JAMES LATHAM PLC

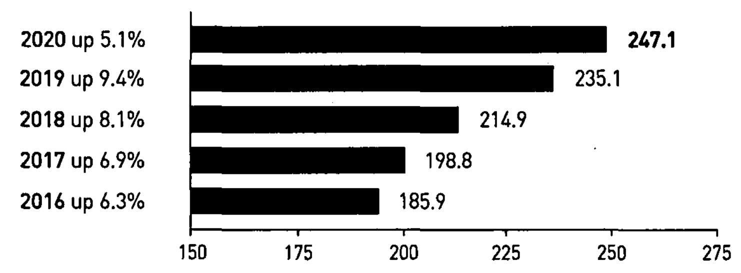
ANNUAL REPORT & ACCOUNTS 2020

Contents

Financial Highlights

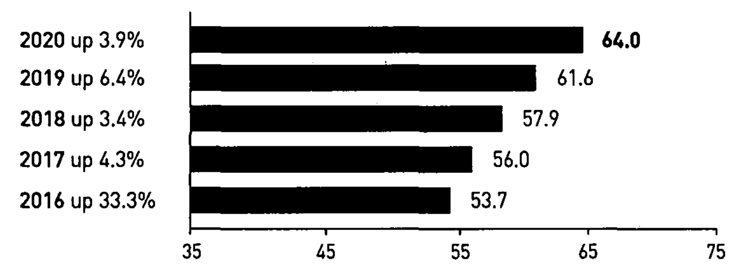
Revenue

£247.1m



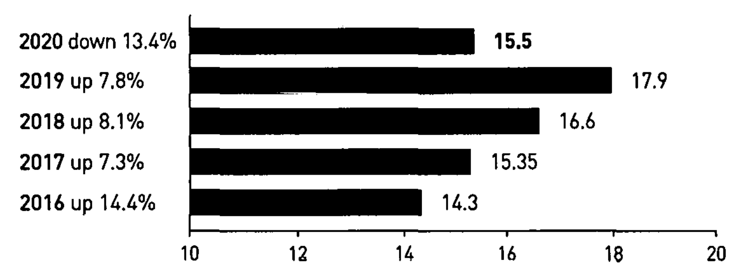
Adjusted earnings per share (see Note 9)

64.0p



Total Dividend per share

15.5p



Adjusted net profit (see Note 9)

£12.7m

Up 4.5%

Equity Shareholders Funds

£104.3m

Up 6.4%

Cash and Cash Equivalents

£17.0m

Up 9.1%

Financial Calendar

Record date for final dividend 2020	7 August 2020
Annual General Meeting 2020	2 September 2020
Payment of final dividend	4 September 2020
Interim 2020/21 results announcement	25 November 2020
Interim dividend expected payment date	22 January 2021
Preliminary announcement of 2020/21 results	23 June 2021
Annual General Meeting 2021	25 August 2021

Chairman's Statement

I am pleased to report good trading results for the financial year to 31 March 2020.

Revenue for the financial year to 31 March 2020 was £247.1m, up 5.1% on last year's £235.1m. Like for like volumes increased by 1.8%, with the growth mainly on delivered business from our own warehouses, with a reduction in direct volumes shipped from the ports or from the manufacturers. The cost price of our products steadily fell throughout the year, ending the year 3.3% lower than the comparative twelve months. Abbey Wood in Ireland has been successfully integrated into the Lathams business and is now starting to provide a useful contribution to the Group's results.

Gross profit for the financial year to 31 March 2020 was 17.6% compared with 17.2% in the previous financial year. This figure includes warehouse costs, which have increased due to extended working hours with four of our depots now working 24 hours a day and further investment in our racking systems.

Profit before tax is £15.7m, up £0.4m on last year's £15.3m. Profit after tax for the year is £12.5m, up from last year's £12.4m.

Earnings per share is 63.1p (2019: 63.1p). Adjusted earnings per ordinary share, adjusted for the effect on the introduction of IFRS 16 on Leasing this year and the previous years results of the property profit and the one off cost relating to Guaranteed Minimum Pensions were 64.0p (2019: 61.6p) an increase of 3.9% (see note 9).

As at 31 March 2020 net assets have increased to £104.3m (2019: £98.0m). We have adopted IFRS 16 on Leasing in these results, which has had an insignificant effect on profit before tax and these changes are explained in note 14 to the accounts. Non current assets have increased by £7.5m from 31 March 2019. £4.9m of this increase relates to the creation of a new asset class of Right of Use Assets relating to the introduction of IFRS 16 on Leasing. In addition we acquired Dresser Mouldings (Rochdale) Ltd for cash consideration of £1.0m, and have also invested £1.0m in redeveloping the Gateshead warehouse. Inventories have increased to £44.3m from £42.4m last year. Trade receivables at the year end were £4.4m higher than the previous year as we saw a reduction in cash received at the end of March due to the COVID-19 pandemic. However Trade Receivables have now returned close to normal levels. There was another low bad debt charge of 0.20% of turnover for the year. Cash and cash equivalents of £17.0m (2019: £15.5m), remain strong with good cash flows from operating activities.

At 31 March 2020 the deficit of the defined benefit scheme under IAS19 (revised) was £11.8m, up £3.1m compared with £8.7m last year. The calculation of the pension deficit remains very sensitive to changes in assumptions, and was affected by the reduction in market values of investments at the end of March.

Final dividend

The Board has declared a final dividend of 10.0p per Ordinary Share (2019: 12.9p). The dividend is payable on 4 September 2020 to ordinary shareholders on the Company's register at close of business on 7 August 2020. The ex-dividend date will be 6 August 2020. The total dividend per ordinary share of 15.5p for the year (2019: 17.9p) is covered 4.1 times by earnings (2019: 3.5 times). The board considers this level of dividend to be prudent given the balance between the good results achieved in the year to 31 March 2020 and the difficult market conditions experienced during the first quarter of the current financial year caused by the COVID-19 pandemic.

Current and future trading

The board responded quickly and decisively to protect the business and the employees from COVID-19, with quick action to reduce costs where possible, manage the stock and preserve cash. COVID-19 has had a considerable affect on the start of our trading year. We remained open at most of our distribution sites to support NHS projects and other essential services, as well as servicing our customers that managed to remain open. April was a particularly challenging month with sales at 40% of April 2019 sales. We have seen more customers coming back to work throughout May, with positive trends on numbers of orders taken and total number of trading customers, with sales at 60% of May 2019 sales. This positive trend is continuing in June, and sales are expected to be 80% of June 2019 sales. I have been incredibly pleased at how our staff have managed to work through this challenging period, and the resilience of the business. The skill of our senior staff with the support of the board has undoubtedly limited the negative impact of COVID-19 on the business. The full impact of the virus and the effect on the wider economy are impossible to predict at this stage.

Development strategy

The board believes that there are plenty of opportunities to develop and grow our business. The strength of the business will allow us to avoid the worst of any potential downturn in the economy and seize on any opportunities to further develop the business. We will continue to look to grow the business through any suitable acquisitions to support key market sectors and also identify new products in market sectors where we are focussing our efforts. We will continue to invest in our warehouses and extend the working day at our depots to ensure that we meet the future delivery needs of our existing and new customers. Our focus will be on completing the Gateshead site development, and a significant racking project at our Thurrock facility. We have also fast tracked our on line presence project, and the use of technology as we look to drive more efficiencies into our business, to ensure we are in the best place possible to deal with the future. There are clearly challenges as we enter a post Brexit and COVID-19 world, but the board remains confident that the Company is in a position of strength which will allow us to plan for a positive future.

Directors and staff

Andrew Wright became managing director in April 2019 and using his wealth of experience, he has continued to develop the business and set the agenda for progress over the coming years, and I am extremely grateful for his hard work in transitioning to this role.

I would also like to recognise the great work that our environmental and compliance manager, Ewa Bazydlo does in ensuring that we maintain our industry leading environmental position. In 2019 we were awarded the Environmental Achievement Award by the TTJ for our Energy Saving Programme, which was recognition of just some of the behind the scenes work that we are continually doing to reduce our carbon footprint.

