throughout the financial year, which is still in force at the date of approving the Directors' report and which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Dividends

No equity dividends were declared or paid during the year *(2021: £nil).* No non-equity dividends paid during the year *(2021:* £nil*).*

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Directors

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

C P Bithell (resigned 28 April 2023)
J A Maisey (resigned 30 May 2023)
I CA Northen
M J Sockett (resigned 5 September 2022)
A T Wagstaff
J B White (appointed 31 March 2023)

Independent auditors

The board has appointed Grant Thornton LLP as the Company's new auditor with effect for the year ending 31 December 2022. The auditors, PricewaterhouseCoopers LLP, resigned 1 July 2022.

Going concern

The Board made the strategic decision to integrate the Company with the Huws Gray business as one trading entity. Therefore, the trade and assets of the Company were transferred to a fellow group company, Huws Gray Ltd on the 1 January 2022 and the company is no longer trading and is therefore dormant.

As a result of the Company ceasing to trade and the expectation that the Company will not trade in the future, the directors have prepared the financial statements on the basis that the Company is no longer a going concern and these financial statements are prepared on a break-up basis. The financial statements have been prepared using the most appropriate accounting policies to present a true and fair view of the Company's financial position, following the Financial Reporting Standards FRS 101, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Directors' report (continued)

There are no adjustments to book values recorded as a result of these transactions in preparing the Company's financial statements on a break-up basis.

Principal activities and future developments

On 1 January 2022 the trade and assets of Building Supplies Distribution Limited have transferred to Huws Gray Limited, a fellow group company Building Supplies Distribution Limited ceased trading effective 1 January 2022, prior to this the principal activity of the company was the supply of building and plumbing materials. The company is no longer a going concern, please refer to the going concern note.

On behalf of the board

Jonathan White

J B White
Director

30 June 2023

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' 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, including FRS 101 Reduced Disclosure Framework).

Under company law, 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 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 company will continue in business.

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. They 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.

On behalf of the board

Jonathan White

J B White
Director

30 June 2023

Independent auditors' report to the members of Building Supplies Distribution Limited

Opinion

We have audited the financial statements of Building Supplies Distribution Limited (the 'company') for the year ended 31 December 2022, which comprise the statement of profit or loss and other comprehensive income , the balance sheet and 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 101 'Reduced Disclosure Framework' (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 31st December 2022 and of its profit 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.

Emphasis of matter – basis of preparation of the financial statements

We draw attention to Note 1.1 to the financial statements, which describes the basis of preparation of the financial statements. As described in that note, the trade and assets of the company were transferred to Huws Gray Limited and the company has ceased to trade, and accordingly the directors have prepared the financial statements on a break-up basis. Our opinion is not modified in this respect of this matter.

Independent auditors' report to the members of Building Supplies Distribution Limited *(continued)*

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained in the financial statements, 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.

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 themselves. 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.

Independent auditors' report to the members of Building Supplies Distribution Limited *(continued)*

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 6, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 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, Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) and relevant UK tax legislation. In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures within the financial statements such as Health and Safety laws and regulations. The risk of non-compliance with Health and Safety laws and regulations was addressed through inquiries with the Health and Safety department.

- We made inquiries with management to understand whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews.

- 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:

Independent auditors' report to the members of Building Supplies DistributionLimited *(continued)*

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

- o Identifying and testing manual journal entries;
- o Challenging assumptions and judgements made by management in its significant accounting estimates; and
- o Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- 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 entity 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.

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.

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.

Independent auditors' report to the members of Building Supplies Distribution Limited *(continued)*

Grant Thornton UK LLP

Paul Bamber MA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Date: 30/6/2023

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	2	-	968,792
Cost of sales		-	(711,495)
Gross profit		-	257,297
Distribution costs		-	(43,028)
Administrative expenses		**5,601**	(177,903)
Other operating income	3	-	2,731
Operating profit before exceptional items		**5,601**	44,639
Administrative expenses - exceptional items	5	-	(5,542)
Operating profit	4	**5,601**	39,097
Interest receivable and similar income	9	-	73
Interest payable and similar expenses	8	-	(2,516)
Profit before taxation		**5,601**	36,654
Tax on (profit)	10	-	(9,109)
Profit for the financial year		**5,601**	27,545
Other comprehensive income			
Items that will not be reclassified to profit:			
Re-measurement profit on defined benefit pension schemes		-	8,157
Deferred tax on defined benefit pension schemes		-	(2,039)
Total other comprehensive income		-	6,118
Total comprehensive income for the financial year		**5,601**	33,663

Amounts relate to continuing and discontinuing operations.
The notes on pages 17 to 41 form part of the financial statements.

Balance Sheet
as at 31 December 2022

	Note/(-s)	2022		2021	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	11	-		25,553	
Goodwill	12	-		32,444	
Property, plant and equipment	13	-		164,868	
Right of use assets	14	-		55,804	
Deferred tax assets	16,21	-		1,840	
Amounts due from group companies	16	-		11,560	
			-		292,069
Current assets					
Stocks	15	-		120,107	
Debtors	16	**264,596**		182,440	
Cash at bank and in hand	17	-		71,062	
		264,596		373,609	
Creditors: amounts falling due within one year	18	-		(222,148)	
Net current assets			**264,596**		151,461
Total assets less current liabilities			**264,596**		443,530
Creditors: amounts falling due after more than one year	19	-		(162,150)	
Provisions for liabilities					
Deferred tax liability	21	-		(17,658)	
Other provisions	22	-		(4,727)	
			-		(184,535)
Net assets			**264,596**		258,995
Capital and reserves					
Called up share capital	24		**11,625**		11,625
Capital reserves			**2,000**		2,000
Share premium account			**98,375**		98,375
Capital contribution reserve			**19,701**		19,701
Profit and loss account			**132,895**		127,294
Total shareholders' funds			**264,596**		258,995

