

Everbuild Building Products Limited

Everbuild Building Products Limited

Report and Financial Statements

31 December 2020

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COMPANIES HOUSE

Everbuild Building Products Limited

COMPANY INFORMATION

Directors

DE Lang

AC Gonzales Lucas (appointed 1 July 2020)

Registered Number

02890352

Registered Office

The Sika Building

Watchmead

Welwyn Garden City

Hertfordshire

AL7 1BQ

Auditors

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

Bankers

Lloyds Bank plc

Lisbon House

2nd Floor

116 Wellington Street

Leeds

LS1 4LT

Solicitors

DAC Beachcroft LLP

3 Hardman Street

Manchester

M3 3HF

Everbuild Building Products Limited

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Everbuild Building Products Limited

Strategic report

Principal activity and review of the business

The principal activity of the company is the manufacture, packaging and marketing of a wide range of sealants, adhesives and building products.

The company was acquired by Sika Limited, a UK subsidiary of Sika AG, on 14 June 2013. Sika AG is a Swiss-based global manufacturer of building chemicals.

On comparison between 2019 and 2020, the turnover increased by 3.8%. Although the Market remained rather price sensitive as competitors continued to follow a more price aggressive strategy, the company was able to achieve an increase in gross margin of 3.6% compared to 2019 due to a strategic approach to pricing. The company continued to focus on innovation, product portfolio and service levels in order to secure a strong position in the UK market.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Turnover	£	119,768,000	115,418,000
Turnover growth	£	4,350,000	(2,839,612)
Gross margin	%	37.5	33.9
Profit before tax	£	13,086,000	8,563,000

Turnover increased overall in the year by 3.8% compared to last year and gross margin further improved due to pricing strategies. Profit after tax for the year increased by 53.7% as a result of strong sales, margin development and ongoing strategic planning.

Future developments

The Directors believe the company enters the new financial year in a challenging position, however, they remain confident that trading performance will remain strong.

The UK merchant market is expected to grow further in the next year. We expect that market participants will continuously be challenged in respect to a competitive environment but also in respect of margin developments due to increasing raw material prices worldwide. However, the company is well prepared for the challenges and pursues its strategy of further market penetration by continuous product launches and cross selling between its brands. The multiple brand strategy is seen as strategic advantage in the market.

Principal risks and uncertainties

COVID-19

In 2021 we continue to face uncertainty surrounding the Coronavirus pandemic. The directors are aware of the impacts, both current and potential, to sales, supply chains, and manufacturing. Although there have been challenges in terms of production and supply, sales have remained strong. The company has seen an increase in retail sales and our ecommerce presence has significantly increased which has driven sales growth even further. Cash collection has remained strong and the company achieved 3.8% revenue growth in comparison to 2019.

Everbuild Building Products Limited

Strategic report (continued)

COVID-19 (continued)

During the first initial lockdown period in 2020, the company were impacted due to customer site closures. As such, the assistance offered by the government was taken where needed. This included claims being made under the HMRC CJR Scheme and deferment of VAT payments in order to manage cash flow. Measures were put in to place in order to protect the working capital of the business during these uncertain times through strict management of debtors, creditors and Inventory. The company maintained good communication to its stakeholders in order to mitigate any negative impact during this period.

Price, credit, liquidity and cash flow risks

The company operates in a competitive market environment, whereas prices of goods are seen as one of the crucial factors. Price competitiveness is ensured by constantly improving efficiency in the manufacturing and logistics processes, which allows maintaining and improving margins. Furthermore, the company strives to provide a high standard of service levels to its customers ensuring stock availability and on time delivery on all its goods, which can be seen as a competitive advantage to its competitors.

Despite the competitive market environment, both the recent developments on commodity markets (which impacted raw material prices) and the weakening of the British pound (since the UK voted to leave the EU) resulted into general increase of price levels in the merchant market. Further to this, the company is also faced with issues surrounding the importing of goods in which significant increases in transport costs have occurred. This is in addition to the national driver shortage whereby the company has received price increases from all third-party logistics companies used. The company balances those impacts with a mixture of specific price increases and efficiency gains in order to maintain margin.