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 both experience and skills, and each member of the board has a clearly defined responsibility.

The business is organised to give as much local autonomy to our site directors to implement our sales and purchasing strategy, with our senior timber and panel staff meeting regularly to review and evaluate our key products groups. I am incredibly grateful for all the hard work shown by not only the directors and local management teams, but also all the other staff in our organisation who help us maintain our position as an industry leading business. These results could not have been delivered without the commitment and determination of everyone.

Nick Latham
Chairman, James Latham plc
30 June 2020

Strategic Report

Introduction

Outline of the Strategic Report

The directors present their Strategic Report for the year ended 31 March 2020. 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.

The Strategic Report was approved by the board of directors on 30 June 2020 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. Further information is shown on page 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 have a Think Tank which meets regularly with an independently set agenda to present ideas to the board, representing the views of all our staff. 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. Further information is found on pages 8 to 11.

The key decisions taken by the board in the year to 31 March 2020 include:

a. Acquisition of Dresser Mouldings (Rochdale) Limited. This decision was made to increase our offering in processed timber in line with our strategy of developing the timber cladding business. Consideration was given to the cash flow of the acquisition and expected capital expenditure over the next five years, which are to be satisfied out of our cash reserves. Extensive due diligence has shown that their values, health and safety and environmental policies are a close match to our own.

b. Approval of capital expenditure at our Gateshead branch. This decision was made to extend the working area in the yard to improve health and safety as well as make the operation more efficient. In addition the building of a new office improved the working environment for our employees.

c. 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'.

d. 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.

James Latham plc and Our Objectives and Strategy

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, cladding, decking, mouldings and plastics. We also supply commodity and specialist 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 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 two 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.

James Latham plc and Our Objectives and Strategy

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 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 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.

All Latham depots will continue to 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 and enhance our centrally held stocks.

James Latham plc and Our Objectives and Strategy

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.

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 completed the acquisition of Dresser Mouldings (Rochdale) Ltd, a timber processor based in Rochdale but offering UK coverage.

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 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 process.

Strategic Report

Corporate Responsibility

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.

With best practices observed, timber products are the ultimate sustainable and recyclable materials, requiring low energy to process and being thermally efficient in use. Timber from well-managed forests absorbs carbon in growing and locks in carbon in use. It is sustainable, producing a regular crop and puts value into growing forests so helping to reduce land clearance for other uses.

Timber from poorly managed forests destroys biodiversity, leads to soil erosion and damages watercourses. It ruins the lifestyle of traditional forest dwellers. Forest burning adds to carbon emission and harms air quality in the region. Purchasing from those involved in corrupt practices undermines national governance.

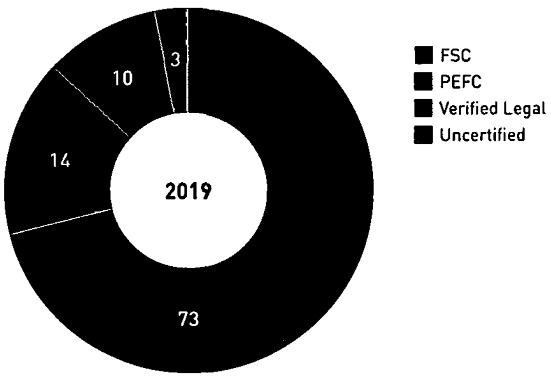
It is therefore essential that we ensure our timber is legally harvested and comes from well managed forests. The group recognises that the independent certification of forests and of the supply chain is the best means of providing assurances of this. Where possible it purchases material certified by 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.

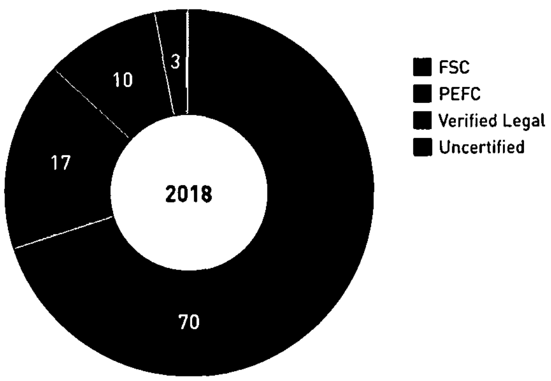
The group has third party audited chain of custody for timber supplied as certified by PEFC, FSC and other schemes. This is to ensure that claims made about certification can be proved.

The group signed up to the WWF UK 'Forest Campaign' committing to purchasing only certified legal and sustainable timber products by 2020 and to publically show progress towards this target. WWF awarded us the top score of three "trees". Whilst the Forest Campaign has reached an end, we stay committed to responsible forest trade.

In some parts of the world, timber certified by one of the internationally recognised schemes is not available. The group is committed to purchasing all timber from legal sources and to seek confirmation that suppliers are operating in accordance with the laws of their country. Where the risk of corruption or illegal logging is high, we seek third party audited proof of legality.

The figures for the relevant calendar years are given below.





The European Union Timber Regulation (EUTR), which came into force in March 2013, places an obligation on the first placer of timber on the European market to ensure that the timber has been legally sourced and traded, to operate a risk assessment process and to take mitigating measures to minimise the risk of illegality. We have a rigorous system for assessing our supply chains and are committed to only purchasing product with negligible risk status. We will not trade in timber species prohibited under Appendix I of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) legislation and obtain the appropriate documents for the very limited trade we do in all other CITES listed timber species.

Part of the EUTR process to ensure that only legal timber enters the EU is the signing of bilateral agreements with producer countries. This involves the issuing of FLEGT (Forest Law Enforcement, Governance and Trade) licences for all timber traded for that source. The department for business, energy and industrial strategy BEIS carried out an audit of our due diligence system by their office for product safety and standards in December 2018. Having completed their full review their findings were that our system was fully compliant with the European Union Timber Regulation No 995/2010.

When the UK withdraws from the European Union, then the UK is expected to adopt the EUTR as UKTR. In any case, our systems of monitoring supplies of our timber for environmental reasons will be unchanged and extended to cover EU suppliers under the new definition of operator.

For a number of years the company has 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 our product guide, specific 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 give presentations to customer trade associations and at customer premises.

Informing suppliers and supporting certification

Our senior staff have spoken about the importance of independent certification of forests and supply chains. Company buyers have visited individual suppliers in Europe, Congo Brazzaville, China, Indonesia, Malaysia, the United States, Uruguay, Chile, Brazil, Bolivia and Vietnam giving the same message. Group buyers have visited individual suppliers auditing the source of logs.

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

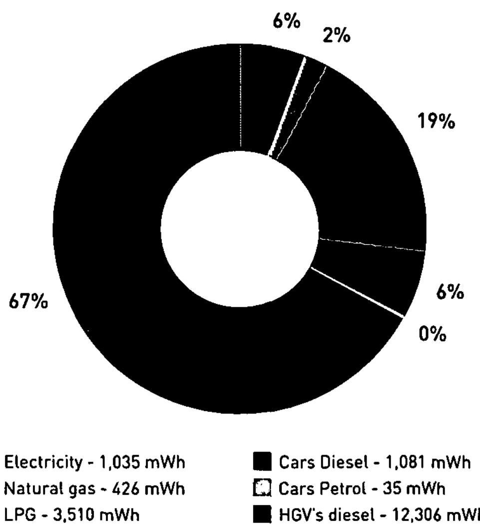
	2019
Scope 1	
Direct emissions from burning gas and solid fuel for heating and from road use for sales and distribution	**4,114**
Scope 2	
Indirect emissions from use of electricity	**264**
Global Intensity Ratio	
Tonnes of CO2 from scope 1 and 2 per £m of turnover	**17.62**
Tonnes of CO2 from scope 1 and 2 per thousand m3	**11.20**

Data shown is for the calendar year 2019.

Corporate Responsibility

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.

As a distribution company, the majority of our emissions are from our vehicles, as shown in the pie chart below:



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. On our company cars we are increasing 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, and are now adding them as an approved vehicle 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 lead to a 26% reduction in direct consumption and a 54% drop in CO2 emissions.