Balance Sheet
as at 31 December 2022 (continued)

30/6/2023

These financial statements on pages 17 to 41 were approved by the board of directors on XX Xxxx 2023 and were signed on its behalf by:

Jonathan White

J B White
Director

30 June 2023

Statement of changes in equity
for the year ended 31 December 2022

	Called up share Capital £'000	Capital Reserve £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total shareholders' Funds £'000
Balance at 1 January 2022	**11,625**	**2,000**	**98,375**	**19,701**	**127,294**	**258,995**
Profit for the financial year	-	-	-	-	5,601	5,601
Re-measurement profit on pensions (net of tax)	-	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	-	5,601	5,601
Reversal of pension scheme asset	-	-	-	-	-	-
Transactions with owners recorded directly in equity						
Share-based payment charge	-	-	-	-	-	-
Tax on share-based payment charge	-	-	-	-	-	-
Transfer from capital contribution reserve	-	-	-	-	-	-
Pension obligation transfer	-	-	-	-	-	-
Balance at 31 December 2022	**11,625**	**2,000**	**98,375**	**19,701**	**132,895**	**264,596**

Statement of changes in equity *(continued)*
for the year ended 31 December 2021

	Called up share Capital £'000	Capital Reserve £'000	Share premium account £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2021	**11,625**	**2,000**	**98,375**	**1,305**	**92,187**	**205,492**
Profit for the financial year	-	-	-	-	27,545	27,545
Re-measurement gain on pensions (net of tax)	-	-	-	-	6,118	6,118
Total comprehensive income for the financial year	-	-	-	-	33,663	33,663
Reversal of pension scheme asset	-	-	-	-	-	-
Transactions with owners recorded directly in equity						
Share-based payment charge	-	-	-	136	3	139
Tax on share-based payment charge	-	-	-	(943)	-	(943)
Transfer from capital contribution reserve	-	-	-	(498)	1,441	943
IFRS 16 adjustment	-	-	-	19,701	-	19,701
Balance at 31 December 2021	**11,625**	**2,000**	**98,375**	**19,701**	**127,294**	**258,995**

Notes (forming part of the financial statements)

1 Accounting policies

Building Supplies Distribution Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK. The Company's principal activity was the supply of building and plumbing materials until 31 December 2021 after which point the trade and assets were hived across, to a fellow group company, into Huws Gray Limited on 1 January 2022. The address of its registered office is Huws Gray Limited Head Office, Llangefni Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA, UK.

1.1 Basis of preparation
The financial statements of Building Supplies Distribution Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 27.

As explained in going concern note contained within the Directors' Report, the Board made the strategic decision to integrate the Company with the Huws Gray business as one trading entity. Therefore, the trade and assets of the Company were transferred to a fellow group company, Huws Gray Ltd on the 1 January 2022 and the company is no longer trading and is therefore dormant. As a result of the Company ceasing to trade and the expectation that the Company will not trade in the future, the directors have prepared the financial statements on the basis that the Company is no longer a going concern and these financial statements are prepared on a break-up basis. The financial statements have been prepared using the most appropriate accounting policies to present a true and fair view of the Company's financial position, following the Financial Reporting Standards FRS 101, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. There are no adjustments to book values recorded as a result of these transactions in preparing the Company's financial statements on a break-up basis.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 3 – note to restate business combinations before the date of transition,
- IFRS 7 – financial instruments disclosures
- IFRS 13 – disclosure of valuation techniques and inputs for fair value measurement of assets and liabilities,
- IAS 1 – information on management capital,
- IAS 7 – statement of cashflows,
- IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective.
- IAS 24 – disclosure of key management compensation and for related party disclosures entered into between two or more members of the group,
- IAS 1 – the requirement to present roll forward reconciliations in respect of share capital,
- IAS 16 – the requirement to present roll forward reconciliations in respect of property, plant and equipment,
- IFRS 15 – Revenue from Contracts with Customers paragraphs 110b, 113a, 114, 115, 118, 119a-c, 121-127, 129.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

The Company's ultimate parent undertaking is Echo Topco Limited a company registered in Jersey. The top company registered in England and Wales which will prepare group consolidated financial statements which will include the Company is Patagonia Holdco 3 Limited (The Group), the financial statements of which are available from the registered office. As included in the consolidated financial statements of Patagonia Holdco 3 Limited, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations; and

IFRS 16 *Leases* in respect of disclosing the impact of the change in lease classification and treatment.

1.2 Adoption of new and revised Standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis except investment properties that are stated at their fair value.

1.4 Going concern

The Board made the strategic decision to integrate the Company with the Huws Gray business as one trading entity. Therefore, the trade and assets of the Company were transferred to a fellow group company, Huws Gray Ltd on the 1 January 2022 and the company is no longer trading and is therefore dormant.

As a result of the Company ceasing to trade and the expectation that the Company will not trade in the future, the directors have prepared the financial statements on the basis that the Company is no longer a going concern and these financial statements are prepared on a break-up basis. The financial statements have been prepared using the most appropriate accounting policies to present a true and fair view of the Company's financial position, following the Financial Reporting Standards FRS 101, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

There are no adjustments to book values recorded as a result of these transactions in preparing the Company's financial statements on a break-up basis.