Trade debtors are managed in respect of credit and cash flow risk policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Section 172 Statement

The Directors fulfil their duty by ensuring that there is a strong governance through all aspects of the company's operations. The future success of Everbuild is not only dependent on pursuing the right strategy but is just as much based on the trust and dedication of all employees. The five management principles express the corporate culture and are the foundation of future success:

- **Customer first-** Everbuild is dedicated in providing and maintaining the highest quality standards with its products and services. All solutions are designed with the customers' success in mind and to build long lasting and mutually beneficial relationships rather than focus on short-term business.
- **Courage for Innovation-** The success and reputation of our company is based on its long-lasting tradition for innovation. Accordingly, the core of the business is innovation management and focus on developing quality products and the best solutions for customers.
- **Sustainability & Integrity-** Everbuild takes a long-term perspective on the development of the business and acts with respect and responsibility towards its customers, stakeholders and employees. The company operates with a strong focus on safety, quality, environment, fair treatment, social involvement, responsible growth and value creation. Everbuild does not compromise on integrity and apply high ethical standards to its work. Our internal "Code of Conduct" defines the standards and rules of behaviour for the company and all its employees.
- **Empowerment & Respect-** Everbuild fosters trustful and respectful working relationships and doesn't exercise authority in purely formal ways. The working climate is one of aspiration and inspiration. Everbuild empowers its people to develop and propose new ideas and delegates decisions and responsibilities to the level of competence.
- **Manage for Results-** Everbuild aims for success and takes pride in continuously achieving outstanding results and outperforming its markets. The company pursues the vision and targets with persistency and a long-term view.

Everbuild Building Products Limited

Strategic report (continued)

Section 172 Statement (continued)

Everbuild is a subsidiary of Sika Limited and forms part of the Sika group. The Group has a central Corporate board, area managers and regional managers. Several visits are carried out each year to local sites by the area manager and regional managers in order to discuss KPI's, deliver key engagement and future strategies. The Board of Directors at Everbuild consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regards to stakeholders and matters set out in S172 (1)(a-f) of the Act) in the decisions they have taken during the year ended 31 December 2020. In making this statement the Directors considered the longer-term consideration of stakeholders and the environment and have taken into account the following:

- a) The likely consequences of any decisions in the long term;
- b) The interests of the Company's employees
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and the environment;
- e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly as between members of the Company

Stakeholder engagement is a key part of our business practice. The company engages with key stakeholders in order to find out what material issues/ topics matter to them about their performance in order to improve strategy, decision-making and accountability. The company has created an internal project group, Customer: Landscape and Environment. The group objective is to use customer insight to structure key initiatives that will enable Everbuild to become flexible, agile and responsive in order to increase sales revenue, brand awareness and deliver a best in class customer experience.

The key principal decision made during the year was as follows:

1. A dividend payment was recommended and paid to our parent company. The payment was approved by the directors of Everbuild.
2. During the COVID pandemic, the company followed government guidance wherever possible and employees who could work from home did so.
3. Due to closure of many customer stores/sites during the early months of the outbreak, the company made a decision to furlough employees whose workload was severely affected by this. As such, the company were supported by the government and submitted claims via the Coronavirus Job Retention scheme.

This report was approved by the board and signed on its behalf by

DocuSigned by:

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DE Lang
Director
27 January 2022

Everbuild Building Products Limited

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £10,544,000 (2019: £6,860,000).

A dividend of £7,448,000 was paid during the year (2019: £3,000,000). The directors recommended a final dividend payment to the parent of £9,000,000.

Directors

The directors who served the company during the year were as follows:

AC Gonzales Lucas (appointed 1 July 2020)

DE Lang

P Schuler (resigned 1 July 2020)

Political and charitable contributions

The Company made no political donations during the year (2019: £nil). During the year the company made no charitable donations (2019: £5,287).