Waste Disposal

The company seeks 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

	2015	2016	2017	2018	**2019**
Landfill (tonne)	336	363	390	371	**156**
Diverted from landfill (tonne)	347	350	562	479	**681**
Total waste	683	713	952	850	**837**
Diverted from landfill	51%	49%	59%	56%	**81%**

Whilst every effort has been made to ensure data is consistent across the years, there are some differences in collection methods across this period.

In addition, in conjunction with our registrar Computershare, we have this year introduced a Deemed Consent system whereby shareholders need to opt in to receive paper copies of the Annual Report. We hope that by shareholders accessing the Annual Report on line, we can dramatically reduce the amount of carbon involved in it's production and distribution.

Support of our communities

We give support, both in staff time and financially, to community projects local to our depots through schools, sports teams and charities. This year for example, we donated material for the construction of 18 Cold Weather Sleeping Pods within a Salvation Army hall in Redbridge, Ilford. The pods are designed to provide privacy and security for those unfortunate enough to be homeless in the region. The project attracted huge awareness for the cause and was extremely well received by the press, both locally and nationally.

Material is also provided 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 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. 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 a 3-year action plan and all sites are subject to audit, with their audit scores and trends being monitored at quarterly management meetings. 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 company is proud to have been awarded the RoSPA Silver Award of Achievement. The RoSPA Health and Safety Awards are the longest-running awards scheme in the UK. The scheme, which examines the systems and processes of organisations from around the world, recognises achievement in health and safety management systems, including practices such as leadership and workforce involvement.

Corporate Responsibility

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. 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 trainees, are at or above the Living Wage.

It is the policy of the group to train and develop employees to ensure that they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff. Internal courses are run on the technical aspects of our products, along side general management, appraisals, sales and presentation skills courses.

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.

Our Timber Academy is currently training 8 of our timber trainees, who have had work placements with our key suppliers around the globe in order to expand their knowledge of timber. Knowledge gained from the previous years training has already helped our sales and product development.

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

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 2020 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.

Towards the end of March 2020, the COVID-19 pandemic took hold in the UK and Ireland with unprecedented restrictions being imposed on society and our business in order to combat the disease. Whilst the scale of this pandemic is enormous, the risks that it poses still do fall into the categories of risk that had already been identified and mitigation processes agreed. We immediately set up an executive committee to manage the challenges relating to this. In the table below and overleaf, we have discussed our response to the pandemic under each heading.

Inherent risk	Risk Description	Risk Mitigation
Market Conditions	The group's sales are predominantly UK based so it is exposed to any slowdown in the UK 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 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 has resulted in a significant drop in revenues since the end of March 2020. With our network of depots, we have been 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 were later able to adjust our operations to adapt to the improving business conditions.
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.	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. Our distribution network, as well as our inventories held at various ports, allow us to manage customers requirements from a different location.
	COVID-19	Our distribution network meant we could react quickly to this, and consolidate sales and warehouse activity at a reduced number of locations without affecting our ability to service our essential customers.

Continued overleaf

Principal Risks and Uncertainties

Inherent risk	Risk Description	Risk Mitigation
Inventory levels move out of line with sales requirements and market prices.	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. The market for certain product lines changes, resulting in them becoming overvalued and slow moving.	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. 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. 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. Slow moving stocks are monitored regularly and action taken to mitigate the risk.
	COVID-19	With the sudden reduction in turnover from the end of March 2020, we used our good supplier relationships to delay as many shipments as possible. Policies were immediately changed on purchase authorisations so that any new stock needed to be approved by a director. Our predictive programs were put into good use to identify areas of stock which could quickly get overstocked.
Supplier political risks or failure could result in shortages of product	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. 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. The uncertainty over Brexit is adding risk over supplies from mainland Europe.	To mitigate the risk from these pressures, the groups dealings are spread across a large number of countries of supply. The group keeps informed of developments in higher risk producer countries. 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. 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.
	COVID-19	With several of our suppliers based in countries under strict lockdown, we obtained some additional stock from key suppliers that were about to shut. We also worked with our ports and external warehouse suppliers to ensure that additional space was available should it be necessary.
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

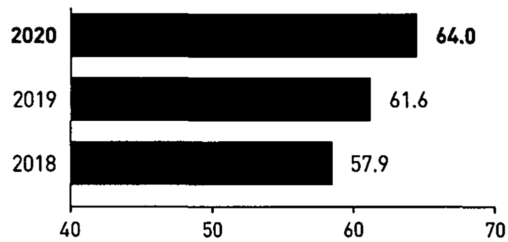
Inherent risk	Risk Description	Risk Mitigation
Competition from new and existing businesses	Competitive pressures from existing businesses and new entrants to the market could reduce prices, margins and profitability. Changes in customer purchasing habits may lead to more on-line purchases.	An assessment 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. Investment planned in improving on-line trading platforms.
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.	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. Long term investment strategy is to reduce allocations to growth assets and increase allocations to defensive assets to reduce risk and volatility.
	COVID-19	The markets fell considerably as well as gilt yields decreasing, which have had an effect on the scheme deficit. The Trustees and the Company are 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.	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. 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. Software maintenance contracts ensure that our business critical software is up to date, allowing software problems to be resolved quickly.
	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	The risks of Cyber attack, including Ransomware demands are increasing, and may lead to disruption to business and loss of data. Theft of data relating to employees, customers and suppliers could result in a regulatory breach under GDPR.	Cyber training is carried out on a regular basis and for each new employee as part of their induction process. We have also improved and updated our Cyber security systems and had them independently reviewed. Our IT disaster recovery plans include provisions for Cyber Attack. A review of systems was undertaken prior to the implementation of GDPR in 2018 and appropriate policies put in place.
	COVID-19	We recognised 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 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.	The group, through the Remuneration Committee, is committed to be having remuneration, training and development policies to make James Latham the employer of choice. 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.
	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

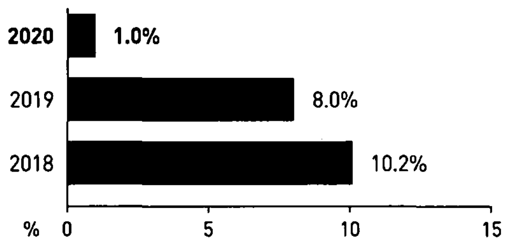
Key Performance Indicators

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 5.

To maximise shareholder value over the medium term

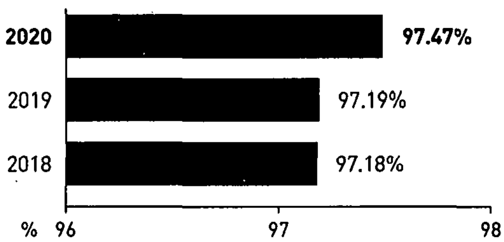


Adjusted earnings per share (see Note 9) increased 3.9%.



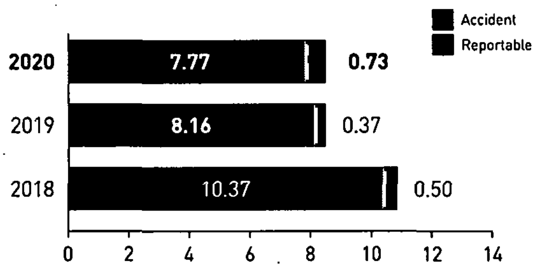
Like for like revenue, adjusted for the effects of acquisitions and working days, increased 1.0%.

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



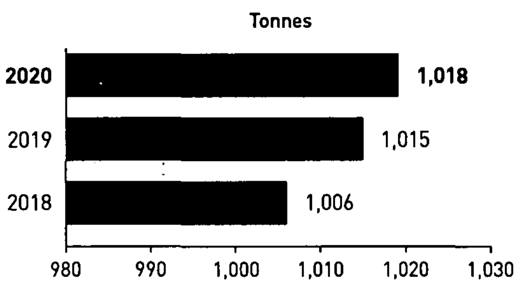
The percentage of product purchased as certified legal and sustainable showed incremental improvements year on year.