1.5 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.6 Exceptional Items and Non-recurring Items

The Company has adopted a policy in relation to its income statement which seeks to highlight significant items within the Company's results. Such items may include significant restructuring and onerous lease provisions, profit or loss on disposal or termination of operations, litigation costs and settlements and impairment of assets. Judgement is used by the Company in assessing the particular items which, by virtue

Notes (forming part of the financial statements)

1 Accounting policies (continued)

of their scale and nature, should be disclosed in the income statement or related notes. Where exceptional items are not significant for separate presentation, they are disclosed as non-recurring items.

Property profit/(loss) is included in other income on the face of the Income Statement. Property profit arises when the proceeds, less costs to sell, exceed the carrying value of the disposed property.

1.7 Group financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

1.8 Financial instruments

IFRS 9 Financial Instruments, effective 1 January 2019, addresses the classification, measurement and recognition of financial assets and financial liabilities. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The classification and measurement basis for the Company's financial assets and liabilities is unchanged.

1.9 Classification of financial instruments issued by the Company

Preference shares are presented as a liability when in substance those shares are equivalent to a liability. Dividends arising on the preference shares are shown as finance charges in the profit and loss account.

1.10 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

1.11 Stock

Stocks are stated at the lower of cost and net realisable value, and net of rebates, after deduction of provisions for slow moving or obsolete stock. Cost of stock is based on the FIFO basis.

1.12 Trade and Other Receivables and Payables

Trade and other receivables and payables are stated at amortised cost (less any impairment losses), which approximates to fair value given the short-term nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectable debts. Provision is made when there is objective evidence that the Company will not be in a position to collect all of its receivables when they fall due. Bad debts are written-off in the profit and loss account on identification. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments.

1.14 Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Notes (forming part of the financial statements)

1 Accounting policies (continued)

1.15 Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year

1.16 Property, plant and equipment, freehold land and buildings

Property, plant and equipment, freehold land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment, freehold land and buildings have different useful lives, they are accounted for as separate items of property, plant and equipment, freehold land and buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, freehold land and buildings. Land is not depreciated. The estimated useful lives are as follows:

• freehold land and buildings	50-100 years
• leasehold land and buildings	Lease term or up to 100 years
• plant and equipment	3-20 years
• plant hire equipment	6-10 years
• fixtures and fittings	3-10 years
• Motor Vehicles	4-9 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.17 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. All goodwill was transferred to Huws Gray as part of the hive-up so no annual testing took place in 2022.

1.18 Intangible assets (Computer software)

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

1. an asset can be separately identified;

2. it is probable that the asset created will generate future economic benefits;

3. the development cost of the asset can be measured reliably;

4. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

5. the cost of the asset can be measured reliably

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met. Computer software is amortised over its expected useful life, which ranges from 3 to 10 years, by charging equal instalments to the profit and loss account within administrative expenses from the assets are ready for use.

1.19 Investments

Investments in the balance sheet are shown at cost less provision for impairment. Impairment reviews are performed by the directors when there has been an indicator of potential impairment.

1.20 Assets Held for Sale

Non-current assets that are expected to be recovered principally through sale rather than continuing use and meet the IFRS 5 criteria are classified as held for sale. These assets are shown in the balance sheet at the lower of their carrying amount and fair value less any costs to sell. Impairment losses on initial classification as non-current assets held for sale and subsequent gains or losses on re-measurement are recognised in the profit and loss account.

1.21 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.22 Pension and similar obligations

For part of the year, the Company operated a number of defined benefit pension schemes which require contributions to be made to separately administered funds. The Company's net obligation in respect of defined benefit pension schemes was calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit was discounted to determine its present value, and the fair value of any plan asset was deducted. The discount rate employed in determining the present value of the schemes' liabilities was determined by reference to market yields at the balance sheet date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

The deficit arising in the Company's defined benefit pension schemes was shown within non-current liabilities on the face of the Company Balance Sheet. The deferred tax impact of pension scheme deficits was disclosed separately within deferred tax assets as appropriate. Any resulting defined benefit asset is not recognised by the company and is de-recognised through the Statement of Changes in Equity. The Company recognises actuarial gains and losses immediately in other comprehensive income.

Any increase in the present value of the plans' liabilities expected to arise from employee service during the period is charged to operating profit. The Company determined net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period. Differences between the income recognised based on the discount rate and the actual return on plan assets, together with the effect of changes in the current or prior assumptions underlying the liabilities are recognised in other comprehensive income. When the benefits of a defined benefit plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account over the remaining average period until the benefits vest. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

1.23 Share based payment transactions

The 2011 Long-Term Incentive Plan (LTIP), the 1999 Grafton Group Share Scheme for Senior Executives and the SAYE Scheme for UK employees should enable employees to acquire shares in the Group subject to the conditions of these schemes. New units are issued to satisfy obligations under the 1999 Grafton Group Share Scheme and the SAYE scheme. Entitlements under the LTIP may be satisfied by the issue

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

of units or by a market purchase of units. The fair value of share entitlements at the grant date is recognised as an employee expense in the profit and loss account over the vesting period with a corresponding increase in equity. The fair value is determined by an external valuer using a binomial model. Share entitlements granted by the Group are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for share entitlements shown in the profit and loss account is adjusted to reflect the

1.23 Share based payment transactions *(continued)*

number of awards for which the related non-market based vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet therelated non-market based vesting conditions at the vesting date. Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated financial statements of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

1.24 Provisions

A provision is recognised on a discounted basis when the Company has a present (either legal or constructive) obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount required to settle the obligation. A provision for restructuring is recognised when the Company has approved a restructuring plan and the restructuring has commenced. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.25 Revenue from contracts with customers

IFRS 15 revenue from contracts with customers effective 1 January 2019, deals with revenues recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The company carried out a review of existing contractual arrangements and determined that there was no material impact for the Company's revenue streams.

