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Company registration number 13398238 (England and Wales)

PATAGONIA HOLDCO 3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

COMPANY INFORMATION

Directors	T Owen D Gupta D Morris A T Wagstaff J B White (appointed 14 February 2025) C B Lovelace (resigned 14 February 2025)
Company Number	13398238
Registered Office	c/o Huws Gray Limited Industrial Estate Llangefni Anglesey Wales LL77 7JA
Auditor	Ernst & Young LLP R+ Building 2 Blagrave Street Reading Berkshire RG1 1AZ
Solicitors	Simpson Thacher & Bartlett LLP City Point One Ropemaker Street London EC2Y 9HU

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PATAGONIA HOLDCO 3 LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	28
Independent Auditors' report	36
Consolidated statement of profit or loss	40
Consolidated statement of comprehensive income	41
Consolidated statement of financial position	42
Company statement of financial position	43
Consolidated statement of changes in equity	44
Company statement of changes in equity	45
Consolidated statement of cash flows	46
Notes to the consolidated financial statements	47
Notes to the Company financial statements	94

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025

The directors of Patagonia Holdco 3 Limited (the "Company") present the strategic report for the group of companies of which it is the ultimate UK holding company (the "Group") for the 12-month period ended 31 December 2025 ("Year").

Review of the business of the Company

The Company is the ultimate UK holding company of the Group and prepares consolidated financial statements. The financial statements comply with UK adopted International Accounting Standards.

Echo Topco Limited, the immediate parent of the Company, is registered in Jersey and the ultimate controlling party is The Blackstone Group Inc ("Blackstone") via Echo Midco Limited (a company incorporated in Jersey).

Strategy and business model

Principal activities

The Group operates primarily as a general builders' merchant, both for trade and public use, in the repair, maintenance and improvement (RMI) sector of the UK construction industry. In addition to its operation of a network of builders merchants throughout the UK, the Group also operates a number of complementary specialist distribution businesses. These include a separate timber business, a bathroom distribution business, an interiors business and specialist civils and lintels distribution businesses.

The Group currently trades from 299 sites (2024: 312 sites) (excluding administrative offices) and in the Year, 98% of the Group's revenue was generated by Huws Gray Limited.

Review of 2025

2025 was a year of further change for the Group with significant work undertaken to support the Group's enlarged scale, improve governance and operational performance and in preparation for future growth.

The Group has focused on a number of key areas in the Year, including:

- Continued to strengthen the leadership team to bring additional skills, capabilities and experience in a number of key leadership roles;
- Streamlined reporting lines to enhance communication and performance management for front-line colleagues;
- Further enhancement of our performance culture, supported by improved data reporting and analysis to drive operational excellence;
- Continued to maximize the operational and margin-accretive opportunities of the Group's integrated specialist distribution businesses;
- Completed a review of the Group's operating platform. As a result of this detailed, site by site review, a number of sites were closed in the Year. Portfolio review is now established as part of our routine governance processes;
- Focused on working capital management, cost control and capital expenditure discipline;
- Continued to enhance the Group's internally-developed central information repository and control system, 'Portal';
- Continued to strengthen the Group's internal communications and our annual colleague engagement strategy in partnership with the Great Place to Work Institute to drive improved colleague engagement; and

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

- Relaunched the Group's brand to align all the Group's business under the Huws Gray brand and to demonstrate to our customers that we are "Making Building Better". As part of this we are very proud to have launched our new brand by partnering with the Professional Match Games Officials where we are the kit sponsor for the match officials in the English and Welsh football leagues – putting the Huws Gray name in front of >1 bn viewers.

Key performance indicators

The Group uses the following key performance indicators to monitor performance:

	2025	2024	Change
Revenue	£1,330.7m	£1,352.2m	-£21.5m
Revenue – Like for Like Sales per working day	£5,259k	£5,224k	+0.7%
Gross margin	29.4%	29.4%	-
Adjusted EBITDA	£84.2m	£99.3m	-£15.1m
Employee numbers	4,725	4,913	-3.8%
Net cashflow	-£1.4m	£23.0m	-£24.4m

Adjusted EBITDA is calculated as operating profit before depreciation and amortisation charges, impairment losses, exceptional items and share-based payments charges.

Reported results for the year

Profit and loss account and trading performance

Revenue for the year was £1,330.7m (2024: £1,352.2m) and the loss before tax was £128.2m (2024: loss before tax £230.2m). The loss before tax in 2025 is primarily the result of an intangible assets impairment of £38.4m and net finance costs of £95.1m.

Macro-economic conditions continue to negatively impact the sector. Whilst interest rates started to reduce, and inflation has eased from the high levels observed across 2022, 2023 and 2024, there is uncertainty on future interest rate trajectory, which is having an impact on consumer demand in the sector. Demand also softened as consumers assessed the impact of the Government tax and policy direction.

Group revenue in the Year of £1,330.7m (2024: £1,352.2m) represents a year-on-year reduction of 1.6%. In 2025, the Group closed 16 trading sites and, adjusting for these, the Group's sales per working day increased by 0.7%.

Gross margin is monitored on a daily basis. Gross margin in the Year was 29.4% (2024: 29.4%). The Group has benefited from procurement synergies to support gross margins year-on-year against a competitive market backdrop and pricing pressure.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Adjusted EBITDA of the Group was £84.2m (2024: £99.3m), calculated as follows:

	2025 £m	2024 £m
Operating loss after exceptional expenses	(33.1)	(134.8)
Add back: Depreciation	38.8	41.0
Add back: Amortisation	29.4	31.7
Total EBITDA	35.1	(62.1)
Add back: Goodwill impairment loss[1]	-	150.2
Add back: Intangible assets impairment losses[1]	38.4	-
Add back: Property, plant and equipment impairment losses[1]	2.0	3.4
Add back: Right of use asset impairment losses[1]	3.9	1.8
Add back: Exceptional distribution expenses – disposal of sites[1]	(1.3)	-
Add back: Exceptional administrative expenses excluding the goodwill impairment loss[1]	5.4	5.2
Add back: Share-based payment charge[2]	0.7	0.8
Total adjusted EBITDA	84.2	99.3

[1] Refer to note 5 Exceptional expenses for further detail.

[2] Share-based payment charges are excluded from adjusted EBITDA because they do not impact short-term cash generation, allowing adjusted EBITDA to better reflect the Group's underlying operating performance.

The directors have used certain non-IFRS Alternative Performance Measures (APMs) including Adjusted EBITDA. These represent additional measures to assess performance and are used for reporting both internally and to shareholders and other external users. The directors believe that these APMs are useful indicators of the Group's performance. They may not be comparable with similarly titled measures reported by other companies due to differences in the way they are calculated.

The Group's APMs are, however, consistent with those established within the prior period financial statements. It is the directors' intention to monitor and reassess the appropriateness of the APMs in future years.

The result for the year includes a number of non-recurring exceptional costs and impairment charges. These have been analysed separately from core trading results as follows:

a) an intangible assets impairment loss of £38.4m (2024: £nil) following the decision to retire the "Buildbase" brand as part of the Group's rebranding (see note 13 to the financial statements).
b) a property, plant and equipment impairment loss of £2.0m (2024: £3.4m) following an impairment review exercise (see note 14 to the financial statements).
c) a right of use asset impairment loss of £3.9m (2024: £1.8m) relating to leasehold buildings following an impairment review exercise (see note 15 to the financial statements).
d) a gain of £1.3m (2024: £nil) in relation to the disposal of sites (see note 5 to the financial statements).
e) exceptional administrative expenses of £5.4m (2024: £5.2m) charged to profit and loss, primarily relating to redundancy costs, integration costs, professional fees and consultancy costs.

On average, employee numbers decreased from 4,913 to 4,725 in the Year as a result of site closures combined with a disciplined approach to replacement and tight focus on cost control.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Working capital funding and hedging

During the Year, working capital funding for investment and expansion of the Group has been provided by cash generated through operations. The Group also has access to RCF of £125m to fund any additional requirements, however, this remained undrawn throughout the Year and throughout the previous year. The Group's debt facilities currently mature on 1 November 2028.

In December 2024, the Group entered into a €100m non-recourse debt factoring facility (the "Factoring Facility") to provide additional liquidity and for broader corporate objectives. This facility has a three-year term and at 31 December 2025, £68.7m (2024: £66.9m) of the facility was drawn down.

The Group's cash decreased slightly from £116.8m at 31 December 2024 to £115.4m at 31 December 2025, supported by £15.3m (2024: £3.5m) of receipts from property, plant and equipment disposals, including £14.8m from site disposals. Following a number of years of significant capital investment following the Fleming acquisition in 2021, and with a number of site closures allowing for asset recycling, the Group's capital investment levels were below the historic trend in the Year. Investment in the Year of £9.8m (2024: £20.1m) primarily focused on the Group's physical estate and expanding our Plant & Tool Hire offering. The Group's continued focus on inventory and working capital optimisation supported a net working capital inflow in the Year.

As part of the Group's financial risk policy, in 2022 foreign exchange contracts were taken out to swap both the principal and interest on the Group's Euro denominated debt into sterling for a period of 5 years to November 2026. Contracts were taken out to swap £475m of the Group's sterling denominated debt into fixed rate interest from floating for a period of 3 years from 1 May 2022. Given current market conditions, these hedges were not renewed when they matured in the Year. The Group adopted hedge accounting with effect from 1 May 2022.

Consolidated statement of financial position

The consolidated statement of financial position includes:

- Goodwill of £353.4m (2024: £353.4m) which principally relates to the 2021 acquisitions, offset by impairments recognised in prior periods;
- Intangible assets of £226.9m (2024: £294.7m) have decreased due to the amortisation in the Year of £29.4m (2024: £31.7m) of the intangibles from the 2021 acquisitions, comprising mainly brand and customer relationship assets, and impairment of the Buildbase brand asset in the Year of £38.4m (2024: £nil) (see note 13 to the financial statements); and
- Long-term external funding of the Group of £950.7m (2024: £929.9m) increased due to exchange rate movements on the Group's Euro denominated debt during the year (see note 20 to the financial statements).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Cashflow

The consolidated cashflow statement shows a net cash and cash equivalents decrease of £1.4m (2024: increase of £23.0m) during the Year. The movement in the Year includes cash generated from operations (before interest payments, interest receipts and tax receipts) of £98.8m (2024: £145.5m) and the following inflows and outflows:

- Interest paid on bank borrowings of £91.8m (2024: £87.9m);
- Interest refund received of £3.7m (2024: £nil);
- Tax received of £3.7m (2024: received £0.2m);
- Expenditure on property, plant and equipment of £9.8m (2024: £20.1m);
- Proceeds from disposals of property, plant and equipment of £15.3m (2024: £3.5m); and
- Lease payments, including lease interest, of £16.7m (2024: £17.5m).

The Group generated an inflow from movements in working capital in the Year of £20.1m (2024: inflow of £52.5m, including £66.9m of receipts from the Factoring Facility, which commenced in December 2024).

Principal risks and uncertainties

The Group continues to develop its risk management processes.

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

- **Health and safety**. The nature of the Group's operations exposes colleagues, customers and third parties to health and safety risks. The prevention of injury or loss of life to colleagues, customers and third parties is a priority for the Group. Health and safety risks in branch locations include the manual handling of products, slips, trips, falls and incidents involving forklift trucks and delivery vehicles. Specific risks in other locations such as timber yards, roof truss assembly plants and transport are also identified. Health and safety forms part of the agenda at all Group Board and operational board meetings and statistics covering accident frequency rates, lost time and management of risks and cost of accidents and incidents are monitored by the Board on a regular basis. Accidents are monitored and corrective action taken when appropriate to reduce or eliminate the risk of recurrence.
- **Cyber threat and data security**. Incidents of sophisticated cyber-crime represent a significant and increasing threat to all businesses. The Group has increased its investment in appropriate technology and enhanced controls processes and regular colleague awareness training to manage this risk.
- **People**. The Group's colleagues are key to the Group's success. The Group's ability to recruit, develop and retain staff is critical to the high levels of customer service which the Group looks to deliver, with strong product knowledge. The Group continually reviews the benefits package to ensure that it is appropriate to the work and skills which colleagues bring. The Group continued to participate in the "Great Place to Work" colleague engagement survey to get a deeper insight into our colleagues as we continue to invest in developing the culture of the enlarged Group.
- **Macroeconomic risk**. Despite a moderation in cost inflation, it remains a concern for both product and overheads, compounded by cost inflation as a result of government policy related to national minimum wage and employer's national insurance legislation together with increasing energy costs linked to the conflict in the Middle East. Actions to mitigate these challenges primarily involve proactive pricing actions, although the competitive nature of the market persists.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

- **Supplier risk - product availability**. Availability of product and the financial health and strategy of our key suppliers remains a risk. We focus on building long-term strategic partnerships with our suppliers to proactively monitor potential stock-related challenges and, where necessary, bolster inventory levels to facilitate widespread product distribution across our branches.
- **Changing customer landscape**. Whilst our core business is to be the well-stocked local provider of building materials, focused on timber and heavy side products which do not lend themselves well to a central distribution model, the Group is also developing on-line sales and customer service capabilities.
- **Internal controls and fraud**. The Group is exposed to the risk of failure in financial or operational controls in individual Business Units, including the failure to prevent or detect fraud. A breakdown in controls of this nature could lead to a financial loss for the Group. The Group has established a framework of controls incorporating a "three lines of defence" model to protect against significant control deficiencies and the risk of fraud. This includes documented policies and procedures for key financial and operational processes, ongoing monitoring of management accounts both at a Group and business unit level and an annual compliance verification process. Governance has been further strengthened in the Year by formalising governance committees around our property, IT environment and commercial arrangements as well as our sustainability agenda.
- **Core operating systems**. The Group's principal operating system is supported by a long-term partner. The Group is a significant customer of this partner, and we are working with them to update the underlying system infrastructure to support the Group's longer-term ambitions. Members of the Executive Committee meet regularly with the partner to monitor progress and system stability.

Financial risk

The Group uses various financial instruments which include bank loans, cross-currency interest rate swap contracts, debt factoring, cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail below.

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

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by access to revolving credit facilities, factoring facilities and retained cash made available on a shared basis to the Group's trading subsidiaries.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited. The principal credit risk arises from trade receivables, although management consider that this risk has been moderate given the large customer base and low concentration of risk with a single customer. To manage credit risk, management sets limits for customers based on a combination of payment history and third-party credit references. Significant resources are allocated to monitor the Group's receivables ledger on a daily basis to mitigate and manage potential financial loss. The Group also holds credit insurance to manage credit risk.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Pricing risk and currency fluctuations

The Group faces volume and price competition in its markets and is competing with both existing builders' merchants and retailers plus new entrants to its markets. This can exert pressure on product pricing, margins, and profitability. A range of measures by the Group to mitigate these risks include monitoring gross margins; monitoring market pricing; investment in promotional and marketing activity and implementation of procurement strategies. The Group does not purchase a significant volume of material in foreign currencies and does not consider foreign currency fluctuation as a significant risk.

Interest rate and currency risk on funding

The Group finances its operations through a mixture of retained profits, lease liabilities and third-party borrowings. The Group's exposure to currency rate fluctuations on its borrowings is managed with the use of financial hedge instruments. Foreign exchange contracts are in place to swap the interest on the Group's Euro denominated debt into sterling. These contracts run for a period of 5 years to November 2026 at which point a swap is held to convert the principal back into Euros. The Group's approach to hedging after this date will be based on careful consideration of the Group's goals and the economic market at the time of hedge expiry.

Following a review of the Group's strategy over interest rate management, in May 2022 contracts were taken out to hedge 50% of the Group's £950m term debt (being £475m of the Group's sterling denominated debt) into fixed rate interest from floating rate interest. These contracts matured in May 2025 and the Group now pays floating rate interest on its borrowings.

Non-financial information statement

Environmental Management

The Group recognises the increasingly significant role that effective environmental management must play in its business and acknowledges its corporate responsibilities in this area. All former Grafton businesses within the Group are accredited to the ISO 14001 environmental management standard. This accreditation ensures ongoing focus on environmental risk management initiatives.

Products and Supply Chain

The Group recognises the importance of supplying renewable and sustainable products. Product ranges designed to provide sustainable building solutions have been introduced in a number of businesses.

These ranges include Solar Thermal and Solar PV, air source heat pumps, ground source heat pumps, biomass heating, rainwater harvesting and heat recovery ventilation systems. The merchanting branches also sell condensing boilers which reduce demand for fossil fuels, energy-saving insulation materials and controlled ventilation systems.

Transparent Timber Sourcing

The Group holds an internationally recognised environmental certificate for the PEFC scheme (Programme for the Endorsement of Forest Certification), and it is policy that its natural timber products are FSC / PEFC accredited. An independent audit of the Group is carried out annually. The Group's timber business, The Timber Group, is part of the

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Timber Trades Federation's 'Responsible Purchasing Policy', demonstrating the Group's commitment to sourcing timber and timber products from legal and well-managed forests.

Modern Slavery

The Group maintains a Modern Slavery Policy Statement, which is available on its website at https:// www.huwsgray.co.uk/shop/human-trafficking-and-modern-slavery. This describes the Group's policy on forced or involuntary labour and describes the safeguards that the Group has in place to mitigate against the risk of modern slavery in its businesses or supply chains.

Health and safety

Building on 2024's launch of a comprehensive Safety Management System (SMS), 2025 focused on accountability for delivering the standards. Our trading sites were assessed against an internal assurance standard that is based on best practice from the Builders Merchants Federation. Our approach to audit is to be transparent on the standards we expect through briefings and ensure that our audits are aligned with the content of the SMS. Once on site, we use the audit as a coaching experience to walk the site lead through the standards and, where they are not met, resolve them or create an action plan.

Once the audit is completed, the site is graded Green, Amber or Red. For sites that fail to achieve the Green standard, a follow up process is implemented by the line manager. The site then receives subsequent audits (known as 'reaudits') to assess their standards again. Any failure to meet the standard required is met with a fair and proportionate consequence framework.

Health and safety audits took place at 295 branches and depots during the Year with over 96% of all sites achieving Green audits (either on first audit or after follow-up actions and reaudit) in 2025.

Our Branch Manager Roadshows all featured Health and Safety as a key topic in 2025, with the results of audits and details of all lost time injuries continuing to be shared with all the senior stakeholders across the organisation in monthly reviews and incident updates.

The number of days lost to work related injuries in 2025 was 1,262 (2024: 1,461), a 14% reduction.

As well as the days lost reduction, there was a 33% reduction in Riddor reportable injuries compared to 2024 and a 23% reduction in lost time injuries. We are continuing to share data and best practice with the Builders Merchants Federation to help understand the 'bigger picture' in terms of injury causation and effective mitigation in the sector.

