

JAMES LATHAM PLC

ANNUAL REPORT & ACCOUNTS 2021



Contents

Summary and Highlights

- 1** Financial Highlights and Calendar
- 2** Chairman's Statement

Strategic Report

- 4** Outline of the Strategic Report
- 4** Section 172 Statement
- 6** James Latham plc and Our Objectives and Strategy
- 8** Corporate Responsibility
- 13** Principal Risks and Uncertainties
- 16** Key Performance Indicators
- 17** Operating Review
- 20** Financial Review

Corporate Governance

- 24** Corporate Governance Report
- 27** Directors and Advisors
- 28** Directors' Remuneration Report
- 32** Directors' Report
- 35** Statement of Directors' Responsibilities
- 36** Independent Auditor's Report

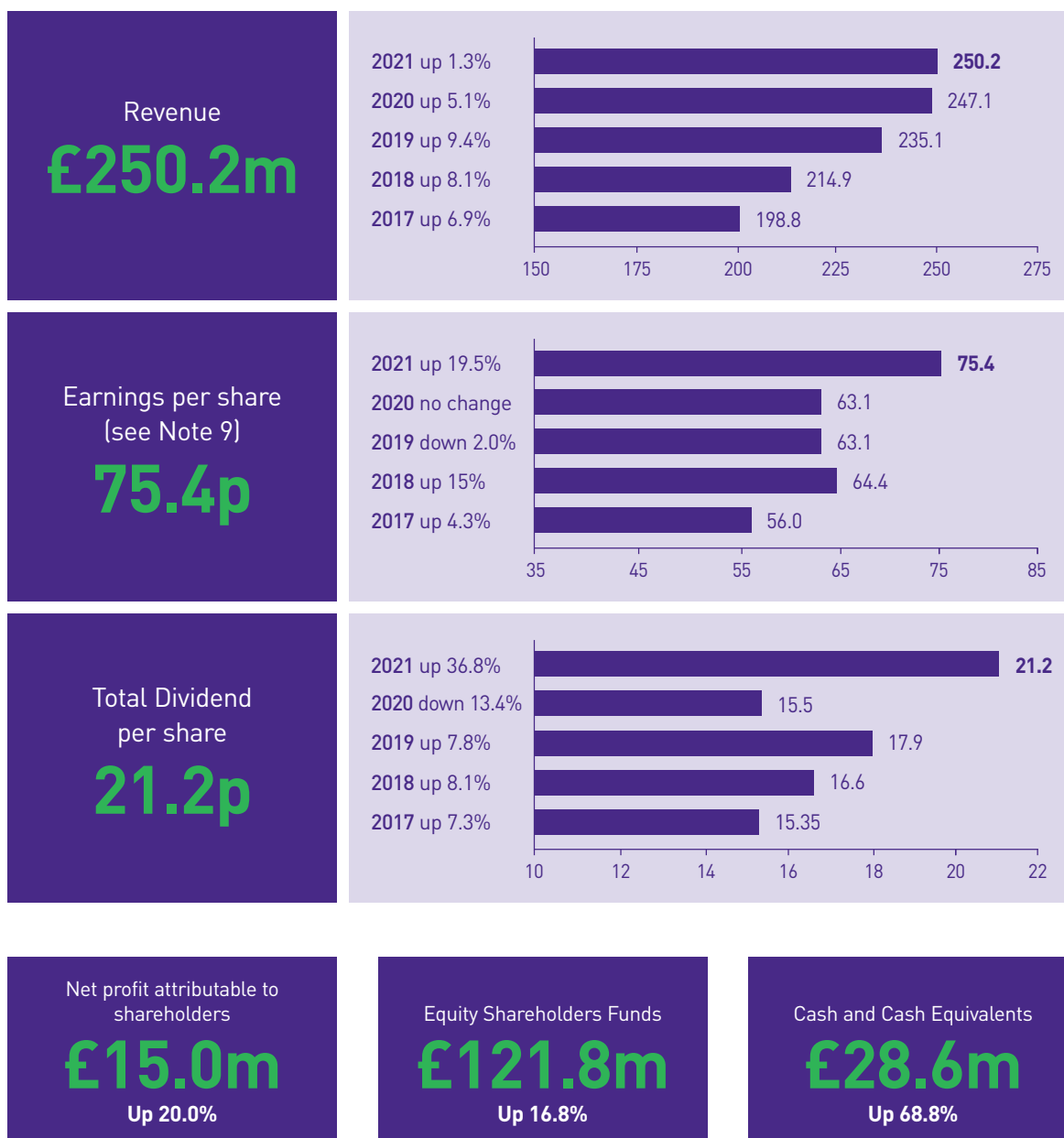
Financial Statements

- 41** Consolidated Income Statement
 - 41** Consolidated Statement of Comprehensive Income
 - 42** Consolidated and Company Balance Sheet
 - 43** Consolidated Statement of Changes in Equity
 - 44** Company Statement of Changes in Equity
 - 45** Consolidated and Company Cash Flow Statement
 - 46** Notes forming part of the Group Accounts
-
- 75** Notice of the Annual General Meeting
 - 77** The Latham Group

Financial Highlights and Calendar

for the year ended 31 March 2021

Financial Highlights



Financial Calendar

Record date for final dividend 2021	6 August 2021
Annual General Meeting 2021	25 August 2021
Payment of final dividend	27 August 2021
Interim 2021/22 results announcement	25 November 2021
Interim dividend expected payment date	21 January 2022
Preliminary announcement of 2021/22 results	23 June 2022
Annual General Meeting 2022	31 August 2022

Chairman's Statement

The financial year to 31 March 2021 was a year in which we saw considerable disruption to our business. In the first quarter of the year the COVID-19 pandemic and lockdown caused a significant reduction in business, we then had to adapt to new ways of operating with working at home and social distancing, and then global supply issues and price rises affected the final quarter of the year. I am therefore very pleased to report good trading results for the financial year to 31 March 2021.



Revenue for the financial year to 31 March 2021 was £250.2m, up 1.3% on last year's £247.1m. Like for like volumes increased by 6.6%, with the growth mainly on delivered business from our own warehouses but with some growth on direct volumes shipped from the ports or from the manufacturers. Unsurprisingly due to COVID-19 related operating restrictions, business collected by our customers from the depots has fallen significantly. The cost price of our products has started to rise significantly in the second half of the year, and are on average 7.3% higher than at the start of the financial year.

Gross profit percentage for the financial year to 31 March 2021 was 18.0% compared with 17.6% in the previous financial year, which shows a good recovery in margin from the 16.9% reported in the half year accounts. This figure includes warehouse costs and we are continuing to extend the shift systems to improve our service levels with five of our depots now working 24 hours a day.

Profit before tax is £18.6m, up £2.9m on last year's £15.7m. Profit after tax for the year is £15.0m, up from last year's £12.5m. Earnings per ordinary share is 75.4p (2020: 63.1p) an increase of 19.5%.

As at 31 March 2021 net assets have increased to £121.8m (2020: £104.3m). Inventory levels have increased to £48.3m from £44.3m last year. This is partly to do with increased inventory in our new timber pack business, LDT Ireland, based in Dublin, but mainly due to increases in prices for our products. Trade receivables at the year end were £1.1m higher than the previous year showing improvements in debtor days. Despite the challenges of the pandemic, bad debts have been minimal. Cash and cash equivalents of £28.6m (2020: £17.0m) remain strong with good cash flows from operating activities.

At 31 March 2021 the deficit of the defined benefit scheme under IAS19 (revised) has reduced to £2.6m from £11.8m last year. This reduction is largely due to improvements in asset valuations and revision of mortality assumptions following the actuarial triennial valuation. The calculation of the pension deficit remains very sensitive to changes in assumptions.

Final dividend

The Board has declared a final dividend of 15.5p per Ordinary Share (2020: 10.0p). The dividend is payable on 27 August 2021 to ordinary shareholders on the Company's register at close of business on 6 August 2021. The ex-dividend date will be 5 August 2021. The total dividend per ordinary share of 21.2p for the year (2020: 15.5p) is covered 3.6 times by earnings (2020: 4.1 times).

Current and future trading

The strong demand seen towards the end of this financial year, has continued into the new financial year, with margins also improving. Global demand for timber products is very strong, being driven primarily by North America, but also from the construction sector worldwide. Many manufacturers have introduced an allocation system limiting the ability for us to grow our volumes. These manufacturers are unable to significantly increase capacity as they struggle with COVID-19 (especially in South America), labour shortages, rising costs and a shortage of raw materials. We have seen significant price rises on many commodity products. This is an area where our volumes have grown as we have been able to use our supplier relationships to secure supply of product for our customers in these exceptional market conditions. There have also been worldwide issues on shortages of shipping containers, in part due to the COVID-19 pandemic, with increased container rates which has further increased the costs of many of our imported products, as well as creating severe delays to shipments.

The majority of the market sectors that we supply are busy, but there are still a few sectors, such as hospitality, aerospace and shopfitting that are still trading at pre-COVID-19 levels. The outlook is difficult to predict, but the current challenging supply situation looks set to continue through 2021, but visibility beyond that is much more uncertain, but we know that the market will change at some point.

Whilst the supply side remains challenging we would expect our margins to be better than normal for the next few months, but returning to normal after that, and as we know from experience in our industry, the balance between supply and demand will change.

Development strategy

The board have identified that there are plenty of opportunities to develop our business. We have demonstrated the robustness and flexibility of our business model during the recent pandemic, and that we are very well placed to make the most of the opportunities as they arise. We will continue with our strategy to look for suitable acquisitions that support market sectors and geographical areas that we are looking to further develop. We will continue to invest in our warehouses as we look to further improve the service to our customers, which is critical for our future success. During the year our Fareham, Hemel and Leicester depots have increased their working hours and are now operating 24/5 and this trend with other depots will continue, with Thurrock and Purfleet planning to join them towards the end of the next financial year. Our other focus in this financial year will be on increasing the warehouse capacity at both Yate and Hemel, where the board have approved plans to increase their warehouses

by approximately 25%, as well as investing in new machinery at Dresser Mouldings, and completing the significant racking project at Thurrock.

Directors and staff

I am very sad to report the passing of Michael Latham on 5 January 2021. Michael enjoyed a long and distinguished career in the Timber Industry. He was chairman of James Latham plc from 1974 to 1990, and also took on many roles in the timber industry including President of the Timber Trade Federation, President of the European Tropical Timber Association and President of the London Sawmillers Association.

In terms of corporate structure, there is a clear division of responsibilities between the main board, which determines strategy and exercises corporate governance and the trading board of Lathams Limited, chaired by Andrew Wright, which sets and monitors trading and operations policy. Both boards are well balanced in terms of experience and skills.

As ever I would like to personally thank all the directors and everyone in the group who have worked so incredibly hard during what has been a very difficult period for everyone. These results are a real testament to the teamwork and commitment of everybody for which I am very grateful. Due to the pandemic I have not been able to visit our depots to thank everyone in person, but this is something I am really looking forward to, as thanking people over video conferencing is not quite the same.

Nick Latham, *Chairman, James Latham plc*
23 June 2021



Michael Latham (centre) and from left to right, James Latham, Nick Latham, Peter Latham, Roger Latham, Pippa Latham, James Latham, Paul Latham, David Latham and Piers Latham.

Outline of the Strategic Report

The directors present their Strategic Report for the year ended 31 March 2021. Included within these sections are the four Principles for delivering growth as contained within the Quoted Companies Alliance Corporate Governance Code 2018, demonstrating how we comply with these principles.

Page

6	James Latham plc and Our Objectives and Strategy
8	Corporate Responsibility
13	Principal Risks and Uncertainties
16	Key Performance Indicators
17	Operating Review
20	Financial Review

The Strategic Report was approved by the board of directors on 23 June 2021 and signed on its behalf by:

Nick Latham
David Dunmow

Section 172 Statement

The Strategic Report contains information on how the directors have had regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duties under section 172. The long term success of our business has always depended on maintaining mutually beneficial arrangements with all our key stakeholders, and having shared goals. The group ensures that these shared goals are communicated throughout the business, both at group and local board level, as well as with the stakeholders themselves. Details of how we interact with our key stakeholders are discussed further in the Strategic Report. Our key stakeholders are:-

- **Shareholders.** As owners of the Group, we rely on the support and views of our shareholders. Members of the board have regular dialogue with shareholders in order to develop an understanding of their views. Shareholder feedback is regularly reported on and discussed by the board and their views are considered as part of the decision making process. The AGM is an important forum for shareholders to meet the board and ask any questions they may have. Further information is shown on pages 7 and 26.

- **Employees.** All of our employees throughout the business are key to our success, and we need to reward, protect and listen at all levels. We engage with our employees through the Company Intranet, local board meetings, performance reviews and briefings from various parts of the business. We have a Think Tank which meets regularly with an independently set agenda, and undertake employee surveys, to present ideas to the board, representing the views of all our staff. We provide share schemes to encourage employees to share in the success of the Company. Further information is shown on page 12.

- **Customers and Suppliers.** Building long term relationships with our customers and suppliers is mutually beneficial for our shared success. Key to this is availability of stocks, service levels and expertise of our staff, to be able to provide the best products and best solutions to our customers, which cannot be done without the support of our suppliers. Further information is found on page 6.

- **Environment and Local Communities.** As a provider of natural materials, our impact and interaction with the environment and our local communities is key to our long term success. We support local charities with donations and encourage employees to undertake fundraising activities. Further information is found on pages 8 to 12.



Egger edgings.

Decisions are made with a long term view in mind and having regard to all our stakeholders. These decisions are made in line with group policies, but local management are empowered to make decisions up to set levels of cost to ensure that stakeholders for their business units are properly considered. Where possible, decisions are explained and discussed with affected stakeholders before any actions are implemented.

The key decisions taken by the board in the year to 31 March 2021 include:

- a. Decisions around the COVID-19 pandemic at the start of the financial year involved making quick decisions in order to protect all our stakeholders. Daily meetings were being held by the executive management teams to develop policies to protect employees, customers, suppliers and shareholders. These decisions included:-
 - a. Providing the IT resource for staff to work at home if they could;
 - b. Develop Health and Safety policies to protect staff which need to be in the work environment;
 - c. Develop pay policies so that lower paid furloughed staff were paid in full and their peers were paid a premium for working;
 - d. Temporarily close some depots and transfer business to their fellow depots;
 - e. Help our customers which needed to delay account payments to assist their cash flows;
 - f. Work closely with our suppliers to control shipments of stock.
- b. Due to the COVID-19 pandemic, the AGM could not be held in person. Instead we decided to allow any questions to be asked in advance of the meeting, with the board's responses published on the Company's Investors website.
- c. Approval of capital expenditure at our Thurrock and Dresser Mouldings branches. Whilst the majority of capital expenditure was put on hold at the start of the year, the board decided to continue with the new racking at Thurrock and the dust extraction system at Dresser Mouldings as these were long term projects necessary for the future profits from these sites.
- d. Approval of annual budget and three year plans. This year's budget and rolling three year plan were approved following a review of the budgets produced by the individual profit centres to ensure that this met our strategic priorities and considered the risks. We considered whether these plans adequately met the demands of our customers both in terms of service and in environmental concerns. We also considered the health and safety implications of these plans, as well as take on board ideas put forward by employees through the group's 'Think Tank'.
- e. We decided to undertake a Staff Engagement Survey, which allowed the board to obtain the views of all our staff and help us with long term group policy decisions. With a participation rate of 86%, this survey successfully reached all areas of our business and we plan to continue with these on a regular basis.
- f. Approval of the final dividend. We considered all the stakeholders in setting the dividend levels, including meeting shareholder expectations, maintaining a sufficient cash reserve for future investment and ensuring that there are sufficient reserves to meet our obligations to our pensioners. The final dividend in 2020 was reduced due to the unknown impact of COVID-19 at the time, but the board still wish to maintain their long term progressive dividend policy.



Kydex® samples.

DELIVER GROWTH

Principle 1 – Establish a strategy and business model which promote long term value for shareholders.

Objectives

James Latham plc sets out to be the supplier of choice throughout the UK and Ireland for joinery, door and kitchen manufacturers, shopfitters and other market sectors, offering a wide range of wood based panel products, natural acrylic stone, door blanks, hardwoods, high grade softwoods, modified and engineered timbers, cladding, decking and mouldings. We also supply commodity and specialist panel products to timber and builders' merchants.

Environmental concerns about the growth and harvest of timber are key drivers of company policy, with the company aiming to increase each year, the amount of legal and sustainable product supplied into its marketplace. The UK is committed to becoming net-zero carbon by 2050 and the company is aiming to provide embodied carbon information to our customers to demonstrate the carbon story of our products.

The company believes that to provide the service demanded, we need to be close to our customers. We offer national coverage from eleven locations in the UK and three locations in the Republic of Ireland, as shown in The Latham Group map on page 77, as well as from various port and storage locations around the UK. Our processing facility at Dresser Mouldings supplies both the depots and customers directly. Having stock of product in the right place at the right time is important to provide this service. Commodity imports are held in ports including Tilbury, Liverpool and Grangemouth. This stock can be delivered directly to customers for multi-pack orders, or transferred to the depots for onward delivery. Around London we stock Panel Products and Timber Products in separate warehouses whereas a full range of products are held in our other locations around Great Britain. We also hold a range of specialist products in Leeds for national distribution and Leeds also offers an efficient delivery service to Ireland to complement the business supplied directly from our timber depots in the Republic of Ireland.

The company is well respected in its industry and amongst its customers and suppliers for its principled trading policies and its integrity.

The company's objectives are:

- To maximise shareholder value over the medium term;
- To be the supplier of choice for our customers by understanding and meeting their needs and providing them with the right material at the right time;
- To maintain its presence in timber based products but to expand the product range to the existing customer base from an extended distribution network;
- To increase sales of third party certified legal and sustainable timber products and drive Corporate Social Responsibilities within our company and industry;
- To provide a safe working environment for our staff;
- To improve service levels by improving warehouse facilities to speed order picking over an extended product range; and
- To employ and develop well-trained, knowledgeable and helpful staff.

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of high quality timber and associated products, purchased using the Timber Trade Federation Responsible Purchasing Policy from legal and sustainable sources of supply, to meet existing and new customer demands on product and service.

Working with existing and potentially new suppliers, we identify products to add to our extensive range. This can include non timber products where they fit into the requirements of our customer base. Our aim is to provide a true one stop shop to our key target markets.

Our strategy for developing the business is two fold. Firstly to ensure that we maintain and improve our volumes of commodity products, including MDF, OSB, Plywood, North American Hardwoods, European Hardwoods and African Hardwoods. Secondly, alongside the commodity products

James Latham plc and Our Objectives and Strategy

we sell an increasing amount of speciality products, including Door Blanks, Melamines, Laminates and other decorative panels, Accoya, Woodex®, Decking and Cladding. The Dresser Moulding facility allows us to further develop our offering of processed timbers. Full ranges of the specialist products are stocked and key to our success is having the right stock in the right place at the right time.

We continue to invest in our stock ranges and logistics infrastructure to develop and increase our market share in Laminates. We are committed to reaching our aim of providing our customer base with a 24-48 hour service on our complete Laminates collection of new, innovative, exclusive products, supplying some of the biggest Laminate brands in the market.

Melamine products are an important product group and all Latham depots offer an enhanced range of melamine products ex-stock, including decors from Egger, Kronospan and CLEAF.

Sales of technical timber are a key part of our strategic sales development for timber. An enhanced range of products are stocked, including Accoya, WoodEx®, Decking and Cladding.

Our Leeds depot acts as the central distribution point for ATP, HI-Macs®, Avonite, Composite Decking, Kydex®, Laminates and Valchromat. These are all available on a national basis for prompt delivery to our customer base. We have and will continue to enhance our delivery service and will continue to develop our centrally held stocks.

All depots have a three year rolling business plan to ensure that they monitor opportunities and threats throughout the year, and review their practices to continually improve service levels to our customers. Investment in our facilities are ongoing as we adapt our product ranges and service levels to meet customer demands, which includes operating 24 hours a day, 5 days a week.

We will continue to look to develop new markets, both organically through our depot network, or by acquisition where the opportunity arises. This year we set up a new warehouse in the Republic of Ireland to trade in timber pack products under the LDT banner.

Our staff are a major asset for the company, and we continue to invest in training to ensure that we have the best operations, sales and technical teams in the industry. Marketing of our products is done through brochures, direct advertising, public relations, social media and exhibitions and we use multiple channels to communicate clearly with our existing and potential customers, fully complying with our responsibilities under the Data Protection Act.

Our Architect and Design showrooms at the Business Design Centre in Islington and our showroom in the Northern Quarter of Manchester has opened up our product offering to a large number of professional specifiers. This has proved to be beneficial, gaining orders and specifications for a wide range of products on display from our key strategic suppliers. We also put in place a programme of presentations to architects for their Continual Professional Development. We have centralised our sampling service in Leicester to provide a more efficient service with greater visibility to follow up the sales leads that this produces.

COVID-19 has brought about a new way of working, with less face to face visits and an increased use of technology to engage with our customers and suppliers, from video conferencing tools to the development of digital media to promote and explain our products. We have invested in improving our on line presence and a new online trading platform for our customers will shortly be launched.