1.26 Turnover

Turnover is derived from the provision of goods and services to customers during the year. Turnover is derived from the 2 activities of the Company, those being the supply of building materials and also the hiring of plant and equipment and wholly from within the UK.

Turnover represents the fair value of goods, excluding value added tax, delivered or hired to or collected by third party customers in the year. Goods are deemed to have been delivered to customers when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in those benefits.

1.27 Rebate arrangements

Rebate arrangements are a common component of supplier agreements in the merchanting industry. As part of its on-going business activities, Building Supplies Distribution Limited has entered into such arrangements with a significant number of its suppliers.

Supplier rebates received and receivable in respect of goods which have been sold to the Company's customers are deducted from cost of sales in the profit and loss. Where goods on which rebate has been earned remain in inventory at the year-end, an appropriate rebate deduction is made from the gross balance sheet carrying value of that stock. The rebate deduction is only released to the profit and loss account when the goods are ultimately sold.

At the year-end the balance sheet includes a balance representing unpaid amounts receivable from suppliers.

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

1.28 Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease which are short term and low value leases. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.29 IFRS 16 Leases

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with a practical expedient for short-term leases and leases of low value assets. IFRS16 changes how the Company accounts for leases previously classified as operating leases under IAS17, which were off-balance sheet.

The Company has applied IFRS16 using the modified retrospective approach without restatement of comparative information from 1 January 2019. In respect of those leases the Company previously treated as operating leases, the Company has elected to measure its right of use assets arising from property leases using the approach set out in IFRS16.C8(b)(ii). Under IFRS16C8(b)(ii) right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives. The Company leases various properties and motor vehicles as well as a small number of leases where the Company acts as a lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The standard has a material impact on the Company with the recognition of lease liabilities and right-of-use assets, however the overall impact on the Income Statement of adopting IFRS 16 will be neutral over the life of a lease but will result in a higher charge in the earlier years following implementation and a lower charge in the later years.

1.30 Identification of leases

The identification of leases involves judgement as IFRS 16 defines a lease as a contract (or part of a contract) that, for a period of time in exchange for consideration, conveys the right to:

- control an identified asset;
- obtain substantially all economic benefits from use of the asset;
- direct the use of the asset

The company has availed of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17

1.31 Lease term

and the guidance in IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.

The lease term is the non-cancellable period for which the Company has the right to use an underlying asset together with:

- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

This assessment involves the exercise of judgement by the Company.

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

1.32 Initial measurement of lease liability

The lease liability arising is initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: The Company's weighted average (by lease liability) incremental borrowing rate applied to lease liabilities as at 1 January 2019 was 3.7 per cent.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments)
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees (e.g. if the fair value of the asset at the end of the lease term is below an agreed amount, the lessee would pay to the lessor an amount equal to the difference between the fair value and agreed amount);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability does not include variable element which are dependent on external factors, e.g. payments that are based on turnover. Instead such variable element are recognised directly in the income statement.

Judgements applied include determining the lease term for those leases with termination extension options and the discount rate used which is based on the incremental borrowing rate. Such judgements could impact the lease term and significant lease liability and right-of -use asset recognised.

Where a lease agreement contains a clause to restore the asset to a specified condition i.e. dilapidation costs, the Company recognises a provision for dilapidations under IAS 37 in its balance sheet.

1.33 Initial measurement of right-of-use asset

The right-of-use asset comprises the amount of the initial measurement of the lease liability, adjusted for:

- any lease payments made at or before the commencement date, less any lease incentives
- any initial direct costs incurred by the Company.

In addition, where the Company subleases a headlease (or part thereof) to a third party and such sublease is deemed by the Company to be a finance sublease, the right-of-use asset relating to sublease is derecognised and a finance lease receivable is recognised.

1.34 Subsequent measurement of lease liability

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

1.34 Subsequent measurement of lease liability *(continued)*

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any material adjustments outlined above during the years presented.

After initial measurement, the right-of-use assets are measured at cost less accumulated depreciation, adjusted for:

After initial measurement, the right-of-use assets are measured at cost less accumulated depreciation,

adjusted for:

- any impairment losses in accordance with IAS 36 Impairment of Assets
- any remeasurement of the lease liability.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

1.35 Lease modifications

A lease modification is a change to the original terms and conditions of the lease. The effective date of the modification is deemed to be the date when both parties agree to a lease modification.

A lease modification is accounted for as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope of the lease.

If both criteria are met, the Company adopts the accounting policy on the initial recognition and measurement of lease liabilities and right-of use assets.

If a change in the lease terms does not meet the test outlined above, the Company must modify the initially recognised components of the lease contract.

1.36 Sub-lease accounting

Where the Company acts as a lessor, the sublease is classified as a finance lease or an operating lease. A lease is deemed to be a finance lease where the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset. Otherwise, the lease is deemed to be an operating lease.

Where the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The Company assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If the head lease is not a short-term lease or low-value lease and the sublease is deemed to be a finance lease, the Company recognises a lease liability relating to the head lease but does not recognise a corresponding right-of-use asset. Instead, the Company recognises a finance lease debtor relating to the sublease.