Disabled employees

The company does all that is practicable to meet its responsibilities towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Employee Involvement

The company seeks to provide employees with information that concerns them. The company continues to involve staff in the decision-making process and communicates regularly with them during the year.

The company's aim for all its staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity, regardless of sex, religion or ethnic origin.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to risks and uncertainties are described in the Strategic Report.

The directors have considered the availability of resources to meet the Company's liabilities for the going concern review period through to 28 February 2023. The directors have considered the going concern position of the Company, taking into account the continued uncertainty surrounding the current COVID-19 pandemic. In addition, the company continues to monitor the impact of the UK's departure from the EU. This includes supply chain issues and any additional costs incurred on import duty charges for goods it imports.

The Company has net current assets of £12,554,000, net assets of £21,478,000 and cash at bank balance of £594,000 as of 31 December 2020. Further, the company does not have any external borrowings, other than inter-company payable balances.

As part of this going concern review, the directors have analysed cashflow forecasts covering a period through to 28 February 2023 across a range of scenarios. These scenarios cover a range of sensitivities including a reverse stress test to support how much revenue would need to decrease resulting in a negative cash position.

Everbuild Building Products Limited

Directors' report (continued)

Going concern (continued)

Factors considered in reaching this conclusion include:

- The nature of the company's business and any impact on trading activity
- Post year end trading conditions and the ongoing impact that the COVID-19 virus may have. The immediate impact with lockdown restrictions during the early stage of the pandemic lead to site closures for some of our customers. This had a negative impact on our trading activity and during this period our sales declined. However, the impact was short-term and after the restrictions were lifted, trading activity returned to its normal level. During 2021, business has returned to normal levels (pre-pandemic) and customer sites have remained open.
- A third wave of the COVID-19 virus – the company continues to monitor any new government guidance in order to quickly react. Although trading activity may reduce as a result of this, evidence suggests that the manufacturing and construction industry are encouraged to continue trading. As such, the company does not anticipate any significant impact on revenue.

In preparing cashflow forecasts, the company has also taken into consideration the inter-company loan which is in place with Sika AG. This is a legally binding agreement which creates an obligation for Sika AG to fund up to a certain value, which is our inter-company credit line.

In addition, the company has also considered a dividend which will be payable to Sika AG in May 2022 when preparing the cashflow forecasts.

Any short-term requirements will be met via the Swiss domiciled ultimate and controlling party Sika AG which will continue during the review period.

While the output of the various cash flow forecasting and stress testing did not demonstrate any apparent risk to the business over the going concern period to 28 February 2023, the Board acknowledges the general uncertainty provided by COVID-19 and as such has obtained a written confirmation of financial support from its parent undertaking, Sika Limited, for a period through to 28 February 2023. The Directors, having made the relevant enquiries and having reviewed the parent company's latest financial statements, indicating that Sika Limited receives a support letter from the ultimate parent company, Sika AG, which is in a strong financial position with significant amounts of liquid assets available, are therefore satisfied that the parent undertaking has adequate resources to provide any support to the Company, if required.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

Events after the reporting date

On 11 May 2021, the recommended dividend of £9,000,000 was paid to the parent company in full.

Disclosure of information to the auditors

The directors who held office at the date of approval of the Report of the Directors confirm that, so far as each person was aware, there is no relevant audit information of which the Company's auditors are unaware. Having made enquiries of fellow director and the company's auditor, each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Everbuild Building Products Limited

Directors' report (continued)

Re-appointment of auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the Board

DocuSigned by:

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DE Lang
Director
27 January 2022

Everbuild Building Products Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

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

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

Everbuild Building Products Limited

Independent Auditor's Report to the Members of Everbuild Building Products Limited

Opinion

We have audited the financial statements of Everbuild Building Products Limited for the year ended 31 December 2020 which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit or the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 28 February 2023.

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 company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Everbuild Building Products Limited

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 frameworks directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to health and safety, employee matters, and data protection.
- We understood how Everbuild Building Products Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We inspected documentation to verify controls have been put in place by management to reduce the opportunities for fraudulent transactions.