We value the personal relationships developed with our suppliers, staff and customers. Working with our staff and suppliers we aim to offer our existing and potential customer base a first class service of fit for purpose, legal and sustainable products, delivered in a timely manner.

Principle 2 – Seek to understand and meet shareholder needs and expectations.

Nick Latham and David Dunmow are responsible for maintaining good communications with shareholders. This includes our published financial statements and Stock Exchange announcements, which are also posted on to our Investors website, www.lathams.co.uk. We allocate at least three days a year for Investor Roadshows organised by our broker, SP Angel, where investors have the opportunity to discuss our strategy

and their own expectations. In addition we occasionally host shareholder visits to our depots with a guided tour of the facilities to increase their understanding of our business. Shareholder feedback and significant movements in our shareholder base are regularly discussed at board level, and their views are considered as part of our decision making processes.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implication for long-term success.

At James Latham plc, we are conscious of our corporate responsibilities to all our stakeholders and to society as a whole. Environmental matters, health and safety, staff training and equal opportunities are key areas relevant to the group's business. We also maintain contact with and support both the local and the wider community. A substantial amount of management time is devoted to Corporate Social Responsibility issues, as we believe that these enhance our standing with customers and suppliers to the benefit of all stakeholders.

Environmental

The directors of James Latham plc recognise that the company has a responsibility to the environment, customers, suppliers, shareholders and staff to base its commercial activities on well-managed forests and to reduce any negative environmental or social impact of its trading as far as is reasonably practical.

The UK Government is committed to becoming net-zero carbon by 2050. The legislation intends to dramatically reduce Greenhouse Gas Emissions and any remaining emissions are offset, neutralising environmental impact and slowing climate change. One of the routes to achieving this, is by reducing carbon emissions from construction.

Construction is responsible for 40% of the UK's total carbon footprint, and so construction companies need to look at the choice of materials and construction methods used, as well as the energy efficiency of the buildings. This has led to architects and specifiers increasingly paying attention to the embodied carbon in the building. Using timber as a building material helps offset carbon emissions as timber is carbon negative.

Sourcing wood from sustainably managed forests maximises CO2 absorption and stores more carbon. In addition, sustainably managed forests increase biodiversity and increases forestation. Forest stewards manage the landscape to prevent damage to the eco-systems, water courses, wildlife and the trees themselves. This system takes a long term view of the forest resource to ensure that they will last for generations to come.

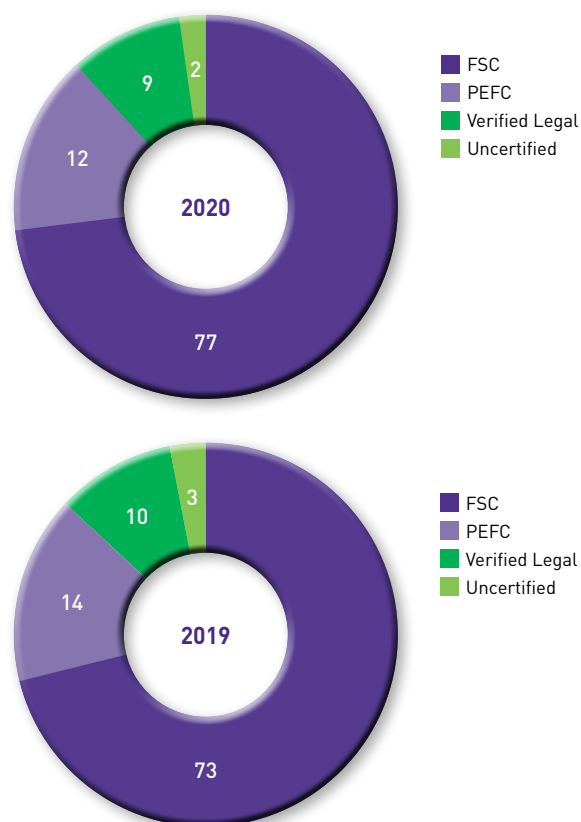
To support this, we ensure our timber is legally harvested and comes from well managed forests. We recognise that the independent certification of forests and supply chains is the best means of providing assurances of this.

Where possible we purchase material certified by the Programme for the Endorsement of Forest Certification schemes (PEFC) or the Forest Stewardship Council (FSC). As well as providing assurances on the timber itself, these schemes also provide checks on the welfare of the forest workers and indigenous population.

The group has third party audited chain of custody for timber supplied as certified by PEFC, FSC and other schemes. This is to ensure that claims made about certification can be proved.

In some parts of the world, timber certified by one of the internationally recognised schemes is not available. In situations such as these, we are committed to purchasing all timber from legal sources and to seek confirmation that suppliers are operating in accordance with the laws of their country.

Timber Procurement figures for the relevant calendar years are given below.





Valchromat in warehouse.

From January 1st 2021, the European Union Timber Regulation (“EUTR”) has been replaced in Great Britain by The Timber and Timber Products (Placing on the Market) Regulations (“UKTR”). The requirements remain the same as under EUTR, placing an obligation on the first placer of timber on the British market to ensure that the timber has been legally sourced and traded. Compliance requires operation of a due diligence system, assessing risks and implanting mitigation measures to ensure that only negligible status product can enter the supply chain. In 2020, an Office of Product and Safety Standards audit of our due diligence systems found that we were fully compliant with the European Union Timber Regulation No 995/2021.

For a number of years we have had risk assessment tools in place to monitor suppliers through the Timber Trade Federation Responsible Purchasing Policy and Code of Conduct. The risk assessment seeks to provide the clearest practicable information regarding the sources of raw material used in the manufacture of wood products.



We publish our commitment to the environment regularly in literature and on our website, www.lathamtimber.co.uk. We give clear guidance to our customers about the importance of buying timber that can be demonstrated to be legal and from well-managed forests. This is a condition of contract to supply the UK Government and many environmentally aware customers. Company staff regularly give presentations on these topics to trade associations and to customers.

Supply chain transparency – Modern Slavery Act 2015

We are dedicated to promoting ethical values and integrity in our business behaviour by implementing controls through ISO management and due diligence systems. We are committed to taking all reasonable efforts to prevent human trafficking and slavery within our trading and operational purchase supply chains. Our Modern Slavery Statement is updated annually and is available on our website www.lathamtimber.co.uk.

Energy and our Carbon Footprint

We recognise that alongside our timber environmental policy, we have a responsibility to minimise our local environmental footprint. We have developed an environmental management system which is accredited under ISO14001. This commits us to considering energy efficient options for lighting, heating and ventilation and transport, before making purchasing decisions.

Our Carbon data is shown in the following table:-

Carbon Dioxide Equivalent (CO2e) tonnes		
	2019	2020
Scope 1		
Direct emissions from burning gas and solid fuel for heating and from road use for sales and distribution	4,114	3,466
Scope 2		
Indirect emissions from use of electricity	264	202
Global Intensity Ratio		
Tonnes of CO2 from scope 1 and 2 per £m of turnover	17.62	14.86
Tonnes of CO2 from scope 1 and 2 per thousand m3	11.20	8.80
<i>Data shown is for the calendar years 2019 and 2020.</i>		

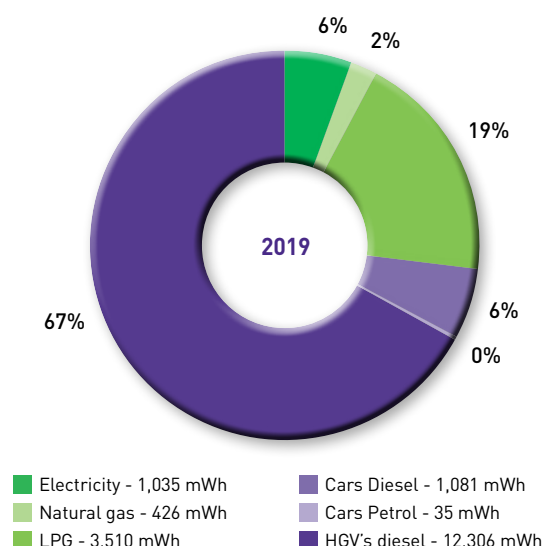
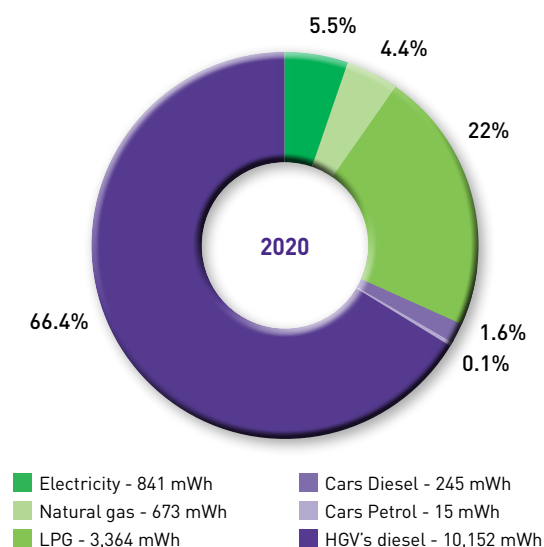
Scope 1 and 2 emissions are calculated from billing data received from our power and fuel suppliers, and converted using conversion factors published by the UK Government. This includes data from our Irish operations.

Total annual energy use is 15,290 mWh (2019 calendar year: 18,393 mWh). This is analysed further in the graphs on page 10.

Strategic Report

Corporate Responsibility

As a distribution company, the majority of our emissions are from our vehicles. These are reduced in this calendar year due to the reductions in journeys taken during the COVID-19 pandemic. We have seen an increase in natural gas consumption as it is used in the production processes at Dresser Mouldings, which was acquired in October 2019.



Our actions on reducing carbon are currently focused on reducing usage by utilising available technologies. We will gradually increase the emphasis on to behavioural changes. When purchasing new HGV vehicles we are sourcing the cleanest available vehicles for multi-drop deliveries, and currently 70% of our fleet is equipped with Euro 6 engines.

All of our HGV's are fitted with vehicle trackers, monitoring efficiency of route planning and on driver behaviour patterns. We regularly review the availability of electric HGV's, and as these become available and suitable for our multi-drop style of delivery we will look to adding these to the fleet. In our company car policy we are looking to increase the numbers of plug-in hybrid cars being used and will look to actively increase the percentage of energy efficient cars, including electric cars where appropriate, on our fleet.

We invested in electric combi trucks last year to assess their performance and carbon saving. We are now adding them as the preferred Combi model to purchase where circumstances allow.

We have signed up to use BioLPG fuels, guaranteeing 40% of our supply with a 'Green Gas Certification Scheme', which is fully traceable and third party verified. We also purchase 100% biomass renewable electricity which produces 86% less carbon than coal-generated power.

We have continued our investment in LED lighting, with four more depots having their lighting upgraded. With more of our depots working over night, efficiency of the lighting is important. Since 2015, the introduction of this LED lighting has led to a 26% reduction in direct consumption and a 54% drop in CO2 emissions.

Waste Disposal

We seek to minimise the use of packaging material and to recycle discarded packaging material and paper where it is practicable to do so, to avoid these materials entering landfill. We have seen a good improvement in reducing the amount of waste reaching landfill, as set out in the table below.

Waste to landfill and diverted from landfill					
	2016	2017	2018	2019	2020
Landfill (tonne)	363	390	371	156	87
Diverted from landfill (tonne)	350	562	479	681	707
Total waste	713	952	850	837	795
Diverted from landfill	49%	59%	56%	81%	89%
Whilst every effort has been made to ensure data is consistent across the years, there are some differences in collection methods across this period.					



We donated plywood to one of our customers, Falkus Joinery, in support of the London Futures project, where young people with learning and physical disabilities obtain employment skills.

Support of our communities

We are committed to supporting community projects and charities local to our depots both in staff time and financially. This year, in recognition of the difficulties that the COVID-19 pandemic was having for more vulnerable members of society, we gave donations to the Salvation Army and Crisis in the UK, and Pieta, a suicide and self harm charity in Ireland.

Once again we provided material to the Goldfinger factory, a not for profit organisation in Kensington, London, who provide training and coaching to people trying to reform their lives after issues with drugs, alcohol, homelessness, crime etc. Members of the programme learn woodworking skills, from joinery and furniture making, through to coating, lacquering etc. All products manufactured are then sold in the on-site shop, to raise funds for the project.

We continue to support the National Forest project in Central England, which started with the planting of 250 trees to celebrate the company's 250 year anniversary in 2007 and continues with further plantings and woodland management activities for customers, suppliers and staff.



Health and Safety - Providing a safe working environment

The handling of timber and panel products, both manually and mechanically, and the stacking and storage of these products at height, can be dangerous activities. We are very active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible for all people that come into contact with James Latham plc.

In March 2020, the onset of the COVID-19 pandemic brought with it new challenges for all our staff to work in a safe environment. Our disaster recovery plans kicked in with all sales and administration staff being able to work from home with computer and telephone access throughout the group. For those operations staff who could not work from home we introduced new COVID-safe working procedures and social distancing rules that are continually updated following government guidelines.

We employ a full-time Health and Safety Manager who reports to the board regularly, attends board meetings twice a year and chairs health and safety meetings at all depots. We have introduced COVID audits to make sure that all depots are following the guidelines to keep our staff and customers safe. We have a 3-year action plan and all sites are subject to audit, with their audit scores and trends being monitored at quarterly management meetings.

Strategic Report

Corporate Responsibility

Management and employees are actively involved in improving our safety record, which is high on everyone's agenda. All employees take a personal responsibility for making sure their actions and behaviour maintain safety for all and we encourage reporting of "near misses" to enable us to constantly improve our safety systems.

In addition, we recognise that safety extends beyond our warehouses. We regularly monitor vehicle accidents in our lorries and company cars to assess whether further training is required. We operate a programme of lorry driver mentoring and have joined the Road Haulage Association who carry out yearly audits to make sure we are operating safely and efficiently. Our lorries all have tracking devices fitted which provide alerts and information on speed and the route taken, as well as cameras and side scanners to not only provide live footage for training and insurance purposes, but also to provide improved rear and side visibility to our drivers, minimising blind spots. We undertake driving licence verification checks on a regular basis for all our drivers. The latest technology allows us to monitor driver behaviour not only from a safety aspect but also from an environmental aspect, minimising fuel use by efficient routing.

Our employees

The group's ability to achieve its commercial objectives and to serve the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The group regularly keeps employees up to date with financial and other information.

In December 2020 we carried out our first employee engagement survey. This survey was open to all employees and we achieved an 86% participation rate. The survey uses a statistical algorithm to identify areas with the most potential for positive change. We will work on the key areas, to improve our strategies on issues including staff retention, communication, succession planning, training and development for all employees. We plan to continue to use this tool on an ongoing basis to continue to improve the working environment for all staff as well as improve the quality of service that they offer to our customers.

Quarterly meetings are held in each location, chaired by a board member, where employees' views concerning the performance of their profit centre are considered. To encourage the involvement of employees in the group's performance, share option schemes are operated together with bonuses linked to performance.

The group's employment policies do not discriminate between employees, or potential employees, on the grounds of age, gender, disability, sexual orientation, colour, ethnic origin or religious belief. We would make every effort to enable employment to continue for any employees that become disabled. The sole criterion for selection or promotion is the suitability of any applicant for the job. The group's pay policy is to ensure that every employee, other than apprentices, are at or above the Real Living Wage.

We have a successful program of introducing trainees from school or college. Trainees are put through external courses obtaining qualifications, including NVQs in Sales and Warehousing and the Wood Science exams covering the properties and uses of timber and panel products.

Details of the number of employees and their related costs can be found in note 4 to the accounts.



Furniture of distinction

We've appointed emerging young furniture designer and maker Sean Eveleigh as a James Latham Ambassador to demonstrate the broad range of products we sell into the furniture sector. In addition to creating beautiful, crafted pieces, Sean appears in a number of TV shows and also has a large media presence, regularly releasing tutorial videos on woodworking techniques to his followers on YouTube and Instagram. Sean is currently working his way through a basket of Latham products, bringing fresh new thinking to traditional furniture applications and is the first in a number of ambassadors we will appoint to promote product into various market sectors.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.

All business involves taking risks, both general risks of trading and risks specific to our industry and the market in which we operate. We are able to mitigate these risks by adopting appropriate strategies and maintaining strong systems of internal control. These strategies however do not attempt to eliminate risk, but control the risks that we believe are appropriate to take to generate acceptable shareholder returns, without affecting our ethos on environmental and health and safety.

The risk reporting framework is designed so that information is passed in both directions, up and down the company's structure. A central risk register is maintained by the board and reviewed at least once a year by the Audit Committee. These risks are fed down to the depots, who add their own risks specific to their sites. Risk mitigation is discussed in every board meeting at depot and group level

and reported back to the board. Any new or increased risks identified through this process are communicated to all depots for monitoring and action.

We have considered below the current risk factors that are considered by the board to be material. However in a changing world, new risks may appear or immaterial risks may become more important, and the directors will develop appropriate strategies as these risks appear. In the year to 31 March 2021 we have concentrated on mitigating risks concerned with the COVID-19 pandemic, Brexit, Cyber Security and Key Man risks and have taken actions to further mitigate these risks.

We have considered below the key inherent risks and the risk mitigation, but specifically have discussed below how the COVID-19 pandemic and Brexit have impacted the risks.

Inherent risk	Risk Description	Risk Mitigation
Market Conditions	The group's sales are predominantly UK based, but with an increasing presence in the Republic of Ireland. It is exposed to any slowdown in the UK or Irish economy. Negative or uncertain economic conditions could affect our customers' business resulting in them reducing purchases from our group.	The distribution of our customers across the UK and Irish economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the board assess current trends.
	COVID-19	The effect of the closure of many non-essential businesses and social distancing measures resulted in a significant drop in revenues for the first quarter of the financial year. We were able to close some operations whilst retaining the ability to service essential businesses, and immediately introduced cost saving measures including use of the UK Government's Job Retention Scheme. We kept in close contact with our customers to assess the effects of the pandemic on their business.
	Brexit	We conducted risk assessments on the likely impact on supply and costs from Brexit, and discussed this with our customers to ensure as smooth a transition as possible.
Competition from new and existing businesses	Competitive pressures from existing businesses and new entrants to the market could reduce prices, margins and profitability.	An assessment of the market and competitor activity is discussed at each depot's quarterly board meeting. This includes an assessment of our routes to market as challenges to our depot structure and operations emerge and assessment of our pricing strategies.
	Changes in customer purchasing habits may lead to more on-line purchases.	Investment in improving on-line trading platforms and other digital methods.
	COVID-19/Brexit	N/A

Continued overleaf

Strategic Report

Principal Risks and Uncertainties

Inherent risk	Risk Description	Risk Mitigation
Inventory levels move out of line with sales requirements and market prices.	<p>Product shortages can lead to high prices and over purchasing throughout the trade, resulting in excessive stock holding. Weaker prices lead to stock reduction throughout the supply chain, which magnifies the reduction in demand and then leads to even sharper falls in price. Erratic shipments can result in stock excess and shortages in specific special products.</p> <p>The market for certain product lines changes, resulting in them becoming overvalued and slow moving or obsolete.</p>	<p>To mitigate this risk, the group has a strict policy of stock level targets by product group and depot. These are monitored monthly by the board which centrally controls the purchase of stocks and takes a group view on the action to be taken to limit the group's exposure to rapidly changing price levels. Live stock level reports and predictive tools are available for our managers to monitor current and future levels.</p> <p>The group's reduced reliance on commodity items has reduced this risk of over exposure to low value, high volume and price sensitive items, although as an important area for us, this risk cannot be completely removed.</p> <p>The board has set strict guidelines relating to purchases where the specification is unique to a particular customer, and has policies in place to ensure that no individual can commit the group to a purchase greater than his/her authorised limit.</p> <p>Slow moving and obsolete stocks are monitored regularly and action taken to mitigate the risk.</p>
	COVID-19/Brexit	With some sectors of the economy closed for long periods of time, this has led to a change in our product mix. Our predictive stock programmes and concentration on slow moving stocks has allowed us to control our inventory levels in light of the changing market conditions.
Supplier political risks or failure could result in shortages of product	<p>Although far more of the group's purchases now come from Europe and North America, it has significant dealings with countries where the political climate is less stable, resulting in a strategic threat to the supply of product to the group.</p> <p>The group is reliant on certain suppliers for certain product ranges and their inability to meet our demand due to financial or production difficulties could result in stock shortages.</p> <p>The uncertainty over Brexit is adding risk over supplies from mainland Europe.</p>	<p>To mitigate the risk from these pressures, the group's dealings are spread across a large number of countries of supply. The group keeps informed of developments in higher risk producer countries.</p> <p>We maintain close relationships with our suppliers to ensure that we are pre-warned of difficulties of supply. We maintain relationships with suppliers of alternative products.</p> <p>We have plans in place with our European suppliers and have warehouse space allocated in the UK to increase stock levels over any transitional period should supplies be disrupted. We have also established a physical presence within the EU through the acquisition of Abbey Woods Agencies Ltd in Ireland.</p>
	COVID-19/Brexit	Both the effect of the pandemic and Brexit on supply chains caused difficulties in getting the right levels of inventory available for sale. Supply chains have been disrupted with containers often in the wrong part of the world. We also worked with our ports and external warehouse suppliers to ensure that additional space was available should it be necessary, and set up an additional warehouse in the Republic of Ireland.
Reputational Risk	Over many years the group has built up a reputation for integrity and responsible trading and is aware that this can be easily damaged with the consequential cost to the Latham brand.	Policies are in place which cover standards of behaviour and good governance. On the purchasing side the group has a strong responsible purchasing policy managed by our Environmental Manager to minimise possible damage to its reputation and legal risk from dealing in illegal products.
	COVID-19	At all times during the pandemic, our main focus has been on the health and wellbeing of our staff. Our health and safety procedures were quickly updated to ensure that depots both understood and acted on the social distancing measures. We also recognised that the drop in income under the Job Retention Scheme will affect some employees more than others, and so we introduced a temporary scheme whereby furloughed employees earning under £25,000 were still paid in full, all employees earning above £25,000 were paid more than under the Government scheme, and those still working got rewarded for working. We made good use of our Intranet to communicate with our employees, and our website and social media to communicate with our customers and suppliers.