To provide a safe working environment for our staff

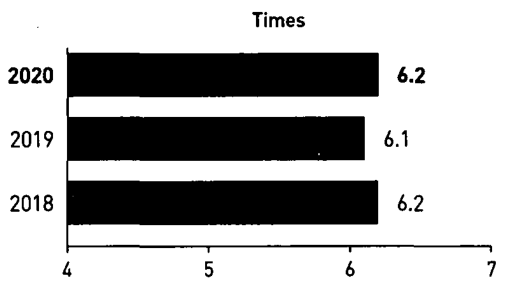


Total number of injuries, no matter how minor, and total number of reportable injuries reported per 100,000 hours worked, show a reduction as a result of our continued focus on health and safety.

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



Weight of product sold per working day continues to increase in a difficult environment.



Stock turn is slightly below our budget of 6.5 times due to some extra stock being held in case of supply difficulties caused by COVID-19.

Results for the year to 31 March 2020

Revenue for the year ended 31 March 2020 was £247.1m, £12.0m higher than the previous year.

The first nine months trading was dominated by uncertainty around Brexit which in turn has impacted on investment, delayed infrastructure projects, undermining customer confidence and activity. Despite this underlying threat the business has remained focused on our long term strategy, maintaining the momentum and direction of travel and seizing new opportunities that have been created.

Throughout the year we have witnessed a small but steady improvement in the volumes for both Panel Products and Hardwoods. Melamine, Doors and commodity panels have all contributed to this increase. Suppliers' prices during this period have fluctuated around demand combined with some localised supply issues and currency, overall prices have generally weakened.

Our strategy of developing specific product groups and market leading brands through marketing and specification is yielding results for new business, with our focus on products including; laminates, solid surface, veneered board, modified timber Accoya® and our WoodEx® engineered wood all showing good progress. These outcomes are reflected in the target markets and customer sectors where we have seen growth including, Joinery, construction, laminators, KBB and the merchant sector. Our ATP specialty division has been able to supplement some of the cyclical vehicle construction business by developing new business and sectors with composite materials. Our cash business has continued to increase.

The final quarter trading showed real increase in both business confidence and customer activity, until the lockdown caused by COVID-19 was put into effect. Depots performance during this period was encouraging and a reflection of the earlier long term investments made into both infrastructure and staff.

The gross margin, the difference between the sales values and the cost prices excluding warehouse costs, was 0.8 percentage points higher than the previous year (2019: 0.3 percentage points down).

Strategic Report

Operating Review

We continue to trade in a competitive market driven by a number of important commodity products resulting in margin pressure in individual product groups and market sectors at varying times. Developing business for specification and a wide range of market leading branded products has supported this increase in trading margin.

Stock procurement and inventory management has been particularly important during this trading period around Brexit creating its own challenges. Our Supply Chain Team is now established, working closely with all our key suppliers focused on creating efficiencies in the chain.

Service levels in this sector are a vital part of the James Latham business model. Well trained and experienced staff in all areas of the business are an essential element in our success and to support our customers. Extended working hours, with a number of sites operating 24/5 along with major investments in storage and handling equipment along with staff training have all contributed to the results. Our investments in this area are focused on customer retention and growing the active customer base in target markets.

The redevelopment and modernisation of the Gateshead site will provide a vastly improved facility for all stakeholders and create an opportunity to develop a wider range of business from the site.

Overhead control remains a vital part of the active management measures which are well established and proven across all areas of the business.

During this period we have been working to incorporate the Abbey Woods trading business and dealing with the Dresser Mouldings (Rochdale) Ltd acquisition, which is being integrated into the business and will continue to trade as Dresser Mouldings.

Staff numbers have increased as planned this year, mainly warehouse staff operating 24/5 and staff from the strategic acquisition of Dresser Mouldings in November.

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 thirteen 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 % 2020	Lathams sales value % 2019
Construction/ housing	Merchants	14	15
	Joiners	27	25
	Builders	5	5
	Kitchen manufacturers	5	6
	Door manufacturers	4	4
Retail	Shopfitters	4	5
	Laminators/Veneerers	5	5
	Furniture manufacturers	6	6
Transport	Vehicle builders/Van liners	2	3
Exhibitions	Exhibition fitters	2	2
Cash sales		8	7
Other importers		7	7
Other sectors		11	10
	TOTAL	100	100

End products are used in both the public and private sectors. Our top ten customers account for 9% (2019: 10%) of sales and our top 25 customers represent 14% (2019: 15%) of sales.

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;**
  After three years of rising costs of our products, this year has seen cost prices fall by 3.3% steadily throughout 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.**
  In November 2019, we completed the acquisition of Dresser Mouldings (Rochdale) Limited, giving us our first manufacturing facility, enabling us to increase our offering in processed timber.
- **Controlling cashflows to maximise cash available for the business and shareholders.**
  This year the focus was on stock control and debtors days whilst continuing to invest in the business. This focus changed at the end of March 2020 to taking quick action to preserve our healthy cash reserves in light of the issues caused by COVID-19.
- **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 potential supply issues caused by Brexit, Cyber security and towards the end of the financial year the issues affecting us caused by COVID-19.
- **Maintaining dividend cover at between 2.5 times and 4 times earnings.**
  Dividend cover this year is 4.1 times (2019: 3.5 times). This is slightly outside the dividend cover range due to the prudent view taken by the board given the difficult market conditions experienced during the first quarter of the current financial year caused by the COVID-19 pandemic.

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 5.1% to £247.1m. Like for like volumes have increased by 1.8% but prices have fallen by 3.3%. The balance of the increase in turnover is due to product mix and additional turnover provided to the group through the recent acquisitions of Abbey Wood Agencies Limited and Dresser Mouldings (Rochdale) Limited. The board remained focussed on managing margins to enable us to remain competitive in commodity products but grow margins in our focus products in which we can provide a value added service, 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 four 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 10.6% to £16.0m from £14.5m last year. Group net profit before taxation increased to £15.7m from £15.3m last year.

Taxation

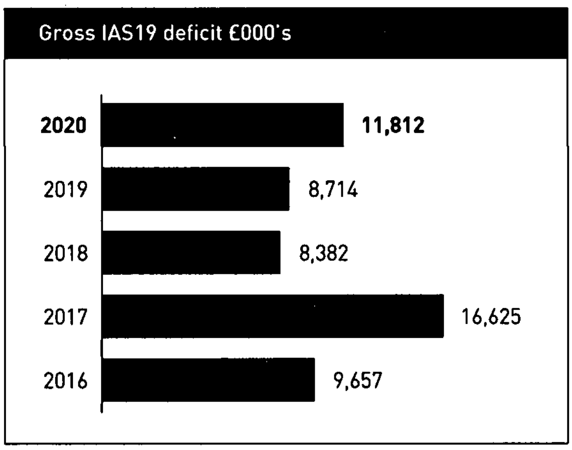
Our strategy in managing and controlling our tax affairs is to ensure compliance with all applicable rules, legislation and regulations under which we operate. We maintain an open and co-operative relationship with the UK Tax Authorities, and pay the correct amount of tax as it falls due. Our tax strategy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

The taxation charge of £3.2m represents an effective rate of 20.3%, compared with 19.0% 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 higher charge this year is due to an increase in deferred taxation rates following the government decision not to reduce corporation taxation rates as originally intended.

Pension scheme

At 31 March 2020 the deficit of the defined benefit scheme under International Financial Reporting Standards was £11.8m compared with £8.7m last year. Discount rates, represented by yields on corporate bonds remained at 2.4%. Assets under management were affected by the large market movements caused by the COVID-19 pandemic and produced £4.5m less returns than expected, showing a return of -5.0% over the year. Since the year end markets have regained some of these losses. In note 20.2 to the accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility.

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.



Strategic Report

Financial Review

Cash flow and working capital

At the end of the year cash balances of £17.0m were held, up from £15.5m 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 cash has been particularly helpful since the year end to enable us to manage our way through the difficulties caused by the COVID-19 pandemic, and short term we have seen cash balances rise further. 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 £1,599,000 of discounts received compared with £1,393,000 last year. I am particularly grateful to my bought ledger team for their hard and efficient work in processing suppliers invoices so that these discounts are not missed.