1.37 Interest receivable and Interest payable

Interest payable and similar charges includes interest payable on intercompany interest-bearing loans and net foreign exchange losses that are recognised in the profit and loss account. Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Notes (forming part of the financial statements)

1 Accounting policies *(continued)*

1.37 Interest receivable and Interest payable *(continued)*

Interest income and interest payable are recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.38 Taxation

Income tax in the profit and loss account represents the sum of current tax and deferred tax.

Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is based on taxable profit and represents the expected tax payable 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 certain items that are not tax deductible including property depreciation. The Company's liability for current tax is calculated using rates that have been enacted or substantively enacted at the balance sheet date. The Company's income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Company operates. The determination of the Company's charge for income tax in the profit and loss account requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined. The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Goodwill that is not deductible for tax purposes;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

2 Turnover

Turnover and (loss)/profit before taxation relate to the principal activity of the Company and arise wholly within the UK. No sales were made in 2022 as the Company ceased trading. In the directors' judgement all sales in the prior year relate to one class of business, that of resale of goods which a significant part of the business.

Notes (forming part of the financial statements)

3 Other operating income

	2022 £'000	2021 £'000
Net gain on disposal of property, plant and equipment	-	389
Dividends received from subsidiaries	-	2,342
	-	2,731

4 Operating profit

Included in operating profit are the following:

	2022 £'000	2021 £'000
Auditors' remuneration for the audit of the annual financial statements	-	320
Depreciation (note 13)	-	14,755
Depreciation on right-of-use assets (note 14)	-	8,680
Amortisation (note 11)	-	3,623
Bad debt provision charged to p&l	-	2,987
Inventory provision charged to p&l	-	6,207
Gain on sale of assets to fellow group company	**(5,601)**	-
Business rates relief	-	(2,888)

Audit fees have been incurred by a fellow group company in 2022 and not recharged.

5 Administrative expenses - exceptional items

Included in operating profit are the following:

	2022 £'000	2021 £'000
Impairment Grangemouth investment	-	1,089
Impairment AR Henricks investments	-	1,253
Loss on sale and leaseback properties	-	3,200
	-	5,542

Notes (forming part of the financial statements)

6 Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2022 Number	2021 Number
Administration and sales	-	3,109
	-	3,109

(

	2022 £'000	2021 £'000
Wages and salaries	-	103,210
Social security costs	-	10,020
Share based payments	-	-
Other pension costs (note 23)	-	2,166
	-	115,396

There were no prepaid pension contributions at the end of the current or previous year. At 31 December 2022 there was no pension liability. At 31 December 2021 a pension liability of £511k was included within accruals.

7 Remuneration of directors

	2022 £'000	2021 £'000
Directors' emoluments:		
As directors	-	324
Contributions to defined contribution scheme	-	13
	-	337

For the year to 31 December 2022 all directors emoluments were borne by another group company and not recharged in the year to 31 December 2021.

Certain Directors emoluments have been borne by another group company and not recharged.
No directors had contributions made to the defined contribution scheme by the Company *(2021: two)*.
No director exercised share options during the year *(2021: one)*.

No directors were granted shares under a long-term incentive scheme in respect of services supplied *(2021: two)*. The payments in respect of excess retirement benefits of directors, loss of office benefit or amounts paid to third parties in respect of directors' services was £nil *(2021: £nil)*. Nothing was paid in compensation for loss of office to any director (*2021: £nil)*.

Highest paid Director
Remuneration paid to the highest paid director in 2022 was borne by another group company *(2021: £198,535)*. No company contributions to money purchase pension scheme for the highest paid director were paid (2021: £nil). The highest paid director did not participate in the defined benefit pension scheme *(2021: none)*. The highest paid director did not exercise share options (2021: none).

Notes (forming part of the financial statements)

8 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on lease liabilities	-	2,312
Pension interest expense – defined benefit obligation (note 23)	-	204
	-	2,516

9 Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest income on finance subleases	-	73
	-	73

10 Tax on profit

(i) Analysis of charge for the year

	2022		2021	
	£'000	**£'000**	£'000	£'000
Current tax				
Current year charge	-		7,689	
Adjustment in respect of prior periods	-		(82)	
Total current taxation		-		7,607
Deferred tax				
Current year charge	-		1,924	
Adjustment in respect of prior periods	-		(422)	
Total deferred tax		-		1,502
Tax charge on profit		-		9,109

Notes (forming part of the financial statements)

10 Tax on profit *(continued)*

(ii) Factors affecting the tax charge/(credit) for the year

The total tax charged (2021: charged) for the year is lower (2021: higher) as the standard rate of corporation tax in the UK of 19% (2021: 19%). The charge for the year is detailed below:

	2022	2021
	£'000	£'000
Profit before taxation	**5,601**	36,654
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% *(2021: 19%)*	**1,064**	6,964
Effects of:		
Expenses not deductible for tax purposes	-	492
Depreciation on non-qualifying assets	-	426
Group dividend income	-	(445)
Impairment	-	445
Group relief	**(1,064)**	-
Property profit in excess of chargeable gain	-	-
Adjustments to current tax charge in respect of prior periods	-	(82)
Impact of change in UK tax rate	-	1,731
Adjustments to deferred tax in respect of prior periods	-	(422)
Total tax charge for the year	-	9,109

Factors which may affect future tax charges:

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021.