The Group is also an active participant in industry health and safety forums. This includes leading the development of a builders' merchant specific business guide on workplace transport intended to support the wider industry in improving safety standards.

We always want to hear from our colleagues on HSE matters and continue to use our suggestion box, Great Place to Work survey and feedback on communications to gather colleagues' thoughts.

In 2024, one of the Company's employees of many years was, tragically, fatally injured at work. The employee in question had entered the framework of the conveyor, contrary to the defined method statement for this activity.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

It is noted that the processing line at which the incident occurred had recently (2023) been designed and installed by the recognised industry specialist in solid wood processing equipment.

The HSE investigated the incident, and the Company fully supported and co-operated with that investigation. This included implementing all additional safety measures recommended by the HSE.

Given that the incident resulted in a fatality, the HSE (in line with its usual practice) instigated prosecution proceedings against the Company in connection with this matter. The Company was charged with failing to ensure, so far as reasonably practicable, the health, safety, and welfare at work of its employees, contrary to Section 2(1) of the Health and Safety at Work Act.

The Company accepted its responsibilities in relation to this incident and pleaded guilty to a breach of the Health and Safety at Work Act. At the hearing on 26 March 2026, the Court accepted the majority of the Company's points of mitigation, including its reliance on the expertise of the industry specialist which designed and installed equipment involved in the incident, its good health and safety record, its co-operation with the investigation and the action it took to implement additional safety measures. As such, the fine imposed was reduced by nearly half.

The Company is deeply saddened by this tragic incident. Both before and after this incident, the Company's health and safety record has been excellent given the inherent risks associated with the activities it undertakes. The Company has responded to this incident appropriately and respectfully: it has supported colleagues through an extremely difficult time, taken all steps necessary to further improve safety measures at the site and cooperated fully with the HSE in its investigation into this matter.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Employees

Our people are key to the success of the Group, and we continue to establish structures that provide for effective engagement with colleagues across the Group. These are based around a flat structure and an open and transparent culture.

Members of senior and field management regularly visit branches to meet colleagues. Specific processes are in place to take colleague feedback and ideas to senior management, coordinate career development planning, and to provide timely visibility of relevant employee issues. The Group also provides a confidential feedback process if required through our whistleblowing hotline which is promoted to all colleagues through various channels. In addition, our annual colleague experience survey provides opportunity for colleagues to share open and anonymous feedback with the Executive Committee. All of these processes allow the views of colleagues to be considered at Board level. There is regular multi-channel internal communication from senior management to colleagues covering business performance and Group strategy. Creating an open culture where colleagues are encouraged to be involved and where feedback is valued will continue into 2026.

Gender of directors and employees

2025	**Male**	**Female**	**Total**
Directors	8	1	9
Senior management	390	42	432
All other employees	3,670	614	4,284
	4,068	657	4,725

2024	**Male**	**Female**	**Total**
Directors	7	1	8
Senior management	376	46	422
All other employees	3,851	632	4,483
	4,234	679	4,913

The above employee data is based on average headcount for the Year.

The Group believes that having a diverse workforce brings diversity of thought which drives innovation and progress, essential in a high-performance culture. The Group is committed to understanding the diverse needs of the workforce and taking deliberate action to tackle bias and removing barriers to performance and progression. Our goal is to create a diverse and inclusive environment, working with employees in order that they develop to their full potential.

Identity of ultimate controlling party

Blackstone is one of the world's leading investment firms, which aims to create positive economic impact and long-term value for investors, the companies in which it invests, and the communities in which it operates. Blackstone had over $1trillion in assets under management as at 31 December 2025 across a range of investment vehicles. Blackstone has experience of investing in building materials and merchanting businesses, such as Building Materials Europe B.V. (BME) and Huws Gray Limited. The Group is held within the Blackstone Capital Partners VIII fund.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Immediate parent company board composition

The Group's immediate parent company is Echo Topco Limited (the Company's holding company). All strategic decisions made by the Group are approved by the Board of Echo Topco Limited, which comprise the following Statutory directors.

Terry Owen*	Founder and Chairman	Founded Huws Gray in 1990 and led the development of the business through organic growth and acquisitions. Responsible with the Board for Group strategy.
Jad El Ajaltouni	Investor Director (Blackstone) (from 31 July 2025)	Member of the Blackstone Supervisory Board since 2024. Principal in the PE Group at Blackstone, where he joined in 2015. Focused on investments in the Energy Transition and Building Materials sectors. Has been involved with Blackstone's investments in Desotec, Huws Gray, Building Materials Europe, and Siccar Point Energy.
Juergen Pinker	Investor Director (Blackstone) (to 22 December 2025)	Senior Managing Director in the PE Group at Blackstone, where he joined in 2011. Has been involved in the execution of Blackstone's investments in Intertrust, ATC, Elian, Scout24, Armacell, Cerdia, Schenck Process, Stow Group (aka Averys), BME, Desotec, Huws Gray and Array Technologies Inc.
Natacha Jamar	Investor Director (Blackstone) (to 31 July 2025)	Senior Managing Director in the PE Group at Blackstone, where she joined in 2009. Has been involved in the execution of Blackstone's investments in ICS/Pulse, Versace, Armacell, Merlin, BME and Huws Gray.

The following executive and non-executive directors form an advisory committee to the board of Echo Topco Limited.

Daksh Gupta*	Group Chief Executive Officer	Joined Huws Gray in January 2024 as CEO and formally appointed to the Board in February 2024. Previously worked as Group CEO at Marshall Motor Holdings Plc for 15 years.
Dewi Morris*	Strategic Director	Joined Huws Gray in 1992 and responsible for acquisitions, site development and rationalisation.
Andrew Wagstaff*	Central Operations Director	Joined Huws Gray in 1995 and currently serving as Central Operations Director. BA in Mathematics from Liverpool University.
Jean-Jacques M Lafont	Non-Executive Director	Currently non-executive Chairman of BME, a leading European Builders Merchant Group. Previously Co-Founder and Executive Chairman of Alliance Automotive Group.

** Directors of the Company (Patagonia Holdco 3 Limited).*

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Section 172(1) statement

The Company is the parent of a group of companies of which Huws Gray Limited is the principal trading entity (the "Group"). The matters that the Board are 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 Company and all entities within the Group.

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

Long-term decisions

The Group has a clear corporate strategy and proven track record of growth through acquisition. For each acquisition, the strategy employed is to transfer the trade and assets of the acquired business into Huws Gray Limited making the acquired subsidiary dormant, and to integrate the trading operations while simplifying and aligning the corporate structures. For larger acquisitions, a specific review is completed before this process starts and factors such as organisational design to maintain strong customer service levels are considered.

The Group's management are based throughout the UK and close to the businesses which they monitor and control. The Group has two principal offices with its core head office in Anglesey, North Wales and a significant office control function in Pampisford, Cambridge. In addition, the Group has a significant presence in a number of other offices throughout the UK. Decisions on structure and investment are made with a long-term view, factoring in the Board's expectations of future increased growth and site performance expectations post site investment and resultant Return on Investment.

On a day-to-day basis the Group is run by the Executive Committee, led by the Group Chief Executive Officer and comprising senior leaders covering Finance, Operations, Commercial, People and Legal. The Group also operates a senior leadership team comprising Group directors and the managing directors of each of the Group's operating businesses.

In addition, business management teams are established within each of the Group's businesses to formalise the separation between the daily operations and the implementation of the Group's strategy. The Board is responsible for the long-term sustainable strategy and success of the business, aiming to create value for shareholders while considering all stakeholders.

Key stakeholders are taken into account during Board discussions and due regard is given to them in respect of decisions taken. In making decisions, the directors consider the Group's reputation for high standards of business conduct. During the Year the Group used this framework to engage with stakeholders on material activities including communication, colleague engagement, operating platform review and key commercial agreements.

The Group strategy continues to be to develop revenue and margin through a combination of organic growth and further acquisitions in order to further grow the Group's position as one of the leading construction, materials and services companies in the UK, and to create value to meet the investment return expectations of the Board and Investors.

The Group's risk profile is set out under risks and uncertainties on page 5. The Board remains focused on the Group's core business and to delivering an exceptional service to its target customer base, as well as investing in operational and

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

technological efficiencies in order to reduce operational gearing to mitigate risk and exposure to instabilities in a cyclical market.

Employee engagement statement

The Group has transitioned to a new communications platform during the Year which is one part of a suite of communication, engagement and recognition platforms connected to the Group's Human Resource Information System. It now has several communication channels in place to ensure colleagues are well informed, understand the part they play in delivering the Group's goals and encourage a sense of connection, recognition and involvement. Supporting our "One Huws Gray" philosophy these include a group wide printed newsletter, a digital self-serve communications platform, management briefings, team briefings, annual events such as conferences, store visits and CEO video updates.

Appreciating that recognition drives engagement and serves as a powerful motivator for colleagues, the Group launched an internal colleague recognition platform which enables manager-to-colleague and peer-to-peer recognition through structured acknowledgements.

Colleagues are actively encouraged to put forward their views to aid the Group's decision-making processes, as well as make suggestions to improve the business which are facilitated through the online portal suggestion scheme. Annual reviews take place during which colleagues discuss their performance with their line manager and identify development needs.

Learning at Huws Gray is a blended approach. Employees have access to over 1000 e-learning courses via our online training platform as well as both on the job and virtual/face to face training. Apprenticeships continue to play a part in our development strategy, with a group wide programme, "Aspire" due to launch in early 2026. In 2025 we supported 26 colleagues through their apprenticeship journey.

Our commitment to building a Great Place to Work continued with our second annual survey. Participation rates at 76% in the Year (2024: 80%) remained well above average for organisations of a comparative size who use the Great Place to Work framework. We maintained our trust index score of 57% which is encouraging in light of the pace of change within the organisation. Acknowledging that we are on a journey to accreditation, the 2025 result gives management confidence that the Group will be able to achieve the required 65% score to receive "Great Place to Work" accreditation in the future. To support visibility of actions taken on the back of the survey we have a regular feature in our colleague newsletter, and we ensure that we highlight where feedback has had an impact when sharing updates with colleagues.

Following the Great Place to Work results, all areas across the business are supported to complete action planning sessions designed to review the feedback in detail and identify and deploy tangible ways to improve colleague engagement. The survey will be repeated in 2026.

Statement on engagement with suppliers, customers and others in a business relationship with the Company

Suppliers

As part of the Group's strategic long-term procurement strategy, in the Year the Group continued to have significant engagement with its suppliers. Supplier relationships reflect the Group's significant scale in the sector and our strategic focus on building strong, long-term partnerships.

Our businesses work to maintain an efficient dialogue with suppliers to build strong, long-term relationships. Engagement with suppliers is both through regular feedback from branches and more formal reviews from category

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

managers and senior management. The Group has established systems to co-ordinate supplier feedback from branches to the category managers and senior management. Key areas of focus include product availability and consistency of quality, innovation and product development, health and safety and compliance with our ethical standards. We discuss specific areas such as reducing packaging waste, product range, quality and traceability. Business support and overhead suppliers are monitored from head office on behalf of the branches with specialist teams covering transport, property and non-stock purchases.

Customers

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

Investors and other lenders

The Group values long-term partnerships with the funders to and investors in the business. The founders and management retain a significant equity stake in the Group. A critical element of this relationship is to share common goals and values which support the business trading model, creating a framework for the appropriate approach to and focus on colleagues, customers and suppliers. The Group is funded on a long-term and conservative basis to drive sustainable shareholder returns.

Community and the environment

The directors consider the impact of the Group's operations on the local communities in which it operates. Various initiatives are in place to support local activities which is led by area and branch managers. The Group recognises the increasingly significant role that effective environmental management must play in its business and acknowledges its corporate responsibilities in this area. Following the establishment of the Group, investors and the Board have led a number of initiatives to set ambitious but achievable targets in relation to energy efficiency and impact on the environment, further details of which are set out in the directors' report.

Wates Principles

For the year ended 31 December 2025, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles'), published by the Financial Reporting Council ('FRC') in December 2018 and are which available on the FRC website.

The Wates Principles provide a framework for the Board to monitor corporate governance in the Group and assess where governance standards can be raised to a higher level across the business.

The Company remains committed to ensuring effective governance is in place to deliver its core principles, being the foundation on which it manages and controls its business and provides the platform for sustainable profitability. Throughout 2026, the Board will continue to review and challenge how the Company can further develop the governance framework.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

The table below details how the Wates Principles have been applied throughout the year.

Principle	**Response**
Purpose and leadership An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	The Board comprises representatives of management, shareholders and independent non executives as set out on page 11. A standing agenda ensures that discussion covers the needs of all stakeholders. The Board has identified the key elements of the Group's culture and has developed a clear set of values. Behaviours and values are propagated through the organisation by systems, processes and regular briefings by the management team. A culture of hands-on management, attention to detail and promotion from within where possible propagates the maintenance of good practice and reduces the risks of misconduct or unethical practices. The strategy of the business is set out on page 1.
Board composition Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The Group has a Chairman who is one of the founders of the business as well as a very experienced independent non-executive director, with significant industry knowledge. The Chief Executive leads the Executive Team and reports to the Chairman and the Board as a whole. Each Board meeting is attended by necessary specialists from investors and management in relation to the specific agenda items being discussed. Appointments to the Board are reserved for the Investor Directors and take into account an objective of achieving an appropriate blend of background, skills, experience and knowledge. Following the substantial increase in size of the business, recruitment of appropriately experienced senior management has been completed at both board level and to support the Board.
Board and director responsibilities The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	There are clear lines of accountability and responsibility set out in the organisation. Further details of the management and decision-making structure are set out on page 12. Details of authority levels are documented to ensure that decisions and governance standards are maintained at appropriate levels. A clear schedule of matters reserved for the Board ensures that the Board is able to control the implementation of the strategy of the Group. A detailed monthly board reporting pack is augmented by exchanges of data and analysis between management and investors which allows detailed review of business performance. The Board has established an audit committee and remuneration committee which both meet at least twice per year. Reports on the Group's financial position are prepared by the Group central finance function and are externally audited on an annual basis.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Opportunity and risk

A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.

The long-term success of the business is delivered through the strategy which is described on page 1. Strategic opportunities are routinely considered which include:

- Potential acquisitions in the sector;
- Potential acquisitions of land for brownfield development or further space to existing sites;
- Opportunities to add further specialists' skills to the Group which are complementary to the Group's core business;
- Brand positioning and key brand partners; and
- Operating footprint decisions.

Risk management is the responsibility of each Executive Team member. Current and forward-looking risks are tracked and monitored on a regular basis through the regular review of risk matrices which are maintained at Group and where appropriate, departmental levels. The Group's appetite for risk is in proportion to the experience and skills of the Board and the long-term value of the business. External professional advisers are used to assist in risk management where appropriate and the Group's risk appetite in such areas is assessed as low.

Remuneration

A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The remuneration of the directors and specific Executive Team roles is proposed by the executive management team and approved by the remuneration committee which comprises a majority of Investor Directors. For the remainder of the Executive Team, the remuneration, including fixed and performance related elements are approved by the Directors. The Board has a preference for an increased balance of longer-term remuneration to reward the delivery of the strategy of the Group which is delivered through a substantial proportion of equity which is reserved for the executives and the wider management team.

The remuneration is designed to attract, retain and motivate executives of the highest quality, encouraging them to deliver exceptional long-term business performance, aligned to the Group strategy. Any decisions in relation to executive remuneration are made with a clear understanding of the developments to pay and conditions in the wider workforce.

Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Group's key stakeholders are colleagues, suppliers, customers and shareholders. The Board receives regular updates from stakeholders across the different business areas including, Supply Chain, Human Resources, Operations and Finance. Senior leaders welcome dialogue with external stakeholders and look to work from a long-term perspective. The Board and senior management team are well represented by individuals who have worked at all levels throughout the business, starting off their careers as junior colleagues on trading sites. This, coupled with specialist and professional managers, allows a balance of representation for colleagues on the Board. Regular bulletins are

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

provided to all colleagues on recent developments within the business and the Group has a culture of senior management spending time with site-based colleagues. Long-term relationships have been developed with suppliers which take into account the balance of quality of product and supply as well as efficiency of service and value for money. A strong focus of the Group is on customer service, which is at the heart of the Group's long-term success. Systems and processes are all focussed on maximising the amount of time available to be spent with customers on site. Further details of the Group's engagement with colleagues, suppliers and customers are set out on pages 13 and 14.

The Group has strong relationships with shareholders with each group of shareholders (investors, founders and colleagues) having direct representation on the Board of the Group. This ensures that the views of the shareholders are represented in Board decisions and the Group's strategy.

The Group provides monies available to branches to support the communities in which the Group operates which are controlled through the Area directors.

Details of the approach to Environmental management is set out on page 14.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Climate-related disclosures

The Group has prepared the following information under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022.

The Group continues to report annually on the climate-related risks and opportunities facing the business. This is an issue that the Group takes seriously, updating information where necessary about how climate-related risks and opportunities are governed and managed internally, how the business' strategy incorporates and is affected by these issues, and the progress the Group is making against its climate-related targets.

During the Year, a detailed review of the Group's current climate risks and opportunities took place. This resulted in the consolidation of climate-related risks and opportunities to only the principal climate-related issues for this business. The review incorporated the work and disclosures from previous financial years; this was to ensure all the relevant details and matters surrounding the impact of climate change on the business have been accounted for.

As such, the total number of risks and opportunities disclosed has decreased from the previous year, but the detail within each of the principal risks and opportunities has developed to allow a better understanding of how the Group will be affected by climate change.

No significant changes have occurred regarding the Group's governance structure in relation to managing issues related to climate change, therefore disclosures on this matter remain as previously disclosed. The internal risk management process for climate-related issues has also not changed, so the relevant disclosures remain largely the same.

The following table outlines the required disclosures and the area under this section of the report where the disclosures are made.

Climate-related disclosure	**Area where disclosure is made**
A description of the governance arrangements of the Group in relation to assessing and managing climate-related risks and opportunities.	Governance
A description of how the Group identifies, assesses, and manages climate-related risks and opportunities.	Risk management
A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the Group.	Risk management
A description of: (i) the principal climate-related risks and opportunities arising in connection with the operations of the Group, and (ii) the time periods by reference to which those risks and opportunities are assessed.	Strategy

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

A description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the Group.	Strategy
An analysis of the resilience of the business model and strategy of the Group, taking into consideration of different climate-related scenarios.	Strategy
A description of the targets used by the Group to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	Metrics and targets
The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	Metrics and targets

Governance

The Group Board, which consists of representatives from Blackstone and Founders/Directors from Huws Gray, bears overall responsibility for the Group's strategy, risk management and internal controls systems, including those related to climate-related matters.