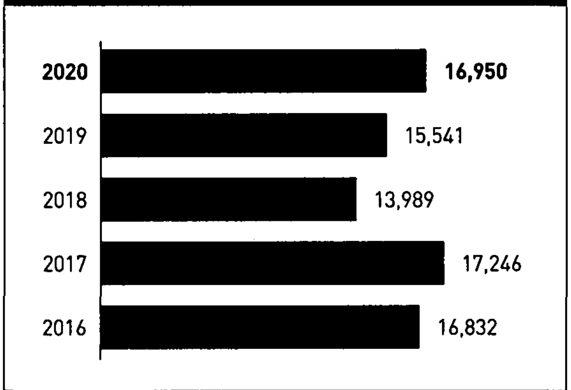
Control of cash flow from customers is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, has increased from 50.6 days to 51.4 days. Bad debts this year ended up at 0.20% of turnover against a budget of 0.4%, and last year of 0.23%. At the end of the year the provisions were higher than normal due to the impact on our customers cash flows due to the COVID-19 pandemic, and so this shows the good figures achieved for the rest of the year. My credit control team have done exceptionally well in getting right the difficult balance of dealing with our customers, dealing with our depots and collecting our debts. They 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 7.7% of accounts owing over £40,000 covered by credit insurance, showing increasing difficulties in obtaining credit insurance cover.

Since the year end, the effect of COVID-19 has been to have a significant effect on our customers cash flows, and the strong relationships my credit control team have with the customers is proving invaluable as we work with our customers to manage cash flows for our mutual benefit.

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. At 31 March 2020 stock turn is 6.2 times compared with our target of 6.5 times. During the year we obtained additional warehousing and invested £1m in additional European stocks that we felt may have been affected by a disorderly withdrawal from the European Union. This stock was pushed through the system once the threat receded. In March we increased our stock levels in products being imported from countries where lock down measures where causing some supply concerns. There were no significant overstocked areas giving any concern to us at the year end.

Good stock and debtor control has allowed 86% (2019: 69%) of profit before tax to be available as free cash for investment and distribution.

Cash and Cash Equivalents



Capital investment

During the year we completed the acquisition of Dresser Mouldings (Rochdale) Limited for £1.0m cash. They specialise in processing and vacuum coating of bespoke timber products, the production of timber mouldings and other specialist timber machining for use in a variety of market segments.

In addition we spent £1.0m on relocating the office and improving the warehouse facility in Gateshead, with £0.5m to be spent during the year to 31 March 2021. This will allow for more volumes to be processed through the site and improving the health and safety for our employees.

This year we adopted IFRS 16 on Leases causing operating lease arrangements to be brought onto the balance sheet. This has principally involved some leased property and our company car fleet. The effect of this has been to create a Right of Use Asset of £4.9m and a lease liability of £5.0m. There has been an immaterial effect on the Income Statement with an extra cost of £139,000 reducing profit before tax.

Net assets at the year end were £104.3m (2019: £98.0m). The group's pre-tax return on capital for the year was 15.9% (2019: 16.2%), 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.

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 2020, the board met 6 times, with all directors attending each meeting. 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 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 business, the company's trading subsidiary, 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.

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 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 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 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.

Corporate Governance

Corporate Governance Report

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.lathams.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
30 June 2020

Directors and Advisors

Directors' biographies

Nick Latham BSc *Chairman*
Nick Latham, age 52 has worked in the company for 28 years and was appointed to the board in 2007. He is a director of Lathams Limited and Dresser Mouldings (Rochdale) Limited and provides advice to the Remuneration Committee. He sits on the main board of the Timber Research and Development Association.

David Dunmow BSc FCA
Finance Director and Company Secretary
David Dunmow, age 56, has worked in the company for 26 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 Lathams Limited, Abbey Wood Agencies Limited and Dresser Mouldings (Rochdale) 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 55, has worked in the company for 19 years and was appointed to the board in 2015 and was made Managing Director on 1 April 2019. He is a director of Lathams Limited and sits on the Audit Committee.

Piers Latham BSc *Executive Director*
Piers Latham, age 49 has worked in the company for 27 years and was appointed to the board in 2014. He is a director of Lathams Limited, and Chairman of the Trustees of the James Latham plc Pension and Assurance Scheme.

Fabian French MA *Non-Executive Director*
Fabian French, age 61, 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 currently Chief Executive of UK Community Foundations and is a director of Greater Manchester Community Foundation Limited and Trebartha Hydro Ltd, and is a previous director of Inspiration in Sport and Mithras Investment Trust Plc.

Paula Kerrigan *Non-Executive Director*
Paula Kerrigan, age 48, 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.

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

Pension Advisor
Mercer
Tower Place West
London EC3R 5BU

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

Corporate Governance

Directors' Remuneration Report

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 2020 was the achievement of £14,875,000 operating profit, as measured in the depots management accounts, an increase of 5.1% 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 117.2% of the target operating profit was achieved earning 16.9% of basic salary. The criterion for the year ended 31 March 2021 will be based on a similar formula applying to 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 4.5% of basic salary to 422 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.

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 board of directors agreed that any new service contracts issued to new directors would incorporate a fixed 2 year period, 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

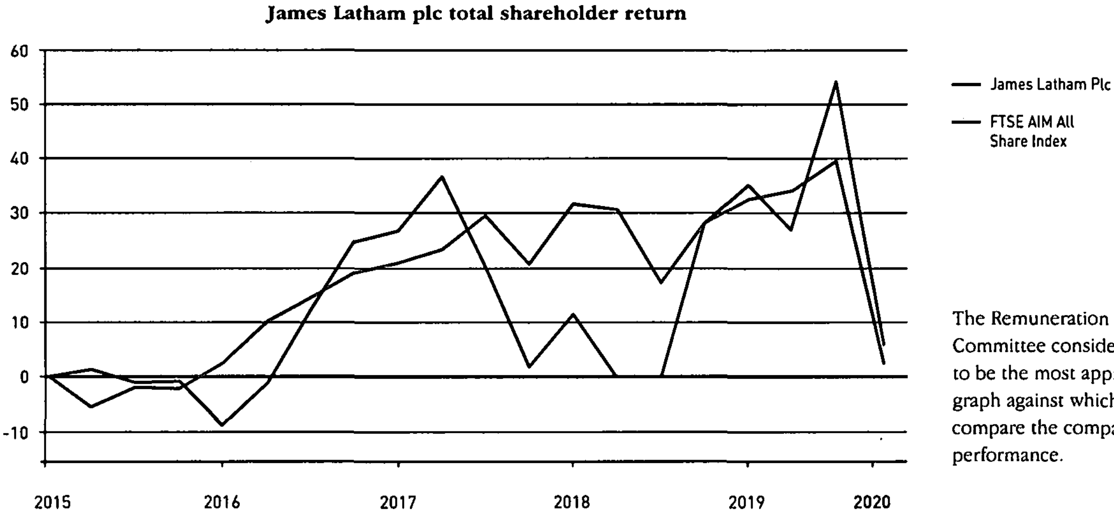
The remuneration of the non-executive directors is determined by the board. The non-executive directors do not receive a pension or other benefits from the group.

COVID-19 effect on the policy

Due to the impact of the COVID-19 pandemic on the short term results of the business, the executive and non-executive directors voluntarily took a 20% pay cut from 1 April 2020 for as long as business is seriously affected. All bonuses earned are delayed until the end of September, when we will have a clearer view of the extent of the recovery after lockdown measures ease. 75% of bonuses earned are expected be paid at the end of September with the remaining 25% carried forward to be paid at the normal dates in 2021. In addition the targets for 2021 will be for the period from 1 July 2020 to 31 March 2021, with no bonuses earned for the period from 1 April 2020 to 30 June 2020.

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 2020.



The Remuneration Committee consider this to be the most appropriate graph against which to compare the company's performance.