Principal Risks and Uncertainties

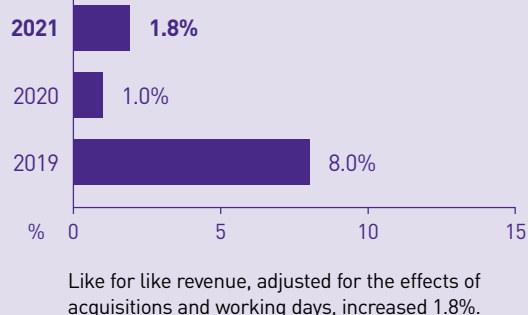
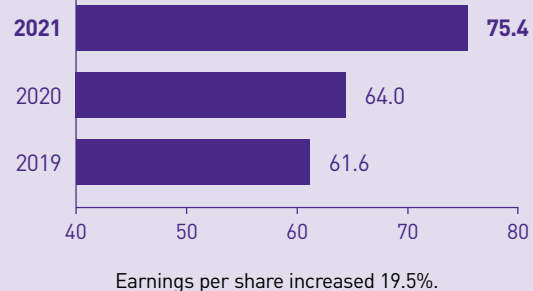
Inherent risk	Risk Description	Risk Mitigation
Defined Benefit pension scheme funding could increase	The group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors is disclosed in note 20.2 in the notes to the accounts.	<p>The scheme has been closed to new entrants for many years. The board regularly reviews the investment strategy and performance of the pension scheme investments, and has set a cap on pensionable salaries of 1% above CPI.</p> <p>Long term investment strategy is to reduce allocations to growth assets and increase allocations to defensive assets to reduce risk and volatility.</p>
	COVID-19	The markets initially fell considerably as well as gilt yields decreasing, which had an effect on the scheme deficit. The Trustees and the Company were in regular contact with the Scheme Actuary and considering the imminent cashflows to minimise the short term effects.
Information technology failures impact our ability to trade	The operations of the group depend to a large extent on the availability and reliability of our information technology systems. A failure of systems, either of hardware, software or communications, for an extended period of time could impact our ability to trade.	<p>Our main computer servers are located in a secure site away from the trading operations, hosted in an external data centre. The systems are monitored 24 hours a day and maintenance work carried out on an ongoing basis. The infrastructure is regularly reviewed and updated.</p> <p>Back ups are held offsite in a separate data centre to provide extra resilience. Should there be any failure in the systems in the main datacentre, then the back ups held in the secondary data centre can be made operational. Regular disaster recovery tests are carried out.</p> <p>Software maintenance contracts ensure that our business critical software is up to date, allowing software problems to be resolved quickly.</p>
	COVID-19	Our IT infrastructure allowed us to quickly move our employees to working at home where possible. Hosting of our systems in a datacentre has meant that our systems are continually monitored and backed up, regardless of any depot closures or staff absences.
Cyber Security and Data Protection	<p>The risks of Cyber attack, including Ransomware demands are increasing, and may lead to disruption to business and loss of data.</p> <p>Theft of data relating to employees, customers and suppliers could result in a regulatory breach under GDPR.</p>	<p>Cyber training is carried out on a regular basis and for each new employee as part of their induction process. We have also continued to improve our Cyber security systems. Our IT disaster recovery plans include provisions for Cyber Attack</p> <p>Our GDPR policy is regularly reviewed and we ensure that our marketing activities are appropriately carried out.</p>
	COVID-19	We recognise that with more remote working, there is an increased risk of Cyber threats. This was communicated to all employees with reminders of the key elements of the Cyber Training.
Inability to trade from a depot	Inability to trade from a depot due to an incident, internally or externally, could cause loss of revenue and profits.	<p>Disaster recovery plans are in place at group and depot levels. These are reviewed by the Audit Committee and the board, as well as discussed at depot level. Insurance policies are in place to cover increased cost of working.</p> <p>Our distribution network, as well as our inventories held at various ports, allow us to manage customers requirements from a different location.</p>
	COVID-19	Our distribution network meant we can react quickly to any closure of a depot, whether as a deliberate decision or as a result of staff illness, and consolidate sales and warehouse activity at a reduced number of locations without affecting our ability to service our essential customers.
Inability to fill key roles within the organisation	Our staff are key to the success of our business, and our inability to fill key roles could affect our profitability.	<p>The group, through the Remuneration Committee, is committed to having remuneration, training and development policies to make James Latham the employer of choice. Benchmarking takes place to ensure our senior staff are rewarded appropriately.</p> <p>Significant time is spent on identifying and training the leaders of the future, with our Trainee and Talent Pool programmes. The group also makes sure that continuity planning is considered by each senior employee.</p>
	COVID-19	Through well thought out plans, we made sure that every person operating in a key role has a designated deputy in order to provide cover in the event of illness.

Strategic Report

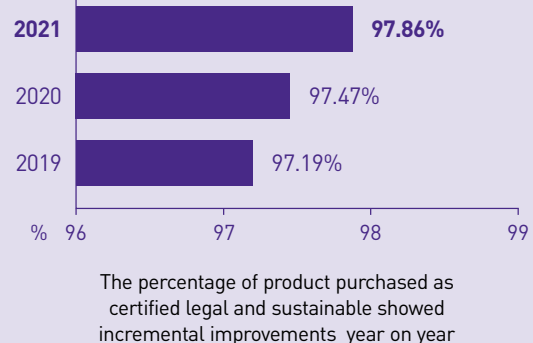
Key Performance Indicators

The group monitors its performance against the following Key Performance Indicators that we believe best reflect our performance and progress in achieving the company objectives outlined on page 6.

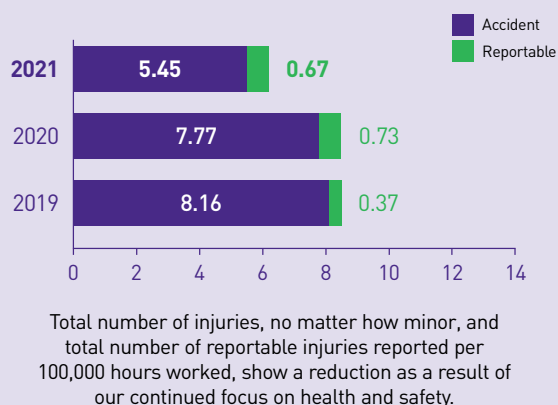
To maximise shareholder value over the medium term



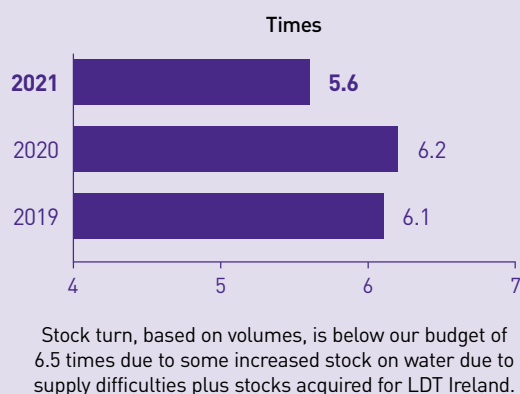
To increase sales of third party certified legal and sustainable timber products



To provide a safe working environment for our staff



To improve service levels by improving warehouse facilities to speed order picking over an extended product range



Results for the year to 31 March 2021

Revenue for the year ended 31 March 2021 was £250.2m, £3.1m higher than the previous year.

The first quarter trading was dominated by managing the potential impact of the COVID-19 pandemic on our staff and business. The introduction of lockdown restrictions and social distancing measures dominated proceedings. The business swiftly adopted remote working for staff that could work from home, while also following government advice for social distancing measures to protect staff continuing to work in our sites. This enabled us to remain open where we could and service vital NHS projects and those customers who continued manufacturing.

As might have been expected, demand for product fell sharply at the beginning of April, however activity levels soon started to recover with most market sectors and customers returning through Q1 and into Q2. Subsequently we have witnessed a good recovery in volumes throughout the remaining trading period across all regions of our business driven primarily by commodity panels where we have experienced the strongest demand. Scotland and the Republic of Ireland seem to have been the most affected regions with more severe lockdowns. Shopfitting, Exhibitions and the Aviation sectors have been impacted during the pandemic and have been slow to recover. All other sectors seem to have recovered.

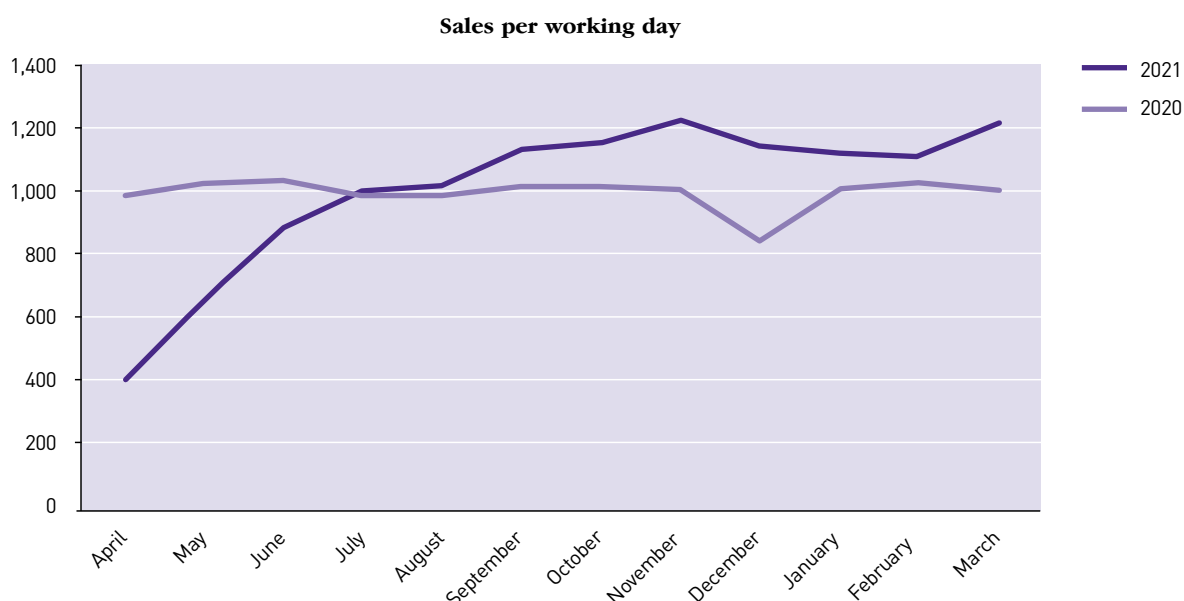
The final quarter trading showed a real increase in both business confidence and customer activity.



Home office in EGGER laminate by JL Interiors.

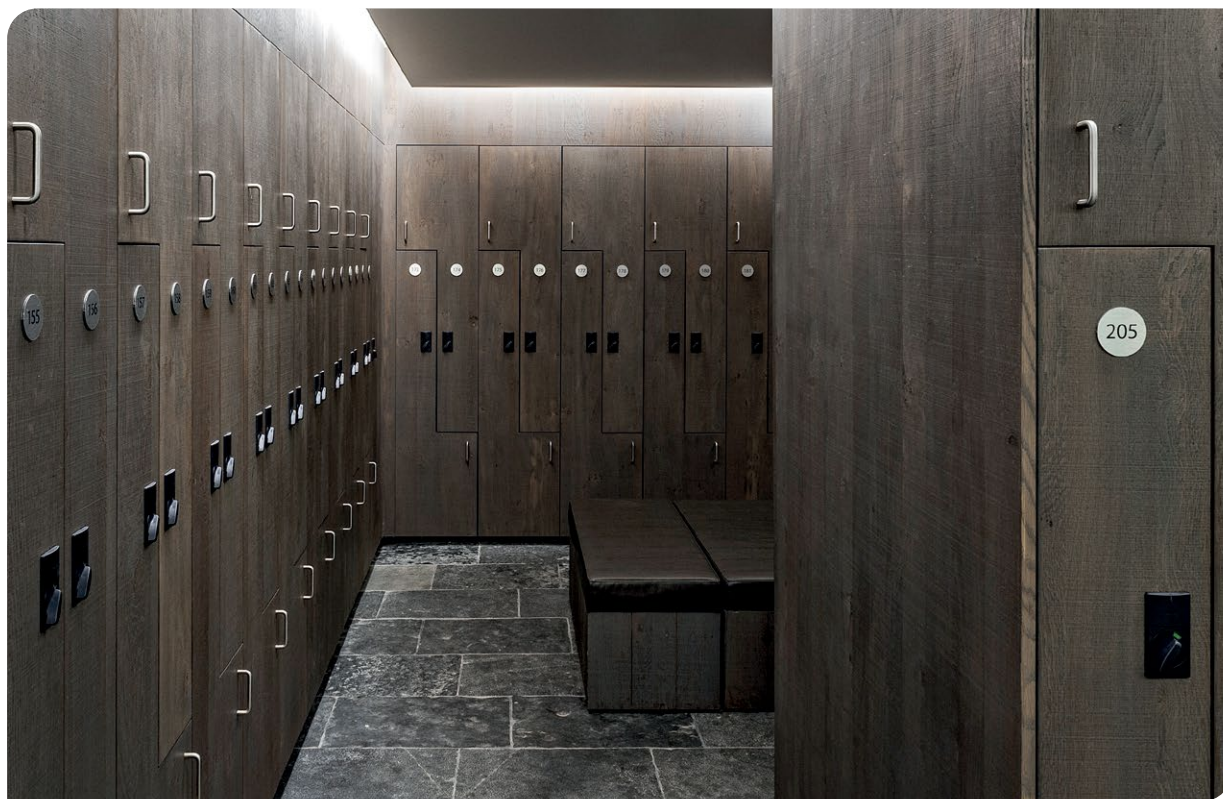
Depots performance during this period was encouraging and a reflection of the earlier long term investments made into both infrastructure and staff.

Stock management has remained a vital part of our success story during an extremely turbulent year and maintaining the correct balance between stock levels and fluctuating demand has been challenging. Our long term relationships with key suppliers assisted. As the Global recovery has continued to gain momentum the balance between supply and demand has created shortages and some product groups have become limited by availability with some manufacturers introducing allocation systems. Consequently, the replacement cost for the vast majority of timber and panel products has continued to rise. In addition to this the shipment of goods has been disrupted creating delays while costs have escalated.



Strategic Report

Operating Review



Men's locker room project in Querqus Vivace Oak.

Despite all the distractions and demands during this period the business has remained focused on progressing its long-term strategies whilst also introducing several new initiatives aimed at assisting with these objectives. The redevelopment of the Gateshead site was successfully completed and has provided an excellent platform. New capex projects and recruitment plans were temporarily postponed in Q1 along with close control measures of all overheads which are reflected in the results. The investment in our Dresser Mouldings business continued along with our product development for specialist cladding, this combined project is expected to be fully operational in 2022.

We also opened up a timber pack only business under the LDT banner, trading out of Dublin and servicing the whole of Ireland. This business started in February 2021 with over £1m of timber packs and is proving very successful.



Service levels with our customers and suppliers throughout this period has been excellent and reflected in customer retention and satisfaction statistics. We have continued to extend the operational hours of our sites and increased the number of sites that are working 24/5. Trade into Ireland as a result of Brexit has caused delays at the ports and increased costs on all sides. With the introduction of digital communications, we have managed to maintain good regular contact with our major manufacturing suppliers and customers throughout the pandemic. New internal communication systems have been developed to ensure all staff including remote workers remain engaged and are included. The impact of social distancing and reduction of business travel combined with the use of digital communication has helped productivity and created efficiencies. We intend to adopt and develop these measures in the future.

Our digital marketing activity continued with the introduction of a number of new strategies to help increase the Latham brand and product awareness. These have been well received with a significant increase in customer activity and interaction across all the communication channels. Our focus on the A&D specification sector is showing encouraging progress.

The second half results reflect activity levels and returning business confidence across our sectors. They highlight the agility and market awareness of the James Latham management team throughout all the challenges that have been thrown at industry over the last few years including Brexit and effects of the pandemic which prevail.

For management purposes, the group is organised into one trading entity, importing and distribution of wood based and related materials, carried out in each of the fourteen locations trading in the United Kingdom and the Republic of Ireland. Within this one segment performance in terms of revenue and trading margin of the main product types are considered below. The separate segment of timber processing, through Dresser Mouldings, is considered immaterial and not separately disclosed.

The group's strategy continues to be to target specific market sectors on both added value, core and premium grade product and to provide product solutions for our customers.

We continue to develop our range of certified Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) products. Product of Verified Legal Origin (VLO) is also purchased. Our supplier procurement strategy is largely based on the Timber Trade Federation (TTF) Responsible Purchasing Policy (RPP). Any supplier who does not meet this criteria will not be considered.

Market place

The group's business is widely spread throughout many sectors of the UK economy.

Market sector	Customer group	Lathams sales value %	
		2021	2020
Construction/housing	Merchants	17	14
	Joiners	25	27
	Builders	4	5
	Kitchen manufacturers	5	5
	Door manufacturers	4	4
Retail	Shopfitters	3	4
	Laminators/Veneerers	4	5
	Furniture manufacturers	6	6
Transport	Vehicle builders/Van liners	1	2
Exhibitions	Exhibition fitters	1	2
Cash sales		11	8
Other importers		8	7
Other sectors		11	11
	TOTAL	100	100

End products are used in both the public and private sectors. Our top ten customers account for 9% (2020: 9%) of sales and our top 25 customers represent 14% (2020: 14%) of sales.

Rothwell Robinson for the British Antarctic Survey

James Latham has been supplying Rothwell Robinson with sheet materials for every BAS job since their first order in 1997. This year we have supplied pre-cut Birch Plywood sheets for a prefabricated research station just inside the Antarctic circle. Since the first job, they've carried out around 40 BAS projects and we've supplied them all. An impressive tally for a prestigious client – and surely a definite contender for 'longest distance travelled' for any Lathams product!



Strategic Report

Financial Review

Introduction

This report provides a commentary on how the group has performed against the financial objectives during this year, together with a review of its financial risks.

Financial objectives

The board of directors remain committed to the long term improvement in shareholder value and have set ourselves these financial objectives to help achieve this.

- **Improving profitability by maximising gross margins, whilst remaining competitive;**

Gross margins have improved from 17.6% to 18.0% with margins increasing through the year. Cost prices have risen 7.3% this year with the majority of this rise occurring in the second half of the year. The balance between maximising margins and remaining competitive remains difficult, especially with the increasing cost of delivery, but by maintaining service levels and having specialist product managers in both commodity and niche products helps us maintain competitive margins. Both revenue and margins showed growth and so I believe we have achieved this objective.

- **Identifying expansion and acquisition opportunities, where the return on capital is at least equal to that of the existing group.**

Due to the COVID-19 pandemic, we concentrated on developing our existing businesses for most of this financial year. In March 2021, we expanded our LDT operation into Ireland, opening up a new warehouse north of Dublin, to sell timber packs to the merchant sector.

- **Controlling cashflows to maximise cash available for the business and shareholders.**

This year the focus was on stock control and debtors days which were more challenging at the beginning of the financial year due to the COVID-19 pandemic and at the end of the financial year due to global supply issues.

- **Identifying and managing risks, with particular emphasis on the pension scheme liability.**

Risks are considered at the Audit Committee meeting and at board meetings at all levels throughout the group. The risk register is a dynamic document where we monitor new risks and changes in risk. Discussions this year have concentrated on risks associated with COVID-19, potential supply issues caused by Brexit and global supply issues, and Cyber security.

- **Maintaining dividend cover at between 2.5 times and 4 times earnings.**

Dividend cover this year is 3.6 times (2020: 4.1 times).



David Dunmow

Finance Director and Company Secretary

Financial review

A commentary on the group's trading results is set out in the Operating Review on pages 17 to 19, and the key figures are considered below, with emphasis on the financial results.

Operating profit

Revenues increased by 1.3% to £250.2m. The first quarter of the year showed significant reductions in revenues due to the COVID-19 pandemic, but overall like for like volumes have increased by 6.6% and prices have risen by 7.3%. The largest increases in volumes were in commodity products with a lower cost per m3 compared with our value added products. The board remained focussed on managing margins to enable us to remain competitive in commodity products but grow margins in our focus products and other products where there are market shortages, whilst still maintaining our service levels. Warehouse costs, which are included in the calculation of gross profit, have received continued investment in racking systems and manpower to extend the working day to meet customer demands. Most depots have two or more shifts in their working day, with five depots operating a 24 hour system in order to provide the service that our customers demand.