The Executive Team consists of the Chairman, Group Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer, Central Operations Director, Chief People Officer, Strategic Director and the Group General Counsel and Company Secretary. Below this tier, the Senior Leadership Team comprises the managing directors of the Group's business operations, together with the senior management from the Group's various central supporting teams, including Finance, IT, Commercial and Procurement.

Climate-related issues are brought to the Board during regular Board meetings if and where appropriate. For example, if a large loss occurred at a branch due to flooding, or flooding caused disruption in one of the Group's trading locations, this would become a Board topic for discussion.

The Senior Leadership Team feed risk and opportunities into the Board by either direct discussion or reporting via monthly Board reports, if and when issues arise. Likewise, any issues identified from the Board itself will cascade down to the Senior Leadership Team through direct communication and will be addressed by the Senior Leadership Team and their respective teams.

The Board also receive reports from Heads of Departments prior to the Board meetings, in which climate-related issues are covered if any are anticipated or have been experienced in the previous month. Topics such as high winds, snow, ice, heavy rainfall etc. are covered in these monthly reports (such as property reports, for example).

Another form of oversight by the Board is via feedback received from health and safety and environmental representatives, who visit trading sites at least twice per annum. If any climate-related risks are classified as 'high', these are reported on and presented to the Board for review.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

Risk management

The Board review climate-related risks as part of its planning and decision-making. With reference to the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (Regulations), The Group also monitors and evolve its risk management and internal control processes.

The Group continued to work during the Year with external consultants to better understand, on a qualitative and quantitative basis, the specific climate-related risks and opportunities that the Group may be subject to under different climate scenarios. During the Year, this work involved reviewing analysis conducted in the previous reporting period on how the Group's operations would be affected under three different levels of climate change, which previously led to the identification of material risks and opportunities for the Group. The three scenarios that were assessed are developed by the Intergovernmental Panel on Climate Change (IPCC), and are:

- Shared Socioeconomic Pathway (SSP) 1, which assumes global warming reaches approximately 1.5ºC by 2100;
- SSP2, which assumes global warming reaches approximately 2.5 ºC; and
- SSP3, which assumes global warming reaches approximately 3.5 ºC.

As part of the scenario analysis process, the Group's existing scoring system from its risk register was considered and used to review the risks and opportunities discussed. Specifically, the scales used in the overall Group risk register to assess the likelihood and level of impact of risks (including from a financial perspective) were used for assessing climate-related risks and opportunities. This helped to ensure that the identified climate-related risks and opportunities were evaluated comprehensively and in a way that they can be aligned to and naturally form a part of the overall risk management process.

Strategy

The tables below include the climate-related risks and opportunities that were assessed, which were classified as either physical (tangible risks resulting from the impact of climate change) or transitional (risks brought on by the transition to a lower carbon economy).

Physical risks were categorised into acute and chronic physical risks, where acute risks refer to specific event-driven climate-related risks (floods, storms etc.) and chronic risks refer to risks brought on by longer-term shifts in climate patterns (sea level rise, heat waves etc.).

Transitional risks were categorised as market-based, policy and legal, reputational and technological, all regarding changes in these areas as the economy shifts towards low-carbon activities.

Opportunities were discussed in relation to the benefits the Group could be subject to as part of transition to a low-carbon economy. As such, opportunities were categorised in the same way as transition risks were.

The tables also include a description of the risks and opportunities, the estimated impact on the Group and corresponding financial value, the likelihood of the risks occurring and the timeframes over which they are predicted to occur. Impact is measured on a scale from 1-5, where: 1 represents 'Insignificant' impact (<£100K), 2 represents 'Minor' impact (£100K-£250K), 3 represents 'Moderate' impact (£250K-£1M), 4 represents 'Major' impact (£1M-£5M), and 5 represents 'Serious' impact (£5M+). Likelihood is also measured on a scale from 1-5, where 1 represents 'Rare', 2 represents 'Unlikely', 3 represents 'Possible', 4 represents 'Likely', and 5 represents 'Almost certain'. Timeframes are

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

defined as either short, medium or long-term, where short-term refers to a period of 1-3 years, medium-term refers to a period of 3-5 years, and long-term refers to a period of 5+ years.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT (CONTINUED)

Risks

Risk	Risk type	Risk description	Impact	Timeframe	Likelihood	Mitigation strategy
Consequences for the business of increasingly severe and frequent extreme weather, in terms of both chronic and acute events	Physical (acute and chronic)	There is a risk that the business' operations across the value chain will be impacted by increasingly severe and frequent extreme weather events as the climate changes. This applies to all scenarios covered by the business, except the Net Zero scenario. Under current policy trajectory, and even more severe warming scenarios, it is likely that there will be increasingly uncertain conditions in the market as a result of more extreme weather events, affecting the price of energy, goods and utilities, and due to trade and supply chain disruptions. The main weather events predicted to have a significant impact on the organisation are extended flooding and heatwave periods, but all extreme weather events are taken into account.	Moderate (£250K-£1M)	Medium-term (3-5 years) and Long-term (5+ years)	Possible	Ensure business policies on how to act in severe weather conditions are up to date and continue to be updated accordingly as the climate changes. As part of this, ensure adequate training is provided to deal with extreme weather issues. The Group to continue focussing on its emissions and taking steps to lower so as not to contribute as significantly to the issues of climate change.
Increased cost of taking actions necessary to transition to a decarbonised economy	Transitional (operational)	To prepare for and be part of the transition to a decarbonised economy, there would be multiple capital and operational costs associated with actions necessary to decarbonise the Group's value chain. These include increased costs from renewable energy adoption in the short-term. Costs would be less significant over the long-term once a switch to renewables has been made and lower operating and fuel expenditure costs are realised. This risk also encompasses costs associated with producing more sustainable offerings as part of the business' products and services, as resources used to make products / services	Moderate (£250K-£1M)	Medium-term (3-5 years) and Long-term (5+ years)	Likely	Where possible and affordable, implement decarbonisation actions as quickly as possible to offset the ROI and ensure fastest payback. For example, if and when feasible, install more own-renewable energy generation technologies as soon as possible.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

Risk	Risk type	Risk description	Impact	Timeframe	Likelihood	Mitigation strategy
		with lower carbon footprints may be at a premium in a transitional economy. Finally, there is also potential impact of increased costs for the business in terms of abiding by carbon taxation policies, which would increase the costs of more carbon intensive products / services offered by the business (especially if it were not able to transition at pace under a Net Zero scenario or similar).				
Reduced demand and capital because of less sustainable offering regarding products and services that have not been sufficiently decarbonised	Transitional (market-based)	Inability to meet stakeholder expectations regarding sufficiently decarbonised products and services could lead to reduced demand and access to / ability to obtain capital, particularly in a scenario where the economy transitions (decarbonises) quickly. This also encompasses negative financial impacts on and negative perceptions of the business resulting from poor performance of climate-related metrics, targets and standards. It is envisioned that investor focus in a scenario where the economy decarbonises rapidly would favour businesses performing well on climate metrics, so if this were not the case then investor capital too could be at risk in the short, medium and long-term.	Moderate (£250K-£1M)	Long-term (5+ years)	Possible	To ensure stakeholder expectations are being met around decarbonisation, implement decarbonisation actions as quickly as possible and deliver suitable and relevant marketing and communications around actions taken, so stakeholders are aware of efforts and evidence is available for disclosure purposes.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

Opportunities

Opportunity	Opportunity type	Opportunity description	Impact	Timeframe	Likelihood	Realisation strategy
Reduced cost associated with operating in a decarbonised way	Transitional (operational)	The business could benefit from reduced costs as part of actions to decarbonise in several areas. Increased uptake of renewable energy use can help to shield the company from volatilities in prices of fossil fuels if supplies decrease or are inhibited for climatic or other reasons. Installation of the Group's own on-site renewable electricity generators (e.g., solar panels, etc.) would help to ensure supplies of energy and reduce costs in the medium-long-term as there would be less need to procure energy from other sources. There are also cost savings associated with increased use of more energy efficient technologies, which also help the business decarbonise. Additionally, decarbonising operations would mean the business is less likely to be affected by carbon taxation, which would be especially high under a Net Zero scenario.	Minor (£100K-£250K)	Long-term (5+ years)	Possible	Where possible and affordable, implement decarbonisation actions as quickly as possible to offset the ROI and ensure fastest payback. For example, if and when feasible, install more own-renewable energy generation technologies as soon as possible. Also continue to procure the most energy efficient technology available to ensure cost savings as part of operations are optimised.
Increased demand and capital from a more sustainable offering regarding products and services that are decarbonised	Transitional (market-based)	Meeting stakeholder expectations regarding sufficiently decarbonised products and services could lead to increased demand and access to / ability to obtain capital, particularly in a scenario where the economy transitions (decarbonises) quickly. This also encompasses positive financial impacts on and positive perceptions of the business resulting from strong performance of climate-related metrics, targets and standards (e.g., emissions reductions, energy use reductions, renewable energy increases, etc.)	Moderate (£250K-£1M)	Long-term (5+ years)	Possible	To ensure stakeholder expectations are being met around decarbonisation, implement decarbonisation actions as quickly as possible and deliver suitable and relevant marketing and communications around actions taken, so stakeholders are aware of efforts and evidence is available for disclosure purposes.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

Opportunity	Opportunity type	Opportunity description	Impact	Timeframe	Likelihood	Realisation strategy
		It is envisioned that investor focus in a scenario where the economy decarbonises rapidly would favour businesses performing well on climate metrics, so if this were the case for the business then increased investor capital may be possible to obtain.				
Increased efficiency and effectiveness of operation from implementation of decarbonised procedures	Transitional (operational)	Implementing actions to decarbonise could create operational efficiencies across the value chain, particularly in the supply chain and direct operations. Regarding the supply chain, encouraging and supporting suppliers to take actions to decarbonise can help facilitate their operations, which in turn benefit the business. For example, encouraging and supporting supplier to increase renewable energy usage or install their own renewable energy generators could help them be less susceptible to energy price changes typically associated with fossil fuels, and own energy generation can help to give assurance of operating in circumstances where energy isn't readily available from traditional means (the grid) - this would then reduce disruption in the Group's supply chain. Having strong actions to decarbonise can also reflect positively on the organisation's reputation and help to reduce employee attrition and improve ability to recruit, aiding in streamlining the recruitment process.	Minor (£100K-£250K)	Long-term (5+ years)	Possible	Maintain good relationships with suppliers and focus efforts with them on decarbonising actions that are synergistic, to allow for efficiencies across the value chain. Also ensure adequate marketing and communications of decarbonisation efforts are carried out to meet stakeholder expectations (e.g., current and prospective employees) which help maintain satisfaction and facilitate certain processes (e.g., reduced employee attrition and improved recruitment process in terms of prospective employees wanting to join a group with similar values)

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT (CONTINUED)

In light of the climate change scenarios assessed and the resulting risks and opportunities, the Group recognises that there is a certain level of resilience to the business model in terms of risks posed by climate change. In particular, the Group's resilience to the effects of climate change can be seen to come from its well-managed and widespread estate, which overall has had limited issues regarding damage and disruption from climatic events in the past. Whilst it is true that certain sites, if affected by events such as flooding, storm damage etc., could represent a significant financial impact, the spread of sites across the UK will help to ensure operations continue as usual under varying circumstances.

Resilience can also be seen in the supply chain, as the Group benefits from flexibility in its choice of suppliers, establishing both preferred and back-up suppliers to meet demand where necessary in any situation that occurs. However, this level of resilience does depend to an extent on the resource and product that might be affected by climate-related risks, particularly if the resource or product is a major contributor to sales and revenue for the Group. For example, if a supplier were to lose a major manufacturer further down the supply chain due to climatic events, this would then have an effect on the Group's offering, which could be significant if the resource or product is an integral part of what businesses within the Group sell (for example, cement).

The diverse portfolio of brands that the Group maintains is also a contributor to the resilience of the whole organisation. The variety of product categories which the Group offers within the builders' merchant industry means that the business reaches multiple customer bases and has different sources of revenue, meaning if some customers are affected by climatic events and unable to make purchases, other revenue streams are available. However, this will depend on the customer base affected, as some groups are larger than others and could present a more significant financial impact if disrupted.

Ultimately, it is clear from the initial analysis and subsequent review that climate change has the potential to impact the business across all of its operations, potentially more so than what has been identified here. Therefore, the Group recognises that action needs to be taken to further mitigate its impact on the effects of climate change and strengthen long-term strategy.

Metrics and targets

The Group has established clear non-financial targets in respect of each strategic pillar of its sustainability function, full details of which are available in the Group's Sustainability Report https://huwsgraygroup.co.uk/environmental-social-and-governance/. Of these targets, there are several goals the Group has set that directly relate to how the business manages its principal climate-related risks and opportunities.

Following the completion of a full carbon emissions baseline, the Group has now set targets for all relevant emission types. By 2032, the business aims to reduce Scope 1 and 2 emissions by 50%, compared to a baseline year of 2022. By 2033, the business aims to reduce Scope 3 emissions by 35%, compared to a baseline year of 2023.

By setting these targets the Group is taking action to reduce its own emissions and emissions more widely, thereby contributing to the mitigation of climate change and the risks it poses; in particular the physical risks like increasingly severe and frequent extreme weather, which is regarded as a principal climate issue for the Group.

The key performance indicators for these targets are the number of emissions reductions measured in tonnes of carbon dioxide equivalent (tCO2e). The Group discloses these figures each year as part of its non-financial and sustainability reporting.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

NON-FINANCIAL AND SUSTAINABILITY STATEMENT (CONTINUED)

Another target that relates to the management of a principal climate-related risk is the Group's aim to launch a range of sustainable solutions, with staff training in place, by 2026. This target helps to address the risk to the Group of reduced demand and capital because of less sustainable offering regarding products and services that have not been sufficiently decarbonised.

Actions under this target, like launching showrooms to showcase sustainable solutions, working in the supply chain on sustainable products, and understanding customer demand for different sustainable products, will help to ensure that the business is well placed to meet growing demand from customers that are conscious of the effects of climate change and the Group's role in addressing it.

The Group also has a target that by 2028 80% of products sourced will have an EPD (Environmental Product Declaration) in place. Having more products with EPD will not only help to identify key emissions hotspots as part of carbon calculations and drive action in emissions reductions, it will also help to show customers that the business is working towards making its offering more sustainable and therein help to meet the opportunity of increased demand for more sustainable products and services.

Performance against metrics and targets

Greenhouse gas emissions and energy use are set out within Climate-related disclosures on page 31.

Waste management metrics are as follows:

	Tonnes
Total weight of waste generated	8,537.3
Total weight of hazardous waste generated	19.8
Total weight of non-hazardous waste generated	8,517.5
Total weight of waste recycled	4,517.2
Total weight of waste sent to landfill	157.2
Waste diverted from landfill 2024 (%)	98.2%
Waste diverted from landfill 2023 (%)	97.0%

Source: 2024 Sustainability Report

Approved by the board of directors and authorised for issue on 22 April 2026 and signed on its behalf by:

Signed by:
Jonathan White
7200CA52C56D47C...
Jonathan White

Chief Financial Officer

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

The directors present their report and audited financial statements for the year ended 31 December 2025.

General information

Patagonia Holdco 3 Limited was incorporated in England and Wales on 14 May 2021 with a Company Registration Number of 13398238.

Its registered office is c/o Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

The principal activity of the Company is that of a holding company for a group of companies whose activities include:

- the sale and distribution of building materials to trade and retail customers in the United Kingdom;
- the import, treatment, manufacture and distribution of timber products; and
- the distribution of bathroom products.

Patagonia Holdco 3 Limited is a wholly owned subsidiary of Echo Topco Limited, a company registered in Jersey. The Blackstone Group Inc is the Group's ultimate controlling party.

Branches outside the UK

The Group does not have any branches that operate outside the UK.

Future developments

The Group's strategy for growth is through a combination of acquisitions as well as organically. Following each acquisition, the Group typically invests in each of the sites and rationalises space usage to maximise the product offering available to the customer.

The Group anticipates further consolidation in its markets and, following the successful integration of the Grafton businesses acquired in 2022, the Group is now actively considering what opportunities exist for further growth.

Dividends

No ordinary dividends were paid during the Year (2024: Nil) and the directors are not recommending the payment of a dividend.

Research and development

There were no research and development activities undertaken or costs charged to profit and loss during the Year (2024: Nil).

Political donations and political expenditure

No political donations or expenditure were made/incurred during the Year (2024: Nil).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Directors

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

T Owen
D Gupta
J B White (appointed 14 February 2025)
D Morris
A T Wagstaff
C B Lovelace (resigned 14 February 2025)

Directors' 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 Year and remains in force. The Group also purchased and maintained Directors and Officers liability insurance in respect of itself and its directors throughout the Year.

Employees

The Group employs c4,700 colleagues who work across our businesses and bring a diverse range of skills and experience. The Group continued to leverage this competitive advantage during the Year for the benefit of the Group as a whole, through our "One Huws Gray" approach.

The One Huws Gray strategy has seen continued integration activities, including the further consolidation of systems and the amalgamation of many policies, procedures and working practices. The Group also held its second whole Group conference in March 2025, bringing over 500 members of management and leadership together to hear about the Group's plans, collaborate on key issues and network with colleagues across the Group under a theme of "Building our Future".

The Group recognises that its success is dependent upon the contribution and commitment of its colleagues. All colleagues are eligible to participate in relevant incentive schemes that, through our remuneration policies, seek to promote and encourage commitment and reward achievement.

The Directors recognise that monitoring the pay between men and women is an important step to ensuring that all colleagues are fairly rewarded for their work and that all colleagues are fairly rewarded for their contribution to our business.

In line with the industry sector in which the Group operates, diversity remains a challenge. During the Year we continued our strategic partnership with the Construction Inclusion Coalition (CIC) having been one of their founding partners. We have been active members supporting events, conferences and participating in their first mentoring programme as both mentors and mentees. In addition, the Group has used its participation in CIC and other Diversity and Inclusion ("D&I") events as an opportunity to encourage, model and strengthen male allyship, extending invitations to senior male leaders to attend and engage with us on these initiatives.

As part of our strategy to educate our people and raise awareness of our diversity challenge, our senior leaders have taken part in D&I workshops over the past twelve months, backed up by the completion of e-learning modules. This awareness training will be extended to all colleagues during 2026. Following communication of our flexible working

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

policy, it is pleasing to report that we have also seen attitudes shift towards the provision of greater flexibility for our colleagues. In 2025 we had 79 applications for flexible working with 73 colleagues (92%) having their request approved.