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	**2020**	**195**	**1**	**42**	**238**	**2**	**25**	**265**
	2019	186	1	41	228	2	24	254
D.A. Dunmow	**2020**	**181**	**15**	**40**	**236**	**2**	**33**	**271**
	2019	174	13	38	225	2	33	260
P.F. Latham	**2020**	**146**	**15**	**34**	**195**	**2**	**21**	**218**
	2019	130	14	31	175	2	21	198
A.G. Wright	**2020**	**160**	**17**	**37**	**214**	**2**	**24**	**240**
	2019	141	15	32	188	1	23	212
C.D. Sutton	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 31 March 2019)	2019	172	14	28	214	2	31	247
Non-executive								
P.J.F. French	**2020**	**35**	**-**	**-**	**35**	**-**	**-**	**35**
	2019	34	-	-	34	-	-	34
P. Kerrigan	**2020**	**35**	**-**	**-**	**35**	**-**	**-**	**35**
	2019	31	-	-	31	-	-	31
M.A. Bushell	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(retired 31 August 2018)	2019	14	-	-	14	-	-	14
Total		**752**	**48**	**153**	**953**	**8**	**103**	**1,064**
2019		882	57	170	1,109	9	132	1,250

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 2020		31 March 2019	
Directors		**Ordinary shares**	**Preference shares**	Ordinary shares	Preference shares
N.C. Latham	Beneficial owner	**638,237**	-	633,120	-
D.A. Dunmow	Beneficial owner	**136,458**	-	131,401	-
P.F. Latham	Beneficial owner	**635,312**	**567**	630,351	567
A.G. Wright	Beneficial owner	**29,983**	-	26,264	-
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 2020	31 March 2019
N.C. Latham	**2,475**	3,185
D.A. Dunmow	**2,475**	3,185
P.F. Latham	**2,475**	3,185
A.G. Wright	**1,237**	1,592

Options were granted on 2 January 2020 at 727p per share, and the options are exercisable on 1 March 2023. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham each made a gain of £10,988, and Mr A.G. Wright made a gain of £6,209 on options exercised during the year.

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 2019	Granted during the year	Exercised	Outstanding 31 March 2020	Exercise price	Exercise period
N.C. Latham	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
D.A. Dunmow	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
P.F. Latham	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
A.G. Wright	1,262	-	(1,262)	-	£3.96	16.12.18 to 15.12.23
	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

No performance conditions attach to these options. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham made a gain of £2,740 and Mr A.G. Wright made a gain of £7,054 on options exercised during the year.

Paula Kerrigan,
Chairman of the Remuneration Committee

30 June 2020

Corporate Governance

Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2020. 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 and employee policies. 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 2020 are set out on page 40. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 5.5 pence per ordinary share	1,092
Final dividend proposed, 10.0 pence per ordinary share	1,990
Total ordinary dividends, 15.5 pence per ordinary share	3,082

The directors recommend payment of the final dividend on 4 September 2020 to shareholders on the register of members at the close of business on 7 August 2020.

Balance sheet and post balance sheet events

The balance sheet on page 42 shows the group's financial position. Since the year end, the government imposed lock down caused by COVID-19 seriously affected trade during April and most of May as many of our customers were closed. Business is slowly returning as the lock down measures ease. The company has significant cash reserves and strong relationships with customers and suppliers to enable us to navigate this sudden event. There were no other significant events occurring since the balance sheet date.

Directors

Chris Sutton retired as Managing Director on 31 March 2019 and was succeeded as Managing Director by Andrew Wright. The remaining 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 and Piers Latham 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

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 69. During the year, 200,000 shares were transferred to James Latham Trustee Limited to be made available for expiring employee share schemes. The company holds 259,200 ordinary shares as treasury shares, with a view to being used for future employee share schemes. The company also purchased 75 preference shares during the year and placed them in treasury. In addition the Trustees of the James Latham Employee Benefits Trust holds 38,772 shares with a view to being used for employee share schemes.

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 192,720 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 13,408 options were issued at an option price of £9.65. In addition 15,705 options were exercised after being held for five years, 606 at an option price of £1.65, 435 at an option price of £2.295, 1,100 at an option price of £2.725, 4,443 at an option price of £3.96 and 9,121 at an option price of £5.65.

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 1 July 2020, 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	638,237	3.21
Piers Latham	635,312	3.19

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 2020 were 29 days (2019: 26 days). Payment practices and performance data for Lathams Limited is published at **https://check-payment-practices.service.gov.uk/company/00967247/reports.**

Directors' Report

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 2021, especially in the light of COVID-19 pandemic
- Cash and borrowing facilities available to the group
- Consideration of the principal risks and uncertainties outlined on pages 14 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 £15,780 (2019: £10,836). 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

Due to the current restrictions caused by the COVID-19 pandemic, the Annual General Meeting this year will not be open for shareholders to attend in person. To ensure that your vote counts, please submit your proxy form appointing the Chairman as your proxy. Questions can be submitted in advance to **plc@lathams.co.uk** and these will be answered during the meeting. Full voting details and answers to questions will be posted on the Investor Page at **www.lathams.co.uk/investors**.

Shareholders receive more than 20 working days notice of the Annual General Meeting, where directors will be available for questions submitted in advance and a trading update. Last year all resolutions were passed unanimously at the meeting.

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 7. 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 8. 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 9. 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 *30 June 2020*

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union "EU"' and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The group and company financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; 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 IFRS's adopted by the EU, subject to any material departures disclosed and explained in the company financial statements;

d. assess the group and company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern;

e. 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.

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.

We consider that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position, performance, business model and strategy.

On behalf of the Board of Directors
Nick Latham
Chairman

30 June 2020

Independent Auditor's Report

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 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach	
Key audit matters	**Group** • Inventories – stock level and valuation
Materiality	**Group** • Overall materiality: £766,000 • Performance materiality: £575,000 **Parent Company** • Overall materiality: £384,000 • Performance materiality: £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	The group carried inventory amounting to £44.3m at 31 March 2020. As disclosed in the accounting policies, inventories are held at the lower of cost and net realisable value. 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 valuation of inventory could have a material impact on the financial statements. In addition the risk exists that inventory quantities may not be supported by the amount of inventory physically held by the Group.
How the matter was addressed in the audit	Due to COVID-19 restrictions imposed by the government in March 2020, we were unable to attend stock takes held at the year end as originally planned. Instead, stock takes were attended in June 2020 and detailed testing procedures were applied to reconciliations provided by management to 'roll back' the results in order to assess the stock physically held at 31 March 2020. In addition for stock held at third party locations we tested a sample of items substantively to the underlying stock records held by the Group and performed testing on the reconciliation of these quantities back to 31 March 2020. We have also reviewed a sample of post year-end sales to test whether net realisable value was greater than cost. To audit the adequacy of the provision against inventory, we reviewed the ageing of inventory at 31 March 2020 and challenged management's assessment of the provision required using information about the sales made in the year and post year end and our previous experience of sales of slow-moving inventory. 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.

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	£766,000	£384,000
Basis for determining overall materiality	5% of profit before tax	3% 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	£575,000	£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 £38,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £19,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

An overview of the scope of our audit

The group consists of four components, located in the following countries:

- United Kingdom (three)
- Republic of Ireland (one)

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	99.7%	99.1%	99.6%
Analytical procedures	1	0.3%	0.9%	0.4%
Total	4	100%	100%	100%

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

David Clark
Senior Statutory Auditor

For and on behalf of
RSM UK Audit LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

30 June 2020

Financial Statements

Consolidated Income Statement

For the year ended 31 March 2020

£'000s	Notes	2020	2019
Revenue	2	**247,100**	235,132
Cost of sales (including warehouse costs)	3	**(203,656)**	(194,686)
Gross profit		**43,444**	40,446
Selling and distribution costs	3	**(19,251)**	(18,082)
Administrative expenses	3	**(8,196)**	(7,896)
Operating profit		**15,997**	14,468
Profit on disposal of property		**-**	1,052
Finance income	5	**82**	71
Finance costs	6	**(417)**	(256)
Profit before tax	3	**15,662**	15,335
Tax expense	7	**(3,181)**	(2,913)
Profit after tax attributable to owners of the parent company		**12,481**	12,422
Earnings per ordinary share (basic)	9	**63.1p**	63.1p
Earnings per ordinary share (diluted)	9	**63.0p**	63.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