Costs in each location are monitored closely by the board through the quarterly meetings at each depot, with detailed variance analyses being provided.

Operating profit increased 19.0% to £19.0m from £16.0m last year. Group net profit before taxation increased to £18.6m from £15.7m last year.

Taxation

Our strategy in managing and controlling our tax affairs is to ensure compliance with all applicable rules, legislation and regulations under which we operate. We maintain an open and co-operative relationship with the UK and Irish Tax Authorities, and pay the correct amount of tax as it falls due. Our tax strategy document is available on the James Latham plc Investor page under Corporate Governance.

The taxation charge of £3.6m represents an effective rate of 19.4%, compared with 20.3% last year. The group's profits arise mainly in the UK and the group's tax charge will reflect the UK corporation tax rate, currently 19.0%. The UK government is expected to confirm that the UK corporation tax rate will rise to 25% with effect from 1 April 2023 which could add over £1m to our annual tax bill.

Pension scheme

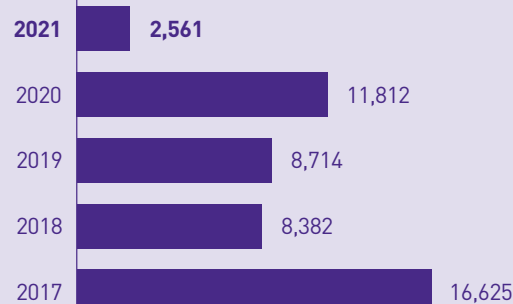
At 31 March 2021 the deficit of the defined benefit scheme under International Financial Reporting Standards was £2.6m compared with £11.8m last year. Discount rates, represented by yields on corporate bonds reduced to 2.1% from 2.4%. Assets under management, especially equities, recovered after the large market movements seen at the end of the last financial year caused by the COVID-19 pandemic. Total assets have grown £10.6m. In note 20.2 to the

accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility.

The triennial valuation was concluded during the year. The actuarial deficit at 31 March 2020 increased to £25m and, having taken into account post valuation experience with the recovery of market valuations, the Trustees agreed a deficit recovery plan of £3m a year to start 1 April 2021.

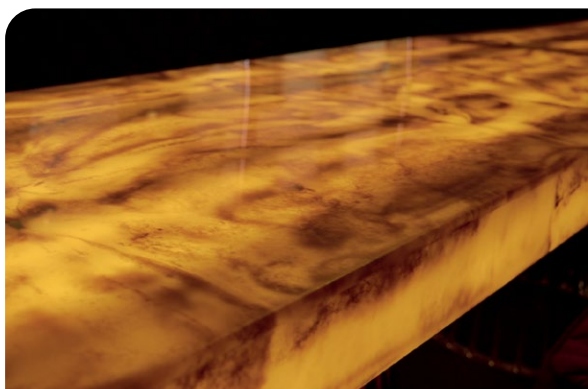
The group is constantly assessing the risks in the pension scheme, and this year has maintained a cap on pensionable salary increases to a maximum of 1% over CPI.

Gross IAS19 deficit £000's



NHS Nightingale Hospitals

A number of James Latham products were used during the emergency roll out of Nightingale Hospitals in response to the Covid pandemic. Ranging from Antimicrobial, thermoformable laminates such as Kydex for over-bed tables and patient bays (in all over 50 tonnes of Kydex was used!), to Flame retardant and acoustic door blanks for the temporary wards and corridors and on to Non-slip Buffalo Board to transform the turf playing surfaces of national stadiums into temporary hospital floors, Latham products were specified and installed extensively.



Modern Artisans create a masterpiece in London

Whilst our customer Solid Surface London used a number of our products during the fit out of a prestigious bar and restaurant in London, it is the extensive use of Aristech Studio Collection architectural resin in Honey Onyx that steals the show. Constructed by hand from many parts, then thermoformed and assembled using hidden joints, the 4m illuminated dining table in the private lounge looks like one long slab of glowing lava. Matching risers in the staircases and washing facilities in the restrooms really make this project unique.

Cash flow and working capital

At the end of the year cash balances of £28.6m were held, up from £17.0m last year. The cash is being held as short term deposits providing funds for short term working capital fluctuations and allowing us to make capital investments when opportunities arise. This increase in cash levels occurred at the start of the financial year as we collected pre pandemic debts from customers but were purchasing less inventory. This position was maintained during the year as we continued to control our working capital requirements. Interest rates have remained low throughout the year so we have continued to use our cash to obtain cash settlement terms with most of our major suppliers allowing us to earn £1,772,000 of discounts received compared with £1,599,000 last year.

Control of cash flow from customers is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, has reduced from 51.4 days to 49.0 days. Bad debts this year were minimal against a budget of 0.4%, and last year of 0.2%. We work very closely with our credit insurers to ensure that as many of our major accounts as possible are covered. At the year end we had 94.5% of accounts owing over £40,000 covered by credit insurance. During the year the UK government put in place COVID credit insurance cover to provide additional support during the pandemic. This will come to an end in June 2021 but I am pleased that the vast majority of these limits are now covered under our normal policy.

Stock turnover targets are set and monitored on a monthly basis. Senior management and all staff responsible for product areas have access to real time stock levels and targets. We have improved our Supply Chain Team to improve stock turn and provide more efficient routes of supply. During this year they had to control stocks coming in at the start of the financial year due to the significant decline in turnover, and then control these stock levels during the recovery in the midst of global supply issues and Brexit. At 31 March 2021 stock turn is 5.6 times compared with our target of 6.5 times. This increased stock is partly due to the investment of £1m in additional timber stocks in Dublin for the new LDT Ireland operation which started in March 2021. In addition the global supply issues have meant that our products are taking much longer to arrive in the UK and then taking longer to clear the ports. There were no significant overstocked areas giving any concern to us at the year end.

Good stock and debtor control has allowed 115% (2020: 86%) of profit before tax to be available as free cash for investment and distribution.

Cash and Cash Equivalents

2021	28,618
2020	16,950
2019	15,541
2018	13,989
2017	17,246



Hardwood stocks.

Capital investment

At the start of the financial year until the end of June 2020, all capital investments decisions were put on hold whilst we assessed the state of the market due to the COVID-19 pandemic. We completed the warehouse and office project at Gateshead and started a project to replace and improve the racking at Thurrock. In addition we moved all our IT infrastructure onto a new improved platform and provided updated equipment to all the depots.

Net assets at the year end were £121.8m (2020: £104.3m). The group's pre-tax return on capital for the year was 19.2% (2020 15.9%), which continues to be above our weighted average cost of capital.

Financial risk management

In the course of our business, the group is exposed to currency risk, interest rate risk, liquidity risk and credit risk. The overall aim of the group's financial risk management strategy is to mitigate any potential negative effects on the group's assets and profitability. The group manages these risks in accordance with group policies.

As the group trades predominantly in the UK, the market price of our products tends to fluctuate in line with currency spot prices. Speculative positions on currencies are not entered into. Our LDT division can have stock tied up in kilns for six to nine months, and we enter into

currency swaps to ensure that this stock is costed at spot price when it becomes available for sale. We will also enter into forward currency agreements to cover where customers are quoted a particular exchange rate.

The cash deposits and available bank facilities reduce our liquidity risk. Cash flow forecasts are monitored against actual cash flows to ensure that adequate facilities are maintained to meet the future needs of the business. The board reviews re-forecasted profits and cash flows on a quarterly basis.

Insurance products and external credit reference agencies help reduce our credit risk.

The Audit Committee reviews the group's risk register as part of its regular monitoring process.

I am very grateful for all the work that all my Head Office team has put in this year. For the whole of this financial year my team has been working from home, and there has been no disruption to the service they provide, both to customers and suppliers, and to our depots, in the most trying of circumstances.

David Dunmow
Finance Director

Corporate Governance

Corporate Governance Report

I believe that good corporate governance, involving risk appraisal and management, prudent decision making, communication with shareholders and other stakeholders and business efficiency, is important for the long term benefit of the stakeholders in our group. As a board we have considered the 10 Principles of Corporate Governance contained within the Quoted Companies Alliance Corporate Governance Code 2018, and show below how we have applied these principles. I am responsible for ensuring that the group conducts its business paying due regard to each of the 10 principles. These principles have been communicated to the rest of the board through training and discussion at board meetings, and each board member is responsible for ensuring that the message passes down to all our employees.

The 10 Principles are split into three areas, **Deliver Growth, Maintain a Dynamic Management Framework and Build Trust**. I can confirm that we have complied with all the Principles throughout the year.

The four Principles on Delivering Growth are considered within the Strategic Report starting on page 4.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5 – Maintain the board as a well-functioning, balanced team led by the chair.

The Board of Directors

The company is currently governed by a board of directors consisting of myself as Chairman, three executive directors and two non-executive directors. Each director has a vote and no individual or small group of individuals dominates the board's decision making.

In the year to 31 March 2021, the board met 6 times, with all directors attending each meeting. Due to the COVID-19 pandemic, all the board meetings were held via video conferencing and these proved just as effective as face to face meetings. In addition conference calls are held where matters which cannot wait for the next board meeting can be discussed.

The non-executive directors are Fabian French and Paula Kerrigan. I consider that all non-executives are independent. In addition to the scheduled meetings, the non-executives virtually attended the group annual operational budget and strategy meeting, as well as making individual visits to operational sites.

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The directors' biographies are shown on page 27. Each executive director has many years experience within the Latham organisation at all levels. Each director has agreed responsibilities on the board, covering all aspects of the business including sales, procurement, operations, finance, HR and IT. As well as responsibilities to the plc board, each director is actively involved in the running of the Lathams Limited and Abbey Woods business, the company's trading subsidiaries, and keep their skill sets up to date by training, discussions on market trends with customers and suppliers and involvement with trade and environmental organisations. I believe the board works well together, challenging each other to constantly improve and move forward.

Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

Each director has a detailed job description showing their responsibilities on the board. I have regular meetings with each director to discuss the progress in the areas they are responsible for, and consider whether any further development or mentoring needs are necessary. Each director is subject to the formal appraisal process used throughout the group and my appraisal is performed by the non-executive directors.

As a board we periodically review the running of the board, led by the non executive directors, to consider the effectiveness of the board and whether there are any gaps in skills on the board. This is mainly on an ad-hoc basis where major decisions are being made to ensure that the board has the skills to make informed judgements. Succession planning is key so that no member of the board becomes indispensable and has been a major focus of the board this year.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.

Our core values are Integrity, Shareholder Value, Empowerment, Sustainability and Customer Focus. The company and the Latham brand is well respected in its industry and amongst its customers and suppliers for its principled trading policies and its integrity. As such it is important for us to have a corporate culture based on these ethical values and behaviours. The annual report contains reports on corporate responsibility including environmental, health and safety, audit and remuneration committee reports and reports on our attitudes to risk.



Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The board has a formal schedule of matters referred to it for decision, with at least one specific strategy meeting being held each year. Agendas and board packs are discussed and circulated in advance of the meetings to ensure that all directors have adequate time to research and take part in discussions on the key issues, as well as giving the non-executive directors time to add matters of their particular interest to the agenda.

The board is responsible for group strategy, corporate responsibility including health and safety and environmental issues, acquisition policy, bribery policy, approval of major capital expenditure and monitoring the key operational and financial risks. It also reviews the strategy and budgets for the trading subsidiaries and monitors the progress towards their long term objectives. All directors have access to the company secretary or to independent professional advice, if required, at the company's expense.

New directors receive training from the company NOMAD on their responsibilities under the AIM rules. Key financial information is circulated to directors on a monthly basis outside of the board meetings.

The board has decided that the directors will retire by rotation and the executive directors will be re-elected at least every three years.

The Audit Committee

The The Audit Committee is chaired by Fabian French, and includes Paula Kerrigan and Andrew Wright. David Dunmow also attends the meetings of the committee. The committee meets at least three times a year to review internal controls and the risk register within the group, and receive reports from the external auditors and reports of internal audit tests carried out during the year. The duties of the audit committee include, on behalf of the board, a review of effectiveness of the group's financial reporting and internal control policies, and procedures for the identification, assessment and reporting of risk.

It also keeps under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor, including recommending their re-appointment to the board. This includes a review of the non-audit work performed to ensure that such work would not impair their independence or objectivity in carrying out the audit. Once a year the auditor meets with the non-executive directors only.

The group has established procedures whereby employees of the group may, in confidence, raise concerns relating to matters of potential fraud or other improprieties. These procedures also cover other issues affecting employees including health and safety issues. The audit committee is confident that these 'whistleblowing' arrangements are satisfactory and will enable the proportionate and independent investigation of such matters and appropriate follow-up action to be taken.

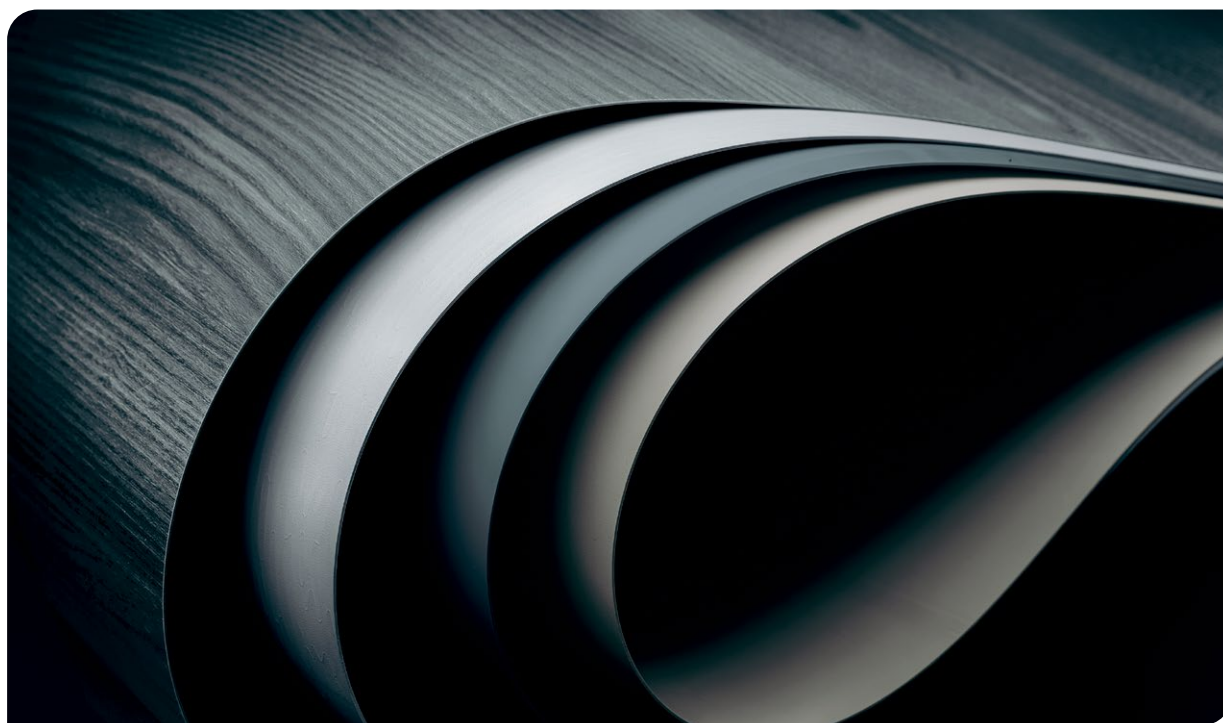
Remuneration and Nominations Committee

The Remuneration and Nominations Committee, which meets twice a year, comprises Paula Kerrigan as Chairman and Fabian French. The meetings were attended by Nick Latham and David Dunmow who provide information to the Committee when required.

The main function of the Committee is to make recommendations to the board regarding the group's policy on the remuneration and conditions of employment of the executive directors of the group, and, where appropriate, senior management, and includes considering nominations to the board. Over the course of the year the committee also considered group diversity including the gender pay gap and succession planning.

The Committee has access to professional remuneration advice from outside of the company.

The Remuneration and Nominations Committee report is contained on page 28.



AE Core can be thermoformed or vacuum formed to almost any desired shape.

BUILD TRUST

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The directors have a commitment to best practice in the group's external financial reporting in order to present a balanced and comprehensive assessment of the group's financial position and prospects to its shareholders, employees, customers, suppliers and other third parties. This commitment encompasses all published information including but not limited to the year end and half yearly accounts, regulatory news announcements and other public information.

The published annual report contain reports of the Audit and Remuneration and Nomination Committees.

The published information is held on our investor website at www.latham.co.uk as well as historical financial and meeting information.

Procedures for identifying, quantifying and managing the risks, financial or otherwise, faced by the group have been in place throughout the year under review. The processes

for identifying and managing the key risks to the business are communicated regularly to all staff, who are made aware of the areas for which they are responsible. Such processes include strategic planning, maintenance and review of a risk register, the appointment of appropriately qualified staff, regular reporting and monitoring of performance against budgets and other performance targets, and effective control over capital expenditure.

The board has established systems of internal control as appropriate for the size of the group. The day to day operation of the system of internal control is under the control of executive directors and senior management. The system is designed to manage rather than eliminate risk. Any system of internal control can however only provide reasonable, but not absolute, assurance against material misstatement and loss. No material breaches of internal controls were reported during the year.

The directors confirm that they have reviewed the effectiveness of the system of internal control for the year under review and to the date of approval of the Annual Report and Accounts through the monitoring process described above.

Nick Latham
Chairman

23 June 2021

Directors' biographies

Nick Latham BSc *Chairman*

Nick Latham, age 53 has worked in the company for 29 years and was appointed to the board in 2007. He is a director of Latham's Limited and provides advice to the Remuneration Committee. He sits on the main board of the Timber Research and Development Association and is a board director of Timber Development UK (TDUK).

David Dunmow BSc FCA

Finance Director and Company Secretary

David Dunmow, age 57, has worked in the company for 27 years and was appointed to the board as Finance Director in 2000. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is a director of Latham's Limited and Abbey Wood Agencies Limited, and provides advice to the Audit and Remuneration Committees. He is a former treasurer of the Timber Trade Federation. He is a Trustee of the James Latham plc Pension and Assurance Scheme.

Andrew Wright *Managing Director*

Andrew Wright, age 56, has worked in the company for 20 years and was appointed to the board in 2015 and was made Managing Director on 1 April 2019. He is a director of Latham's Limited and sits on the Audit Committee.

Piers Latham BSc *Executive Director*

Piers Latham, age 50 has worked in the company for 28 years and was appointed to the board in 2014. He is a director of Latham's Limited, and Chairman of the Trustees of the James Latham plc Pension and Assurance Scheme.

Fabian French MA *Non-Executive Director*

Fabian French, age 62, was appointed a non-executive director in 2015. He chairs the Audit Committee and sits on the Remuneration and Nominations committee. He is a qualified solicitor and worked in corporate finance for major investment banks. He is a director of CCRTM Ltd and Trebartha Hydro Ltd, and is a previous director of Mithras Investment Trust plc.

Paula Kerrigan *Non-Executive Director*

Paula Kerrigan, age 49, was appointed a non-executive director in 2017. She has a wide variety of public company experience and is currently Group Strategy and Transformation Director at Greene King. She sits on the Audit Committee and the Remuneration and Nominations Committee. She has previously held senior strategy and transformation roles at SuperGroup plc and the Co-operative Group. Prior to that she spent 15 years at Kingfisher plc where she held a variety of roles including Finance and Strategy Director for B&Q in Asia and Delivering Value Director for B&Q in the UK.



Nick Latham



David Dunmow



Andrew Wright



Piers Latham



Fabian French



Paula Kerrigan

Registrars

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8FB

Bankers

Royal Bank of Scotland
Major Corporate Banking
280 Bishopsgate
London EC2M 4RB

Clydesdale Bank Corporate and Structured Finance
15th Floor
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AB

Stockbrokers and Nominated Adviser

SP Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London W1S 2PP

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Registered Office

James Latham plc
Unit 3
Swallow Park
Finway Road
Hemel Hempstead
Herts HP2 7QU

Registered Number 65619
Registered in England and Wales

This report has been compiled by the company's Remuneration and Nominations Committee and sets out the company's remuneration policies for its key directors.

Remuneration Policy

The remuneration policy aims to ensure that executive directors are fairly rewarded for their individual contributions to the performance of the group, with due regard for the interests of shareholders in achieving long term growth for the company.

The remuneration package consists of basic salary, benefits (comprising car and private medical provision), pensions, annual bonus schemes, share option schemes and life assurance cover of 4 times gross salary.

Pay rises for group employees are considered once a year, to apply from 1 December. The Remuneration Committee sets an overall maximum percentage pay rise, based on cost of living increases plus awards for promotion where relevant. The executive directors have their pay rises based on the same criteria as all other employees.