As a Group, we believe in creating a culture that is free from discrimination and harassment. Nor will we tolerate discrimination in any form. We are an equal opportunities employer, and our employees and applicants are treated fairly and equally regardless of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, or sexual orientation. Applications from people with disabilities are welcomed and always fully considered. Should an individual become disabled while working for the Group, efforts are made to continue their employment and retraining is provided, if necessary.

Training and development

Colleagues are provided with training and development appropriate to their role which is designed to satisfy business needs and develop the talents and skills of colleagues for the mutual benefit of the individual, our customers and the Group. Our e-learning platform is now well established across the Group housing over 1000+ e-learning courses, enabling colleagues' instant access to resources to support their development.

In 2025 we recruited a new Head of Learning & Development who will develop a best-in-class training and development offer to further support the Group's ambitions. In 2025 we developed an Apprenticeship led development strategy, "Aspire" which will be rolled out to the Group early 2026.

Financial instruments

The financial risk management of the Group and Company are described in the Strategic Report.

Contracts of significance

There are no contracts of significance that require disclosure.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Climate-related disclosures

Greenhouse gas emissions and energy use

	2025	2025	2024	2024
Energy consumption		**kWh**		**kWh**
Aggregate of energy consumption in the year		143,324,563		149,269,836

Emissions of CO2 equivalent	**Metric tonnes**	**Metric tonnes**	**Metric tonnes**	**Metric tonnes**
Scope 1 - direct emissions				
- Gas combustion	2,358		2,038	
- Fuel consumed for owned transport	27,656		27,788	
- Other	135		372	
		30,149		30,198
Scope 2 - indirect emissions				
- Electricity purchased (location based)		2,986		3,972
- Transportation		3		-
Scope 3 – other indirect emissions		-		71
Total gross emissions		33,138		34,241
Intensity ratio (based on Scope 1 & 2)				
tCO2e per employee (location based)		7.01		7.44
tCO2e per turnover (£1M)		24.90		25.27

Quantification and reporting methodology

The Group has followed the 2019 HM Government Environmental Reporting Guidelines. The Group has also used the GHG Reporting Protocol – Corporate Standard and have used the 2024 UK Government's Conversion Factors for Company Reporting.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Intensity measurement

The chosen intensity measurement ratios are total gross emissions in tCO2e per employee and tCO2e per turnover (£m). The total gross emissions of the Group during the Year decreased by 4.0%. The intensity ratio per employee decreased by 5.8% and the intensity ratio per £1m turnover decreased by 1.5%.

Measures taken to improve energy efficiency

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

- All electricity purchased by the Group is from certified REGO sustainable sources (moved all to REGO with effect from 1 October 2025).
- The business consolidated to a single specialist energy consultant at the end of 2024 to broker electric and gas renewals across the Group, including ongoing tendering and analysis to help identify sites where usage is higher than expected, which in turn will drive specific actions and surveys as required.
- The Group continues to invest in LED lighting when upgrading or renewing existing installations.
- Implementation of league tables across the Group for internal monitoring of reductions in electric and gas consumption with incentives for branches showing the greatest reductions by month versus the same period last year.
- Replacing vehicle fleet on a rolling programme with more efficient vehicles wherever possible and continuing to review fleet technologies to ensure fleet efficiency.
- Company car fleet options now include more hybrids and pure battery electric vehicles in addition to conventionally fuelled cars.
- Ongoing inclusion of safe and fuel-efficient driving is part of the driver CPC programme.

Pollution and waste

The Group continues to progress in its commitment to reducing waste sent to landfill, and the introduction of new recycling regulations in England in 2025 are expected to further support these efforts. Whilst diversion from landfill remains an important metric, the Group’s primary objective is to achieve an overall reduction in the total volume of waste generated across the business.

In 2025, the Group launched a waste minimisation project involving approximately 20 branches. This initiative provided valuable insights and demonstrated several effective practices for reducing waste at source.

In 2026 the focus will be to share the learnings and successful practices from this project to all branches, thereby strengthening our collective approach to waste reduction across the Group. As well as this, our environment standards are part of our branch HSE audit which allows us to support and drive improvement on local waste management in branches.

Auditors and disclosure of information to auditors

The directors confirm that:

- as far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

During the Year the Audit Committee conducted a formal audit tender process. Following the completion of this process, the Board approved the appointment of Ernst & Young LLP as the Company's statutory auditor for the year ended 31 December 2025, succeeding Grant Thornton UK LLP. The auditors, Ernst & Young LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the General meeting.

Matters covered in the Strategic Report

Certain information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report in accordance with section 414C(II) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Items normally reserved for the Directors' Report, which have been disclosed in the Strategic Report, includes the following:

- Employee engagement statement (page 13)
- Risk management policies and specific risks associated with financial instruments (page 6)
- Statement on engagement with suppliers, customers, and others in a business relationship with the Company (pages 13 and 14)

Statement of corporate governance arrangements

The directors are cognisant of the need to maintain high standards of business conduct and each company in the Group adheres to high standards of Business Conduct and Ethics, supported by policies including for Equality, Diversity and Inclusion, Anti-Bribery and Corruption, Modern Slavery, and Timber Sourcing, which are reinforced through mandatory training for colleagues. The Group's application of the Wates Principles are set out on pages 15 to 17.

The Group has a number of different businesses which operate as part of a decentralised Group organisational structure that confers significant autonomy on local management teams. Operational and management boards are in place within each Business Unit, supported by appropriate controls at Company and Group level. Business Unit MDs report directly to the Group CEO and finance teams report through to the Group CFO. The Managing Directors and Financial Directors/Finance business partners of the Group's individual business units maintain regular contact with the Group CEO and CFO, with the CFO reporting to the Board of Directors of the Company.

The Company availed of support as required from Group functions for areas such as Finance (including taxation), Human Resources, Commercial, Health and Safety, Environment, and external advisors are engaged as required.

Each Group company reports annually under the Gender Pay Gap Regulations and on a bi-annual basis under the UK Payment Practices reporting requirements. The Group has published its Modern Slavery Policy Statement, which is available on its website at https://www.huwsgray.co.uk/ shop/human-trafficking-and-modern-slavery.

This describes the Group's policy on forced or involuntary labour and describes the safeguards that the Group has in place to mitigate against the risk of modern slavery in its businesses or supply chains.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Statement of directors' responsibilities

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 prepared the Group financial statements in accordance with UK-adopted international accounting standards.

The Company financial statements have prepared 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

As set out in the Strategic Report, the Group was established in June 2021 and significantly expanded in December 2021 through the Fleming acquisition, at which point long-term debt facilities were established and drawn. At 31 December 2025, the Group has £950m (2024: £950m) of term loan facilities (£650m and €354m/£300m) which were used, together with equity investment from shareholders, to fund the acquisitions in 2021 and are subject to cross guarantees from the companies within the Group.

The Group has access to a long-term committed Revolving Credit Facility ("RCF") of £125m which remained undrawn through the entire reporting period and as of 31 December 2025 and is currently undrawn at the date of approval of these consolidated financial statements. This facility is available to support working capital needs, capital investments and acquisitions.

The Group also utilises a non-recourse debt factoring facility to provide additional liquidity and for broader corporate objectives. The facility, amounting to €100m, has a three-year term, ending in December 2027.

The Group's term loans are considered by the directors to be covenant light. They are repayable in October and December 2028 and there are no requirements to test covenants unless the RCF is drawn by £50m or more, net of cash balances, at the end of each quarter.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Whilst acknowledging the current challenging trading conditions created by the economic climate and cost of living crisis in the UK, the Group has maintained significant liquidity post year end.

Having completed appropriate reviews, the directors are confident in the long-term outlook for the Group. Shorter-term, the Group recognises the risk from the economic conditions in the UK and has plans to respond accordingly.

Various scenarios for trading over the period to 30 June 2027 have been modelled, with varying degrees of sensitivity analysis taken into consideration and the reasonably plausible downside scenarios indicate more than satisfactory liquidity and banking covenant headroom. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

Approved by the board of directors and authorised for issue on 22 April 2026 and signed on its behalf by:

Signed by:
Jonathan White
7200CA52C56D47C...

Jonathan White

Chief Financial Officer

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PATAGONIA HOLDCO 3 LIMITED

Opinion

We have audited the financial statements of Patagonia Holdco 3 Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2025 which comprise *the Group Profit and Loss Account, the Group and Parent company Balance Sheet, Group statement of cash flows, the Group statement of comprehensive income, the Group and Parent statement of changes in equity* and the related notes 1 to 40, including a summary of material accounting policy information. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2025 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's process and controls related to the assessment of going concern
- Obtaining management's going concern assessment, understanding how management have reflected the principal risks and uncertainties in their assessments and verifying the arithmetical accuracy of the cash flow forecast models.
- Reviewing the downside scenarios, including the reverse stress case, identified by management, and independently assessing whether there are any other scenarios which should be considered, and assessing the impact of the downside scenarios on the available cash flows in the going concern period.
- Challenging management's assumptions within the cash flow forecasts, including assessing historical budgeting accuracy, reviewing third-party information such as analyst expectations or competitors and identification of any contradictory evidence in management's forecasting.
- Assessing the adequacy of the going concern assessment period, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate. Inquiring of management

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern
- Comparing management's forecasts to actual results through the subsequent events period.
- Assessing if the going concern disclosures in the financial statements are appropriate and in accordance with the revised ISA (UK) 570 going concern standard.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2027.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 35, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 course of 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 this gives rise to 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to reporting framework (the Companies Act 2006, UK adopted international accounting standards, FRS 101 and Corporation Tax Act 2010) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including General Data Protection Regulation (GDPR) and Health and Safety at Work etc. Act 1974.
- We understood how Patagonia Holdco 3 Limited is complying with those frameworks by making enquiries of management and those responsible for tax, legal and compliance procedures to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board minutes, as well as consideration of the results of our other audit procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing risk assessment procedures including walkthroughs of key business processes, having internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be:
    - Risk of management override of controls resulting in misstatement in revenue. To address this risk we performed analytical procedures including disaggregated review of revenue by branch and product category and trend analysis, we assessed flow of revenue journals through to receivables ultimately to cash and tested a sample to source documents.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

- Risk of overstatement of supplier income. To address this risk we performed analytical procedures assessing trends in key supplier income balances and product categories, testing a sample of balances to source documents, and re-performing calculations in respect of inventory adjustments for supplier income.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes, testing of journals identified through data driven risk assessment and enquiries of management, including those responsible for legal and compliance procedures, and those charged with governance. We also read the financial statement disclosures, corroborating to supporting documentation to assess compliance with applicable laws and regulations and evaluated the business rationale of significant transactions outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.

DocuSigned by:
Carl Stone
A7466757392A4AC...

Carl Stone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date 22 April 2026

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £'000	2024 £'000
Continuing operations			
Revenue	**4**	1,330,664	1,352,211
Cost of sales		(938,892)	(954,627)
Gross profit		391,772	397,584
Distribution costs excluding exceptional distribution expenses		(321,315)	(322,355)
Administrative expenses excluding exceptional administrative expenses		(55,158)	(49,402)
Operating profit before exceptional expenses		15,299	25,827
Exceptional distribution expenses	**5**	(42,977)	(5,163)
Exceptional administrative expenses	**5**	(5,416)	(155,447)
Total distribution and administrative expenses		(424,866)	(532,367)
Operating loss after exceptional expenses	**6**	(33,094)	(134,783)
Finance income	**10**	3,806	-
Finance cost	**10**	(98,931)	(95,442)
Loss before taxation		(128,219)	(230,225)
Income tax income	**11**	33,191	19,496
Loss for the year from continuing operations		(95,028)	(210,729)
Loss for the financial year is attributable to:			
- Owners of the parent company		(95,013)	(210,721)
- Non-controlling interests		(15)	(8)
		(95,028)	(210,729)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £'000	2024 £'000
Loss for the year		(95,028)	(210,729)
Items that may be reclassified to profit or loss			
Cash flow hedges:			
- Hedging loss arising in the year	**28**	(5,313)	(7,990)
- Deferred tax on cash flow hedges	**28**	1,328	1,998
Total items that may be reclassified to profit or loss		(3,985)	(5,992)
Total comprehensive loss for the year from continuing operations		(99,013)	(216,721)
Total comprehensive loss for the year from continuing operations is attributable to:			
- Owners of the parent company		(98,998)	(216,713)
- Non-controlling interests		(15)	(8)
		(99,013)	(216,721)

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

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	2025 £'000	2024 £'000
Non-current assets			
Goodwill	**12**	353,413	353,413
Intangible assets	**13**	226,895	294,747
Property, plant and equipment	**14**	403,256	429,994
Right of use assets	**15**	100,354	109,707
Other investments		1	1
Total non-current assets		1,083,919	1,187,862
Current assets			
Inventories	**17**	193,594	202,550
Trade and other receivables	**18**	139,213	166,679
Current tax assets		291	-
Cash and cash equivalents		115,426	116,843
Derivative financial instruments	**21**	7,006	3,716
Total current assets		455,530	489,788
Current liabilities			
Trade and other payables	**22**	176,258	187,275
Borrowings	**20**	14,510	15,262
Lease liabilities	**23**	14,509	13,481
Derivative financial instruments	**21**	-	7,878
Provisions	**25**	2,200	-
Total current liabilities		207,477	223,896
Net current assets		248,053	265,892
Non-current liabilities			
Borrowings	**20**	950,746	929,852
Lease liabilities	**23**	102,834	107,391
Deferred tax liabilities	**24**	87,256	122,053
Provisions	**25**	8,231	9,351
Derivative financial instruments	**21**	-	3,861
Total non-current liabilities		1,149,067	1,172,508
Net assets		182,905	281,246
Equity			
Called up share capital	**27**	8,539	8,539
Share premium account	**27**	845,335	845,335
Cash flow hedge reserve	**28**	(2,933)	1,052
Capital contribution reserve	**27**	9,548	9,548
Retained losses		(677,577)	(583,236)
Non-controlling interest		(7)	8
Total equity		182,905	281,246

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

The financial statements were approved by the board of directors and authorised for issue on 22 April 2026 and are signed on its behalf by:

Jonathan White
Chief Financial Officer

Signed by:
Jonathan White
7200CA52C56D47C...

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PATAGONIA HOLDCO 3 LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	2025 £'000	2024 £'000
Non-current assets			
Investments	**38**	200,165	330,530
Total non-current assets		200,165	330,530
Current liabilities			
Trade and other payables	**39**	65,000	65,000
Total current liabilities		65,000	65,000
Net assets		135,165	265,530
Equity			
Called up share capital	**27**	8,539	8,539
Share premium account	**27**	845,335	845,335
Retained losses		(718,709)	(588,344)
Total equity		135,165	265,530

As permitted by s408 Companies Act 2006, the Company has elected not to present its own income statement and related notes. The Company's loss for the year was £130.4m (2024 - £319.4m loss).

The financial statements were approved by the board of directors and authorised for issue on 22 April 2026 and are signed on its behalf by:

Signed by:
Jonathan White
7200CA52C56D47C...

Jonathan White

Chief Financial Officer

Company Registration No. 13398238

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PATAGONIA HOLDCO 3 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Called up share capital £'000	Share premium account £'000	Cash flow hedge reserve £'000	Capital contribution reserve £'000	Retained losses £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2024		8,539	845,335	7,044	9,548	(373,286)	497,180	16	497,196
Year ended 31 December 2024:									
Loss for the year		-	-	-	-	(210,721)	(210,721)	(8)	(210,729)
Other comprehensive income:									
Net losses on cash flow hedges	28	-	-	(7,990)	-	-	(7,990)	-	(7,990)
Tax relating to other comprehensive income	28	-	-	1,998	-	-	1,998	-	1,998
Total comprehensive loss for the year		-	-	(5,992)	-	(210,721)	(216,713)	(8)	(216,721)
Transactions with owners in their capacity as owners									
Credit to equity for equity settled share-based payments	29	-	-	-	-	771	771	-	771
Balance at 31 December 2024		8,539	845,335	1,052	9,548	(583,236)	281,238	8	281,246
Year ended 31 December 2025:									
Loss for the year		-	-	-	-	(95,013)	(95,013)	(15)	(95,028)
Other comprehensive income:									
Net losses on cash flow hedges	28	-	-	(5,313)	-	-	(5,313)	-	(5,313)
Tax relating to other comprehensive income	28	-	-	1,328	-	-	1,328	-	1,328
Total comprehensive loss for the year		-	-	(3,985)	-	(95,013)	(98,998)	(15)	(99,013)
Transactions with owners in their capacity as owners									
Credit to equity for equity settled share-based payments	29	-	-	-	-	672	672	-	672
Balance at 31 December 2025		8,539	845,335	(2,933)	9,548	(677,577)	182,912	(7)	182,905

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Called up share capital £'000	Share premium account £'000	Retained losses £'000	Total £'000
Balance at 1 January 2024	8,539	845,335	(268,937)	584,937
Loss for the year	-	-	(319,407)	(319,407)
Balance at 31 December 2024	8,539	845,335	(588,344)	265,530
Loss for the year	-	-	(130,365)	(130,365)
Balance at 31 December 2025	8,539	845,335	(718,709)	135,165

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

PATAGONIA HOLDCO 3 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £'000	2024 £'000
Cash flows from operating activities			
Loss for the year after tax		(95,028)	(210,729)
Adjustments for:			
Income tax credited	11	(33,191)	(19,496)
Finance income	10	(3,806)	-
Finance costs	10	98,931	95,442
Gain on disposal of property, plant and equipment	6	(4,088)	(1,024)
Goodwill impairment losses	12	-	150,165
Amortisation and impairment of intangible assets	13	67,852	31,678
Depreciation, amortisation and impairment of property, plant and equipment and right of use assets		44,659	46,162
Share-based payment expense	29	672	771
Lease modifications and other movements		1,762	-
Decrease/(increase) in inventories		8,956	(2,905)
Decrease in trade and other receivables		21,432	64,495
Decrease in trade and other payables		(10,435)	(10,627)
Increase in provisions	25	1,080	1,578
Interest paid on bank borrowings		(91,768)	(87,929)
Interest paid on lease liabilities		(3,597)	-
Interest received		3,744	-
Income taxes received		3,678	231
Net cash generated from operating activities		10,853	57,812
Investing activities			
Purchase of property, plant and equipment	14	(9,754)	(20,070)
Proceeds on disposal of property, plant and equipment		15,310	3,545
Net cash inflow/(outflow) from investing activities		5,556	(16,525)
Financing activities			
Amounts paid under derivatives		(2,921)	(758)
Principal elements of lease payments		(14,905)	(17,535)
Net cash used in financing activities		(17,826)	(18,293)
Net cash (decrease)/increase in cash and cash equivalents		(1,417)	22,994
Cash and cash equivalents at beginning of year		116,843	93,849
Cash and cash equivalents at end of year		115,426	116,843

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

1 Reporting entity

Patagonia Holdco 3 Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK. The Group's principal activity is as a general building merchant with a number of specialist complementary businesses in the Construction and RMI sectors. The registered office is c/o Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

2 Material accounting policy information

2.1 Statement of compliance

The Group consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; the Parent Company Statement of Financial Position, Statement of Changes in Equity and Notes to the financial statements are presented on pages 43, 45 and 94 to 97 respectively.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period as detailed in the accounting policies below.