In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

Notes (forming part of the financial statements)

11 Intangible assets

	Software costs £'000
Cost	
At 1 January 2021 & 31 December 2021	42,020
Transferred to a fellow group company	(42,020)
At 31 December 2022	-
Accumulated amortisation and impairment	
At 1 January 2021	(12,844)
Charged in year – amortisation	(3,623)
At 31 December 2021	(16,467)
Transferred to a fellow group company	16,467
At 31 December 2022	-
Net book value	
At 31 December 2022	-
At 31 December 2021	**25,553**

12 Goodwill

	Goodwill arising on transfer of trade £'000	Purchased goodwill £'000	Total goodwill £'000
Cost 31 December 2021	24,987	7,457	32,444
Transferred to a fellow group company	(24,987)	(7,457)	(32,444)
Cost 31 December 2022	-	-	-

Impairment Testing

Goodwill impairment testing was performed as part of 31st December 2021 financial statements and no impairment was identified. No impairment testing was performed in 2022 because all goodwill was hived-up to Huws Gray on 1st January 2022.

Notes (forming part of the financial statements)

13 Property, plant and equipment

	Freehold land and Buildings £'000	Leasehold land and buildings Plant and equipment £'000	Plant, hire equipment, fixtures & fittings & motor vehicles £'000	Total £'000
Cost				
Balance at 1 January 2021	144,708	17,843	171,220	333,771
Additions	-	115	10,502	10,617
Reclass	3,323	(2,046)	(1,277)	-
Transfer out to fellow Group companies	(9,929)	(39)	(80)	(10,048)
Transfer to properties held for sale	(394)	-	-	(394)
Disposals	-	(171)	(5,879)	(6,050)
Balance at 31 December 2021	137,708	15,702	174,486	327,896
Transferred to a fellow group company	(137,708)	(15,702)	(174,486)	(327,896)
Balance at 31 December 2022	-	-	-	-
Accumulated depreciation and impairment				
Balance at 1 January 2021	28,050	7,614	120,530	156,194
Depreciation charge for the year	1,692	445	12,618	14,755
Reclass	2,729	(1,907)	(822)	-
Impairments	-	5	98	103
Transfer out to fellow Group companies	(2,160)	(39)	(35)	(2,234)
Transfer to properties held for sale	(71)	-	-	(71)
Disposals	-	(147)	(5,572)	(5,719)
Balance at 31 December 2021	30,240	5,971	126,817	163,028
Transferred to a fellow group company	(30,240)	(5,971)	(126,817)	(163,028)
Balance at 31 December 2022	-	-	-	-
Net book value				
At 31 December 2021	107,468	9,731	47,669	164,868
At 31 December 2022	-	-	-	-

Freehold land and buildings contain £nil *(2021: £51.8m)* attributable to land which is not depreciated.

Depreciation is disclosed within administrative costs.

Notes (forming part of the financial statements)

14. Right of use assets

	Property & land leases £'000	Vehicles £'000	Total £'000
Recognised at 1 January 2022	50,733	5,071	55,804
Transferred to a fellow group company	(50,733)	(5,071)	(55,804)
Closing net book amount	-	-	-
Recognised at 1 January 2021	59,068	4,181	63,249
Additions	4,677	3,173	7,850
RoUA adjustments	(1,091)	86	(1,005)
RoUA disposal adjustments	(5,610)	-	(5,610)
Depreciation charge	(6,311)	(2,369)	(8,680)
Closing net book amount	50,733	5,071	55,804

The opening right of use assets figure at 31 December 2021 included £13,192k that relates to leases longer than 50 years, the closing right of use asset at 31 December 2021 included an amount of £8,789k that relates to leases longer than 50 years.

The average lease term was 61 months

The amounts recognised in the income statement include:

	2022 £'000	2021 £'000
Depreciation expense on right-of-use assets	-	8,680
Interest expense on lease liabilities	-	2,312
Income from subleasing right-of-use assets - operating leases	-	(18)
Income from subleasing right-of-use assets - finance leases	-	(126)

The total cash outflow for leases amounted to £nil.

There were no freehold properties sold and leased back transactions in the current year.

Notes (forming part of the financial statements)

15 Stocks

	2022 **£'000**	2021 £'000
Finished goods and goods for resale	-	120,107

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £nil *(2021: £711 million)*. There were no write-down of stocks to net realisable value in the year *(2021:* £nil*)*.

The inventory provision at 31 December 2022 was £nil *(31 December 2021: £9.4 million)*. The stock shrinkage provision at 31 December 2022 was £nil *(31 December 2021: £1.8m)*.
There was no impairment of inventory during the year *(2021: £nil)*.

All stock amounts were transferred to Huws Gray Limited on 1 January 2022.

16 Debtors

	2022 **£'000**	2021 £'000
Trade debtors	-	125,503
Amounts due from group companies	**264,596**	1,888
Prepayments and accrued income	-	55,049
Due within one year	**264,596**	182,440
Deferred tax assets (see note 21)	-	1,840
Amounts due from group companies	-	11,560
Due over 1 year	-	13,400

	2022 **£'000**	2021 £'000
Total debtors	**264,596**	195,840

Amounts due from group companies were unsecured, interest free and repayable on demand.

Trade debtors and the associated provision for impairment were transferred to Huws Gray Limited on 1 January 2022 (2021 provision for impairment: £4,232k).

17 Cash at bank and in hand

	2022 **£'000**	2021 £'000
Cash at bank and in hand	-	71,062

All cash at bank and in hand amounts were transferred to Huws Gray Limited on 1 January 2022.

Notes (forming part of the financial statements)

18 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Lease liabilities	-	8,584
Trade creditors	-	156,049
Amounts due to group companies	-	5,402
Taxation and social security	-	6,596
Accruals	-	45,517
	-	222,148

Included in Accruals is an amount of £nil (2021: £10.1m) relating to expected rebates payable to customers. All creditors amounts were transferred to Huws Gray Limited on 1 January 2022.