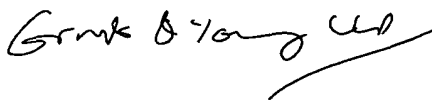
Everbuild Building Products Limited

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by holding discussions internally and with management from various parts of the business to understand where they considered there was a susceptibility to fraud and what entity-level controls are in place to prevent fraud. We understood that revenue is a key performance measure for management, and we considered that this could be most likely manipulated through the posting of manual journals to revenue and revenue posted in the wrong period. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included journal entry testing with a focus on manual journals and journals indicating large or unusual transactions; enquiries with company management, challenging the assumptions and judgments made by management by agreeing to supporting third-party evidence where possible. In addition, we completed procedures to conclude on the compliance of the disclosures in the Financial Statements with the requirements of the relevant accounting standards, and UK legislation. The results of our procedures did not identify any instances of irregularities, including fraud.

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.



Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
27 January 2022

Everbuild Building Products Limited

Statement of total comprehensive income

for the year ended 31 December 2020

		2020	2019
	Notes	£000	£000
Turnover	3	119,768	115,418
Cost of sales		(74,830)	(76,241)
Gross profit		44,938	39,177
Administrative expenses		(31,680)	(30,278)
Operating profit	4	13,258	8,899
Interest payable and similar charges	7	(172)	(336)
Profit on ordinary activities before taxation		13,086	8,563
Tax	8	(2,542)	(1,703)
Profit for the financial year		10,544	6,860
Other Comprehensive Income			
Deferred Tax		(102)	(286)
Total Comprehensive Income for the year		10,442	6,574

The notes on pages 14 to 24 form part of these financial statements.

Everbuild Building Products Limited

Statement of financial position

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	9,685	9,917
Current assets			
Stocks	11	10,763	9,732
Debtors	12	19,794	17,131
Cash at bank and in hand		594	313
		<u>31,151</u>	<u>27,176</u>
Creditors: amounts falling due within one year	13	<u>(18,597)</u>	<u>(17,890)</u>
Net current assets		<u>12,554</u>	<u>9,286</u>
Total assets less current liabilities		22,239	19,203
Creditors: Deferred tax	8	<u>(761)</u>	<u>(719)</u>
Net assets		<u>21,478</u>	<u>18,484</u>
Capital and reserves			
Called up share capital	14	21	21
Share premium account		3	3
Capital redemption reserve		9	9
Revaluation reserve		4,500	4,500
Retained earnings		<u>16,945</u>	<u>13,951</u>
Shareholders' funds		<u>21,478</u>	<u>18,484</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 January 2022.

DocuSigned by:

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DE Lang
 Director

Everbuild Building Products Limited

Statement of changes in equity

For the year ended 31 December 2020

	Share capital	Share premium	Capital redemption reserve	Revaluation reserve	Income Statement	Total Equity
	£000	£000	£000	£000	£000	£000
At 1 January 2019	21	3	9	4,500	10,377	14,910
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	6,860	6,860
Other comprehensive income	-	-	-	-	(286)	(286)
Total comprehensive income for the year	-	-	-	-	6,574	6,574
Equity dividends paid	-	-	-	-	(3,000)	(3,000)
At 31 December 2019	21	3	9	4,500	13,951	18,484
At 1 January 2020	21	3	9	4,500	13,951	18,484
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	10,544	10,544
Other comprehensive income	-	-	-	-	(102)	(102)
Total comprehensive income for the year	-	-	-	-	10,442	10,442
Equity dividends paid	-	-	-	-	(7,448)	(7,448)
At 31 December 2020	21	3	9	4,500	16,945	21,478

Everbuild Building Products Limited

Notes to the financial statements

For the year ended 31 December 2020

1. General information

Everbuild Building Products Limited (the "Company") is a private company, limited by shares, registered in England and Wales, registered number 02890352. The directors consider the going concern basis for the preparation of these financial statements to be appropriate. The registered office is The Sika Building, Watchmead, Welwyn Garden City, Hertfordshire, AL7 1BQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 reduced disclosure framework, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The company has taken a number of exemptions under the reduced disclosure framework within FRS102, these are:

- The requirement to present a statement of cash flows and related notes
- The requirements relating to certain disclosures in respect of related party transactions.
- The requirements relating to certain disclosures in respect of key management personnel
- The requirements relating to certain disclosures in respect of financial instruments

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to risks and uncertainties are described in the Strategic Report.