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling (£), which is Patagonia Holdco 3 Limited's functional and presentation currency, and are rounded to the nearest thousand, unless otherwise stated.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained, and they cease to be consolidated from the date on which the Group loses control.

Intra-group balances and transactions, and any unrealised gains and income and expenses arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. There are no restrictions (statutory, contractual, or regulatory) on the Group's ability to access or use the assets and settle the liabilities of the consolidated subsidiaries.

2.3 Application of new and revised International Accounting Standards in compliance with the requirements of the Companies Act 2006 ("IFRSs")

A number of new standards and amendments to standards and interpretations were effective for reporting periods beginning on or after 1 January 2025 and have been applied in preparing these consolidated financial statements. The following standards, amendments and interpretations were effective for the Group in 2025:

- IAS 21 (Amendments): Lack of Exchangeability (effective 1 January 2025)

This did not have a material effect on the results or financial position of the Group.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

New standards and interpretations not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group:

- IFRS 7 Financial Instruments: Disclosures (effective 1 January 2026)
- IFRS 9 Financial Instruments (effective 1 January 2026)
- IFRS 18 Presentation and Disclosure of Financial Statements (effective 1 January 2027)

These new standards and interpretations are not expected to have a material effect on the results or financial position of the Group.

2.4 Going concern

As set out in the Strategic Report, the Group was established in June 2021 and significantly expanded in December 2021 through the Fleming acquisition, at which point long-term debt facilities were established and drawn. At 31 December 2025, the Group has £950m (2024: £950m) of term loan facilities (£650m and €354m/£300m) which were used, together with equity investment from shareholders, to fund the acquisitions in 2021 and are subject to cross guarantees from the companies within the Group.

The Group has access to a long-term committed Revolving Credit Facility ("RCF") of £125m which remained undrawn through the entire reporting period and as of 31 December 2025, and is currently undrawn at the date of approval of these consolidated financial statements. This facility is available to support working capital needs, capital investments and acquisitions.

The Group also utilises a non-recourse debt factoring facility to provide additional liquidity and for broader corporate objectives. The facility, amounting to €100m, has a three-year term, ending in December 2027.

The Group's term loans are considered by the directors to be covenant light. They are repayable in October and December 2028 and there are no requirements to test covenants unless the RCF is drawn by £50m or more, net of cash balances, at the end of each quarter.

Whilst acknowledging the current challenging trading conditions created by the economic climate and cost of living crisis in the UK, the Group has maintained significant liquidity post year end.

Having completed appropriate reviews, the directors are confident in the long-term outlook for the Group. Shorter-term, the Group recognises the risk from the economic conditions in the UK and has plans to respond accordingly.

Various scenarios for trading over the period to 30 June 2027 have been modelled, with varying degrees of sensitivity analysis taken into consideration and the reasonably plausible downside scenarios indicate more than satisfactory liquidity and banking covenant headroom. As a result, the directors consider it is appropriate to prepare the accounts on a going concern basis.

2.5 Revenue recognition

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Performance obligations to the customer in respect of sales of goods are satisfied on delivery or collection by the customer and there is no unfulfilled obligation that could affect the acceptance of the products. Service revenue comprises tool hire revenue and is recognised over the period of the

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

hire on a straight-line basis. Payments are typically due from credit customers no later than the last day of the month following the month of delivery.

Revenue recognised reflects the consideration the Group expects to be entitled to which is generally the price specified in the sales invoice net of actual and estimated rebates, discounts granted and value added tax. Rebates and discounts are calculated in accordance with the agreements in place so that the amount recognised as revenue in the year is based on the amount which is highly probable not to reverse.

2.6 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs.

2.7 Exceptional items

Exceptional items are those items of income and expenditure that are unusual by virtue of their size and nature and that in management's judgement should be disclosed separately on the face of the consolidated financial statements to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by management for designation as exceptional include but are not limited to, significant restructurings, costs associated with significant one-time change initiatives, the costs of acquiring and integrating businesses and asset impairment charges.

2.8 Finance costs

Loan interest costs on borrowings are recognised in profit or loss in the period in which they occur using the effective interest rate method.

The cost of non-recourse factoring is presented in profit or loss, within finance costs.

2.9 Supplier rebate arrangements

Supplier income is received in the form of rebates which comprise fixed price discounts, volume rebates and customer sales support.

Fixed price discounts and volume rebates received and receivable in respect of goods which have been sold to the Group's customers are deducted from cost of sales in profit or loss. Most rebates earned are based on the total value of purchases achieved in the period, whilst there are a minority of rebate agreements based on total quantity of goods purchased in the period. Where goods on which rebate has been earned remain in inventory at the year-end, an appropriate rebate deduction is made from the gross value of that inventory in the statement of financial position. The rebate deduction is only released to profit or loss when the goods are ultimately sold.

The Group receives customer sales support payments in the form of rebates when a specific product is sold to a specific customer. Rebates payment is only received after the sale has been completed.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

At the year-end the consolidated statement of financial position includes a balance representing unpaid amounts receivable from suppliers which is detailed in note 19.

2.10 Goodwill

Goodwill arising on acquisition represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed of a business at the acquisition date. All identifiable intangible assets acquired in a business combination are recognised separately from goodwill at their fair values as of the date of acquisition.

Goodwill is recognised as an asset and allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at least annually, or more frequently if indicators of impairment exist. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is stated in the statement of financial position at cost less accumulated impairment losses.

2.11 Intangible assets other than goodwill

Brand names and customer relationships

Brand names and customer relationships acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives as this is considered to reflect the expected pattern of consumption of economic benefits. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing when there is an indication of impairment. When making an assessment of whether there is an indication of impairment, management considers both external and internal sources of information, including obsolescence or changes in use or expected use of a particular asset. Brand assets and customer relationship assets are tested for impairment at group cash-generating unit level.

The following useful lives are applied:

- Brand names: 5 - 20 years
- Customer relationships: 1 - 10 years

Amortisation and impairment of brand names and customer relationships are recognised within distribution expenses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

2.12 Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. The depreciation policy for each asset category is as follows:

Freehold buildings	50 years straight line
Leasehold improvements	Straight line over lease length
Fixtures and fittings	5 - 15% on reducing balance
Plant and equipment	15 - 20% on reducing balance
Motor vehicles	25% on reducing balance
Freehold land	Nil

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds net of expenses and the carrying value of the asset and is recognised in distribution costs.

2.13 Impairment testing of goodwill, intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (group of cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at group cash-generating unit level. Goodwill is allocated to those groups of cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

The group of cash-generating units to which goodwill has been allocated is tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised within administrative expenses for the amount by which the asset's (or group of cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each group of cash-generating units and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for goodwill first reduce the carrying amount of any goodwill allocated to the group of cash-generating units. Any remaining impairment loss is charged pro rata to the other assets in the group of cash-generating units.

With the exception of goodwill, all assets are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the assets or group of cash-generating units' recoverable amount exceeds its carrying amount.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

2.14 Leases

Identifying a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Recognition exceptions

The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

i. leases with a lease term of 12 months or less and containing no purchase options - this election is made by class of underlying asset
ii. leases where the underlying asset has a low value when new - this election can be made on a lease-by-lease basis

Low value asset leases are immaterial in these consolidated financial statements.

For leases where the Group has taken the short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Group accounts for the lease as a new lease.

Initial measurement

Assets and liabilities arising from a lease are initially measured at the present value of payments, discounted at the incremental borrowing rate specific to the term and start date of the lease. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable payments that are based on an index or rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Subsequent measurement

After lease commencement, the Group measures right of use assets using a cost model. Under the cost model a right of use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate)
- the assessment of a purchase option (using a revised discount rate)
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate)
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate)

The remeasurements are matched by adjustments to the right of use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

Depreciation

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of lease term. The right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

For the purposes of the cash flow statement, cash payments for the principal portion of lease liabilities are presented within financing activities. Interest paid and payments for short-term and low-value leases are presented within operating activities.

2.15 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises all costs of purchase (net of trade rebates and discounts) and other costs incurred in bringing the inventories to their present location and condition.

Inventories are written down to net realisable value where they are slow-moving, obsolete, or where the recoverable amount is lower than cost.

Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale, including marketing, selling, and distribution costs.

2.16 Trade and other receivables

Trade receivables are recognised initially at the transaction price, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

The Group's trade and other receivables at the statement of financial position date are comprised principally of amounts receivable from the sale of goods, amounts due in respect of rebates and sundry prepayments. Prepayments are non-financial assets and represent amounts paid in advance for goods or services and are measured at cost.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

2.17 Impairment of financial assets

Trade receivables are subject to the expected credit loss model in IFRS 9 - Financial Instruments. The Group applies the IFRS 9 - Financial Instruments simplified approach to measuring expected credit losses.

This 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. The calculation incorporates historical loss experience, adjusted for current conditions and forward-looking information.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and the commencement of legal proceedings.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in liabilities.

2.19 Trade payables and other liabilities

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost. Due to their short-term nature, management consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

2.20 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation because of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of economic benefits will be required, the provision is reversed through profit or loss.

2.21 Taxation

Income tax in the consolidated statement of profit or loss represents the sum of current tax and deferred tax.

Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax

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 profit or loss 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 Group's liability for current tax is calculated using rates that have been enacted or substantively enacted at the statement of

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

financial position date. The Group's income tax charge reflects various allowances and takes into account the tax effects of tax planning strategies that the entity expects to undertake in the tax jurisdictions in which the Group operates. The determination of the Group's charge for income tax in the income statement 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 amount shown for current taxation reflects tax uncertainties and is based on management's estimate of (i) the most likely amount; or (ii) the expected value of the probable outflow of economic resources that will be required. The estimates for income tax included in the consolidated 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 consolidated financial statements. Whilst it is possible, the Group does not currently anticipate that any such differences could have a material impact on the income tax provision and profit or loss for the period in which such a determination is made nor does it expect any significant impact on its financial position in the near term. This is based on the Group's knowledge and experience, as well as the profile of the individual components which have been reflected in the current tax liability, the status of the tax audits, enquiries and negotiations in progress at each year-end, previous claims and any factors specific to the relevant tax environments.

Deferred tax

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 statement of financial position 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 does not give rise to equal taxable and deductible temporary differences; 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 and the reversal cannot be controlled by the Group.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

2.22 Employee benefits

Defined contribution plans

The Group provides post-employment benefits through various defined contribution plans.

The Group pays fixed contributions into independent entities in relation to several retirement plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

2.23 Share-based employee remuneration

The Group provides share-based payment arrangements to certain employees.

Equity settled arrangements are measured at fair value at the date of the grant. Fair value is determined using an appropriate valuation model and incorporates market-based vesting conditions. Non-market vesting conditions are not included in the fair value measurement but are reflected in the estimate of the number of awards expected to vest. The fair value is expensed on a straight-line basis over the vesting period with a corresponding credit to equity. Using the Black-Scholes model, the amount recognised as an expense is adjusted to reflect the actual number of shares or options that are expected to vest.

Where equity settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in profit or loss. Settlements and cancellations are accounted for as an acceleration of vesting, and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

The Group has no cash-settled arrangements.

2.24 Interest-bearing loans and borrowings

All loans and borrowings are initially recorded at fair value, net of related transaction costs. After initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Amortised cost includes any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

For bank loans containing interest rate ratchet clauses that adjust margins in response to changes in credit risk or financial metrics, the Group applies IFRS 9 paragraph B5.4.5 as an accounting policy choice. Such changes are treated as revisions of estimated cash flows and are reflected prospectively in the effective interest rate, with no immediate gain or loss recognised in profit or loss. In accordance with IAS 7, the Group has elected to classify both interest paid and interest received as cash flows from operating activities.

2.25 Hedge accounting

The Group applies hedge accounting in accordance with IFRS 9 Financial Instruments to derivatives designated as cash flow hedges, where such designation is consistent with the Group's risk management strategy and hedge accounting qualifying criteria are met.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedged item, the hedging instrument, the nature of the risk being hedged and how hedge effectiveness will be assessed on an ongoing basis.

Hedging instruments

Derivatives designated as hedging instruments are initially recognised at fair value and are subsequently re-measured at fair value at each reporting date. Derivatives that do not qualify for hedge accounting, or for which hedge accounting has been discontinued, are recognised at fair value through profit or loss.

Cash flow hedges

The Group designates certain derivatives as cash flow hedges of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other comprehensive income and accumulated in equity within the cash flow hedge reserve. Any ineffective portion of changes in fair value is recognised immediately in the income statement.

Amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss in the periods when the hedged cash flows affect profit or loss, and are presented in the same line item in the income statement as the hedged item. When the hedged forecast transaction results in the recognition of a non-financial asset or liability, the accumulated gains or losses are included directly in the initial carrying amount of the asset or liability.

Hedge effectiveness

Hedge effectiveness is assessed at inception and on an ongoing basis in accordance with IFRS 9, including an assessment of:

- whether there is an economic relationship between the hedged item and the hedging instrument;
- whether the effect of credit risk dominates the value changes; and
- whether the hedge ratio reflects the actual quantities of the hedged item and the hedging instrument used in the Group's risk management strategy.

Any hedge ineffectiveness is recognised immediately in the income statement.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Discontinuation of hedge accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the qualifying criteria for hedge accounting, or when the Group revokes the designation.

When hedge accounting for a cash flow hedge is discontinued, any cumulative gain or loss recognised in other comprehensive income at the date of discontinuation remains in equity until the hedged forecast transaction occurs or is no longer expected to occur. If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified immediately to the income statement.

2.26 Ordinary shares

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Critical accounting judgements and key sources of estimation uncertainty are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The areas involving critical accounting judgements and key sources of estimation uncertainty are outlined below:

Critical accounting judgement

Non-recourse debt factoring

In December 2024, the Group entered into a €100m (£87.3m) non-recourse debt factoring facility for a three-year term ending in December 2027.

Management assessed the arrangement against IFRS 9 requirements and concluded that substantially all credit and late-payment risks are transferred to the factor. The Group retains no credit enhancement, repurchase rights or exposure to customer default and acts solely as collection agent. Accordingly, the factored receivables meet the criteria for derecognition on transfer to the factor.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Estimates and sources of estimation uncertainty

Impairment of goodwill

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 carrying value of goodwill in the statement of financial position at 31 December 2025 was £353.4m (31 December 2024: £353.4m).

For the purposes of impairment testing, goodwill is tested at the level representing the lowest grouping of assets for which management monitors goodwill and for which largely independent cash inflows can be identified. While individual branches are considered cash-generating units, their cash inflows are not independent due to shared branding, centralised procurement, pricing strategies and integrated operational support. Accordingly, expected future cash flows of the branches are aggregated for the purpose of determining value-in-use. Management considers this aggregation to reflect the manner in which goodwill is monitored internally and the economic interdependencies of the operations.

As at 31 December 2025, the Group has used a value-in-use calculation based on expected future cashflows plus a terminal value, discounted using a Weighted-Average Cost of Capital ('WACC'). The Group's WACC of 10.7% (2024: 11.0%) has been calculated with reference to current market data adjusted for the Group's financing structure. The cashflows used in the model are based on current market conditions with easing of macro-economic headwinds expected during 2026, followed by an anticipated uplift in performance in the following four years. The terminal value is calculated with reference to a long-term average growth rate of 2.0%.

Whilst no goodwill impairment has been recognised for the year (2024: £150.2m), the value-in-use calculation is sensitive to the Group's performance, in particular short-term revenue growth, gross profit margin, the Group's WACC, the assumed long-term growth rate and the realisation of benefits expected from working capital initiatives that are currently underway. Further details, including sensitivities to key assumptions used in the value-in-use calculation, are outlined in note 12.

Useful lives of customer relationships and brand assets

Customer relationships and brand assets acquired in a business combination that qualify for separate recognition are recognised as intangible assets, initially at their fair values and are subsequently amortised on a straight-line basis over their estimated useful lives. The carrying value of customer relationship assets in the statement of financial position at 31 December 2025 was £137.3m (31 December 2024: £160.6m). The carrying value of brand assets in the statement of financial position as at 31 December 2025 was £89.6m (31 December 2024: £134.2m).

Management bases estimates of the useful lives of customer relationship assets on customer attrition rates and bases estimates of the useful lives of brand assets on the strength of the brands. Changes in these estimates could affect current and future results. For example, a one-year reduction in the useful lives would increase the annual amortisation charge by £12.5m for customer relationships and £0.8m for brand assets.

Impairment of brand assets

A further source of estimation uncertainty in relation to brand assets arises from the fact that the Group's strategic plans for individual brands may change. This includes scenarios where a brand's use is repositioned or, in some cases, may cease altogether.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

During the year ended 31 December 2025, management decided to phase out the Buildbase brand, including the removal of Buildbase signage across the estate, and replacing with Huws Gray branding. Consequently, an impairment of £38.4m has been recognised for the Buildbase brand during the year ended 31 December 2025. Further details are outlined in note 13.

Supplier rebate arrangements

Management make estimates in determining the amount and timing of recognition of supplier rebates. Rebates are deducted from cost of sales and recognised based on amounts earned from each supplier up to the statement of financial position date.

Rebate debtors of £48.1m (2024: £48.7m), included within other receivables, comprise amounts due for rebate periods that do not align with the financial year-end or where the agreed amount is yet to be finalised with the supplier. Recoverability is assessed with reference to post year-end information, supplier agreements and historic trends, although the amount remains subject to variability arising from changes in purchase volumes and supplier negotiations. Estimation uncertainty arises primarily from estimating purchase volumes and final supplier confirmations. Inherent uncertainty in the process of estimating the level of provision could impact the results of the following year.

The carrying value of inventories is reduced to reflect rebates received and receivable relating to inventory unsold at the year-end date (see note 17 - Inventories).