Performance related bonuses

Annual bonuses can be earned by executive directors for the achievement of specific financial performance targets set by the group's board of directors and agreed by the remuneration committee. The criterion on which the executive directors' bonuses were based in 2021 was the achievement of £15,425,000 operating profit, as measured in the depots management accounts, an increase of 3.7% over the previous year's targets. Maximum bonuses of 19.5% of basic salary are paid on achieving 120% of the target operating profit. The minimum bonus level is 1.3% paid on achieving 90% of target operating profit, below which nothing is earned. This year 137.2% of the target operating profit was achieved earning 19.5% of basic salary. The Remuneration Committee has agreed that, following a benchmarking exercise, for the year ended 31 March 2022 the bonus will be based on achievement of target profits, with the maximum bonus increasing to 35% of basic salary on achieving 130% of target profits. In addition a Group Bonus scheme pays out a bonus to all eligible members of staff, subject to achieving a minimum level of group profits. This year the scheme is paying 5.05% of basic salary to 421 eligible employees.

None of the bonus schemes applicable to directors are affected by share price appreciation or depreciation. The directors participate in the company share option schemes, and details of any gains made on options exercised during the year are shown on pages 30 and 31.

Pension Scheme

The executive directors are members of the James Latham plc Pension and Assurance Scheme which is a final salary scheme. The directors are required to contribute 8% of pensionable salary. In 2003 the definition of pensionable salary was amended to exclude bonuses, and increases in pensionable salary would be restricted to a maximum of Consumer Price Inflation plus 1%.

Service Contracts

Following a review by the board of directors in 1996, the service contracts of executive directors were amended to incorporate a rolling 2 year notice period. This was considered by the board of directors to be a significant but reasonable reduction in their original 5 year contracts. In 2004, the directors agreed that any service contracts issued to new directors would be subject to a minimum 6 month notice period.

Executive director's contracts have no provisions for pre-determined compensation on termination that exceeds two years salary and benefits in kind.

Remuneration of the non-executive directors

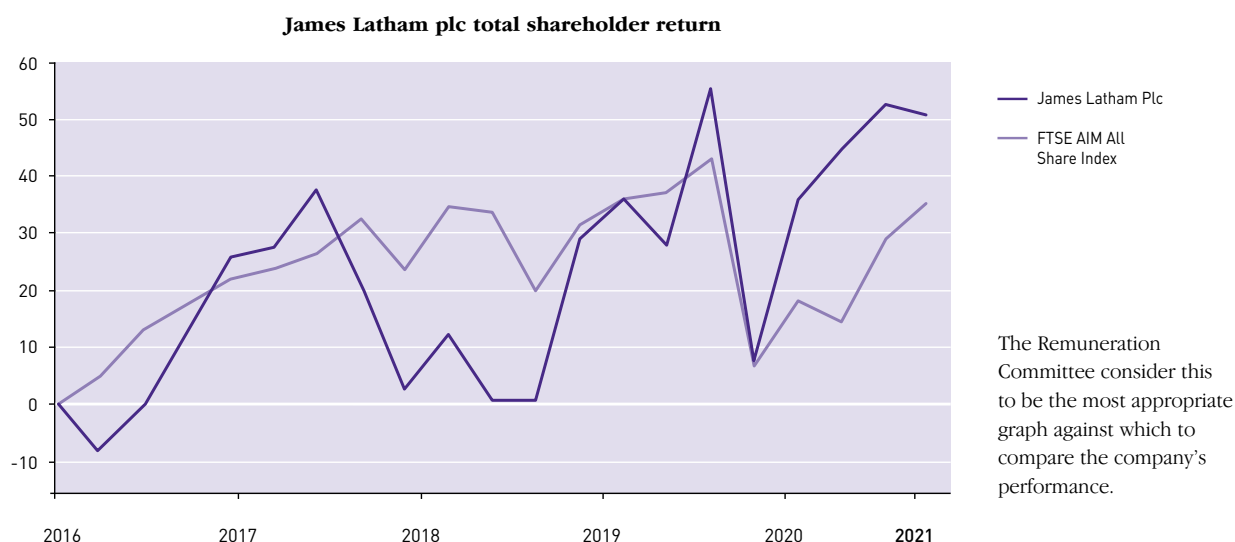
The remuneration of the non-executive directors is determined by the board. The non-executive directors do not receive a pension or other benefits from the group.

COVID-19 effect on the policy

At the start of the financial year there was considerable uncertainty about how the pandemic would affect the results and cash flow of the company and so the executive and non-executive directors voluntarily took a 20% pay cut from 1 April 2020 until 30 June 2020 when the results returned back to previous levels. In December 2020, the Remuneration Committee agreed that as the business had recovered significantly from the first quarter, that these voluntary pay cuts would be repaid to the directors. The decision on bonuses, normally payable in July and August 2020 was delayed until the end of September 2020, when the Remuneration Committee decided that 75% of the bonuses earned would be paid in September 2020 with the remaining 25% carried forward to be paid in July and August 2021. The payment dates for bonuses earned for the year ended 31 March 2021 will return to normal.

Review of past performance

The graph below shows the company's total shareholder return performance against the total shareholder return performance of the AIM All Share Index for the five years ended 31 March 2021.



Directors' emoluments

Details of the individual directors' emoluments for the year were as follows:

		Salary and fees	Benefits	Bonus	Total emoluments excluding pensions	Share based payments	Pension contributions	TOTAL
		£000	£000	£000	£000	£000	£000	£000
Executive								
N.C. Latham	2021	207	1	53	261	3	35	299
	2020	195	1	42	238	2	25	265
D.A. Dunmow	2021	189	15	48	252	3	47	302
	2020	181	15	40	236	2	33	271
P.F. Latham	2021	170	10	44	224	3	30	257
	2020	146	15	34	195	2	21	218
A.G. Wright	2021	181	18	48	247	2	34	283
	2020	160	17	37	214	2	25	240
Non-executive								
P.L.F. French	2021	34	-	-	34	-	-	34
	2020	35	-	-	35	-	-	35
P. Kerrigan	2021	34	-	-	34	-	-	34
	2020	35	-	-	35	-	-	35
Total		815	44	193	1,052	11	146	1,209
2020		752	48	153	953	8	103	1,064

Corporate Governance

Directors' Remuneration Report

Directors' shareholdings

There were no contracts with the company or its subsidiaries during the year in which any of the directors had a material interest, other than their service contracts. The directors' holdings of the share capital at the end of the financial year were as follows:

		31 March 2021		31 March 2020	
Directors		Ordinary shares	Preference shares	Ordinary shares	Preference shares
N.C. Latham	Beneficial owner	639,996	-	638,237	-
D.A. Dunmow	Beneficial owner	138,153	-	136,458	-
P.F. Latham	Beneficial owner	637,002	567	635,312	567
A.G. Wright	Beneficial owner	28,198	-	29,983	-
P.L.F. French	Beneficial owner	370,052	-	370,052	-
P. Kerrigan	Beneficial owner	-	-	-	-

Directors' share option schemes

Save as You Earn Scheme

Participation by the directors in the James Latham plc Save as You Earn Scheme is as follows:

	31 March 2021	31 March 2020
N.C. Latham	2,475	2,475
D.A. Dunmow	2,475	2,475
P.F. Latham	2,475	2,475
A.G. Wright	1,237	1,237

Options were granted on 2 January 2020 at 727p per share, and the options are exercisable on 1 March 2023.

Company Share Option Scheme

Participation by the directors in the James Latham plc Approved Company Share Option Scheme 2008 is as follows:

	Outstanding 1 April 2020	Granted during the year	Exercised	Outstanding 31 March 2021	Exercise price	Exercise period
N.C. Latham	586	-	(586)	-	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	560	-	-	560	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	-	486	-	486	£9.25	16.12.25 to 15.12.30
D.A. Dunmow	586	-	(586)	-	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	560	-	-	560	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	-	486	-	486	£9.25	16.12.25 to 15.12.30
P.F. Latham	586	-	(586)	-	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	560	-	-	560	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	-	486	-	486	£9.25	16.12.25 to 15.12.30
A.G. Wright	707	-	(707)	-	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	560	-	-	560	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	-	486	-	486	£9.25	16.12.25 to 15.12.30

No performance conditions attach to these options. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham made a gain of £1,422 and Mr A.G. Wright made a gain of £2,545 on options exercised during the year.

Paula Kerrigan,
Chairman of the Remuneration Committee

23 June 2021

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2021. In accordance with section 414c(11) of the Companies Act 2006, included in the Strategic Review is the review of financial risk management, carbon emission disclosures, employee policies and engagement policies with suppliers, customers and other stakeholders. This information would have been required by section 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors Report.

Results and dividends

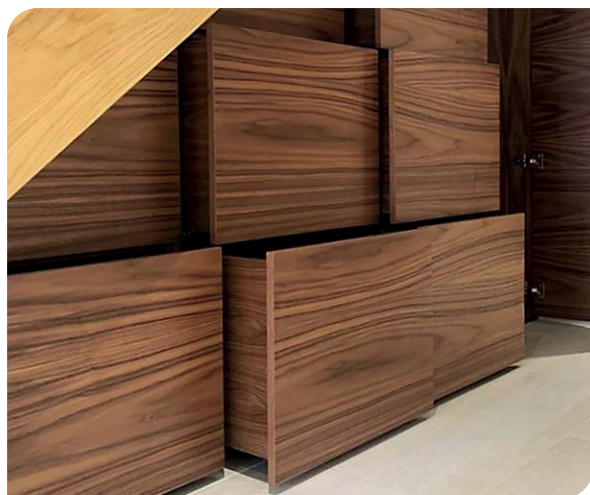
Group results for the year ended 31 March 2021 are set out on page 40. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 5.7 pence (2020: 5.5 pence) per ordinary share	1,133
Final dividend proposed, 15.5 pence (2020: 10.0 pence) per ordinary share	3,082
Total ordinary dividends, 21.2 pence (2020: 15.5 pence) per ordinary share	4,215

The directors recommend payment of the final dividend on 27 August 2021 to shareholders on the register of members at the close of business on 6 August 2021.

Balance sheet and post balance sheet events

The balance sheet on page 42 shows the group's financial position. No significant events have occurred since the balance sheet date.



Real wood veneer understairs storage by Somerville Joinery.

Directors

All directors of the company were directors throughout the year. Each director's biographical details are shown on page 27.

In compliance with the Articles of Association, Fabian French, Paula Kerrigan, David Dunmow and Andrew Wright will retire by rotation and, being eligible, offer themselves for re-election.

Other than their service contracts, no director has a material interest in any contract with the company. Fabian French and Paula Kerrigan, as non-executive directors, do not have a service contract with the company, but each has received a letter of appointment for a two year period. Details of directors' emoluments, pension rights, service contracts and the directors' interests in the ordinary shares of the company are included in the Directors' Remuneration Report on pages 28 to 31.

Article 168 of the company's Articles of Association gives the directors and officers of the company a right to be indemnified out of the assets of the company in respect of any liability incurred in relation to the affairs of the group to the extent the law allows.

The company has undertaken to comply with best practice on approval of directors' conflicts of interest. Under the Companies Act 2006 a director must avoid a situation where there is, or can be, an interest that may conflict with the company's interests. None of the directors had an interest in any contract to which the group was a party during the year.

The company maintained directors' and officers' liability insurance cover throughout the year.

Share capital

Details of the share capital is shown in note 22. Resolutions concerning the ability of the board to purchase the company's own shares and to allot shares and to dis-apply pre-emption rights are again being proposed at the Annual General Meeting.

The investment in own shares is detailed in note 24 on page 70. The company holds 259,200 ordinary shares as treasury shares, with a view to being used for future employee share schemes. In addition the Trustees of the James Latham Employee Benefits Trust holds 10,222 shares with a view to being used for employee share schemes.



Laminate storage.

Share option schemes

On 23 August 2017, the shareholders approved by ordinary resolution the extension of the Save as You Earn scheme for a further 10 years. A 3 year scheme commenced on 1 February 2020 with 193,215 options being issued at an option price of £7.27.

On 21 August 2008, the shareholders approved by special resolution the establishment of the Company Share Option Scheme. During the year 17,226 options were issued at an option price of £9.25. In addition 15,903 options were exercised after being held for five years, 1,307 at an option price of £2.295, 2,017 at an option price of £2.725, 2,423 at an option price of £3.96, 2,510 at an option price of £5.65 and 7,673 at an option price of £6.825.

Employees

The strategic report on page 4 sets out the group's communication policies with our employees and our policy towards disability. This report shows how the directors engage with the group's employees, have regard to their interests and encourage them to contribute to the development of the group's trading and other policies.

Substantial shareholdings

At 23 June 2021, the company had received notification under the Disclosure Transparency Rules that the holdings and voting rights exceeding the 3% notification threshold were as follows:

	Number	%
Peter Latham	1,216,289	6.11
Close Asset Management Ltd	1,015,112	5.10
Robert Latham	684,121	3.44
Nick Latham	639,996	3.22
Piers Latham	637,002	3.29

Suppliers

The group recognises the important part our suppliers play in our trading success, including the development of new products, new markets and meeting our environmental targets. Regular meetings are held at the highest level with our key suppliers to ensure our trading and environmental requirements are understood and forming strategic partnerships to develop the markets.

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. The group's policy is to pay suppliers in accordance with these terms. The group's creditor days at 31 March 2021 were 35 days (2020: 29 days). Payment practices and performance data for Lathams Limited is published <https://check-payment-practices.service.gov.uk/company/00967247/reports>.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with the Guidance on the Going Concern Basis of Accounting and Reporting On Solvency and Liquidity Risks published by the Financial Reporting Council in April 2016.

In arriving at their opinion, the directors considered:-

- The group's cash flow forecasts and revenue projections for the period to 30 June 2022
- Sensitivity of these projections to reasonable changes in trading conditions
- Cash and borrowing facilities available to the group
- Consideration of the principal risks and uncertainties outlined on pages 13 to 15.

Political and charitable donations

During the year the group made no political contributions but made direct donations to various charitable organisations amounting to £16,369 (2020: £15,780). The group also made small donations of our products to a number of good causes and was involved in fund raising activities for the Timber Trades Benevolent Society.

Financial instruments

A summary of the group financial instruments and related disclosures are set out in note 28 to the group accounts and in the Financial Review on pages 20 to 23.

Provision of information to the auditor

In the case of each of the directors who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint RSM UK Audit LLP as the company's auditor and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting. RSM UK Audit LLP has indicated its willingness to continue in office.

Annual General Meeting

Shareholders receive more than 20 working days notice of the Annual General Meeting, where directors will be available for questions and a trading update provided.

The board continues to monitor closely the restrictions caused by the COVID-19 pandemic. Our preference is to welcome shareholders to this year's AGM, especially given that shareholders were prevented from attending last year. Subject to Public Health England guidance the Annual General Meeting will be held at Unit 1, Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on 25 August 2021 at 12.00pm. An announcement will be made to the Stock Exchange should guidance change which places restrictions over the holding of the AGM. Last year all resolutions were passed with over 95% of the votes in favour.

This year the following items are to be proposed as special business, and the board recommends that the shareholders vote in favour of all resolutions put before the meeting.

Resolution 8. Directors authority to allot shares.

This gives the board the power to allot ordinary shares or other securities, up to an aggregate nominal amount of £1,680,000 (or one third of the current ordinary shares).

Resolution 9. Dis-application of pre-emption rights.

The Companies Act 2006 provides that when ordinary shares are being issued for cash, these shares must first be offered to existing shareholders on a pro rata basis. This resolution empowers the board to allot shares not exceeding 5% of the issued share capital, without offering to existing shareholders. The board only anticipates using this power in conjunction with the employee share schemes.

Resolution 10. Authority for the company to purchase its own shares. This gives the board the power to purchase up to 10% of the company's shares at a price not more than 105% of the average of the mid market price for the ten business days preceding the date of the purchase.

On behalf of the Board of Directors

Nick Latham

Chairman

23 June 2021

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

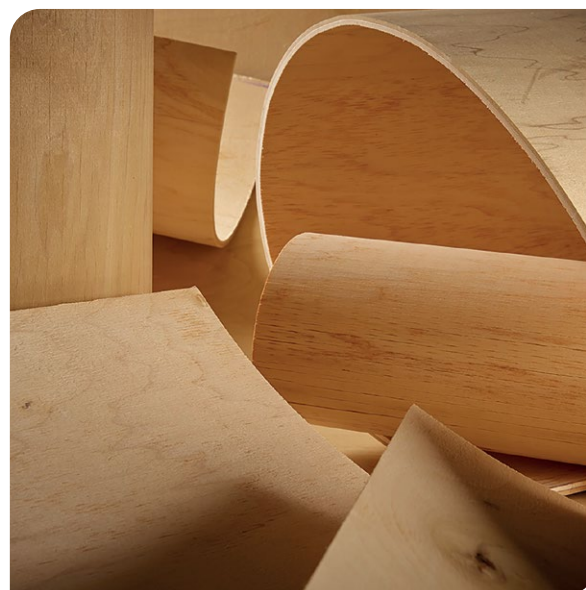
Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Directors have elected under company law to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The group and company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006, to present fairly the financial position and performance of the group and company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.



Flexible Birch Plywood.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the James Latham plc Investors website, www.lathams.co.uk.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board of Directors

Nick Latham
Chairman

23 June 2021

Opinion

We have audited the financial statements of James Latham plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated and company cash flow statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; 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 and parent 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 as applied to listed entities 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's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating managements cash flow forecast for the twelve months from anticipated approval of the financial statements and the results of scenario analysis as well as considering post year end results and cash positions.

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's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	Group
	• Inventory
Materiality	Group <ul style="list-style-type: none">• Overall materiality: £930,000 (2020: £766,000)• Performance materiality: £698,000 (2020: £575,000) Parent Company <ul style="list-style-type: none">• Overall materiality: £401,000 (2020: £384,000)• Performance materiality: £301,000 (2020: £288,000)
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Inventory – stock level and valuation

Key audit matters description

As set out in Note 16, the group carried inventory amounting to £48.3m at 31 March 2021 and details of the accounting policies applicable during the year are set out in note 1.10 and 1.20. The risk exists that inventory quantities may not be supported by the amount of inventory physically held by the Group. Furthermore, the determination of whether inventory will be realised for value less than cost requires management to exercise judgement and apply assumptions. A change in the carrying value of inventory could have a material impact on the financial statements.

How the matter was addressed in the audit

Our audit procedures included attending a sample of the group's year end inventory counts and performing procedures to test the robustness of the count process. We tested a sample of items to confirm that quantities counted had been correctly reflected within the year end inventory figures. In addition, we carried out testing of the weighted average cost calculations for a sample of items held within inventory at 31 March 2021.

To audit the adequacy of the provision against inventory, we reviewed the ageing of inventory at 31 March 2021 by depot compared to the ageing at 31 March 2020 and sought explanations for any significant movements. We have also reviewed the level of provision as at 31 March 2021 compared to the provision at the previous year end to assess whether there had been unexpected changes in provision levels. In addition, we examined post year-end sales to test whether net realisable value was greater than cost and considered the results of this in the context of the year end inventory carrying values.

We also tested cut off of inventory by checking a sample of purchase invoices around the year end to goods received records and a sample of sales invoices around the year end to goods despatched records, and vice versa to determine whether items have been correctly recognised in the appropriate period.

Corporate Governance

Independent Auditor's Report

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£930,000 (2020: £766,000)	£401,000 (2020: £384,000)
Basis for determining overall materiality	5% of profit before tax	4% of net assets
Rationale for benchmark applied	Profit measure used for the trading activities of the Group.	Asset based measure used for the parent company as it holds the investment in subsidiaries has and no trading activities.
Performance materiality	£698,000 (2020: £575,000)	£301,000 (2020: £288,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £46,000 (2020: £38,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £20,000 and (2020: £19,000) misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of three components, all of which are based in the UK and Republic of Ireland. Full scope audits were performed for all three components.

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 our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;

Corporate Governance

Independent Auditor's Report

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
International Accounting Standards in conformity with the requirements of the Companies Act and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors. Inspection of correspondence with local tax authorities. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
UK timber regulations	Inquiry of management. Inspection of board minutes and legal and regulatory correspondence.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or 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: <http://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.