The directors have considered the availability of resources to meet the Company's liabilities for the going concern review period through to 31 December 2022. The directors have considered the going concern position of the Company, taking into account the continued uncertainty surrounding the current COVID-19 pandemic. In addition, the company continues to monitor the impact of the UK's departure from the EU. This includes supply chain issues and any additional costs incurred on import duty charges for goods it imports.

The Company has net current assets of £12,554,000, net assets of £21,478,000 and cash at bank balance of £594,000 as of 31 December 2020. Further, the company does not have any external borrowings, other than inter-company payable balances.

As part of this going concern review, the directors have analysed cashflow forecasts covering a period through to 31 December 2022 across a range of scenarios. These scenarios cover a range of sensitivities including a reverse stress test to support how much revenue would need to decrease resulting in a negative cash position.

Everbuild Building Products Limited

2. Accounting policies (continued)

2.2 Going concern (continued)

Factors considered in reaching this conclusion include:

- The nature of the company's business and any impact on trading activity
- Post year end trading conditions and the ongoing impact that the COVID-19 virus may have. The immediate impact with lockdown restrictions during the early stage of the pandemic lead to site closures for some of our customers. This had a negative impact on our trading activity and during this period our sales declined. However, the impact was short-term and after the restrictions were lifted, trading activity returned to its normal level. During 2021, business has returned to normal levels (pre-pandemic) and customer sites have remained open.
- A third wave of the COVID-19 virus – the company continues to monitor any new government guidance in order to quickly react. Although trading activity may reduce as a result of this, evidence suggests that the manufacturing and construction industry are encouraged to continue trading. As such, the company does not anticipate any significant impact on revenue.

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In addition, the company has also considered a dividend which will be payable to Sika AG in May 2022 when preparing the cashflow forecasts.

Any short-term requirements will be met via the Swiss domiciled ultimate and controlling party Sika AG which will continue during the review period.

While the output of the various cash flow forecasting and stress testing did not demonstrate any apparent risk to the business over the going concern period to 31 December 2022, the Board acknowledges the general uncertainty provided by COVID-19 and as such has obtained a written confirmation of financial support from its parent undertaking, Sika Limited, for a period through to 31 December 2022. The Directors, having made the relevant enquiries and having reviewed the parent company's latest financial statements, indicating that Sika Limited receives a support letter from the ultimate parent company, Sika AG, which is in a strong financial position with significant amounts of liquid assets available, are therefore satisfied that the parent undertaking has adequate resources to provide any support to the Company, if required.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Everbuild Building Products Limited

2. Accounting policies (continued)

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably

2.4 Tangible (fixed) assets

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Land	Not depreciated
Buildings	2% straight line basis
Fixtures and fittings	25% reducing balance basis
Plant and machinery	25% reducing balance basis
Motor vehicles	25% reducing balance basis

All assets are held at cost with the exception of property and buildings, which are held at valuation. On transition to FRS 102, the revaluation was used as the deemed cost.

The company's policy is to undertake a professional property valuation at least every five years, and in other years where it is considered there has been a material change in value.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Stocks

Stocks is valued at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Statement of Financial Position date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction cost, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with significant risk of change in value.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Everbuild Building Products Limited

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.9 Financial investments

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably; at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairments found, an impairment loss is recognised in the Statement of Comprehensive Income account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Statement of Financial Position date.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Everbuild Building Products Limited

2. Accounting policies (continued)

2.11 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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2. Accounting policies (continued)

2.16 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods that the related costs, for which it is intended to compensate, are expensed. The Company considered that the Coronavirus Job Retention Scheme met the definition of government grants in accordance with IAS 20 Accounting for government grants and disclosure of government assistance.