4 Revenue

	2025 £'000	2024 £'000
Revenue analysed by class of business		
Builders' merchants and distribution businesses	1,296,499	1,318,822
Service revenue - hire income	34,165	33,389
	1,330,664	1,352,211

	2025 £'000	2024 £'000
Revenue analysed by geographical market		
United Kingdom	1,330,664	1,352,211

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

5 Exceptional expenses

	2025	2024
	£'000	£'000
Exceptional distribution expenses		
Impairment of Buildbase brand asset	38,434	-
Gain on disposal of sites	(1,320)	-
Property, plant and equipment impairment losses	1,974	3,403
Right of use assets impairment losses	3,889	1,760
Total exceptional distribution expenses	42,977	5,163
Exceptional administrative expenses		
Group reorganisation	4,516	3,982
Goodwill impairment losses	-	150,165
Provisions	900	1,300
Total exceptional administrative expenses	5,416	155,447
Total exceptional expenses	48,393	160,610

The current year exceptional costs relate to the following:

Buildbase brand asset impairment – the Group recognised an impairment loss against the Buildbase brand asset following an impairment review at 31 December 2025. Refer to note 13 for further details.

Gain on disposal of sites – as part of a strategic review of the Group's operating footprint, management approved the disposal of a number of branches during the year. A net exceptional credit of £1.3m was recognised during the year. This includes the following in respect of the disposal of sites:

- Profit on disposal of Property, Plant and Equipment amounting to £5.3m.
- Closure and exit costs, including redundancy and other site-specific obligations, amounting to £4.0m.

Cash proceeds from site disposals totalled £14.8m.

Property, plant and equipment impairment losses - the Group recognised impairment losses against property, plant and equipment following an impairment review at 31 December 2025. Refer to note 14 for further details.

Right of use assets impairment losses - the Group recognised impairment losses against right of use assets following an impairment review at 31 December 2025. Refer to note 15 for further details.

Group reorganisation - predominantly redundancy costs, integration costs, professional fees and consultancy costs.

Provisions – a non-recurring charge relating to a legacy matter amounting to £0.9m (2024: £1.3m).

The above items have been presented as exceptional due to their size and nature. Presentation as exceptional items provides users of the financial statements a clearer understanding of the Group's underlying performance.

The 2024 exceptional costs related to goodwill, right of use asset and property plant and equipment impairment losses, group reorganisation charges and provisions.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

6 Operating loss after exceptional expenses

	Note	2025 £'000	2024 £'000
Operating loss after exceptional expenses for the year is stated after charging/(crediting):			
Goodwill impairment losses	12	-	150,165
Depreciation of property, plant and equipment	14	23,295	25,925
Impairment of property, plant and equipment	14	1,974	3,403
(Gain) on disposal of property, plant and equipment		(4,088)	(1,024)
Depreciation of right of use assets	15	15,501	15,058
Impairment of right of use assets	15	3,889	1,760
Amortisation of intangible assets	13	29,418	31,678
Impairment of intangible assets	13	38,434	-
Share-based payments expense	29	672	771

Of the depreciation charge above, £1.9m (2024: £1.8m) relates to tool hire and is therefore reported in cost of sales, with the balance being reported as distribution expenses.

7 Auditor's remuneration

	2025 £'000	2024 £'000
Fees payable to the Company's auditor and associates:		
Audit of the financial statements of the Group and Company	150	200
Audit of the financial statements of the Company's subsidiaries	650	740
Total fees payable to the Company's auditor and associates	800	940
Fees payable to other auditors of subsidiary undertakings:		
Audit of the financial statements of the Company's subsidiaries	4	-
Total fees payable to other auditors	4	-
Total Group audit fees	804	940

The above disclosed amounts relate to remuneration of the auditor in respect of all fees relating to the financial statements for the year ended 31 December 2025.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

8 Employees

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

	2025 Number	2024 Number
Administration	543	528
Sales	4,182	4,385
Total	4,725	4,913

Their aggregate remuneration (including directors) comprised:

	2025 £'000	2024 £'000
Wages and salaries	165,120	163,545
Social security costs	19,064	15,339
Pension costs - defined contribution plans	5,160	5,608
	189,344	184,492
Share-based payments expense	672	771
	190,016	185,263

9 Directors' remuneration

	2025 £'000	2024 £'000
Remuneration	1,261	1,293
Company pension contributions to defined contribution plans	24	-
Compensation for loss of office	-	200
Total remuneration (Companies Act Sch 5)	1,285	1,493
Share-based payment charge	97	74
Total remuneration	1,382	1,567

There was one individual accruing retirement benefits under defined contribution pension plans in respect of qualifying services during the year (2024: Nil). No directors exercised share options during the year (2024: None).

During the year ended 31 December 2024, compensation for loss of office was payable to a former director amounting to £200k. This was paid during the year ended 31 December 2025.

The remuneration of the highest paid director for the year was £783.4k (2024: £657.9k).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

10 Finance income and finance costs

	2025 £'000	2024 £'000
Finance income:		
Interest income	(3,806)	-
Total finance income	(3,806)	-
Finance costs:		
Foreign exchange (gain)/loss on derivative financial instruments - hedged amount	(15,895)	14,054
Foreign exchange loss/(gain) on Euro denominated debt	16,322	(14,277)
Interest on bank and other loans	89,770	91,912
Debt factoring facility charges	5,137	-
Interest on lease liabilities	3,597	3,753
Total finance costs	98,931	95,442
Net finance costs	95,125	95,442

Interest on bank and other loans includes:

	2025 £'000	2024 £'000
Amortisation of issue costs on the GBP and Euro loan facilities	4,573	2,681
Amortisation of issue costs on the revolving credit facility	443	150
Net losses/(gains) recycled from the cash flow hedge reserve	3,259	(7,962)

11 Income tax income

	2025 £'000	2024 £'000
Current tax		
Current tax on losses for the period	(291)	291
Adjustments in respect of prior years	569	(4,245)
Total current tax expense/(income)	278	(3,954)
Deferred tax		
Origination and reversal of temporary differences	(29,407)	(18,768)
Adjustment in respect of prior years	(4,062)	3,226
Total deferred tax credit	(33,469)	(15,542)
Income tax income for the year	(33,191)	(19,496)
Income tax income is attributable to:		
Loss from continuing operations	(33,191)	(19,496)

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Reconciliation of income tax income

	2025 £'000	2024 £'000
Loss from continuing operations before income tax expense	(128,219)	(230,225)
Tax at the corporation tax rate of 25% (2024: 25%)	(32,055)	(57,556)
Effects of:		
Expenses not deductible for tax purposes	2,648	38,767
Adjustments in respect of prior years	(3,493)	(1,019)
Non qualifying depreciation	-	21
Uncertain tax position	(291)	291
Income tax income for the year	(33,191)	(19,496)

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

	2025 £'000	2024 £'000
Relating to cash flow hedges	(1,328)	(1,998)
Total tax recognised in other comprehensive income	(1,328)	(1,998)

The standard rate of UK corporation tax is 25%, therefore this rate is applicable in the measurement of deferred tax assets and liabilities at 31 December 2025, being the rate at which temporary differences are expected to reverse.

12 Goodwill

	£'000
Cost	
At 1 January 2024, 31 December 2024 and 31 December 2025	753,780
Impairment	
At 1 January 2024	(250,202)
Impairment loss	(150,165)
At 31 December 2024 and at 31 December 2025	(400,367)
Carrying amount	
At 31 December 2024 and at 31 December 2025	353,413

Cash-generating units and allocation of goodwill to the Group of CGU's

Management consider that each branch in the Group is an individual cash-generating unit ('CGU'). The Group's strategy has been to integrate the two significant acquisitions made in 2021, (Holyhead Topco Limited (Huws Gray) and Fleming), with their organisational design and financial performance reporting aligned. As a result of this integration, management

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

monitor and test goodwill on a single aggregate CGU group, reflecting how management manage and monitor the Group's performance.

Impairment review process

The Group tests goodwill and associated intangible assets, property, plant and equipment and right of use assets annually for impairment, or more frequently if there are indications that an impairment may be required. Value-in-use is determined by forecasting cash flows based on management's five-year (2024: five-year) projections plus a terminal value calculated on the long-term average growth rate. The key assumptions used by management when assessing value-in-use are as follows:

Average revenue growth	Revenue forecasts include assumptions around sales volumes and market conditions that are expected to impact trading levels and are based on a normalised growth rate. The average revenue growth rate used was 4.4% (2024: 5.5%). The Construction Products Association forecast volume growth was projected at 3.3% in their 2025 Winter forecast and we expect both inflation and market outperformance as a result of our initiatives to support these average revenue growth levels. The cash flow model assumes that there is no sustained conflict in the Middle East that commenced in March 2026 and that any impacts are immaterial to the longer-term growth rate of the Group.
Gross profit margin	Gross profit margin assumptions are forecast to improve, reflecting benefits from ongoing initiatives in procurement and category development to support strengthening margins. Average margin used was 31.5% (2024: 30.8%).
Long-term average growth rate	To forecast cash flows beyond the five-year projection period into perpetuity, a long-term average growth rate of 2.0% (2024: 2.0%) has been used, based on the long-term average growth rate for the products, industries and country in which the Group operates.
Discount rate	Cash flows have been discounted using a post-tax discount rate of 10.7% (2024: 11.0%). This equates to a pre-tax discount rate of 14.2% (2024: 14.7%). The post-tax discount rate is derived from the Group's weighted-average cost of capital which has been benchmarked for management by an independent team of experts against observable market data.
Working capital initiatives	Working capital cash flows reflect forecast growth and expected benefits from targeted working capital initiatives, specifically around inventory management that management expects to deliver material working capital efficiency. These plans are well developed and are expected to be implemented in H2 of 2026.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Impairment review results

At 31 December 2025, management's assessment of goodwill concluded that the recoverable value exceeded the carrying amount by £38.0m and therefore no impairment of goodwill has been recognised for the year ended 31 December 2025 (2024: £150.2m). Given the limited headroom, the Group performed sensitivity analysis on key assumptions.

Sensitivity analysis

Had management used less favourable assumptions in their cashflow modelling, based on reasonably possible scenarios the following goodwill impairment charges would have been recognised:

Impairment required as a result of reasonably possible assumption changes:	**£'m**
0.5% reduction in the average revenue growth rate	51.8
0.5% underperformance in gross profit margin	50.9
0.5% reduction in the long-term average growth rate	8.4
0.5% increase in the discount rate	23.8

Had management used the following less favourable assumptions in their cashflow modelling, headroom would be eliminated:

Changes in assumptions to eliminate headroom:	
Reduction in the average revenue growth rate	-0.2%
Underperformance in gross profit margin	-0.2%
Reduction in the long-term average growth rate	-0.4%
Increase in the discount rate	0.3%

Assumptions used in the cashflow model include benefits to gross margin and working capital that management are reasonably certain will be realised. Should these benefits not be realised, the cashflow model is sensitive to changes due to the limited headroom.

Conclusion

Management have actively reviewed the forecasts associated with the impairment review, noting the assumptions used, the sensitivity analysis performed and the ability of the Group to adapt to the challenging economic environment. At 31 December 2025, management have concluded that the Group's VIU exceeds the carrying value of the Group's group of CGU's by £38.0m and therefore no impairment of goodwill has been recognised during the year ended 31 December 2025 (2024: £150.2m).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

13 Intangible assets

	Software £'000	Brand £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2024, 31 December 2024 and 31 December 2025	25,422	162,536	228,477	416,435
Amortisation and impairment				
At 1 January 2024	25,422	19,964	44,624	90,010
Amortisation charge for the year	-	8,419	23,259	31,678
At 31 December 2024	25,422	28,383	67,883	121,688
Amortisation charge for the year	-	6,159	23,259	29,418
Impairment charge for the year	-	38,434	-	38,434
At 31 December 2025	25,422	72,976	91,142	189,540
Carrying amount				
At 31 December 2025	-	89,560	137,335	226,895
At 31 December 2024	-	134,153	160,594	294,747

Brand assets

Brand assets principally relate to the Huws Gray brand and Buildbase brand, recognised by the Group as part of business acquisitions during 2021. On initial recognition of the brand assets, management considered the long-term plan for the brands and estimated the useful lives of the Huws Gray and Buildbase brands to be twenty years.

At 31 December 2025, while the Group's performance has been negatively affected by the decline in the Builders Merchant market overall during 2025, mirroring much of what has been observed in the wider UK economy, management remain confident in the strength of the Huws Gray brand. Management considers that the best estimate of the useful life of the Huws Gray brand asset continues to be 20 years. During the year ended 31 December 2025, the Group carried out a rebranding exercise, following which the Buildbase brand was retired. As a result, the Buildbase brand asset has been fully impaired, resulting in an impairment charge of £38.4m (2024: £nil).

A decrease in the useful life of brand assets of one year would increase the annual amortisation charge by £0.8m.

Customer relationship assets

Customer relationship assets principally relate to Huws Gray customer relationships and Building Supplies Distribution customer relationships, recognised by the Group as part of business acquisitions during 2021. Estimated useful lives of customer relationship assets are based on customer attrition rates and are reviewed annually. On initial recognition of the customer relationship assets, management estimated the useful lives of customer relationship assets to be twenty years. This estimate was reduced to ten years during 2023. Further assessments were performed during 2024 and 2025, with the results being no further change in estimated useful lives was required.

A decrease in the useful life of customer relationships of one year would increase the annual amortisation charge by £12.5m.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Impairment testing

As described above, the Buildbase brand has been retired during the year ended 31 December 2025, and as a result, the Buildbase brand asset has been fully impaired, resulting in an impairment charge of £38.4m (2024: £nil). Management assessed that there were no other impairment triggers for brand assets during 2025. As both brand assets and customer relationship assets are reviewed for impairment at group cash-generating unit level, which is the level at which goodwill is tested for impairment, brand and customer relationship assets were reviewed for impairment during 2025. The total impairment loss recognised against brand assets amounted to £38.4m (2024: £nil) and related entirely to the Buildbase brand asset. No impairment loss has been recognised against customer relationship assets in 2025.

The following material intangible assets are included within the above:

	Carrying amount £'000	**Remaining useful life Years**
Huws Gray brand	89,170	15.5
Huws Gray customer relationships	119,819	5.5
Building Supplies Distribution customer relationships	11,068	6.0
Other customer relationship	6,448	3.1

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

14 Property, plant and equipment

	Freehold buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2024	337,887	17,175	35,743	47,810	46,919	485,534
Additions	3,542	421	7,329	3,311	5,467	20,070
Disposals	(860)	(700)	(6,354)	(4,617)	(15,134)	(27,665)
At 31 December 2024	340,569	16,896	36,718	46,504	37,252	477,939
Additions	4,382	85	3,244	1,861	182	9,754
Disposals	(10,364)	(445)	(3,982)	(4,492)	(3,831)	(23,114)
At 31 December 2025	334,587	16,536	35,980	43,873	33,603	464,579
Accumulated depreciation and impairment						
At 1 January 2024	14,052	6,226	5,474	8,676	9,205	43,633
Depreciation charged in the year	4,665	1,366	5,641	4,413	9,840	25,925
Eliminated in respect of disposals	(267)	(699)	(5,831)	(4,097)	(14,122)	(25,016)
Impairment charged in the year	3,124	34	-	245	-	3,403
At 31 December 2024	21,574	6,927	5,284	9,237	4,923	47,945
Depreciation charged in the year	4,676	1,407	5,445	4,082	7,685	23,295
Eliminated in respect of disposals	(1,121)	(321)	(3,537)	(3,526)	(3,386)	(11,891)
Reclassifications	444	(344)	253	220	(573)	-
Impairment charged in the year	571	1,149	-	254	-	1,974
At 31 December 2025	26,144	8,818	7,445	10,267	8,649	61,323
Carrying amount						
At 31 December 2025	308,443	7,718	28,535	33,606	24,954	403,256
At 31 December 2024	318,995	9,969	31,434	37,267	32,329	429,994

Included within freehold buildings is an amount of £150.6m (2024: £153.3m) relating to land that does not depreciate.

Management performed an impairment assessment for property, plant and equipment ("PPE"), including freehold buildings, at 31 December 2025 and identified impairment triggers for a number of freehold buildings. The carrying value of the freehold buildings was compared with the value-in-use for each site where impairment triggers were identified, using a discounted cashflow approach. As a result of this review, an impairment loss of £0.6m has been recognised during the year (2024: £3.4m).

An impairment assessment was also performed for right of use assets ("ROU assets") recognised under IFRS 16. Indicators of impairment were identified for certain leased sites and an impairment charge amounting to £3.9m has been recognised in the year (2024: £1.8m) for the affected ROU assets. See note 15 for further details. As part of this assessment, leasehold land and buildings and fixtures and fittings assets included within PPE that are associated with these leased sites were also evaluated. Where the carrying amount of these related assets exceeded their recoverable amount, an additional impairment charge amounting to £1.4m has been recognised in the year (2024: £nil). Impairment charges have been recognised in exceptional distribution expenses.

Included within plant and equipment is an amount with a net book value of £12.0m (2024: £12.0m) subject to assets which are used for short-term hire to customers.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

15 Right of use assets

	Leasehold Buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2024	123,845	11	9,350	133,206
Additions	9,434	-	4,240	13,674
Modifications	9,392	-	30	9,422
Disposals	(2,118)	(3)	(1,757)	(3,878)
At 31 December 2024	140,553	8	11,863	152,424
Additions	3,072	-	2,096	5,168
Modifications	5,037	-	-	5,037
Disposals	(2,429)	(8)	(3,144)	(5,581)
Other movements	(1,865)	-	(204)	(2,069)
At 31 December 2025	144,368	-	10,611	154,979
Accumulated depreciation and impairment				
At 1 January 2024	26,294	2	3,482	29,778
Charge for the period	12,057	1	3,000	15,058
Disposals	(2,118)	(3)	(1,758)	(3,879)
Impairment losses	1,760	-	-	1,760
At 31 December 2024	37,993	-	4,724	42,717
Charge for the period	12,384	-	3,117	15,501
Disposals	(2,429)	-	(3,144)	(5,573)
Impairment losses	3,889	-	-	3,889
Other movements	(1,147)	-	(762)	(1,909)
At 31 December 2025	50,690	-	3,935	54,625
Carrying value				
At 31 December 2025	93,678	-	6,676	100,354
At 31 December 2024	102,560	8	7,139	109,707

The closing right of use asset includes an amount of £15.9m (2024: £18.5m) that relates to leases longer than 50 years.