David Clark

Senior Statutory Auditor

For and on behalf of

RSM UK Audit LLP

Statutory Auditor, Chartered Accountants

25 Farringdon Street, London EC4A 4AB

23 June 2021

Financial Statements

Consolidated Income Statement

For the year ended 31 March 2021

£'000s	Notes	2021	2020
Revenue	2	250,162	247,100
Cost of sales (including warehouse costs)	3	(205,060)	(203,656)
Gross profit		45,102	43,444
Selling and distribution costs	3	(17,464)	(19,251)
Administrative expenses	3	(8,598)	(8,196)
Operating profit		19,040	15,997
Finance income	5	11	82
Finance costs	6	(453)	(417)
Profit before tax	3	18,598	15,662
Tax expense	7	(3,616)	(3,181)
Profit after tax attributable to owners of the parent company		14,982	12,481
Earnings per ordinary share (basic)	9	75.4p	63.1p
Earnings per ordinary share (diluted)	9	75.2p	63.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

£'000s	Notes	2021	2020
Profit after tax		14,982	12,481
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit pension scheme		6,717	(4,823)
Deferred tax relating to components of other comprehensive income		(1,276)	916
Foreign translation (charge)/gain		(58)	80
Other comprehensive income for the year, net of tax		5,383	(3,827)
Total comprehensive income attributable to the owners of the parent company		20,365	8,654

Financial Statements

Consolidated and Company Balance Sheet

Company Registration Number 65619

As at 31 March 2021

As at 31 March 2021		Group		Company	
£'000s	Notes	2021	2020	2021	2020
Assets					
Non-current assets					
Investments	10	-	-	9,613	9,613
Goodwill	11	872	872	-	-
Other intangible assets	12	1,655	1,822	-	-
Property, plant and equipment	13	35,342	35,952	18	21
Right-of-use-assets	14	4,064	4,895	791	812
Deferred tax asset	15	534	2,258	23	-
Total non-current assets		42,467	45,799	10,445	10,446
Current assets					
Inventories	16	48,262	44,288	-	-
Trade and other receivables	17	48,003	47,046	3,992	3,221
Cash and cash equivalents		28,618	16,950	168	929
Total current assets		124,883	108,284	4,160	4,150
Total assets		167,350	154,083	14,605	14,596
Current liabilities					
Lease liabilities	14	1,123	1,178	10	13
Trade and other payables	18	34,761	28,686	1,193	1,131
Interest bearing loans and borrowings	19	-	-	1,807	-
Tax payable		-	-	-	-
Total current liabilities		35,884	29,864	3,010	1,144
Non-current liabilities					
Interest bearing loans and borrowings	19	592	592	592	592
Lease liabilities	14	3,137	3,857	799	808
Retirement and other benefit obligation	20	2,561	11,812	-	-
Other payables	21	21	392	-	59
Deferred tax liabilities	15	3,339	3,289	-	15
Total non-current liabilities		9,650	19,942	1,391	1,474
Total liabilities		45,534	49,806	4,401	2,618
Net assets		121,816	104,277	10,204	11,978
Capital and reserves					
Issued capital	22	5,040	5,040	5,040	5,040
Share-based payment reserve	23	167	25	167	25
Own shares	24	(471)	(619)	(471)	(619)
Capital reserve		398	398	395	395
Retained earnings		116,682	99,433	5,073	7,137
Total equity attributable to shareholders of the parent company		121,816	104,277	10,204	11,978

The Company's profit for the year was £1,052,000 (2020: £2,971,000).

These accounts were approved and authorised for issue by the Board of Directors on 23 June 2021 and signed on its behalf by:

N.C. Latham and **D.A. Dunmow** (Directors)

The consolidated notes on pages 46 to 74 form part of these accounts.

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent company					
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	5,430	259	(923)	3	93,427	98,196
Profit for the year	-	-	-	-	12,481	12,481
Other comprehensive income:						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(4,823)	(4,823)
Deferred tax relating to components of other comprehensive income	-	-	-	-	916	916
Foreign translation credit	-	-	-	-	80	80
Total comprehensive income for the year	-	-	-	-	8,654	8,654
Transactions with owners:						
Dividends	-	-	-	-	(3,633)	(3,633)
Exercise of options	-	(253)	(261)	-	1,463	949
Deferred tax on share options	-	(45)	-	-	-	(45)
Purchase of preference shares	5	-	-	-	-	5
Cancellation of preference shares	(395)	-	478	395	(478)	-
Change in investment in ESOP shares	-	-	87	-	-	87
Share-based payment expense	-	64	-	-	-	64
Total transactions with owners	(390)	(234)	304	395	(2,648)	(2,573)
Balance at 31 March 2020	5,040	25	(619)	398	99,433	104,277
Profit for the year	-	-	-	-	14,982	14,982
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	6,717	6,717
Deferred tax relating to components of other comprehensive income	-	-	-	-	(1,276)	(1,276)
Foreign translation charge	-	-	-	-	(58)	(58)
Total comprehensive income for the year	-	-	-	-	20,365	20,365
Transactions with owners:						
Dividends	-	-	-	-	(3,121)	(3,121)
Exercise of options	-	(20)	148	-	5	133
Deferred tax on share options	-	6	-	-	-	6
Share-based payment expense	-	156	-	-	-	156
Total transactions with owners	-	142	148	-	(3,116)	(2,826)
Balance at 31 March 2021	5,040	167	(471)	398	116,682	121,816

Financial Statements

Company Statement of Changes in Equity

	Attributable to owners of the parent company					
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	5,430	259	(923)	-	6,814	11,580
Profit for the year	-	-	-	-	2,971	2,971
Total comprehensive income for the year	-	-	-	-	2,971	2,971
Transactions with owners:						
Dividends	-	-	-	-	(3,633)	(3,633)
Exercise of options	-	(253)	(261)	-	1,463	949
Deferred tax on share options	-	(45)	-	-	-	(45)
Purchase of preference shares	5	-	-	-	-	5
Cancellation of preference shares	(395)	-	478	395	(478)	-
Change in investment in ESOP shares	-	-	87	-	-	87
Share-based payment expense	-	64	-	-	-	64
Total transactions with owners	(390)	(234)	304	395	(2,648)	(2,573)
Balance at 31 March 2020	5,040	25	(619)	395	7,137	11,978
Profit for the year	-	-	-	-	1,052	1,052
Total comprehensive income for the year	-	-	-	-	1,052	1,052
Transactions with owners:						
Dividends	-	-	-	-	(3,121)	(3,121)
Exercise of options	-	(20)	148	-	5	133
Deferred tax on share options	-	6	-	-	-	6
Share-based payment expense	-	156	-	-	-	156
Total transactions with owners	-	142	148	-	(3,116)	(2,826)
Balance at 31 March 2021	5,040	167	(471)	395	5,073	10,204

The share-based payment reserve represents the movements associated with current employee share option schemes.

The own shares reserve represents the cost of shares purchased in the market and held by the James Latham plc Employee Benefits Trust to satisfy options under the Groups share option schemes.

The capital reserve represents the cancellation of the preference shares.

Financial Statements

Consolidated and Company Cash Flow Statement

For the year ended 31 March 2020

For the year ended 31 March 2020		Group		Company	
£'000s	Notes	2021	2020	2021	2020
Net cash flow from operating activities					
Cash generated from operations	25	21,374	13,528	(3,238)	751
Interest paid		(51)	(51)	(48)	(48)
Income tax paid		(3,191)	(3,851)	(3)	(943)
Net cash inflow/(outflow) from operating activities		18,132	9,626	(3,289)	(240)
Cash flows from investing activities					
Interest received and similar income		11	82	5	15
Dividend received		-	-	3,850	4,806
Acquisition of businesses		-	(578)	-	-
Purchase of property, plant and equipment		(1,968)	(3,886)	-	(11)
Proceeds from sale of property, plant and equipment		8	152	-	-
Net cash (outflow)/inflow from investing activities		(1,949)	(4,230)	3,855	4,810
Cash flows from financing activities					
Sale of treasury shares		-	1,036	-	1,036
Lease liability payments		(1,394)	(1,390)	(13)	(18)
Equity dividends paid		(3,121)	(3,633)	(3,121)	(3,633)
Net cash outflow from financing activities		(4,515)	(3,987)	(3,134)	(2,615)
Increase/(decrease) in cash and cash equivalents for the year					
		11,668	1,409	(2,568)	1,955
Cash and cash equivalents at beginning of year					
		16,950	15,541	929	(1,026)
Cash and cash equivalents at end of year					
		28,618	16,950	(1,639)	929
Balance sheet cash and cash equivalents		28,618	16,950	168	929
Bank overdraft in current liabilities (note 19)		-	-	(1,807)	-
Cash and cash equivalents at end of year					
		28,618	16,950	(1,639)	929

Financial Statements

Notes forming part of the Group Accounts

General information

James Latham plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on the AIM market. The nature of the group's operations and its principal activities are set out in the Strategic Review. The address of the registered office is Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated and company accounts have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The accounts have been prepared under the historic cost convention except for forward contract financial instruments measured at fair value. The directors have prepared the financial statements on the going concern basis for the reasons set out on page 34. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

New and amended standards that are effective for the current year

A number of new or amended standards became applicable for the current reporting period and as a result the group and company has applied the following standards:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards.

The above requirements did not have a material impact on the financial statements of the group or company.

New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which are issued but not yet effective or endorsed (unless otherwise stated), have not been applied:

- Amendments to IFRS 16: COVID-19 related rent concessions (effective for periods commencing on or after 1 June 2020).
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform, phase 2 (effective for periods commencing on or after 1 January 2021).

Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the Group or are not expected to have any material impact on the Group or Company's net results or net assets.

(b) Basis of consolidation

The consolidated accounts include the company and all its subsidiary undertakings (from the date of acquisition or to the date of disposal where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 31 March.

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed in the period in which they are incurred.

1.1 Revenue recognition

Revenue comprises net sales to external customers exclusive of Value Added Tax. Revenue is recognised upon delivery to, or collection by, the customer. Revenue is shown net of returns and rebates and after eliminating sales within the group.

For our credit customers, the payment falling will be due under our standard payment terms and any outstanding balance shown in trade receivables.

1.2 Segmental reporting

IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reporting of components of the group that are regularly reviewed by the chief operating decision maker, which the group considers to be the Chairman, to allocate resources to the segments and to assess their performance. Further information is available in note 2.

1.3 Operating profit

Operating profit consists of revenues and other operating income less operating expenses. Operating profit excludes net finance costs.

1.4 Functional and presentational currency

The presentation currency of the Group is Sterling. All Group companies have a functional currency of Sterling (other than Abbey Wood Agencies Limited which has a functional currency of the Euro) consistent with the presentation currency of the Group’s consolidated financial statements.

Amounts presented in these financial statements have been rounded to the nearest £’000.

1.5 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gains or losses arising from the transactions are taken to the income statement.

In order to help manage its exposure to certain foreign exchange risks, the group enters into forward contracts. Gains and losses on forward contracts are recognised at fair value through the income statement.

1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation on property, plant and equipment is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected life.

It is calculated at the following rates:

Freehold buildings	- over 50 years
Leasehold improvements	- over 5 to 15 years
Fixtures and fittings	- over 4 to 10 years
Plant, equipment and vehicles	- over 5 to 20 years

Freehold land is not depreciated.

Estimated residual values and useful lives are reviewed annually and adjusted where necessary.

1.7 Impairment of non-current assets

Goodwill is reviewed annually for impairment. The carrying amounts of the group’s other intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset’s recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value exceeds the recoverable amount, a provision for the impairment loss is established with a charge being made to the income statement.

1.8 Goodwill

Goodwill on consolidation, being the excess of the purchase price over the fair value of the net assets of subsidiary undertakings at the date of acquisition is capitalised in accordance with IFRS 3 (revised) “Business combinations”. Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in a subsequent period.

1.9.1 Intangible assets – Trademark

Acquired trademarks are shown at historical cost. Trademarks are considered to have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of 20 years.

1.9.2 Intangible assets – Customer lists

Acquired customer lists are shown at historical cost. Customer lists are considered to have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of 10 years.

1.10 Inventories

Inventories are stated at the lower of cost (including an appropriate proportion of attributable supplier rebates and discounts) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete or slow moving inventories where appropriate.

The cost of inventories is based on the weighted average principle.

1.11 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become party to the contractual provisions of the instrument. Subsequent measurement of all recognised financial assets within the scope of IFRS 9 are required to be measured at amortised cost or fair value on the basis of the group's business model for managing financial assets and their contractual cash flows. Where assets are measured at fair value, gains and losses are recognised through profit or loss (fair value through profit or loss, "FVTPL").

1.11.1 Trade and other receivables

Trade receivables are classified as financial assets at amortised cost and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment.

The Company's group receivables represent trading balances and interest free amounts advanced to other group companies with no fixed repayment terms. The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming', or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year end which have a detrimental impact on cash flows. In assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of default when the receivable was originally recognised using reasonable and supportable past and forward-looking information that is available. No impairment has been recognised against amounts due from fellow subsidiaries at 31 March 2021 as any expected credit losses are not material.

1.11.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

1.11.3 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1.11.4 Bank borrowings

Interest-bearing bank loans are recorded initially at their fair value, net of direct transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest.

1.11.5 Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

1.11.6 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

1.11.7 Derivative financial instruments

The group's activities expose the entity primarily to foreign currency and interest rate risk. The group uses foreign exchange forward contracts and fixed rate bank loans to help manage these exposures. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Foreign currency forward contracts and fixed rate bank loans are not designated effective hedges and so are marked to market at the balance sheet date, with any gains or losses being taken through the income statement.

1.12 Current and deferred income tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible differences can be utilised.

Deferred tax is calculated at the rates of taxation which are expected to apply when the deferred tax asset or liability is realised or settled, based on the rates of taxation enacted or substantively enacted at the balance sheet date.

1.13 Leased assets

The Group as a Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and lease liability on the balance sheet. A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

Where leases are twelve months or less or of low value, payments made are expensed evenly over the period of the lease.

1.14 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.15 Retirement benefit costs

Retirement benefit costs are accounted for in accordance with IAS 19 (revised) "Employee benefits". Full details of the basis of calculation of the net pension liability disclosed in the balance sheet at 31 March 2021, and of the amounts charged/credited to the income statement and equity, are set out in note 18 to the accounts.

The cost of the defined benefit scheme is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. Past service costs resulting from enhanced benefits are recognised in the income statement on a straight-line basis over the vesting period, or immediately if the benefits have vested. Interest cost represents a net interest cost on the net defined benefit liability. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

Actuarial gains and losses, which represent differences between the expected and actuarial returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in the statement of recognised income and expense in the period in which they occur.

The defined benefit liability recognised in the balance sheet comprises the present value of the benefit obligation, minus any past service costs not yet recognised minus the fair value of the plan assets, if any, at the balance sheet date. The deficit is classified as a non-current liability.

Pension payments to the group's defined contributions schemes are charged to the income statement as they arise.

1.16 Share-based payment

The group has applied the requirements of IFRS 2 “Share-based payment” which requires the fair value of share-based payments to be recognised as an expense.

Certain employees receive remuneration in the form of share options. The fair value of the equity instruments granted is measured on the date at which they are granted by using the Black-Scholes model, and is based on the group’s estimate of the number of options that will eventually vest. The fair value is expensed in the income statement over the vesting period.

1.17 Treasury shares

Treasury shares are shown at historical cost, and deducted from retained earnings directly in equity.

1.18 Employee Share Ownership Plan (ESOP)

Own shares represent the company’s own shares that are held by the group sponsored ESOP trust in relation to the group’s employees share schemes. Own shares are deducted at cost in arriving at shareholders’ equity and gains and losses on their sale or transfer are recognised directly in equity. ESOP is treated separately and consolidated in the group and company accounts.

1.19 Government grants

Grants received from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants in respect of the Coronavirus Job Retention Scheme (“CJRS”) are recognised in the period to which the underlying staff costs relate to. The Group has elected to deduct the amount received in respect of CJRS against the related staff cost expense (see note 4).

1.20 Accounting estimates and judgements

The directors consider the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgements are:

- i. Post-employment benefits
- ii. Stock obsolescence provision
- iii. Leased assets

These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail under their respective notes. For post-employment benefits, the directors take advice from a qualified actuary as shown in note 20. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates.

In determining the recoverable amount of inventories the Directors have to make estimates to arrive at cost and net realisable value. Note 16 shows the estimate for obsolete and slow moving stock which has been made using a consistent approach to all stock lines.

IFRS 16 requires entities to make certain judgements and estimations as to the nature and length of a lease and the appropriate incremental borrowing rate to be applied. Details of leases can be found in note 14.

2. Business and geographical segments

For management purposes, the group is organised into one trading division, that of timber importing and distribution, carried out in each of the twelve locations trading predominantly in the United Kingdom and the Republic of Ireland.

	2021 £'000	2020 £'000
The geographical turnover is as follows:		
Republic of Ireland	8,731	8,702
Rest of Europe	62	80
Rest of the World	47	276
United Kingdom	241,322	238,042
	250,162	247,100

In each location, turnover and gross margin is reviewed separately for Panel Products (including ATP) and Timber (including Flooring and LDT). Most locations sell both products groups, except in the London region where for operational efficiency Panel Products and Timber are sold from separate locations. Resources are allocated and employees incentivised on the basis of the results of their individual location and not on the basis of a product group.

Whilst there are regional differences in the relative importance of product groups and classes of customer, each location is considered to have similar economic characteristics and so can be aggregated into one segment. We therefore consider there is one business segment and one geographic segment.

3. Profit before tax

Profit for the year has been arrived at after taking account the following charges/(credits):

	2021 £'000	2020 £'000
Employee remuneration (note 4)	19,153	19,126
Net foreign exchange (gains)/losses	(292)	30
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement	193,685	192,524
Government grants from furlough scheme (note 4)	(1,195)	-
Depreciation of property, plant and equipment (note 13)	2,576	2,280
Depreciation of right-of-use assets (note 14)	1,290	1,343
Profit on disposal of property, plant and equipment	(6)	(121)
Amortisation (note 12)	167	167
Fees payable to the company's auditors for the audit of the consolidated and parent company accounts	10	10
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiary pursuant to legislation	83	83
Other	9	6
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme	11	11
Other expenses	15,631	15,644
Total cost of sales, Distribution costs and Administrative expenses	231,122	231,103

Financial Statements

Notes forming part of the Group Accounts

4. Information regarding employees

The monthly average number of persons, including directors, employed by the group during the year was as follows:

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
Management and administration	66	65	26	26
Warehousing	161	146	-	-
Selling	137	146	-	-
Distribution	77	75	-	-
	441	432	26	26

The aggregate payroll costs of these employees were as follows:

	£'000	£'000	£'000	£'000
Wages and salaries	16,424	15,511	1,577	1,419
Social security costs	1,695	1,631	181	181
Apprenticeship levy	58	59	6	5
Pension costs	2,015	1,861	3,259	2,255
Government grants from furlough scheme	(1,195)	-	(12)	-
Share-based payment	156	64	156	64
	19,153	19,126	5,167	3,924

Of the above payroll costs, £4,938,000 (2020: £4,803,000) is included in cost of sales, £9,099,000 (2020: £9,859,000) is included in selling and distribution costs, and £5,116,000 (2020: £4,464,000) is included in administrative expenses in the income statement.

The UK government has offered a range of financial support packages to help companies affected by COVID-19. The Group has elected to deduct the grants from the furlough scheme in reporting the related cost of sales, selling and distribution and administrative expenses.

5. Finance income

	2021 £'000	2020 £'000
Interest receivable	11	82

The interest received is on bank deposits.

6. Finance costs	2021	2020
	£'000	£'000
On bank loans and overdrafts	3	3
On pension liability	242	179
Interest on lease liabilities	160	187
On 8% Cumulative Preference shares	48	48
	453	417

The interest payable on bank loans and overdrafts is payable on balances with a maturity analysis of less than 6 months at the balance sheet date and interest on all other interest payments are based on balances with a maturity analysis of over five years at the balance sheet date.

7. Tax expense	2021	2020
	£'000	£'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 19% (2020: 19%)	3,112	2,555
Deferred taxation - post employment benefits	454	366
- change in tax rates	-	117
- other	50	143
	3,616	3,181
Profit before taxation	18,598	15,662
Tax at 19% (2020: 19%)	3,534	2,976
Tax effect of expenses/credits that are not deductible/ taxable in determining taxable profit	59	(93)
IBAs derecognised in current year	(17)	(16)
Change in tax rates	-	117
Other	40	197
Total tax charge	3,616	3,181

The change in tax rates in the previous year is based on the future corporation tax rate increasing from 17% to 19%.

Financial Statements

Notes forming part of the Group Accounts

8. Dividends

	2021		2020	
	£'000	£'000	£'000	£'000
Ordinary dividends:				
Final 10.0p per share paid 4 September 2020 (2019: 12.9p)	1,987		2,541	
Interim 5.7p per share paid 29 January 2021 (2020: 5.5p)	1,134		1,092	
		3,121		3,633

The Directors propose a final dividend for 2021 of 15.5p per share, that, subject to approval by the shareholders, will be paid on 27 August 2021 to shareholders on the register on 6 August 2021.

Based on the number of shares currently in issue, the final dividend for 2021 is expected to absorb £3,082,000.

9. Earnings per ordinary share

Earnings per ordinary share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2021 Number '000	2020 Number '000
Issued ordinary share capital	20,160	20,160
Less: weighted average number of own shares held in treasury	(259)	(359)
Less: weighted average number of own shares held in ESOP Trust	(19)	(20)
Weighted average share capital	19,882	19,781
Add: dilutive effects of share options issued	31	23
Weighted average share capital for diluted earnings per ordinary share calculation	19,913	19,804

10. Fixed asset investments – Company

	Subsidiary undertakings £'000
Shares:	
At 1 April 2019, 2020 and 31 March 2021	9,613

Details of subsidiary companies are given below:

Name	Country of incorporation	Class of shares	Percentage of ownership	Principal activity
Lathams Limited	England and Wales	£1 Ordinary	100%	Importing and distribution of timber and panel products
Abbey Wood Agencies Limited *	Republic of Ireland	€1.27 Ordinary	100%	Importing and distribution of timber and panel products
James Latham Trustee Limited	England and Wales	£1 Ordinary	100%	Corporate Trustee Company
LDT Westerham Limited	England and Wales	£1 Ordinary	100%	Dormant
Bäusen Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Midland and Western) Limited*	England and Wales	£1 Ordinary	100%	Dormant
Advanced Technical Panels Limited*	England and Wales	£1 Ordinary	100%	Dormant
Latham Timber Centres (Bridgwater) Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Warehousing) Limited	England and Wales	£1 Ordinary	100%	Dormant
Dresser Mouldings (Rochdale) Limited*	England and Wales	£1 Ordinary	100%	Dormant

* Indirectly held.