3. Turnover

During the year 11.3% of the company's turnover related to exports (2019: 13.3%). An analysis of turnover by geographical market is given below:

	2020 £000	2019 £000
Sales		
UK	106,177	100,103
Europe	8,546	9,597
Rest of world	5,045	5,718
	119,768	115,418

4. Operating profit

This is stated after charging / (crediting):

	2020 £000	2019 £000
Depreciation of tangible fixed asset	1,435	1,487
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	39	34
Furlough income	(399)	-
Foreign currency (gain) / loss	509	(273)
Operating lease rentals – motor	407	276
– plant	493	430
Profit/ loss on disposal of fixed assets	2	13

5. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	39	34
Other fees payable to the company's auditors and its associates in respect of Tax compliance services	18	7

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6. Staff costs

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	12,776	11,885
Social security costs	1,423	1,202
Other pension costs	974	864
	<u>15,173</u>	<u>13,951</u>

The average number of employees, including directors, during the year was as follows:

	2020	2019
Administration and support	26	32
Production	240	223
Sales, marketing and distribution	77	85
	<u>343</u>	<u>340</u>

The Directors did not receive any remuneration from the company during the year. The Directors did not provide specific services to the company during this year.

7. Interest payable and similar charges

	2020 £000	2019 £000
Interest paid to group companies	179	341
Bank interest receivable	(7)	(5)
	<u>172</u>	<u>336</u>

8. Taxation

	2020 £000	2019 £000
Corporation Tax:		
UK corporation tax on the profit for the year	2,602	1,749
Adjustments in respect of previous years	-	7
Total Current Tax	<u>2,602</u>	<u>1,756</u>
Deferred Tax:		
Origination and reversal of timing differences	(43)	(50)
Adjustments in respect of previous years	-	(8)
Effect of changes in tax rates and laws	(17)	5
Total Deferred Tax	<u>(60)</u>	<u>(53)</u>
	<u>2,542</u>	<u>1,703</u>
Other Comprehensive Income		
Deferred Tax - Current year charge	102	-
Deferred Tax - Prior year adjustment	-	286
	<u>102</u>	<u>286</u>

Everbuild Building Products Limited

8. Taxation (continued)

Factors affecting tax charge for the year:

	2020 £000	2019 £000
Profit on ordinary activities before tax	13,086	8,563
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	2,486	1,627
Effects of:		
Expenses not deductible for tax, other than goodwill, amortisation and impairment	74	77
Effect of changes in tax rates and laws	(17)	5
Adjustments to tax charge in respect of prior periods	-	(1)
Other differences leading to an increase/ (decrease) in the tax charge	(1)	(5)
Total tax charge for the year	<u>2,542</u>	<u>1,703</u>

Deferred Tax

The movement in the deferred tax liability in the year is as follows:

	£000
Provision at start of year	719
Deferred tax charge in OCI for the period	102
Deferred tax charge to Income statement for the period	(60)
At 31 December 2020	<u>761</u>

	2020 £000	2019 £000
Fixed asset timing difference	840	769
Short term timing differences	(79)	(50)
Total deferred tax liability	<u>761</u>	<u>719</u>

On 3 March 2021, it was announced in the UK budget that the standard rate of UK corporation tax will increase to 25% on 1 April 2023. The impact of this rate change on deferred tax liability would be £240,316, however, this has not been recognised in the year ended 31 December 2020 as the change was not substantively enacted at the balance sheet date. Deferred tax assets and liabilities on all timing differences have been calculated at 19% as at 31 December 2020.

9. Dividends

	2020 £000	2019 £000
Ordinary shares		
Dividend payable to Sika UK	<u>7,448</u>	<u>3,000</u>

Dividend paid £357.20 per share (2019: £143.88 per share)

The directors recommend a dividend of £9,000,000 to be paid during the next financial year.