Management have reviewed these assets for any impairment triggers at the statement of financial position date. The carrying value of right of use assets was compared with their value-in-use using a discounted cashflow approach. As a result of this review, an impairment loss of £3.9m has been recognised (2024: £1.8m).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

16 Subsidiaries

Details of the Company's subsidiaries at 31 December 2025 are as follows:

Name of undertaking	Principal activities	Class of shares held	% Held Direct	% Held Indirect
Patagonia Holdco 4 Limited *	Holding company	Ordinary	100	-
Patagonia Bidco Limited	Holding company	Ordinary	-	100
Huws Gray Limited	Builders' Merchants	Ordinary	-	100
Bathroom Distribution Group UK Limited	Builders' Merchants	Ordinary	-	100
Frontline Bathrooms Ltd.	Builders' Merchants	Ordinary	-	100
SW Newco Limited	Land development	Ordinary	-	100
Qualplas Limited	Glaziers	Ordinary	-	80
Holyhead Topco Limited *	Non trading	Ordinary	-	100
Holyhead Midco 1 Limited *	Non trading	Ordinary	-	100
Holyhead Midco 2 Limited *	Non trading	Ordinary	-	100
Holyhead Bidco Limited *	Non trading	Ordinary	-	100
Ridgeon Group Limited *	Non trading	Ordinary	-	100
Ridgeon Holdings Limited *	Non trading	Ordinary	-	100
Ridgeon Properties Limited *	Non trading	Ordinary	-	100
Ridgeons Forest Products Limited *	Non trading	Ordinary	-	100
Ridgeons Limited *	Non trading	Ordinary	-	100
Building Supplies Distribution Limited *	Non trading	Ordinary	-	100
The Timber Group Limited *	Non trading	Ordinary	-	100
Harvey Steel Lintels Limited *	Non trading	Ordinary	-	100
Crescent Building Supplies (Ruislip) Limited *	Non trading	Ordinary	-	100
K F Supplies Limited	Dormant	Ordinary	-	100
A. C. Roof Trusses Limited	Dormant	Ordinary	-	100
South Milford (Holdings) Limited	Dormant	Ordinary	-	100
Milford Limited	Dormant	Ordinary	-	100
Uriah Woodhead & Son (Holdings) Limited	Dormant	Ordinary	-	100
Uriah Woodhead & Son Limited	Dormant	Ordinary	-	100
Paxcorn Ltd	Dormant	Ordinary	-	100
Builders Supplies (West Coast) Limited	Dormant	Ordinary	-	100
Higgins Trade Supplies Limited	Dormant	Ordinary	-	100
Higgins Holdings Limited	Dormant	Ordinary	-	100
Higgins Building Supplies Ltd	Dormant	Ordinary	-	100
Higgins Landscape & Garden Centre Limited	Dormant	Ordinary	-	100
Sandysike Builders Merchants Limited	Dormant	Ordinary	-	100
TBS Building Supplies Ltd	Dormant	Ordinary	-	100
Exall Jones Limited	Dormant	Ordinary	-	100
Grangemouth Property Limited	Dormant	Ordinary	-	100
AR. Hendricks Limited	Dormant	Ordinary	-	100
Brick and Stone (Scotland) Ltd.	Dormant	Ordinary	-	100

* The company is exempt from audit under section 479A of the Companies Act 2006.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Both Brick and Stone (Scotland) Ltd. and Grangemouth Property Limited are registered at 1 Drovers Road, East Mains Industrial Estate, Broxburn, West Lothian, Scotland, EH52 5ND whilst all other companies are registered at Huws Gray Limited, Industrial Estate, Llangefni, Wales LL77 7JA.

17 Inventories

	2025 £'000	2024 £'000
Finished goods	193,594	202,550

Inventories are stated after provisions for rebates of £35.5m (2024: £32.8m) and slow-moving products £15.0m (2024: £12.9m).

Inventories recognised as an expense during the year ended 31 December 2025 amounted to £980.3m (2024: £961.4m). These were included in cost of sales in profit or loss.

Write-downs of inventories to net realisable value amounted to £1.1m (2024: £0.4m). These were recognised as an expense during the year and included in cost of sales in profit or loss.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

18 Trade and other receivables

	2025 £'000	2024 £'000
Trade receivables	85,231	104,517
Current tax recoverable	-	4,247
Other receivables	50,203	52,894
Prepayments	3,779	5,021
	139,213	166,679

Trade receivables are stated after provision for expected credit losses of £3.7m (2024: £3.6m).

Credit risk

The loss allowance as at 31 December 2024 and at 31 December 2025 was determined as follows for trade receivables:

2024	Current	30 to 60 days past due	More than 60 days past due	Total
Expected loss rate	0.4%	2.3%	30.0%	
Gross carrying amount - trade receivables (£'000)	74,437	12,428	9,924	96,789
Loss allowance (£'000)	320	282	2,972	3,574

2025	Current	30 to 60 days past due	More than 60 days past due	Total
Expected loss rate	0.6%	1.9%	33.8%	
Gross carrying amount - trade receivables (£'000)	68,683	11,220	8,991	88,894
Loss allowance (£'000)	407	216	3,040	3,663

	£'000
Opening loss allowance at 1 January 2024	7,262
Decrease in loss allowance recognised in profit or loss during the year	(861)
Write offs during the year	(2,827)
Closing loss allowance at 31 December 2024	3,574
Increase in loss allowance recognised in profit or loss during the year	1,729
Write offs during the year	(1,640)
Closing loss allowance at 31 December 2025	3,663

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payment for a period of greater than 60 days past due.

Impairment losses on trade receivables are included within administrative expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Other receivables

Other receivables include supplier income balances amounting to £48.1m (2024: £48.8m) and amounts receivable in relation to the SONIA interest swaps of £nil (2024: £2.0m).

19 Supplier income

Supplier income balances within the consolidated statement of financial position are as follows:

	2025 £'000	2024 £'000
Other receivables	48,131	48,753
Trade payables	7,583	9,827
Inventories	(35,507)	(32,765)
Net position	20,207	25,815

20 Borrowings

	Interest rate	Maturity date	Initial drawn amount	Balance at 31 December 2025	Balance at 31 December 2024
Current			**£'000***	**£'000**	**£'000**
Loan interest accrual				14,510	15,262
Total current				14,510	15,262
Non-current					
Interest bearing loans					
GBP facility	SONIA+5.25%	31/10/2028	650,000	644,499	641,268
EUR facility	EURIBOR+4.0%	31/12/2028	300,000	306,247	288,584
Total non-current				950,746	929,852
Total borrowings				965,256	945,114

* Amounts in GBP unless noted otherwise.

The spot exchange rate at 31 December 2025 was £1 = €1.15 (2024: £1 = €1.21).

The carrying amount is considered to be approximately equal to the fair value.

The margin included within the interest rates above is subject to a gearing test such that the amount payable will fall if the gearing of the Group is reduced.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Loan interest accrual

Borrowings under current liabilities include interest payable on bank borrowings amounting to £14.5m (2024: £15.3m).

Revolving credit facility

The Group has a committed revolving credit facility which was not utilised during the course of 2025 and 2024. As at 31 December 2025 the undrawn revolving credit facility totalled £125m. Total fees of £2.2m were incurred in July 2021 which were directly associated with the creation of the facility and have been capitalised and amortised on a straight-line basis. Unamortised fees at 31 December 2025 amounting to £0.9m (2024: £1.3m) are included in prepayments within trade and other receivables.

GBP facility (formerly B1 and B2 GBP facilities)

At 1 January 2022, the Group had drawn £550m from its B1 GBP facility and £100m from its B2 GBP facility. In accordance with the credit agreement, these facilities were merged from the first interest date of 3rd February 2022. There were £15.5m of fees incurred directly associated with these facilities. GBP loans are stated net of unamortised fees amounting to £5.5m at 31 December 2025 (2024: £8.3m).

EUR facility (formerly B2 EUR facility)

At 1 January 2022, the Group had drawn €354m/£300m of EUR facilities. Directly attributable fees of €8.5m/£7.2m were incurred on this facility. EUR loans are stated net of unamortised fees amounting to £2.7m at 31 December 2025 (2024: £3.9m).

All loans and borrowings are initially recorded at fair value, net of related transaction costs. After initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost.

Debt covenants

Under the Senior Facilities agreement, the Group's trading results are reported to lenders on a quarterly basis which includes a computation of the Group's gearing. Formal assessment of the gearing under the covenant reporting is only required if the revolving credit facility is drawn by £50m or more, net of cash balances held.

Security held by lenders

The facilities are guaranteed by subsidiaries with over 80% of the LTM EBITDA of the Group. This is currently the main trading subsidiary, Huws Gray Limited. Each guarantor jointly and severally guarantees the performance obligations. The transaction security includes:

- a charge over the shares in the business;
- a debenture over material bank accounts;
- a floating charge over all or substantially all of its business and assets.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Guarantees and other financial commitments

Ancillary guarantees

The revolving credit facility available to the Group totals £125m. The amount available to the Group to draw down is reduced by other ancillary guarantees in existence across the Group. There were £2.8m of ancillary guarantees in place at 31 December 2025:

Guarantees	£'000
Huws Gray Limited	2,042
Building Supplies Distribution Limited	600
Bathroom Distribution Group UK Limited	150
	2,792

21 Derivative financial instruments

In 2021, the Group entered into cross-currency interest rate swaps to economically hedge its Euro (formerly B2 Euro) denominated debt. These derivatives were not designated as hedging instruments until May 2022, and prior to May 2022 were recognised at fair value with movements in fair value recognised in profit or loss under finance costs.

In May 2022, the Group entered into SONIA interest rate ('IR') swap derivatives (receiving floating, paying fixed) as part of its risk management strategy to fix its interest rate exposure. These IR derivatives were designated as cashflow hedges to the Group's issued debt from inception. At the same time, the Group documented the 2021 cross currency interest rate swaps for cashflow hedge accounting purposes.

As a result, from May 2022 onwards the Group has designated qualifying derivative instruments in formal hedging relationships that meet the requirements of IFRS 9 and applies hedge accounting prospectively from that date. The hedge accounting results are disclosed further in the financial instrument note under risk management (note 26).

	2025 £'000	2024 £'000
Current assets	7,006	3,716
Total derivative assets	7,006	3,716
Current liabilities	-	7,878
Non-current liabilities	-	3,861
Total derivative liabilities	-	11,739
Other comprehensive income - deferred hedge accounting loss	(5,313)	(7,990)

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

22 Trade and other payables: current liabilities

	2025 £'000	2024 £'000
Trade payables	113,540	129,260
Amounts owed to parent company	259	448
Accruals	34,231	32,321
Social security and other taxation	11,133	12,621
Other payables	17,095	12,625
	176,258	187,275

The carrying amount is considered to be approximately equal to the fair value due to the short-term nature.

Trade payables include supplier income balances amounting to £7.6m (2024: £9.8m).

Other payables include £8.3m (2024: £10.8m) of amounts received from customers in respect of factored receivables. These amounts are payable to the Group's factoring provider and are remitted through an automatic cash sweep arrangement.

Amounts owed to parent company are unsecured, interest free and repayable on demand.

23 Leases

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2025 £'000	2024 £'000
Current liabilities	14,509	13,481
Non-current liabilities	102,834	107,391
	117,343	120,872

The Group leases various right of use assets in the form of branches, office space, warehouses and vehicles. The Group classifies its right of use assets in a consistent manner to its property, plant and equipment.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leases assets as security. For leases over buildings, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right of use assets and incur maintenance fees on such items in accordance with the lease contracts. Lease liabilities are secured by the related underlying assets.

Refer to note 15 for details of right of use assets. The maturity analysis of lease liabilities is presented in note 26.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Lease payments not recognised as a liability

In accordance with practical expedients permitted by IFRS 16, the Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets.

Payments made under such leases are expensed on a straight-line basis.

The amounts recognised in profit or loss include:

	2025 £'000	2024 £'000
Interest expense on lease liabilities	3,597	3,753
Expense relating to short-term leases	1,252	717

The total cash outflows for leases amounted to £16.7m (2024: £17.5m).

The average lease term is 69 months (2024: 68 months).

24 Deferred taxation

The amounts provided for deferred tax and the amounts for which credit has been taken are set out below:

Deferred tax assets

The balance comprises temporary differences attributable to:

	2025 £'000	2024 £'000
Tax losses	19,557	12,762
Other timing differences	20,021	7,948
Lease liabilities	27,595	28,246
	67,173	48,956

Deferred tax asset movements

	Tax losses £'000	Other timing differences £'000	Lease liabilities £'000	Total £'000
Asset at 1 January 2024	6,387	4,253	27,051	37,691
Credit to profit or loss	6,375	1,697	1,195	9,267
Credit to other comprehensive income	-	1,998	-	1,998
Asset at 31 December 2024	12,762	7,948	28,246	48,956
Prior year adjustment	3,642	1,828	2,062	7,532
Reclassifications	1	2,541	(354)	2,188
Credit/(charge) to profit or loss	3,152	6,376	(2,359)	7,169
Credit to other comprehensive income	-	1,328	-	1,328
Asset at 31 December 2025	19,557	20,021	27,595	67,173

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Other timing differences include £15.3m (2024: £6.7m) relating to temporary differences arising from the application of the Corporate Interest Restriction ("CIR") rules. This has arisen in respect of interest expenses that have been disallowed for corporation tax purposes under CIR and are expected to become deductible in future periods subject to the application of the CIR rules.

Deferred tax liabilities

The balance comprises temporary differences attributable to:	**2025**	**2024**
	£'000	**£'000**
Intangible assets	54,688	71,666
Property, plant and equipment	75,395	72,231
Right of use assets	24,346	27,112
	154,429	171,009

Deferred tax liability movements

	Intangible assets	**Property, plant and equipment**	**Right of use assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Liability at 1 January 2024	80,060	71,758	25,466	177,284
Charge/(credit) to profit or loss	(8,394)	473	1,646	(6,275)
Liability at 31 December 2024	71,666	72,231	27,112	171,009
Prior year adjustment	(15)	3,419	66	3,470
Reclassifications	-	2,188	-	2,188
Credit to profit or loss	(16,963)	(2,443)	(2,832)	(22,238)
Liability at 31 December 2025	54,688	75,395	24,346	154,429

	2025	**2024**
	£'000	**£'000**
Deferred tax liabilities	154,429	171,009
Deferred tax assets	(67,173)	(48,956)
	87,256	122,053

25 Provisions

	2025	**2024**
	£'000	**£'000**
Dilapidations provision	8,231	8,196
Other provisions	2,200	1,155
	10,431	9,351

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Provisions have been analysed between current and non-current as follows:

	2025 £'000	2024 £'000
Current	2,200	-
Non-current	8,231	9,351
	10,431	9,351

Provisions movements

	Dilapidations provision £'000	Other provisions £'000	Total £'000
Liability at 1 January 2024	7,490	283	7,773
Additional provisions in the year	906	1,300	2,206
Utilisation of provisions	(200)	(428)	(628)
Liability at 31 December 2024	8,196	1,155	9,351
Additional provisions in the year	410	1,045	1,455
Utilisation of provisions	(375)	-	(375)
Liability at 31 December 2025	8,231	2,200	10,431

Dilapidations provision

The dilapidations provision covers the cost of reinstating certain Group 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 30 years.

Other provisions

Other provisions include employee and property costs in relation to restructuring projects and legal and professional services costs in respect of legal and constructive obligations. Other provisions are expected to be utilised over the next twelve months.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

26 Financial instruments - fair values and risk management

2024	Carrying amount			Fair value			
	Fair value	Amortised costs	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments	-	1	1	-	-	-	-
Trade and other receivables	-	157,411	157,411	-	-	-	-
Derivative assets	3,716	-	3,716	-	3,716	-	3,716
Cash and cash equivalents	-	116,843	116,843	-	-	-	-
	3,716	274,255	277,971	-	3,716	-	3,716
Financial liabilities							
Trade and other payables	-	174,654	174,654	-	-	-	-
Lease liabilities	-	120,872	120,872	-	-	-	-
Derivative liabilities	11,739	-	11,739	-	11,739	-	11,739
Borrowings	-	945,114	945,114	-	-	-	-
	11,739	1,240,640	1,252,379	-	11,739	-	11,739

2025	Carrying amount			Fair value			
	Fair value	Amortised costs	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments	-	1	1	-	-	-	-
Trade and other receivables	-	135,434	135,434	-	-	-	-
Derivative assets	7,006	-	7,006	-	7,006	-	7,006
Cash and cash equivalents	-	115,426	115,426	-	-	-	-
	7,006	250,861	257,867	-	7,006	-	7,006
Financial liabilities							
Trade and other payables	-	165,125	165,125	-	-	-	-
Lease liabilities	-	117,343	117,343	-	-	-	-
Borrowings	-	965,256	965,256	-	-	-	-
	-	1,247,724	1,247,724	-	-	-	-

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

	Valuation technique	**Significant unobservable inputs/ Inter-relationship between significant unobservable inputs and fair value measurement**
Financial instruments measured at fair value		
Derivative assets and liabilities – interest rate swaps and cross-currency interest rate swaps	The fair values of the derivative IR swap contracts and cross-currency interest rate swap contracts are estimated by discounting expected future cash flows using market interest rates, market inflation rates and option volatility. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable

Risk exposures and risk management

The Group's operations expose it to various financial risks that include credit risk, liquidity risk and market risk (currency risk and interest rate risk). The Group's risk management policies, which are regularly reviewed, are designed to reduce financial risk in a cost-efficient way. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (foreign exchange risk and interest rate risk)

Credit risk

Credit risk arises from credit granted to customers. Credit risk also arises on derivative financial instruments and cash and deposits with banks and financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Exposure to credit risk is monitored on an ongoing basis. The Group's exposure to customer credit risk is diversified over a large customer base and the incidence of default by customers is tightly managed by the Credit Control team. Credit insurance is in place, subject to annual renewal, to cover major customers. Credit evaluations are performed regularly. New customers are subject to initial credit checks that include trade and bank references and are generally subject to restricted credit limits prior to developing a credit history.

Due to the established nature of the businesses, a high proportion of customers have long-standing trading relationships with Group companies. These established customers are reviewed regularly for financial strength and the appropriateness of their credit limit.

Trade receivables are subject to the expected credit loss model in IFRS 9 - Financial Instruments. The Group applies the IFRS 9 - Financial Instruments simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

based on shared credit risk characteristics and the days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and the commencement of legal proceedings.

The credit risk on cash and cash equivalents, derivative financial instruments and cash and deposits with banks and financial institutions is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on (see note 20).

Liquidity risk

The Group has cash resources at its disposal through the holding of deposits and cash balances of £115.4m at the year-end which together with undrawn bank facilities of £125m and cash flow from operating activities provides flexibility in financing its operations.

The following are the undiscounted contractual maturities of non-derivative financial liabilities, including interest payments.

2024	Carrying amount	Contractual cashflows	Within 1 year	Between 1 and 5 years	Greater than 5 years
Trade and other payables	174,654	174,654	174,654	-	-
Lease liabilities	120,872	163,520	16,774	52,965	93,781
Borrowings	945,114	1,208,479	88,606	1,119,873	-

2025	Carrying amount	Contractual cashflows	Within 1 year	Between 1 and 5 years	Greater than 5 years
Trade and other payables	165,125	165,125	165,125	-	-
Lease liabilities	117,343	167,857	17,834	53,182	96,841
Borrowings	965,256	1,132,477	85,232	1,047,245	-

Market risk

Market risk is the risk that changes in market prices – for example foreign exchange rates and interest rates - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivatives to manage market risks.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Interest rate risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Bank borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis.