19 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Lease liabilities	-	54,701
Amounts due to group companies (note 22)	-	105,119
Preference shares (note 27)	-	2,330
	-	162,150

The maturity analysis of the lease liability is as follows:

	2022	2021
	£'000	£'000
Year 1	-	8,584
Years 2-5	-	22,640
Onwards	-	32,061
	-	63,285

All creditor amounts were transferred to Huws Gray Limited on 1 January 2022.

Notes (forming part of the financial statements)

20 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2022 £'000	2021 £'000
Creditors: amounts falling due after more than one year		
Inter-group interest bearing loans	-	105,119
Creditors: amounts falling due within one year	-	-

The amounts due to group companies include:

The comparative represents an unsecured interest-bearing loan from Patagonia Bidco Limited at a 5.5% fixed interest rate over 125 months ending 31 May 2031.

All creditors amounts were transferred to Huws Gray Limited on 1 January 2022.

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets/liabilities as at 31 December 2021 were calculated based on a rate of 25% as this was the rate substantively enacted at the year end.

	Deferred tax asset 2022 £'000	**Deferred tax liability 2022 £'000**	**Net deferred tax liabilities 2022 £'000**	Deferred tax asset 2021 £'000	Deferred tax liability 2021 £'000	Net deferred tax liabilities 2021 £'000
Freehold properties	-	-	-	-	14,528	14,528
Other tangible fixed asset timing differences	-	-	-	(1,785)	-	(1,785)
Intangible assets timing differences	-	-	-	-	3,130	3,130
Provisions/accruals	-	-	-	(55)	-	(55)
Retirement benefit obligations	-	-	-	-	-	-
Share schemes	-	-	-	-	-	-
Total tax (assets)/liabilities	-	-	-	(1,840)	17,658	15,818

Notes (forming part of the financial statements)

21 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year

	1 January 2022	Transferred to a fellow group company	Recognised in equity	Acquisition/ disposals	31 December 2022
	£'000	£'000	£'000	£'000	£'000
Freehold properties	14,528	(14,528)	-	-	-
Other tangible fixed assets timing differences	(1,785)	1,785	-	-	-
Intangible assets timing difference	3,130	(3,130)	-	-	-
Provisions/accruals	(55)	55	-	-	-
Retirement benefit obligations	-	-	-	-	-
Share schemes	-	-	-	-	-
Net tax liabilities	15,818	(15,818)	-	-	-

Movement in deferred tax during the year

	1 January 21	Recognised in income	Recognised in equity	Acquisition/ disposals	31 December 21
	£'000	£'000	£'000	£'000	£'000
Freehold properties	11,041	3,487	-	-	14,528
Other tangible fixed assets timing differences	(1,611)	(174)	-	-	(1,785)
Intangible assets timing difference	2,884	246	-	-	3,130
Provisions/accruals	(78)	23	-	-	(55)
Retirement benefit obligations	(6,526)	(2,080)	8,606	-	-
Share schemes	(943)	-	943	-	-
Net tax liabilities	4,767	1,502	9,549	-	15,818

Deferred tax assets were recognised in respect of fixed asset timing differences, accruals and retirement benefit obligations where it is probable that they will be utilised against taxable profits in the foreseeable future. The carrying value of these deferred tax assets was assessed based on estimates and judgements of the availability of future taxable profits.

All deferred tax amounts were transferred to Huws Gray Limited on 1 January 2022.

Notes (forming part of the financial statements)

22 Other provisions

	Restructuring £'000	Dilapidations £'000	Onerous £'000	Total £'000
Balance at 1 January 2022	30	4,532	165	4,727
Transferred to a fellow group company	(30)	(4,532)	(165)	(4,727)
Balance at 31 December 2022	-	-	-	-

Dilapidations provision

The dilapidations provision covers the cost of reinstating certain Company properties at the end of the lease term based on the terms of the lease which sets out the conditions and work required to be undertaken on the return of the property. The timing of the outflows will match the ending of the relevant leases which ranges from 2 to 20 years.

Onerous provision

The onerous provision relates to on-going business rates liabilities for surplus properties.

All provision amounts were transferred to Huws Gray Limited on 1 January 2022.

23 Pensions and similar obligations

A number of defined benefit and a defined contribution pension schemes are operated by the Company and the assets of the schemes are held in separate trustee administered funds.

The actuarial reports are not available for public inspection.

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to profit and loss account of £nil (2021: £2,166k) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2022, contributions of £nil (2021: £206k) were due in respect of the current reporting year had not been paid over to the schemes.

IAS 19 – Employee benefits

On 30th June 2021, in connection with the sale of the Company, the Company transitioned the responsibility for the Grafton (UK) Pension Scheme (the "Scheme") to another Company. This transfer resulted in the replacement of the Company by Selco Trade Centres Limited as both principal employer and the party with primary funding responsibility for the Scheme. The impact of this was to remove the pension liability from the accounts of the Company as at that date with a corresponding exceptional credit recognised as a capital contribution.

All pension assets and obligations shown below are as at 30th June 2021 immediately prior to the transfer to Selco Trade Centres Limited.

Notes (forming part of the financial statements)

23 Disposal

The following balances were transferred to Huws Gray Limited (Company number 02506633) on 1 January 2022. The sale was done at net book value, which was not materially different from fair value, being settled by way of an intercompany.