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10. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
COST OR VALUATION					
At 1 January 2020	7,035	13,322	3,699	14	24,070
Additions		1,007	197	-	1,204
Disposal of asset	-	(2)	-	-	(2)
At 31 December 2020	7,035	14,327	3,896	14	25,272
Depreciation:					
At 1 January 2020	1,027	10,661	2,451	14	14,153
Charge for the year	342	754	339	-	1,435
Disposal of asset	-	(1)	-	-	(1)
At 31 December 2020	1,369	11,414	2,790	14	15,587
NET BOOK VALUE:					
At 31 December 2020	5,666	2,913	1,106	-	9,685
At 31 December 2019	6,008	2,661	1,248	-	9,917

Leased assets

There are no leased assets held in the company during the current and prior year.

Revaluations

The Freehold land and buildings class of fixed assets was revalued on 19th February 2019 by an independent Chartered Surveyor at £6,350,000. The Directors concluded that this remains an appropriate valuation as at 31 December 2020. The carrying amount at historical cost of £3,166,878. The depreciation on this historical cost is £1,778,000 (31 December 2019: £1,600,000).

An estimated tax charge of £706,000 would arise in the event of the sale of the freehold property based on the estimated market value at which it is included within the financial statements.

11. Stocks

	2020 £000	2019 £000
Raw materials and consumables	4,446	4,431
Finished goods and goods for resale	6,317	5,301
	10,763	9,732

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The amount of stock recognised as an expense in the year was £67,709,541 (2019: £69,494,116).

The amount of stock provided for in the income statement in the year was £47,206 (2019: £3,942).

Everbuild Building Products Limited

12. Debtors

	2020	2019
	£000	£000
Trade debtors	17,677	14,221
Amounts owed from parent company	28	110
Amounts owed from other related party/ group companies	1,475	1,624
Other debtors	231	682
Prepayments and accrued income	383	494
	19,794	17,131

Trade and other debtors are stated at cost and receivable within 45 days. Fair value is equal to book value.

As at 31 December 2020, amounts owed from related parties were denominated in Sterling, unsecured, do not incur interest, and are repayable on demand.

13. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	8,812	6,359
Amounts owed to parent company	587	1,536
Amounts owed to other related party/ group companies	1,868	1,566
Loan from Group companies	1,428	6,096
Corporation tax	448	790
Other taxes and social security costs	3,337	569
Other creditors	107	92
Accruals and deferred income	2,010	882
	18,597	17,890

Input VAT amount deferred as at 31 December 2020 was £9,095.

Trade and other creditors are stated at cost and payable within 45 days. Fair value is equal to book value.

As at 31 December 2020, amounts owed to related parties were denominated in Sterling, unsecured, do not incur interest, and are repayable on demand.

14. Share capital

	2020	2019
Allotted, called up and fully paid		
20,851 Ordinary shares of £1 each	20,851	20,851

15. Capital commitments

Amounts contracted for but not provided on the financial statements amounted to £90,538 (2019: £59,715).

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16. Pension commitments

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The total contributions paid by the company during the year amounted to £973,588 (2019: £864,079)

Contributions totalling £107,128 (2019: £93,171) were payable to the scheme at the end of the year and are included in creditors.

17. Other financial commitments

At 31 December 2020 the company had total commitments to heavy machinery and factory equipment under non-cancellable operating leases as follows:

	2020	2019
	£000	£000
Operating leases which expire:		
Within one year	315	186
In two to five years	852	410
	1,167	596

18. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. As explained in note 2.1, exemption has been taken from disclosing transactions with related parties and information about key management personnel. Balances with related parties have been disclosed in notes 12 and 13.

19. Ultimate parent undertaking and controlling party

In the opinion of the directors, the company's immediate parent undertaking is Sika Limited, a company incorporated in England. The company's ultimate and controlling party is Sika AG, which is incorporated in Baar, Switzerland, and prepares group financial statements. Copies of the group financial statements of Sika AG are available from Sika AG, Zugerstrasse 50, 6340 Baar, Switzerland.

20. Events after the reporting date

On 11 May 2021, the recommended dividend of £9,000,000 was paid to the parent company in full.