The Group previously managed its exposure to interest rate fluctuations on its bank borrowings through the use of interest-rate swaps and cross-currency interest rate swaps. The interest rate swaps fixed variable interest rates to SONIA (Sterling Overnight Index Average) plus 2.2146% for three years from May 2022 to May 2025. The Group continues to use cross-currency interest rate swaps to manage exposure from Euro denominated borrowings and under these arrangements, the Group exchanges interest payments on its Euro denominated loan for interest payments based on SONIA (see Foreign exchange risk section for further details). The Group applied hedge accounting from May 2022 onwards to manage its interest rate risk. The interest rate swaps matured in May 2025 and have not been replaced. As a result, the Group is currently exposed to movements in SONIA on its borrowings. The cross-currency interest rate swaps remain in place and are scheduled to mature in November 2026.

No new derivative instruments have been entered into during the year. Hedge accounting for the interest rate swaps ceased upon maturity of the interest rate swaps. Hedge accounting continues to apply to the cross-currency interest rate swaps.

If the associated bank borrowings are fully repaid prior to the term loan maturity date, the Group may be required to terminate the cross-currency interest rate swaps earlier than they mature and may become liable to pay penalties. When this occurs the cost of this termination is taken to profit or loss on termination. No termination penalties were incurred during 2025 or 2024.

The effects of the interest rate-related hedging instruments, being the interest rate swaps, including the relevant features, on the Group's financial position and performance are set out below.

	2025	**2024**
Carrying amount (net assets) (£'000)	Nil	3,716
Notional amount	Nil	£475m
Maturity date	May 2025	May 2025
Hedge ratio	1:1	1:1
Total fair value movement of the derivatives for the year (£'000)	(3,716)	(9,636)
Change in intrinsic value of outstanding hedges since inception of the hedge (£'000)	27,717	27,717
Change in the value of hedged item used to determine hedge ineffectiveness (£'000)	(27,717)	(27,717)
Weighted-average interest rate receive	GBP-SONIA	GBP-SONIA
Weighted-average interest rate pay	2.2146%	2.2146%

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Foreign exchange risk

Transactional foreign exchange risk arises from foreign currency transactions, assets and liabilities. Group operations manage foreign exchange trading risks against their functional currencies. The majority of trade conducted by the Group is in sterling, however the Group holds a loan of £306.3m which is denominated in Euros.

The Group exposure to foreign currency rate fluctuations on its bank borrowings is managed by the use of cross-currency interest rate swaps which fix exchange rates for a period of time. The Group applied hedge accounting from May 2022 onwards to manage its foreign exchange risk on its Euro denominated debt. The effects of the foreign currency related hedging instruments, being the cross-currency interest rate swaps, including the relevant features, on the Group's financial position and performance are set out below.

	2025	**2024**
Carrying amount (net assets/(liabilities)) (£'000)	7,006	(11,739)
Notional amount	€354m	€354m
Maturity date	Nov 2026	Nov 2026
Hedge ratio	1:1	1:1
Total fair value movement of the derivatives for the year (£'000)	18,744	(13,700)
Change in intrinsic value of outstanding hedges since inception of the hedge (£'000)	(9,142)	(19,397)
Change in the value of hedged item used to determine hedge ineffectiveness (£'000)	9,142	19,397
Weighted-average strike rate for outstanding derivatives EUR to GBP	1.17	1.18
Weighted-average interest rate receive	3 month EURIBOR + 400bps	3 month EURIBOR + 400bps
Weighted-average interest rate pay	GBP-SONIA + 5.1058%	GBP-SONIA + 5.1058%

Risk management strategy

The Group's risk management strategy in respect of foreign exchange risk and interest rate risk is as follows:

- Fully hedge its foreign exchange exposure on its Euro denominated debt of €354m/£300m by use of cash flow hedge accounting for cross-currency interest rate swaps.

The Group's liquidity risk management strategy is discussed above.

Sensitivity analysis

Credit risk

A 1% increase in the expected credit loss rate applied to trade receivables at 31 December 2025 would increase the credit loss allowance by £0.9m (2024: £1.0m), with a corresponding reduction in profit before taxation.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Interest rate risk

A sensitivity analysis has been determined based on the exposure to interest rates for the Group's financial instruments. For floating rate liabilities, a 1% increase in interest rates would have the following impact if all other variables remained constant:

- Profit before taxation for the year ended 31 December 2025 would have decreased by £9.5m (2024: £4.8m).
- Net equity would have decreased by £7.1m (2024: £3.6m)

Foreign exchange risk

Whilst the Group held foreign exchange contracts to economically hedge its €354m in Euro denominated debt, these foreign exchange contracts were not documented as hedges until May 2022.

A 5% swing in the Euro/Sterling exchange rate would have the following impact if all other variables remain constant:

- Profit before tax for the year ended 31 December 2025 would not be impacted on the basis that the foreign exchange hedges were fully effective.
- Net assets would again remain materially unchanged, with a change of £15m (2024: £15m) relating to the revaluation of the principal of the Euro denominated debt being offset by the change in market value of the forward foreign exchange contracts held.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Cash flow hedges

The Group's cash flows hedge results are presented in the tables below:

	Cost of hedging £'000	Cross-currency interest rate swaps £'000	Interest rate swaps £'000	Total £'000
Balance at 1 January 2024	(942)	(2,111)	10,097	7,044
Gain/(loss) as a result of change in fair value of hedging instruments recognised in OCI	-	(17,271)	4,109	(13,162)
(Loss) as a result of change in fair value of hedging instruments recognised in OCI excluded components	(920)	-	-	(920)
Amount reclassified from the cash flow hedge reserve to profit or loss (excluding excluded components)	-	18,981	(13,823)	5,158
Amount reclassified from the cash flow hedge reserve to profit or loss (excluded components)	934	-	-	934
Deferred tax on amounts recognised in OCI	(3)	(427)	2,428	1,998
Balance at 31 December 2024	(931)	(828)	2,811	1,052
Gain/(loss) as a result of change in fair value of hedging instruments recognised in OCI	-	7,396	(8)	7,388
(Loss) as a result of change in fair value of hedging instruments recognised in OCI excluded components	(66)	-	-	(66)
Amount reclassified from the cash flow hedge reserve to profit or loss (excluding excluded components)	-	(9,673)	(3,740)	(13,413)
Amount reclassified from the cash flow hedge reserve to profit or loss (excluded components)	778	-	-	778
Change in the value of the hedged instruments recognised in OCI	712	(2,277)	(3,748)	(5,313)
Deferred tax on amounts recognised in OCI	(178)	569	937	1,328
Balance at 31 December 2025	(397)	(2,536)	-	(2,933)

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

All hedge amounts that have been reclassified to profit or loss (including interest rate and foreign exchange hedges, plus hedge ineffectiveness and excluded components) have been recognised within finance costs in profit or loss.

The impact of these hedging instruments on the timing and uncertainty of future cash flows is as follows:

Interest rate risk

Until May 2025, the Group hedged circa 50% of its variable rate borrowings through the use of interest-rate swaps. This had the impact of effectively capping the variable component of interest rates at an average of 2.2% for £475m of the Group's debt until May 2025. The interest-rate swaps matured in May 2025 and have not been replaced.

Foreign exchange risk

The impact of the cross-currency interest rate swaps is to offset all material foreign exchange movements between EUR and GBP in respect of its €354m/£300m of borrowings.

27 Called up share capital, share premium account and reserves

Ordinary share capital	2025 Number	2024 Number	2025 £'000	2024 £'000
Issued and fully paid				
Ordinary shares of 1p each	853,873,870	853,873,870	8,539	8,539

Movements in ordinary shares

	Number of shares (thousands)	Par value £'000	Share premium £'000	Total £'000
At 1 January 2025 and 31 December 2025	853,874	8,539	845,335	853,874

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Cash flow hedge reserve

The cash flow hedge reserve represents the change in fair value of cross-currency interest rate swaps and interest rate swaps which have been designated as cash flow hedges. The effective portion of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the relevant line of the income statement which will be affected by the underlying hedged item.

Capital contribution reserve

The capital contribution reserve exists as a result of a short-term interest free loan issued by the ultimate controlling party, Blackstone, to the Group in June 2021 and fully repaid in November 2021. The short-term loan was fair valued on

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

inception, resulting in an interest charge to profit or loss for the loan period of £9.5m. This has been accounted for as a capital contribution from the ultimate controlling party.

28 Cash flow hedge reserve

	2025 £'000	2024 £'000
At the beginning of the year	1,052	7,044
	1,052	7,044
Movements in derivatives taken to OCI	7,322	(14,082)
Amounts reclassified to profit or loss	(12,635)	6,092
Net (losses) on cash flow hedges	(5,313)	(7,990)
Deferred tax movement on cash flow hedges	1,328	1,998
At the end of the year	(2,933)	1,052

For further details on hedge accounting, see note 26.

29 Share-based payments arrangements (Equity settled share option plan)

Echo Topco Limited is the immediate parent undertaking of the Company and shares in Echo Topco Limited are issued as part of the implementation of the Group's Equity Share Scheme. In accordance with the terms of the plan, certain shareholders are granted sweet equity which carry no exercise price.

The B1 and B2 shares of Echo Topco Limited are used for the Equity Share Scheme and on an exit event the total value of the B1 and B2 shares in issue is set out in the Articles as 7.03% and 3.95% of the total equity value respectively. Other than their total value the conditions, including leaver provisions, attaching to B1 and B2 shares are the same. An Employee Benefit Trust is used to hold shares in Echo Topco Limited, which is not consolidated in these consolidated financial statements as the Group does not control the trust in accordance with IFRS 10. This trust is used to hold shares for all except certain senior directors who hold their shares directly. In the event of an employee leaving as a bad leaver (including resignation or dismissal), their shares can be repurchased for the lower of cost and market value.

Therefore, other than in limited good leaver situations, an employee needs to continue to provide services to the Group over the period until an exit event to become unconditionally entitled to their B1 or B2 shares.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

Details of the movements in the number of shares during the year are as follows:

	Number of shares		
	B1	**B2**	**Total**
As at 1 January 2024	943,240	463,298	1,406,538
Granted on 2 February 2024	165,000	-	165,000
Forfeitures	(27,225)	(30,118)	(57,343)
As at 31 December 2024	1,081,015	433,180	1,514,195
Forfeitures	(235,125)	(55,281)	(290,406)
As at 31 December 2025	845,890	377,899	1,223,789

Measurement of fair values

The fair value of the awards has been measured using a standard Black-Scholes option pricing model based on price hurdles of £1,100m to £1,700m at a point in time over the expected life as the economic rights mirror a standard call option and there are no market-based performance vesting conditions. There were no awards granted during the year ended 31 December 2025. The details and inputs used in the models for awards granted during the year ended 31 December 2024 are as follows:

	2/02/2024
Shares	**B1**
Fair value of awards (£)	£0.09
Volatility (%)	36.19%
Expected life (years)	4
Dividend yield (%)	0%
Risk-free rate (%)	3.31%

Expected volatility has been based upon a basket of comparable listed peers operating in the same sector. The expected term has been measured over a historical period equal to the expected time horizon until exit of 3 to 6 years.

During the year the Group recognised total share-based payment expenses of £0.7m (2024: £0.8m) relating to the Echo Topco Limited scheme. None of the awards had vested as of 31 December 2025 (2024: Nil).

30 Capital commitments

The Group had £7.4m of contractually agreed capital commitments as of 31 December 2025 (2024: £3.0m).

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

31 Related party transactions

The principal related party transactions that require disclosure under IAS 24: Related Party Disclosures relate to ultimate controlling party, immediate parent, subsidiaries, key management personnel and other related parties.

Immediate parent

Included with trade and other payables at 31 December 2025 is an amount of £259k (2024: £448k) that is payable to Echo Topco Limited, the Company's immediate parent undertaking. Group recharges to Echo Topco Limited during the year amounted to £247k (2024: £242k) and recharges from Echo Topco Limited to the Group amounted to £57k (2024: £64k). Balances outstanding are interest-free, unsecured and repayable on demand. Transactions were on an arm's length basis.

Subsidiaries

Transactions between Group companies are eliminated in the preparation of the consolidated financial statements in accordance with IFRS10, Consolidated Financial Statements.

Key management personnel

The cost of key management personnel is analysed in note 9 of the notes to the consolidated financial statements. Management consider key management personnel and statutory directors of the Company to be the same individuals.

Total employer national insurance contributions relating to key management personnel for the year were £249k (2024: £205k).

There are no non-executive directors at Patagonia Holdco 3 Group level.

32 Controlling party

The immediate parent is Echo Topco Limited, a company incorporated and registered in Jersey.

The smallest and largest group in which the results of the Company are expected to be consolidated is Patagonia Holdco 3 Limited, the top company registered in England and Wales.

The ultimate controlling party is Blackstone, a company incorporated and registered in the United States of America.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

33 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year.

	Borrowings £'000	Lease liabilities £'000	Net financing derivatives £'000	Subtotal £'000	Cash and cash equivalents £'000	Total £'000
Net debt at 1 January 2024	(957,059)	(111,542)	16,665	(1,051,936)	93,849	(958,087)
Interest expense	(87,018)	(3,753)	-	(90,771)	-	(90,771)
Cash flows	87,929	17,535	758	106,222	22,994	129,216
Foreign exchange gains on Euro debt	14,277	-	-	14,277	-	14,277
Lease modifications, additions and disposals	-	(23,436)	-	(23,436)	-	(23,436)
Non cash movements:						
Fair value (losses)	-	-	(24,095)	(24,095)	-	(24,095)
Other non-cash movements	(3,243)	324	(771)	(3,690)	-	(3,690)
Net debt at 31 December 2024	(945,114)	(120,872)	(7,443)	(1,073,429)	116,843	(956,586)
Interest expense	(96,994)	(3,597)	18,425	(82,166)	-	(82,166)
Cash flows	91,768	16,740	(2,921)	105,587	(1,417)	104,170
Foreign exchange (losses) on Euro debt	(16,322)	-	-	(16,322)	-	(16,322)
Lease modifications, additions and disposals	-	(9,614)	-	(9,614)	-	(9,614)
Non cash movements:						
Fair value (losses)	-	-	(475)	(475)	-	(475)
Other non-cash movements	1,406	-	(1,918)	(512)	-	(512)
Net debt at 31 December 2025	**(965,256)**	**(117,343)**	**5,668**	**(1,076,931)**	**115,426**	**(961,505)**

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

34 Company information

Patagonia Holdco 3 Limited is the immediate parent of the Patagonia Holdco 3 Limited Group ("the Group"). The nature of the Group's operations and its principal activities are set out in the Strategic Report. The registered office is c/o Huws Gray Ltd Head Office, Industrial Estate, Llangefni, Anglesey, Wales, LL77 7JA.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Company operates.

35 Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by section 408 of the Companies Act 2006, the profit or loss account of the Company has not been presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 2 Share Based Payments in respect of group settled share-based payments;
- The requirements of IFRS 7 "Financial Instruments: Disclosures";
- The requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement";
- The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraphs 10(d), 10(f), 16, 111 and 134 to 136 of IAS 1 "Presentation of Financial Statements";
- The requirements of IAS 7 "Statement of Cash Flows";
- The requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Error";
- The requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures";
- The requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 "Impairment of Assets".

Where required, equivalent disclosures are given in the consolidated financial statements of Patagonia Holdco 3 Limited.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

36 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The areas involving significant estimates or judgements are outlined below:

Significant estimate - Impairment of investments

Investments are initially valued at cost. Investments are assessed annually for indicators of impairment in accordance with IAS 36. Where such indicators exist, the recoverable amount of the investment is determined based on value-in-use. Calculation of any impairment requires judgements to be made as to the recoverability of the future economic benefit of the investments represented by the value-in-use to the Company. The determination of value-in-use requires significant judgement in estimating future cash flows expected to be generated by the underlying investments and in selecting an appropriate discount rate. These estimates are inherently uncertain and are sensitive to changes in the Group's forecast performance.

Key assumptions include short-term average revenue growth, gross profit margin, the discount rate, long-term average growth rate and benefits from targeted working capital initiatives. These assumptions reflect management's expectations of future market conditions and operational performance. Sensitivity analysis of these factors and their potential impact on the carrying value of investments is discussed further in note 38.

37 Directors' remuneration and employees

The Company incurs no costs for remunerating the directors. The emoluments of directors are paid by fellow Group companies and are not recharged.

The Company has no employees.

The cost of directors' remuneration is detailed in note 9.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

38 Investments

Non-current	**2025**	**2024**
	£'000	**£'000**
Investments in subsidiaries	200,165	330,530

Movements in non-current investments

	Shares in subsidiaries
	£'000
Cost or valuation	
At 1 January 2025 and 31 December 2025	918,874
Impairment	
At 1 January 2025	(588,344)
Impairment loss	(130,365)
At 31 December 2025	(718,709)
Carrying amount	
At 31 December 2025	200,165
At 31 December 2024	330,530

The carrying values of the Company's subsidiary undertakings have been compared to their recoverable amounts represented by the value-in-use to the Company. The review has resulted in an impairment to the Company of £130.4m (2024: £319.4m). The discount rate used in the calculation to arrive at the valuation was 10.7% (2024: 11.0%) on a post-tax basis. The pre-tax discount rate was 14.2% (2024: 14.7%).

The Company considers short-term average revenue growth, gross profit margin, the discount rate, long-term average growth rate and benefits from targeted working capital initiatives to be key judgement areas when calculating value-in-use.

Following the impairment loss recognised during the year ended 31 December 2025, the recoverable amount of the Company's subsidiary undertakings is equal to their carrying amount. Therefore, any adverse movement in a key assumption would lead to a further impairment.

The table in note 12 shows changes to the key assumptions used in the calculation of value-in-use and the change to the level of impairment indicated by reasonably possible changes in these assumptions.

Management have actively reviewed the forecasts associated with the impairment review, noting the assumptions used, the sensitivity analysis performed and the ability of the Group to adapt to the challenging economic environment. The directors are satisfied that no further impairment is necessary at 31 December 2025.

Docusign Envelope ID: DB845060-F561-4E38-BAE3-BFCB5FC20622

39 Trade and other payables

	2025 £'000	2024 £'000
Amounts owed to fellow group undertakings	65,000	65,000

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

40 Capital commitments

The Company had no capital commitments as of 31 December 2025 and 31 December 2024.