Trade and assets transferred to Huws Gray Limited	**£'000**
Goodwill	32,444
Intangible fixed assets	25,553
Tangible fixed assets	164,868
Right of use assets	55,804
Deferred tax assets	1,840
Debtors: amounts owed after more than one year	11,560
Inventory	120,107
Debtors: amounts owed in less than one year	182,370
Cash in hand	71,063
Creditors: amounts falling due within one year	(222,148)
Creditors: amounts falling due after one year	(162,150)
Provisions	(5,092)
Deferred tax liability	(17,658)
Net assets transferred	**258,995**
Consideration	264,596
Gain on transfer of business	**5,601**

24 Called up share capital

Share capital

	Cumulative preference shares of £1 each		**Ordinary shares**	
(In thousands of shares)	**2022 No.**	2021 No.	**2022 No.**	2021 No.
In issue at 1 January	**-**	-	**11,625**	11,625
In issue at 31 December	-	-	**11,625**	11,625

	2022 £'000	2021 £'000
Ordinary Shares of £1 each	**11,625**	11,625
1,778,257 (2020: 1,778,257) "A" preference shares	**1,778**	1,778
104,425 (2020: 104,425) "B" preference shares	**104**	104
275,278 (2020: 275,278) "C" preference shares	**275**	275
95,507 (2020: 95,507) "D" preference shares	**96**	96
37,711 (2020: 37,111) "E" preference shares	**37**	37
40,223 (2020: 40,223) "F" preference shares	**40**	40
Total allotted, called up and fully paid share capital	**13,955**	13,955

Notes (forming part of the financial statements)

24 Called up share capital (continued)

Share capital *(continued)*

The preference shares were issued at par and were fully paid up. The holders of the preference shares are entitled to a fixed cumulative preferential dividend at a floating rate which is calculated as 70% of LIBOR plus 0.65%. On winding up, these rank first and will be entitled to the capital and premium paid on subscription, together with any arrears of the fixed dividend.

The preference shares do not entitle the holder to attend or vote at any general meetings, unless the dividends are six months or more in arrears, in which case the holders will be entitled to vote. These terms mean that, the preference shares are recognised as a liability of the Company and the dividends as a component of the interest payable.

The preference shares were transferred to Huws Gray Limited on 1 January 2022.

25 Contingent liabilities

The Company, along with other subsidiaries of Patagonia Bidco Limited, acts as a guarantor for the group borrowings which drawn at the balance sheet date amounted to £950 million. Undrawn committed facilities at the balance sheet date comprised a Revolving Credit Facility of £125million.

26 Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is Patagonia Bidco Limited a company registered in England and Wales, the financial statements of which are available from the registered office.

The Company's ultimate parent undertaking is Echo Topco Limited a company registered in Jersey. The top company registered in England and Wales which will prepare group consolidated financial statements which will include the Company is Patagonia Holdco 3 Limited (The Group), the financial statements of which are available from the registered office.

The ultimate controlling party of The Group is The Blackstone Group Inc.

27 Accounting estimates and judgements

The Company's main accounting policies affecting its results and financial condition are set out on pages 32 to 41. No significant accounting judgments or estimates have been made in 31st December 2022 financial statements. Certain judgements and estimates were made in preparation of 31st December 2021 financial statements as listed below:

Goodwill

The Company has no capitalised goodwill at 31 December 2022 *(2021: £32.4 million)* as detailed in note 12. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicate potential impairment exists. The Company uses value in use calculations to determine the recoverable amount of cash generating units containing goodwill. Value in use is calculated as the present value of future cash flows. In calculating value in use, management judgement is required in forecasting cash flows of the cash generating units and in selecting an appropriate discount rate and nominal growth rate in perpetuity. No goodwill impairment charge was recognised by the Company in 2022 *(2021: £nil).*

27 Accounting estimates and judgements *(continued)*

Taxation

Management is required to make judgements and estimates in relation to taxation provisions and exposures. In the ordinary course of business, the Company is party to transactions for which the ultimate tax determination may be uncertain. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice. If the final determination of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provisions and assets in the period in which the determination was made.

The amount shown for current taxation includes a liability for tax uncertainties and is based on the Directors' best probability weighted estimate of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

Stock provisioning

The company maintains inventory which is subject to changing customer demands. As a result, it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 15 for the net carrying value of inventory and associated provision.

Rebate income

Rebate arrangements with suppliers are a common feature of trading in the merchanting industry and the Group has agreements with individual suppliers related to purchases of goods for resale.

Rebates are accounted for as a deduction from the cost of goods for resale and are recognised in the financial statements based on the amount that has been earned in respect of each individual supplier up to the balance sheet date. Rebates receivable are determined using established methodologies and are only recognised in the income statement where there is an agreement in place with an individual supplier, any related performance conditions have been met and the goods have been sold to a third-party customer.

Rebates receivable from individual suppliers are typically calculated by applying an agreed percentage to the purchase price shown on the supplier invoice for products purchased for resale. A small proportion of rebates receivable are based on volumes purchased with certain supplier agreements providing for a stepped increase in rebates if purchases reach predetermined targets within a specified time period.

The majority of rebate arrangements cover a calendar year which coincides with the financial year of the Group and this reduces the requirement to estimate rebates receivable at the year-end. Where estimation is used in the calculation of rebates receivable it is done on a consistent and prudent basis, based upon management's knowledge and experience of the suppliers and historic collection trends.

IFRS 16 leases

Where the Company has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all acts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgements in assessing the discount rate, which are based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Company has availed of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and the guidance in IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.