All companies operate within the United Kingdom and the Republic of Ireland and their registered office is at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU.

11. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2019	648
Additions	349
At 1 April 2020	997
Additions	-
At 31 March 2021	997
Impairment	
At 1 April 2019, 31 March 2020 and 31 March 2021	125
Net book value	
At 31 March 2021	872
At 31 March 2020	872
At 31 March 2019	523

Financial Statements

Notes forming part of the Group Accounts

11. Goodwill (continued)

Goodwill of £349,000 arose upon the acquisition of the shares and assets of Dresser Mouldings (Rochdale) Limited. The date of acquisition was 31 October 2019 and was satisfied via net cash consideration of £578,000 and included Property Plant and Equipment acquired of £218,000.

In accordance with the group's accounting policy the carrying value of goodwill is reviewed annually for impairment. The review entails an assessment of the present value of projected return from an asset over a period of 5 years. The discount rate used is 6% (2020: 6%) which is derived from the group's estimated weighted average cost of capital. The key assumptions in the impairment review used a growth rate of 5.5%, (2020: 5%) with a perpetuity rate of 2% (2020: 2%).

The review performed at the year end did not result in the impairment of goodwill as the estimated recoverable amount exceeded the carrying value. No reasonable change in the assumed growth rates would cause an impairment to the assets. The recoverable amount of the cash generating unit to which the goodwill has been allocated is determined based on value-in-use calculations.

12. Intangible assets – Group

	Trademark £'000	Customer Lists £'000	Total £'000
Cost:			
At 1 April 2019, 2020 and 31 March 2021	1	2,016	2,017
Amortisation			
At 1 April 2019	-	28	28
Charge for the year	-	167	167
At 1 April 2020	-	195	195
Charge for the year	-	167	167
At 31 March 2021	-	362	362
Net book value			
At 31 March 2021	1	1,654	1,655
At 31 March 2020	1	1,821	1,822
At 31 March 2019	1	1,988	1,989

The amortisation charge is included in the income statement under administrative expenses.

The registered trademarks of the company are Woodex®, Buffalo® Board and Bausen® Flooring.

The Customer lists relates to the purchase of Abbey Wood Agencies Limited. The cost of the customer lists represents the fair value of the assets at the time of the purchase.

13. Property, plant and equipment

13.1 Group

	Group			
	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:				
At 1 April 2019	28,754	615	17,104	46,473
Additions	944	-	2,942	3,886
Acquisition	-	-	549	549
Disposals	-	-	(1,421)	(1,421)
At 1 April 2020	29,698	615	19,174	49,487
Additions	472	-	1,496	1,968
Disposals	-	-	(174)	(174)
At 31 March 2021	30,170	615	20,496	51,281
Depreciation:				
At 1 April 2019	3,392	399	8,523	12,314
Acquisition	-	-	333	333
Disposals	-	-	(1,392)	(1,392)
Charge for the year	408	38	1,834	2,280
At 1 April 2020	3,800	437	9,298	13,535
Disposals	-	-	(172)	(172)
Charge for the year	501	37	2,038	2,576
At 31 March 2021	4,301	474	11,164	15,939
Net book value				
At 31 March 2021	25,869	141	9,332	35,342
At 31 March 2020	25,898	178	9,876	35,952
At 31 March 2019	25,362	216	8,581	34,159

Included in freehold property is land with a book value of £8,519,000 (2020: £8,519,000) which is not depreciated.

The depreciation charge is included in the income statement as follows:

	2021 £'000	2020 £'000
Cost of sales	1,650	1,427
Selling and distribution costs	789	750
Administrative expenses	137	103
	2,576	2,280

Financial Statements

Notes forming part of the Group Accounts

13.2 Company

Plant, equipment and vehicles
£'000

Cost:

At 1 April 2019

Additions

363

11

374

At 1 April 2020

Additions

-

374

At 31 March 2021

Depreciation:

At 1 April 2019

Charge for the year

350

3

353

At 1 April 2020

Charge for the year

3

356

At 31 March 2021

Net book value

At 31 March 2021

18

At 31 March 2020

21

At 31 March 2019

13

14. Right of use assets and lease liabilities

The Group has leases for some of its building which are made up of some of our depot locations and showrooms. The vehicles are all car leases.

a) Right of use assets

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the balance sheet.

			2021	2020
	No of right-of use assets leased	Range of remaining lease	Average remaining lease	Average remaining lease
Right-of-use assets				
Building	10	1-54 years	8 years	9 years
Vehicles	110	1-4 years	2 years	2 years

At the balance sheet date, there were no leases with extension options or options to purchase the asset at the end of the lease. The review performed at the year end did not result in the impairment of the right-of-use assets.

14. Leases (continued)

Additional information on right-of-use asset by class of assets is as follows:

	Group			Company		
	Property £'000	Vehicles £'000	Total £'000	Property £'000	Vehicles £'000	Total £'000
Cost:						
At 1 April 2019	4,141	831	4,972	816	29	845
Additions	-	246	246	-	-	-
Acquisitions	1,020	-	1,020	-	-	-
At 1 April 2020	5,161	1,077	6,238	816	29	845
Additions	242	217	459	-	-	-
Disposals	-	(97)	(97)	-	-	-
At 31 March 2021	5,403	1,197	6,600	816	29	845
Depreciation:						
At 1 April 2019	-	-	-	-	-	-
Charge for the year	896	447	1,343	15	18	33
At 1 April 2020	896	447	1,343	15	18	33
Charge for the year	903	387	1,290	14	7	21
Disposals	-	(97)	(97)	-	-	-
At 31 March 2021	1,799	737	2,536	29	25	54
Balance sheet value						
At 31 March 2021	3,604	460	4,064	787	4	791
At 31 March 2020	4,265	630	4,895	801	11	812
At 31 March 2019	-	-	-	-	-	-

The depreciation charge is included in the income statement as follows:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cost of sales	903	896	-	-
Selling and distribution costs	321	380	-	-
Administrative expenses	66	67	33	21
	1,290	1,343	33	21

Financial Statements

Notes forming part of the Group Accounts

14. Leases (continued)

b) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current	1,123	1,178	10	13
Non-current	3,137	3,857	799	808
	4,260	5,035	809	821

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2021 is as follows:

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	over 10 years £'000	2021 Total £'000	2020 Total £'000
Lease payments	1,246	1,066	1,003	734	1,337	5,386	6,273
Finance values	(124)	(90)	(148)	(162)	(602)	(1,126)	(1,238)
Net present values	1,122	976	855	572	735	4,260	5,035

At 31 March 2021 the Group had committed to leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced were as follows:

	2021 £'000	2020 £'000
Vehicles	104	245

A total of £1,394,000 (2020: £1,203,000) was paid during the year in respect of lease principal and this is reflected in the statement of cash flows within financing activities

The directors consider that the carrying amount of right of use assets and lease liabilities approximates their fair value.

15. Deferred tax

15.1 Group

The net deferred tax asset/(liability) is made up of the following elements:

	Post-employment benefits £'000	Roll over gains on assets £'000	Other (*) £'000	Intangible assets £'000	Total £'000
As at 1 April 2019 asset	1,577	-	-	-	1,577
As at 1 April 2019 liability	-	(1,577)	(842)	(343)	(2,762)
(Charge)/credit to the income statement	(366)	-	(183)	40	(509)
Change in tax rates in income statement	174	(185)	(106)	-	(117)
Credit to other comprehensive income and equity	873	-	(55)	-	818
Acquisitions	-	-	(38)	-	(38)
At 31 March 2020 asset	2,258	-	-	-	2,258
At 31 March 2020 liability	-	(1,762)	(1,224)	(303)	(3,289)
Credit/(charge) to the income statement	(454)	-	(39)	(11)	(504)
Charge to other comprehensive income and equity	(1,270)	-	-	-	(1,270)
At 31 March 2021 asset	534	-	-	-	534
At 31 March 2021 liability	-	(1,762)	(1,263)	(314)	(3,339)

* Includes accelerated capital allowances, industrial buildings allowances and trading losses.

15.2 Company

The deferred tax liability is made up as follows:

	Post-employment benefits £'000	Accelerated capital allowances £'000	Total £'000
As at 1 April 2019	94	2	96
Charge to the income statement	(36)	-	(36)
Credit to other comprehensive income and equity	(46)	(29)	(75)
At 31 March 2020	12	(27)	(15)
Credit to the income statement	27	5	32
Credit to other comprehensive income and equity	6	-	6
At 31 March 2021	45	(22)	23

Deferred tax has been calculated using rates that are expected to apply when the asset or liability is expected to be realised or settled, based on rates that were substantively enacted at the balance sheet date.

Financial Statements

Notes forming part of the Group Accounts

16. Inventories

	2021 £'000	2020 £'000
Finished goods and goods for resale	49,376	45,101
Less: provisions for slow moving and obsolete stock	(1,114)	(813)
	48,262	44,288

The inventories impairment charge for the year ended 31 March 2021 was £812,000 (2020: £672,000). Impairment charges reversed during the year were £517,000 (2020: £516,000). The reversal of inventories arises from sales in the year of the slow moving and obsolete stock previously provided for.

Inventories are pledged as securities against bank overdrafts (see note 19).

The Company has no inventory

17. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	44,645	43,545	3	3
Other receivables:				
Other receivables	1,658	1,438	-	2
Amounts owed by subsidiaries	-	-	631	439
Tax receivable	182	103	3,331	2,720
Prepayments	1,518	1,960	27	57
	3,358	3,501	3,989	3,218
	48,003	47,046	3,992	3,221

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The group has recognised an impairment against specifically identified expected credit losses ("ECLs") at year end of £161,000 (2020: £383,000). In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any material ECL's above those specifically identified and so has not recognised any non-specific ECL's in the current year (2020: nil).

At 31 March 2021, £44,215,000 (2020: £42,353,000) of trade and other receivables were denominated in sterling, £2,003,000 (2020: £2,386,000) were denominated in Euros and £85,000 (2020: £244,000) were denominated in US dollars. The Company balances are all denominated in sterling.

Based on the balance sheet value of cash and cash equivalents, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £209,000 (2020: £263,000).

18. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	23,461	20,126	39	53
Other taxation and social security	6,376	5,161	571	685
Amounts owed to subsidiaries	-	-	1	7
Other payables	2,308	1,107	425	268
Accruals and deferred income	2,616	2,292	157	118
	34,761	28,686	1,193	1,131

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 35 days (2020: 29 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2021, £23,392,000 (2020: £17,542,000) of trade and other payables were denominated in sterling, £1,553,000 (2020: £2,041,000) in US dollars, £762,000 (2020: £1,627,000) in Euros and £62,000 (2020: £23,000) in Canadian dollars. The company balances are all denominated in sterling.

Based on the balance sheet value of trade and other payables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £238,000 (2020: £369,000).

19. Interest bearing loans and borrowings

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current liabilities				
Bank overdraft	-	-	1,807	-
	-	-	1,807	-
Non-current liabilities				
Cumulative preference shares of £1 each (note 21)	592	592	592	592
Total	592	592	592	592

The loans and borrowings were all denominated in sterling.

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows.

The cumulative preference shares are held on an ongoing basis and pay dividends at 8% per annum.

Financial Statements

Notes forming part of the Group Accounts

20. Retirement and other benefit obligation

	Group	
	2021 £'000	2020 £'000
Retirement benefit obligations (note 20.2)	2,561	11,812

20.1. Group pension schemes

James Latham plc operates a group contributory defined benefit pension scheme. The scheme is a funded scheme. Benefits are provided based on earnings in the last twelve months before retirement, plus average bonuses received over the last three years. The assets of the scheme are held separately from those of the company. 53% of the assets are invested in equities, with 43% under passive management by Blackrock and 10% in a Multi-Asset Credit fund managed by Wellington. 45% are held in bonds and gilts, with 21% in a Buy and Maintain Fund managed by Mercers, 8% in an Absolute Return Fund managed by Wellington and 8% in an Index Linked fund managed by Blackrock, with the remaining 8% in a HLV Property Fund managed by Aviva and 2% in cash.

The group contributory defined benefit pension scheme is closed to new entrants, and a defined contribution group scheme has been established for the pension provision of all other employees, including those contributing through auto enrolment.

The pension charge for the year for all schemes was £2,015,000 (2020: £1,861,000). Of the charge, £366,000 (2020: £316,000) is included in cost of sales, £948,000 (2020: £946,000) is included in selling and distribution costs, and £701,000 (2020: £599,000) is included in administrative expenses in the income statement.

Contributions are determined by a qualified actuary on a basis of triennial valuations using the projected unit funding method. The most recent available valuation was at 31 March 2020. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed in the 31 March 2020 valuation that the investment return would be 4.1% per annum pre-retirement and 2.5% per annum post-retirement, that the salary increases would average 3.4% per annum and that the present and future pensions would increase at the rate of 3% per annum in respect of service to 1 January 1991. Pensions accruing between 1 January 1991 and 28 February 1999 are required to increase at the greater of: (a) 4%, and (b) 3% on the GMP and 5% on the excess over the GMP. Pensions accruing after 1 March 1999 increase at Limited Price Indexation which has been assumed to average 2.4% in the future. Limited Price Indexation was replaced by the Consumer Price Index (CPI) for payrises occurring after 1 January 2014.

20.2. Group defined benefit pension scheme

The group operates a defined benefit scheme. The current practice of increasing pensions in line with inflation is included in the measurement of the defined benefit obligation.

The defined benefit obligation of £71,364,000 (2020: £69,995,000) includes £18,179,000 (2020: £18,706,000) in relation to active members, £15,042,000 (2020: £15,729,000) in relation to deferred members and £38,143,000 (2020: £35,560,000) in relation to members in retirement.

The retirement benefit liability recognised in the balance sheet is the present value of the defined benefit obligations, less the fair value of the scheme assets, adjusted for past service costs. Actuarial gains and losses are immediately recognised in the statement of other comprehensive income.

	2021 £'000	2020 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	69,995	69,819
Service cost	583	636
Past service cost	142	-
Interest cost	1,641	1,647
Actuarial loss	2,272	279
Benefits paid	(3,243)	(2,361)
Premiums paid	(26)	(25)
Benefit obligation at end of year	71,364	69,995
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	71,364	69,995
Change in scheme assets		
Fair value of scheme assets at beginning of year	58,183	61,105
Interest income	1,399	1,468
Return on plan assets (excluding interest income)	8,989	(4,544)
Employers contributions (incl. employer direct benefit payments)	3,501	2,540
Benefits paid from plan	(3,243)	(2,361)
Expenses paid	(26)	(25)
Fair value of scheme assets at end of year	68,803	58,183
Amounts recognised in the balance sheet		
Present value of funded obligations	71,364	69,995
Fair value of scheme assets	68,803	58,183
Net liability	2,561	11,812

Financial Statements

Notes forming part of the Group Accounts

20.2. Group defined benefit pension scheme (continued)

	2021 £'000	2020 £'000
Components of pension expense		
Current service cost	583	636
Past service cost	142	-
Interest cost	1,641	1,647
Income on plan assets	(1,399)	(1,468)
Total pension expense recognised in the income statement	967	815
Actuarial (gain) immediately recognised	(6,717)	4,823
Total recognised in the statement of other Comprehensive income	(6,717)	4,823
Cumulative amount of actuarial loss immediately recognised	9,650	16,367

	2021	2020
Plan assets		
The asset allocations at the year end were as follows:		
Equities	52.5%	47.5%
Bonds	37.8%	41.8%
Property	8.3%	9.5%
Other	1.5%	1.2%
	100.0%	100.0%

	2021 £'000	2020 £'000
Amounts included in the fair value of assets for		
Equity instruments	36,088	27,640
Bond instruments	25,982	24,332
Property occupied	5,687	5,545
Other assets used	1,046	666
	68,803	58,183

Equity instruments, bond instruments and property occupied are held in pooled investment vehicles with quoted market prices.

20.2. Group defined benefit pension scheme (continued)

	2021	2020
Weighted average assumptions used to determine benefit obligations:		
Discount rate	2.10%	2.40%
Rate of compensation increase	3.80%	3.10%
Inflation (RPI)	3.30%	2.60%
Inflation (CPI)	2.80%	2.10%
Rate of pension increases (CPI capped at 5%)	2.70%	2.15%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	22.5	23.5
Female member age 65 (current life expectancy)	24.6	25.5
Male member age 45 (life expectancy at age 65)	23.8	24.9
Female member age 45 (life expectancy at age 65)	25.8	27.0
Weighted average assumptions used to determine pension expense:		
Discount rate	2.10%	2.40%
Rate of compensation increase	3.80%	3.20%

Sensitivity analysis of the key assumptions

The main exposures of the defined benefit obligations relate to the volatility in the carrying value of the assets and liabilities. The valuation of the scheme's assets is dependant on the volatility of market conditions. The valuation of the scheme's liabilities is dependant on the assumptions used. The sensitivity of the valuation of the liability to changes in the assumptions is shown in the table below:

	Impact on deficit (Decrease)/increase £'000
Discount rate increases by 0.25%	(2,912)
Inflation rate increases by 0.25%	2,213
Life expectancy increases by one year	3,302

History of plan assets and defined benefit obligation

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Present value of defined benefit obligation	71,364	69,995	69,819	66,439	72,992
Fair value of plan assets	68,803	58,183	61,105	58,057	56,367
Net liability	2,561	11,812	8,714	8,382	16,625

Contributions

The group expects to contribute £3,663,000 to the pension scheme for the year ending 31 March 2022.

20.3. Defined contribution pension payments

The group operates a defined contribution scheme managed by Aviva. The group has agreed to match contributions by eligible employees up to a maximum of 7.5%.

Pension contributions paid to the defined contribution scheme for the year totalled £1,280,000 (2020: £1,248,000).

Financial Statements

Notes forming part of the Group Accounts

21. Other payables (non-current liabilities)

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other taxation and social security	-	47	-	7
Other payables	21	345	-	52
	21	392	-	59

22. Share capital

	2021, 2020 and 2019			
	Authorised		Issued	
	Number	£'000	Number	£'000
Ordinary shares of 25 pence each	28,000,000	7,000	20,160,000	5,040

	Authorised		Issued	
	Number	£'000	Number	£'000
8% Cumulative Preference Shares of £1 each				
At 1 April 2019	1,500,000	1,500	987,000	987
Cancelled during the year	-	-	(395,000)	(395)
At 31 March 2020 and 2021	1,500,000	1,500	592,000	592

	2021 £'000	2020 £'000
Share Capital		
Ordinary share capital	5,040	5,040
	5,040	5,040

All issued ordinary shares are fully paid and are freely transferrable. Rights and obligations attaching to the shares are set out in the Company's Articles of Association.

The Preference shares are included in non-current liabilities (as interest bearing loans and borrowings). See note 19.

The Cumulative Preference shares carry the right to receive the 8% dividend in priority to all other shares and the right of a return on assets in priority to all other shares. They do not carry the right to further participate in profits or assets, nor to vote at a General Meeting unless the resolution directly or adversely varies any of their rights or privileges.

There were no movements in the Ordinary share capital of the company in either the year ended 31 March 2021 or 2020.

23. Share-based payment

Equity-settled share option schemes

Details of the share options outstanding during the year are as follows:

	2021		2020	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	273,314	7.18	245,658	5.83
Granted during the year	17,226	9.25	206,128	7.42
Forfeited during the year	(20,677)	7.17	(3,509)	6.92
Exercised during the year	(16,885)	5.30	(174,963)	5.57
Outstanding at the end of the year	252,978	7.45	273,314	7.18

The weighted average share price for options exercised during the year was £9.04 (2020: £8.47).

Details of the options outstanding at 31 March 2021 are shown below. 6,000 (2020: 13,000) of these options were exercisable at the year end.

	2021		2020	
	CSOP	SAYE	CSOP	SAYE
Range of exercise prices	£1.65-£9.65	£7.27	£1.65-£9.65	£7.27
Number of shares	81,093	171,885	80,080	193,234
Weighted average expected remaining life (years)	3.0	1.9	3.0	2.9

The Black-Scholes option model is used to calculate the fair value of the options and the amount to be expensed. No performance conditions apply to any of the share option schemes.

The inputs into the Black-Scholes model, expressed as weighted averages for options granted during the year are as follows:

	2021		2020	
	CSOP	SAYE	CSOP	SAYE
Share price at grant date	£9.25	-	£9.65	£9.08
Option exercise price	£9.25	-	£9.65	£7.27
Expected volatility	64.4%	-	20.0%	19.3%
Option life	5 years	-	5 years	3 years
Risk free interest rate	0.20%	-	0.78%	0.52%
Fair value	£4.91	-	£1.87	£2.30

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 3 years. The option life is based on options being exercised in accordance with usual patterns. Options are forfeited if the employee leaves the group before options vest. For the CSOP scheme, the options can be exercised up to 5 years after the vesting date, and with the SAYE scheme, this period is 6 months. The risk free interest rate is based on 10 year UK Government Bonds.

