

BUILDING SOLUTIONS (NATIONAL) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

INTRODUCTION

The Directors, in preparing the Strategic report, have complied with s414C of the Companies Act 2006.

The Directors present their Annual report on the affairs of the Company, together with the Financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity is the manufacture and supply of specialist materials to the agricultural and industrial markets in the UK.

The Company operates from three main sites in Carlisle, Devon and Cambridge. The business provides customers with all they need for a building, as well as providing business partnering support to customers.

Turnover for the year decreased by £9.3m to £75.2m (2022: £84.5m) due to a weaker demand in the agricultural and commercial warehousing segments and by lower year-over-year input pricing on steel. As a result of increased competition driven from weaker markets, the business has seen a decrease in gross margin from 27.1% in 2022 to 23.2%. Deflation, increased competition for volume in weaker markets and a return to normal trading levels following 2 years of high inflation has resulted in a decrease in operating profit of £6.5m to £2.2m (2022: £8.7m) in the current year. Results were also impacted during the year due a cyber attack on the third party supplier which hosts one of the business's IT systems, which resulted in an estimated £5m lost sales and c£1.0m impact on operating profit. The Company made a profit before tax of £1.4m (2022: £8.2m).

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties that could have a material impact on the Company's long-term performance. The Company has a comprehensive system of risk management in place across all parts of its business. The key risks are described below:

1. Macroeconomic uncertainty

Geo-political and macroeconomic volatility can lead to a decline in general economic activity and could impact the Company's ability to accurately forecast and to meet internal and external expectations. While headline inflation is broadly expected to fall throughout 2024, inflation remains uncertain and this has the potential to impact customer demand and create financial and operational pressure. The Company continues to assess inflationary and other supply chain pressures and the impact on product pricing and will continue to work with suppliers to identify opportunities to improve supply chain resilience and ensure continuity of supply.

2. Cyber security

Internal or external cyber attack could result in system disruption or sensitive data being compromised. This risk is exacerbated by the use of new artificial intelligence (AI) and machine learning (ML) technologies which can be utilised for adversarial purposes. Disaster recovery plans are in place and secure backups conducted to ensure continuity of service. Cyber-incident response protocols are in place to support our ability to effectively respond and recover from a cyber threat or incident and ongoing cyber training campaigns and initiatives ensure employees are alert to the nature and consequence of cyber-attacks. During the financial year, a cyber attack took place on the external hosting company for one of the sites within Building Solutions which led to a loss of a months worth of data. This was restored and a full review of the host and their data safeguarding took place, following which a decision was made to move the hosting to our IT support partner to improve the level of security over our data.

3. Health and safety

Danger of incident or accident, resulting in injury or loss of life to employees, customers or the general public. A compliance standards framework is in place to ensure the adequacy of local Health & Safety standards and arrangements, with assurance provided through a programme of compliance audits performed by suitably trained and experienced Health & Safety professionals. A new 'Everyone Safe, Every Day' health and safety strategy, objectives and KPIs were introduced in 2023. Key performance metrics and local actions and initiatives are monitored and reported.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4. Attract, recruit and retain our people

The Company is proud of its hard working staff, recognising that their skills, strengths and relationships with customers and suppliers is vital to business performance. The Company is fully aware of the need to reward, train, retain and develop these key individuals. Remuneration is kept competitive against competitors with regular meetings and reviews with staff to help keep employees engaged. We have also introduced programmes to support employee health and wellbeing. This includes training for all employees on keeping themselves and their colleagues safe and well.

5. Environmental, social and governance

Public and commercial consciousness has been growing on a wide range of environmental, social and governance issues, including climate change, employee wellbeing and how an organisation contributes to society. The Company is part of the wider SIG Group's ESG commitments regarding reaching net zero carbon and sending zero waste to landfill, partnering with manufacturers and customers to reduce carbon and waste across the supply chain and becoming an employer of choice in the industry.

OUTLOOK

Looking ahead, we expect continued softness in market conditions in 2024. However we will aim to deliver high margin growth in the medium-term in order to be ready to take advantage when the markets recover. Building Solutions are using their metal know how to launch new products in adjacent markets to counter the weaker traditional markets that it usually operates in.

SECTION 172 AND STAKEHOLDER ENGAGEMENT

The Directors consider that they have performed their fiduciary duty, as stipulated under s172 of the Companies Act 2006 in good faith to promote the success of the Company for the benefit of its members as a whole. They have taken into consideration, amongst other matters: the likely long-term consequences of their decisions; the interests of the Company's employees; the need to foster relationships with suppliers, customers and others; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company.

The directors have identified its key stakeholders as its employees, customers, suppliers and the communities in which it operates. This section describes how the Board engages with its key stakeholders and how it considers their interests when making its decisions, and provides details on primary methods of engagement, why engagement is considered important, examples of issues raised by stakeholders and actions taken as a result of the engagement.

Employees

The business is a people business. Engagement with the business's stakeholders is through its people, and engaging with the workforce therefore underpins the Company's success. Growth and sustainability depends on having the right company culture, supported by suitable behaviours and with a clear purpose.

Engagement activities include Employee Engagement surveys led by the Group, cascading regular communications to employees relating to company news and recognising achievements, and training and development.

Actions taken include investments in training and development of staff, continued investment in health and safety and a focus on employee wellbeing, ensuring employees are aware of and have access to current support available to them under the SIG Group's Wellbeing and Mental Health services.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

SECTION 172 AND STAKEHOLDER ENGAGEMENT (CONTINUED)

Customers

Understanding the needs and requirements of our customers is hugely important and we seek to use this knowledge to partner effectively with our customers. Customer service is vital to maintaining and growing revenues and profits, and we use engagement with our customers to develop and strengthen our sales capacity and productivity to improve our service and product offering.

Actions taken during the year include management at local level of customer relationships, listening to customer feedback to understand the needs of our customers and improving digitally to better communicate and facilitate customer requests and requirements.

Suppliers

The Directors understand that the Company adds value by procuring raw materials at the right quality and price to ensure the manufactured items perform to customers expectations and provide them with the longevity expectations that a quality product should give them.

Engagement activities include supply chain management and maintaining and growing supplier relationships, including holding regular meetings with key suppliers.

Local community

The Directors appreciate that environmental matters are important to all stakeholder groups who are calling on companies to do more on key sustainability topics and be more transparent about their efforts. The Company seeks to operate sustainably for the benefit of communities and the environment. We recognise that close relationships with the communities in which we operate help to foster the long-term success of the business.

Engagement activities include charitable events, involvement in charity projects and links with local universities to support student projects such as work experience and opportunities to join the business as an apprentice.

This report was approved by the Board on 12 September 2024 and signed on its behalf.



Amanda Huddleston
Director