The group recognised total expenses of £156,000 (2020: £64,000) related to equity settled share-based payment transactions in the year.

Share Incentive Plan

The Company also runs an approved Share Incentive Plan in which eligible employees can buy Partnership Shares at mid-market price on the date of the grant. The shares are held in the employee benefits trust for a 5-year period. The number of shares held in trust of this plan at 31 March 2021 was 155,241 (2020: 161,168).

Financial Statements

Notes forming part of the Group Accounts

24. Own shares

	Ordinary shares £'000	Preference shares £'000	Total £'000
At 1 April 2019			
Cost	445	478	923
Cancellation of treasury shares	-	(478)	(478)
Transfer to employees	174	-	174
At 31 March 2020	619	-	619
Transfer to employees	(148)	-	(148)
At 31 March 2021	471	-	471

The investment in own shares represents 10,222 25p Ordinary shares (2020: 28,246 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.03% (2020: 0.1%) of the issued share capital. The maximum number of shares held during the year was 209,277 (0.16%). Dividends have been waived and all income and expenditure of the trust has been dealt with through the group's income statement. None of these shares have been allocated to employees.

At 31 March 2021 259,200 (2020: 259,200) 25p Ordinary shares were held by the company as Treasury Shares. These shares are held with a view to being used for employee share schemes.

25. Cash generated from operations

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Profit before tax	18,598	15,662	(3,415)	(2,160)
Adjustment for finance income and expense	442	335	20	(15)
Depreciation and amortisation	4,033	3,790	25	22
Profit on disposal of property, plant and equipment	(6)	(121)	-	-
Increase in inventories	(3,974)	(1,659)	-	-
(Increase)/decrease in receivables	(878)	(3,963)	(12)	2,773
Increase/(decrease) in payables	5,779	1,324	(12)	67
Retirement benefits	(2,776)	(1,904)	-	-
Share-based payments non cash amounts	156	64	156	64
Cash generated from operations	21,374	13,528	(3,238)	751

25. Cash generated from operations (continued)

Movement in net funds/(debt)	Cash and cash equivalents £'000	Leases £'000	Preference shares £'000	Total £'000
At 1 April 2019	15,541	(6,238)	(597)	8,706
Cash flow	1,409	1,390	5	2,804
Discount unwind on lease liabilities	-	(187)	-	(187)
At 31 March 2020	16,950	(5,035)	(592)	11,323
Additions in the year	-	(459)	-	-
Cash flow	11,668	1,394	-	13,062
Discount unwind on lease liabilities	-	(160)	-	(160)
Non cash movement on pension scheme liability	-	-	-	-
At 31 March 2021	28,618	(4,260)	(592)	24,225

26. Related party transactions

26.1 Group

The group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the key management of the group, who are the Company's directors, is set out below.

	2021 £'000	2020 £'000
Salaries and other short-term employee benefits	1,052	953
Social security costs	125	119
Pension costs	146	103
Share-based payments	11	8
	1,334	1,183

There are 4 (2020: 4) directors to whom retirement benefits are accruing under defined benefit schemes, and 4 (2020: 4) directors that exercised share options during the year.

Emoluments for the highest paid director totalled £261,000 (2020: £238,000). The highest paid director exercised 586 CSOP share options during the year at a gain of £1,422. The highest paid director had an accrued defined benefit pension of £64,000 (2020: £63,000) at the balance sheet date.

The remuneration of the key management of the group, who are the company's directors is set out above and shown in the Directors' Remuneration Report on pages 28 to 31.

The company undertakes the following transactions with the active subsidiary companies:

- Paying interest totalling £nil (2020: nil).
- Receiving an annual management charge to cover services provided of £2,559,000 (2020: £2,492,000).
- Corporation tax for the Parent and Subsidiary is paid through the parent company and recharged to the subsidiary. The timing of the repayment will affect the balances outstanding.

Details of balances outstanding with subsidiary companies are shown in Notes 17 and 18.

Other than the payment of remuneration, there have been no related party transactions with the directors.

Financial Statements

Notes forming part of the Group Accounts

27. Capital commitments

At 31 March 2021, there were capital commitments contracted for but not provided in the accounts of £2,077,000 (2020: £876,000).

28. Financial instruments

The group and company's activities expose the group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are managed through an effective risk management programme. Further details are set out in the Financial Review on pages 20 to 23.

Maturity analysis

The table below analyses the financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on period outstanding at the balance sheet date up to the contractual maturity date.

GROUP	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2021					
Trade payables	23,461	-	-	-	23,461
Accruals	2,616	-	-	-	2,616
Other payables	2,308	-	21	-	2,329
Lease liabilities	623	623	2,069	2,071	5,386
Total	29,008	623	2,090	2,071	33,792
2020					
Trade payables	20,126	-	-	-	20,126
Accruals	2,292	-	-	-	2,292
Other payables	1,107	-	345	-	1,452
Lease liabilities	665	664	2,843	2,101	6,273
Total	24,190	664	3,188	2,101	30,143

COMPANY	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2021					
Trade payables	39	-	-	-	39
Accruals	157	-	-	-	157
Amounts owed to Subsidiaries	1	-	-	-	1
Other payables	425	-	-	-	425
Lease liabilities	19	15	121	1,488	1,643
Bank overdraft	1,807	-	-	-	1,807
Total	2,448	15	121	1,488	4,072
2020					
Trade payables	53	-	-	-	53
Accruals	118	-	-	-	118
Amounts owed to Subsidiaries	7	-	-	-	7
Other payables	268	-	52	-	320
Lease liabilities	19	19	125	1,518	1,681
Bank overdraft	-	-	-	-	-
Total	465	19	177	1,518	2,179

28. Financial instruments (continued)

Foreign currency risk

Approximately 39% of the group's purchases are denominated in foreign currencies, principally the US dollar and the Euro. Forward contracts are used where we have agreed exchange rates with our customers and we also use other currency derivatives to help manage our short term exposure on a weakening sterling from time to time. However, no more than 30 percent of the currency requirements will be covered by forward contracts or other currency derivatives.

Whilst purchases in foreign currencies are a significant figure, fluctuations in currency exchange rates do not have a major impact on the results. As the group trades mainly in the UK, the market price of our products tends to fluctuate in line with spot prices.

Included in group cash and cash equivalents at 31 March 2021 was £7,000 in US Dollars (2020 £86,000), £244,000 in Euros (2020: £316,000) and £29 in Canadian dollars (2020: £258) at variable interest rates.

Based on the balance sheet value of cash and cash equivalents, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £25,000 (2020: £40,000).

There is no foreign currency held in the company accounts.

Interest rate risk

The interest rate exposure arises mainly from its interest bearing deposits. Deposits held at floating rates expose the entity to cash flow risk whilst deposits held at fixed rate expose the entity to fair value risk.

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed rate instruments				
Cumulative preference shares of £1 each	(592)	(592)	(592)	(592)
Variable rate instruments				
Cash and cash equivalents	28,618	16,950	168	929
Bank overdraft	-	-	1,807	-

Interest rate risk is limited to the cash and cash equivalents, bank overdraft and bank loans.

Based on the balance sheet value of cash and cash equivalents, bank overdraft and bank loans, as shown above, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £286,000 (2020: £170,000) in the group and £20,000 (2020: £9,000) in the company.

Financial Statements

Notes forming part of the Group Accounts

28. Financial instruments (continued)

Credit risk exposure

Credit risk arises on our financial asset investments, trade receivables and cash and cash equivalents. Credit exposure is managed on a group basis taking into account economic conditions and availability of credit insurance, and appropriate credit limits are set for each customer taking into account credit reports received from outside agencies, and previous credit history. Credit insurance is taken out to cover approved individual debtors with balances over £40,000. Where limits are required above £40,000 that cannot be backed by insurance, a sub-committee of the board will review reports on the customer, and agree additional limits if appropriate. Bad debts are a minimal figure of sales this year, compared with our target of 0.4%. Under IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. Also under IFRS 9 the Group has applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customer sectors with different credit risk profiles and current and forecast trading conditions. Bad debts are provided for debts overdue by more than 120 days, or if we have received official paperwork. Debtors are written off when we have either received official paperwork that the customer is no longer trading or have exhausted all avenues of recovery. The carrying amount of financial assets recorded in the accounts, which is net of impairment losses, represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

Financial assets measured at amortised cost	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	44,645	43,545	3	3
Other receivables	1,658	1,438	-	2
Amounts owed by subsidiaries	-	-	631	439
Cash and cash equivalents	28,618	16,950	168	929
Total	74,921	61,933	802	1,373

Liquidity risk

The group closely monitors its cash position to ensure that it has sufficient funds to meet the obligations of the group as they fall due. Short term bank deposits are executed only with organisations with a long term rating of at least A- from the major rating agencies.

The following table shows the financial liabilities measured at amortised cost:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	23,461	20,126	39	53
Other payables	2,329	1,452	425	320
Amounts owed to subsidiaries	-	-	1	7
Accruals	2,616	2,292	157	118
Bank overdraft	-	-	1,807	-
Total	28,406	23,870	2,429	498

Capital management

The group manages its capital risk by ensuring that its capital, which represents share capital, retained earnings, investments in own shares and cash, is sufficient to support the ongoing needs of the business, and is organised to try and minimise the cost of capital over the medium term. The group's current strategy is to maintain sufficient cash balances to satisfy ongoing needs.

Finance income

An analysis of finance income is set out in note 5 to the consolidated accounts.

Finance costs

An analysis of finance costs is set out in note 6 to the consolidated accounts.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty second Annual General Meeting of the Company will be held at Unit 1 Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on Wednesday 25 August 2021 at 12.00pm. Resolutions 1 to 8 inclusive will be proposed as ordinary resolutions, and resolutions 9 and 10 will be proposed as special resolutions.

The board continues to monitor closely the restrictions caused by the COVID-19 pandemic. Our preference is to welcome shareholders to this year's AGM, especially given that shareholders were prevented from attending last year. Subject to Public Health England guidance the Annual General Meeting will be held in person but an announcement will be made to the Stock Exchange should guidance change which places restrictions over the holding of the AGM.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2021 together with the Independent Auditor's report thereon.
2. To declare the final dividend recommended by the directors on the ordinary shares of the Company.
3. To re-elect Fabian French as a director, who retires by rotation.
4. To re-elect Paula Kerrigan as a director, who retires by rotation.
5. To re-elect David Dunmow as a director, who retires by rotation.
6. To re-elect Andrew Wright as a director, who retires by rotation.
7. To re-appoint RSM UK Audit LLP, Chartered Accountants, as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors.

Other business

8. Directors authority to allot shares: To consider, and if thought fit, pass the following resolution: "THAT in substitution for all existing authorities, to the extent unused, the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot equity securities up to an aggregate nominal amount of £1,680,000 provided that this authority shall expire at the earlier of the conclusion of the Company's next Annual General Meeting or 15 months from the date of the passing of this resolution and that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements notwithstanding that the authority conferred has expired. The expression 'equity securities' and 'allotment' shall bear the same meanings respectively given to the same in section 560 Companies Act 2006."
9. Disapplication of pre-emption rights: To consider, and if thought fit, pass the following resolution: "THAT subject to the passing of the previous Resolution 8, pursuant to

section 571 of the Companies Act 2006, section 561 of the Companies Act 2006 shall not apply to any allotment or agreement to allot equity securities pursuant to the authority conferred by Resolution 8:

- (a) this power shall be limited to:
 - (i) the allotment of equity securities in connection with or subject to an offer or invitation, open for acceptance for a period fixed by the Directors, to the holders of Ordinary Shares on the register on a fixed record date in proportion (as nearly as maybe) to their respective holdings or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with the fractional entitlements which would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise how so ever); and
 - (ii) other than pursuant to paragraph (a)(i) of this Resolution, the allotments of equity securities for cash up to an aggregate nominal amount of £252,000; and
 - (b) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date after passing of this Resolution except that the Directors may allot equity securities under this power after that date to satisfy an offer or agreement made before this power expired."
10. Authority of the Company to purchase its own shares: To consider and, if thought fit, pass the following resolution: "THAT the Company be and is generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693 (4) of the Companies Act 2006) of its Ordinary Shares of 25p each provided that:
 - (a) the maximum aggregate number of Ordinary Shares which may be purchased is 2,016,000 (representing 10% of the issued share capital of the Company);
 - (b) the price at which Ordinary Shares may be purchased shall not be more than 105% of the average of the closing middle market price for the Ordinary Shares as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days preceding the date of purchase and shall not be less than 25p per Ordinary Share (in both cases exclusive of expenses); and
 - (c) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date of the passing of this resolution."

By Order of the Board

D.A. Dunmow *Company Secretary*

Registered Office: Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire HP2 7QU

23 June 2021

Notice of Annual General Meeting

Notes:

The Report and Accounts are sent to all members of the Company.

Holders of preference shares are not entitled to be present, either personally or by proxy, or to vote at any general meeting so long as the dividends on such preference shares are regularly paid or unless a resolution is to be proposed for winding up the Company, reducing its capital or selling its undertaking or adversely affecting the rights of the holders of preference shares.

A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

A proxy form is enclosed. To be valid, it must be lodged with the Company's Registrars at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the fixed time for the Meeting.

Copies of directors' contracts of service, the register of interests of directors, the Company's memorandum of association and the articles of association will be available for inspection at the Registered Office during normal business hours from the date of the above notice until the close of the meeting.

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members eligible to vote and entered on the Company's register of members as at 12.00pm on Monday 23 August 2021 are entitled to attend and vote at the meeting; or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the adjourned meeting.

At 23 June 2021, the Company's issued share capital consisted of 20,160,000 shares of which 259,200 shares are held in Treasury. Each share not held in Treasury carries one vote. The total number of voting rights are therefore 19,900,800.

Share dealing service for shareholders

We continue to operate a telephone share dealing service with our registrar, Computershare Investor Services PLC, subject to opening an account at www.computershare.trade, which provides shareholders with a simple way of buying or selling James Latham plc ordinary shares on the London Stock Exchange. The commission is 1% plus £50. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays on telephone number 0370 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. In addition an internet share dealing service is available by logging into your account on www.computershare.trade. The fee for this service will be 1% of the value of each sale or purchase of shares, subject to a minimum of £30. There are no additional charges for limit orders (available for sales only). No stamp duty is currently payable on share transfers. Detailed terms and conditions are available on request, please phone 0370 707 1093.

This is not a recommendation to buy, sell or hold shares in James Latham plc. If you are unsure of what action to take contact a financial adviser authorised under the Financial Conduct and Markets Act 2000. Please note that share values may go down as well as up, which may result in you receiving less than you originally invested.

In so far as this statement constitutes a financial promotion for the share dealing service provided by Computershare Investor Services it has been approved by Computershare Investor Services PLC for the purpose of Section 21(2)(b) of the Financial Conduct and Markets Act 2000 only. Computershare Investor Services PLC is regulated by the Financial Conduct Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

James Latham Locations

1 James Latham Dudley ● ●

T: 01384 234444
F: 01384 233121
E-mail: panels.dudley@lathams.co.uk
timber.dudley@lathams.co.uk

2 James Latham Fareham ● ●

T: 01329 854800
E-mail: panels.fareham@lathams.co.uk
timber.fareham@lathams.co.uk

3 James Latham Gateshead ● ●

T: 0191 469 4211
F: 0191 469 2615
E-mail: panels.gateshead@lathams.co.uk
timber.gateshead@lathams.co.uk

4 James Latham Leeds ● ●

T: 0113 387 0830
F: 0113 387 0855
E-mail: leeds@lathams.co.uk

4 ATP (Advanced Technical Panels) ● ●

T: 0113 387 0850
F: 0113 387 0855
E-mail: atp@lathams.co.uk

5 James Latham Scotland ● ●

T: 01698 838777
F: 01698 831452
Email: scotland@lathams.co.uk

6 James Latham Leicester ● ●

T: 0116 288 9161
F: 0116 281 3806
E-mail: panels.leicester@lathams.co.uk
timber.leicester@lathams.co.uk

7 James Latham Yate ● ●

T: 01454 315421
F: 01454 323488
E-mail: panels.yate@lathams.co.uk
timber.yate@lathams.co.uk

8 James Latham Hemel Hempstead ● ●

T: 01442 849000
F: 01442 239287
E-mail: panels.hemel@lathams.co.uk

9 James Latham Thurrock ● ●

T: 01708 869800
F: 01708 860900
E-mail: panels.thurrock@lathams.co.uk

10 James Latham Purfleet ● ●

T: 01708 864477
F: 01708 862727
E-mail: timber.purfleet@lathams.co.uk

KEY:

- PANEL PRODUCTS
- TIMBER PRODUCTS

Distribution facilities



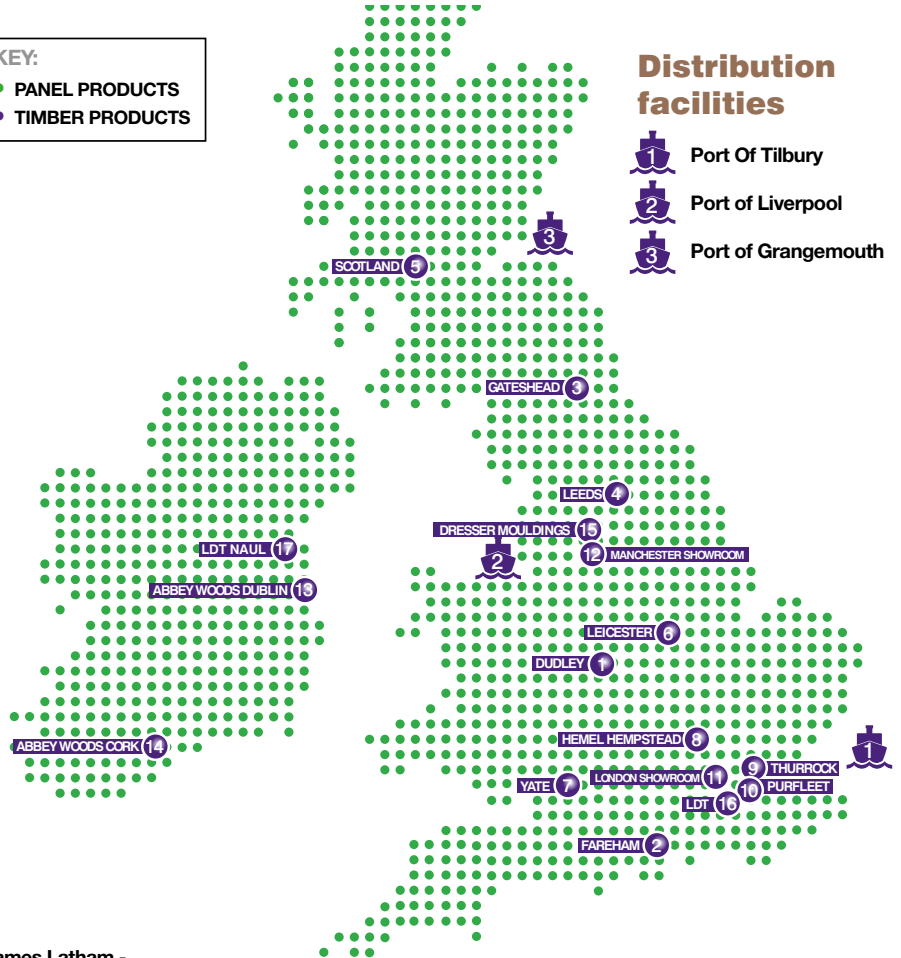
Port Of Tilbury



Port of Liverpool



Port of Grangemouth



11 James Latham - Product Specification Showroom London

Suite 301, Business Design Centre,
52 Upper Street, Islington, N1 0QH
T: 020 7288 6417
E-mail: BDC@lathams.co.uk

12 James Latham - Product Specification Showroom Manchester

31a Tib St, Manchester M4 1LX
T: 0161 537 1185
E-mail: pssm@lathams.co.uk

13 Abbey Woods - Ireland, Dublin ● ●

T: +353 01 839 3435
F: +353 01 832 5968
E-mail: sales@abbeywoods.ie
www.abbeywoods.ie

14 Abbey Woods - Ireland, Co. Cork ● ●

T: +353 021 421 1788
F: +353 021 421 1786
E-mail: sales@abbeywoods.ie
www.abbeywoods.ie

15 Dresser Mouldings ● ●

T: 01706 658900
E-mail: sales@dressermouldings.com
www.dressermouldings.com

16 LDT ● ●

T: 01959 561777
E-mail: LDTSales@directtimber.co.uk
www.directtimber.co.uk

17 LDT Ireland ● ●

E-mail: Pack.Sales@directtimber.com



Responsible
Purchaser



e marketing@lathams.co.uk
www.lathamtimber.co.uk



JAMES LATHAM PLC
Unit 3 Swallow Park Finway Road Hemel Hempstead Herts HP2 7QU
Telephone 01442 849100 Fax 01442 267241 Email: plc@lathams.co.uk
www.lathams.co.uk

Designed by: www.gdadesign.biz	
Printed on: Galerie Satin	
Cover: 300gsm	Text: 150gsm
Containing and supporting:	