£'000s	Notes	2020	2020	2019	2019
Profit after tax			**12,481**		12,422
Other comprehensive income:					
Actuarial loss on defined benefit pension scheme		**(4,823)**		(1,360)	
Deferred tax relating to components of other comprehensive income		**916**		314	
Foreign translation gain/(charge)		**80**		(31)	
Other comprehensive income for the year, net of tax			**(3,827)**		(1,077)
Total comprehensive income attributable to the owners of the parent company			**8,654**		11,345

Financial Statements

Consolidated and Company Balance Sheet

Company Registration Number 65619

As at 31 March 2020		Group		Company	
£'000s	Notes	**2020**	2019	**2020**	2019
Assets					
Non-current assets					
Investments	10	**-**	-	**9,613**	9,613
Goodwill	11	**872**	523	**-**	-
Other intangible assets	12	**1,822**	1,989	**-**	-
Property, plant and equipment	13	**35,952**	34,159	**21**	13
Right-of-use-assets	14	**4,895**	-	**812**	-
Deferred tax asset	15	**2,258**	1,577	**-**	96
Total non-current assets		**45,799**	38,248	**10,446**	9,722
Current assets					
Inventories	16	**44,288**	42,350	**-**	-
Trade and other receivables	17	**47,046**	42,613	**3,221**	4,634
Cash and cash equivalents		**16,950**	15,541	**929**	94
Total current assets		**108,284**	100,504	**4,150**	4,728
Total assets		**154,083**	138,752	**14,596**	14,450
Current liabilities					
Lease liabilities	14	**1,178**	-	**13**	-
Trade and other payables	18	**28,686**	27,113	**1,131**	1,123
Interest bearing loans and borrowings	19	**-**	-	**-**	1,120
Tax payable		**-**	1,193	**-**	-
Total current liabilities		**29,864**	28,306	**1,144**	2,243
Non-current liabilities					
Interest bearing loans and borrowings	19	**592**	597	**592**	597
Lease liabilities	14	**3,857**	-	**808**	-
Retirement and other benefit obligation	20	**11,812**	8,714	**-**	-
Other payables	21	**392**	413	**59**	157
Deferred tax liabilities	15	**3,289**	2,762	**15**	-
Total non-current liabilities		**19,942**	12,486	**1,474**	754
Total liabilities		**49,806**	40,792	**2,618**	2,997
Net assets		**104,277**	97,960	**11,978**	11,453
Capital and reserves					
Issued capital	22	**5,040**	5,430	**5,040**	5,430
Share-based payment reserve	23	**25**	259	**25**	259
Own shares	24	**(619)**	(923)	**(619)**	(923)
Capital reserve		**398**	3	**395**	-
Retained earnings		**99,433**	93,191	**7,137**	6,687
Total equity attributable to shareholders of the parent company		**104,277**	97,960	**11,978**	11,453

The Company's profit for the year was £2,971,000 (2019: £679,000).

These accounts were approved and authorised for issue by the Board of Directors on 30 June 2020 and signed on its behalf by:

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

D Dunmow

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 2018	5,040	184	(529)	3	85,091	89,789
Profit for the year	-	-	-	-	12,422	12,422
Other comprehensive income:						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(1,360)	(1,360)
Deferred tax relating to components of other comprehensive income	-	-	-	-	314	314
Foreign translation charge	-	-	-	-	(31)	(31)
Total comprehensive income for the year	-	-	-	-	11,345	11,345
Transactions with owners:						
Dividends	-	-	-	-	(3,363)	(3,363)
Exercise of options	-	(19)	-	-	19	-
Deferred tax on share options	-	-	-	-	31	31
Transfer of treasury shares	-	-	(82)	-	82	-
Write down on conversion of ESOP shares	-	-	14	-	(14)	-
Purchase of preference shares	390	-	(478)	-	-	(88)
Change in investment in ESOP shares	-	-	152	-	-	152
Share-based payment expense	-	94	-	-	-	94
Total transactions with owners	390	75	(394)	-	(3,245)	(3,174)
Balance at 31 March 2019	**5,430**	**259**	**(923)**	**3**	**93,191**	**97,960**
Change in accounting policy (IFRS 16)	-	-	-	-	291	291
Deferred tax on IFRS 16	-	-	-	-	(55)	(55)
As at 1 April 2019 (as restated)	**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 gain	-	-	-	-	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**

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 2018	5,040	184	(529)	-	9,253	13,948
Profit for the year	-	-	-	-	679	679
Total comprehensive income for the year	-	-	-	-	679	679
Transactions with owners:						
Dividends	-	-	-	-	(3,363)	(3,363)
Exercise of options	-	(19)	-	-	19	-
Deferred tax on share options	-	-	-	-	31	31
Transfer of treasury shares	-	-	(82)	-	82	-
Write down on conversion of ESOP shares	-	-	14	-	(14)	-
Purchase of preference shares	390	-	(478)	-	-	(88)
Change in investment in ESOP shares	-	-	152	-	-	152
Share-based payment expense	-	94	-	-	-	94
Total transactions with owners	390	75	(394)	-	(3,245)	(3,174)
Balance at 31 March 2019	**5,430**	**259**	**(923)**	-	**6,687**	**11,453**
Change in accounting policy (IFRS 16)	-	-	-	-	157	157
Deferred tax on IFRS 16	-	-	-	-	(30)	(30)
As at 1 April 2019 (as restated)	**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**

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.

Consolidated and Company Cash Flow Statement

For the year ended 31 March 2020		Group		Company	
£'000s	Notes	**2020**	2019	**2020**	2019
Net cash flow from operating activities					
Cash generated from operations	25	**13,528**	10,115	**751**	(5,251)
Interest paid		**(3)**	(8)	**-**	(6)
Income tax paid		**(3,851)**	(2,651)	**(943)**	(80)
Net cash inflow/(outflow) from operating activities		**9,674**	7,456	**(192)**	(5,337)
Cash flows from investing activities					
Interest received and similar income		**82**	71	**15**	11
Acquisition of businesses		**(578)**	(1,604)	**-**	-
Purchase of property, plant and equipment		**(3,886)**	(2,362)	**(11)**	(2)
Proceeds from sale of property, plant and equipment		**152**	1,743	**-**	-
Net cash (outflow)/inflow from investing activities		**(4,230)**	(2,152)	**4**	9
Cash flows from financing activities					
Dividend received		**-**	-	**4,806**	2,523
Purchase of treasury shares		**-**	(478)	**-**	(478)
Sale of treasury shares		**1,036**	152	**1,036**	152
Lease liability payments		**(1,390)**	-	**(18)**	-
Equity dividends paid		**(3,633)**	(3,363)	**(3,633)**	(3,363)
Preference dividend paid		**(48)**	(63)	**(48)**	(63)
Net cash outflow from financing activities		**(4,035)**	(3,752)	**2,143**	(1,229)
Increase/(decrease) in cash and cash equivalents for the year		**1,409**	1,552	**1,955**	(6,557)
Cash and cash equivalents at beginning of year		**15,541**	13,989	**(1,026)**	5,531
Cash and cash equivalents at end of year		**16,950**	15,541	**929**	(1,026)
Balance sheet cash and cash equivalents		**16,950**	15,541	**929**	94
Bank overdraft in current liabilities (note 17)		**-**	-	**-**	(1,120)
Cash and cash equivalents at end of year		**16,950**	15,541	**929**	(1,026)

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 Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 IFRS standards that are effective for the current year

With the exception of IFRS 16 "Leases" (outlined below), the following standards have been adopted in the year with no material impact on the financial statements of the Group or Company.

- Annual improvements 2015-2017 cycle includes amendments to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs (effective for periods commencing on or after 1 January 2019).

- Amendments to IFRS 9: Prepayment features with Negative Compensation permits companies to measure certain prepaid financial assets with negative compensation at amortised cost (effective for periods commencing on or after 1 January 2019).

- Amendments to IAS 19 Employee Benefits clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendments also include changes to the recognition of a reduction in a surplus (effective for periods commencing on or after 1 January 2019).

- IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases – IFRS 16 is applicable for periods beginning on or after 1 January 2019.

Initial application of IFRS 16 "Leases"

The adoption of this new standard has resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3%.

The adoption of the standard has resulted in the Group bringing many of its leases onto the balance sheet reflecting 'right-of-use' assets which, are depreciated, and corresponding liabilities on which interest accrues. The impact of the standard in the period to 31 March 2020, compared to the results if the standard had not been recognised, is that operating profit has increased by £48,000 due to the elimination of rent costs and recognition of depreciation. However, profit before and after tax has reduced by £140,000 due to interest charges.

At 31 March 2020 non-current assets have increased by £4,895,000 as a result of the additional right-of-use assets. Total liabilities have increased by £5,035,000 due to the addition of finance lease liabilities. Total net asset effect is a decrease of £140,000.

The rent-free period accruals previously recognised under liabilities to the value of £291,000 have been transferred to retained earnings. An initial deferred tax provision of £55,000 has been recognised on the impact of IFRS 16.

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 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for periods commencing on or after 1 January 2020).

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for periods commencing on or after 1 January 2020).

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'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 Exceptional items

Exceptional items are those items of income and expenditure that by reference to the group are material in size and nature or incidence, that in the judgement of the directors, should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the group's financial performance and that there is comparability of financial performance between periods.

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.

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 2020 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 after 1 April 2019, the Group considers whether a contracts 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.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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 2020, 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 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. Acquisition accounting and business combinations
iv. 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.

The key estimates regarding the acquisition is in respect of the valuation of the customer lists, as shown in note 12. When valuing the intangibles acquired in a business combination, management estimate the expected future cashflows from the asset and select a suitable discount rate in order to calculate the present value of those cashflows.

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 or Ireland.

The geographical turnover is as follows:	**2020 £'000**	2019 £'000
Republic of Ireland	**8,702**	3,447
Rest of Europe	**80**	250
Rest of the World	**276**	623
United Kingdom	**238,042**	230,812
	247,100	235,132

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

	2020		2019	
Profit for the year has been arrived at after taking account the following charges/(credits):	**£'000**	**£'000**	£'000	£'000
Employee remuneration (note 4)		**19,126**		18,102
Net foreign exchange losses/(gains)		**30**		(110)
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement		**192,524**		185,015
Depreciation of property, plant and equipment (note 13)		**2,280**		2,008
Depreciation of right-of-use assets (note 14)		**1,343**		-
Profit on disposal of property, plant and equipment		**(121)**		(27)
Amortisation (note 12)		**167**		28
Operating lease rentals - vehicles and plant	**-**		601	
- property	**-**		655	
		-		1,256
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**		68
Tax services		**-**		11
Other		**6**		12
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		**11**		8
Other expenses		**15,644**		14,283
Total cost of sales, Distribution costs and Administrative expenses		**231,103**		220,664

4. Information regarding employees

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

	Group		Company	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Management and administration	**65**	60	**26**	25
Warehousing	**146**	125	**-**	-
Selling	**146**	138	**-**	-
Distribution	**75**	72	**-**	-
	432	395	**26**	25
The aggregate payroll costs of these employees were as follows:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**15,511**	14,164	**1,419**	1,352
Social security costs	**1,631**	1,462	**181**	154
Apprenticeship levy	**59**	55	**5**	6
Pension costs	**1,861**	2,327	**2,255**	1,970
Share-based payment	**64**	94	**64**	94
	19,126	18,102	**3,924**	3,576

Of the above payroll costs, £4,803,000 (2019: £4,109,000) is included in cost of sales, £9,859,000 (2019: £9,612,000) is included in selling and distribution costs, and £4,464,000 (2019: £4,381,000) is included in administrative expenses in the income statement.

5. Finance income	**2020 £'000**	2019 £'000
Interest receivable	**82**	71

The interest received is on bank deposits.

6. Finance costs	**2020 £'000**	2019 £'000
On bank loans and overdrafts	**3**	8
On pension liability	**179**	185
Interest on lease liabilities	**187**	-
On 8% Cumulative Preference shares	**48**	63
	417	256

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

	2020 £'000	2019 £'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 19% (2019: 19%)	**2,555**	2,552
Deferred taxation - pension	**328**	190
- IBAs derecognised in current year	**(16)**	(14)
- change in tax rates	**117**	-
- other	**197**	185
	3,181	2,913
Profit before taxation	**15,662**	15,335
Tax at 19% (2019: 19%)	**2,976**	2,914
Tax effect of expenses/credits that are not deductible/ taxable in determining taxable profit	**(93)**	(172)
IBAs derecognised in current year	**(16)**	(14)
Change in tax rates	**117**	-
Other	**197**	185
Total tax charge	**3,181**	2,913

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

8. Dividends

	2020		2019	
	£'000	£'000	£'000	£'000
Ordinary dividends:				
Final 12.9p per share paid 23 August 2019 (2018: 12.1p)	**2,541**		2,379	
Interim 5.5p per share paid 24 January 2020 (2019: 5.0p)	**1,092**		984	
		3,633		3,363

The Directors propose a final dividend for 2020 of 10.0p per share, that, subject to approval by the shareholders, will be paid on 4 September 2020 to shareholders on the register on 7 August 2020.

Based on the number of shares currently in issue, the final dividend for 2020 is expected to absorb £1,990,000.

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.

	2020 £'000	2019 £'000
Net profit attributable to ordinary shareholders	**12,481**	12,422
GMP equalisation	-	746
Profit on disposal of property	-	(1,052)
IFRS 16 Leases	**186**	-
Net profit attributable to ordinary shareholders adjusted for GMP equalisation cost, profit on disposal of property and IFRS 16 Leases	**12,667**	12,116

	Number '000	Number '000
Issued ordinary share capital	**20,160**	20,160
Less: weighted average number of own shares held in treasury	**(359)**	(464)
Less: weighted average number of own shares held in ESOP Trust	**(20)**	(22)
Weighted average share capital	**19,781**	19,674
Add: dilutive effects of share options issued	**23**	28
Weighted average share capital for diluted earnings per ordinary share calculation	**19,804**	19,702

The earnings per share figure is shown on the Income statement. In the previous year, the earnings were stated after the profit on a disposal of property and GMP equalisation and in the current year, we have the effect of IFR 16 Leases. The figures below show the earnings per share if these 3 items were excluded to show a comparable figure:

Earnings per ordinary share (basic, excluding GMP equalisation, profit on disposal of property and IFR 16 Leases)	**64.0p**	61.6p
Earnings per ordinary share (diluted, excluding GMP equalisation, profit on disposal of property and IFRS 16 Leases)	**64.0p**	61.5p

10. Fixed asset investments – Company

	Subsidiary undertakings £'000
Shares:	
At 1 April 2018, 2019 and 31 March 2020	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 *	Repubic of Ireland	€1.27 Ordinary	100%	Importing and distribution of timber and panel products
Abbey Lumber Limited *	Northern Ireland	£1 Ordinary	100%	Dormant
James Latham Trustee Limited	England and Wales	£1 Ordinary	100%	Corporate Trustee Company
LDT Westerham Limited	England and Wales	£1 Ordinary	100%	Dormant
Baüsen 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%	Further processing of timber and panel products

* 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 2018	**362**
Additions	286
At 1 April 2019	**648**
Additions	349
At 31 March 2020	**997**
Impairment	
At 1 April 2018 and 31 March 2020	**125**
Net book value	
At 31 March 2020	**872**
At 31 March 2019	523
At 31 March 2018	237

11. Goodwill *(continued)*

Goodwill of £286,000 arose upon the acquisition of the shares and assets of Abbey Wood Agencies Limited which is now a trading subsidiary of Lathams Limited. The date of acquisition was 1 February 2019.

Goodwill of £349,000 arose upon the acquisition of the shares and assets of Dresser Mouldings (Rochdale) Limited which is now a trading subsidiary of Lathams Limited. The date of acquisition was 31 October 2019.

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 in the group's estimated weighted average cost of capital is currently 6%. The key assumptions in the impairment review used a growth rate of 5.5%.

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 2018	1	-	1
Additions on acquisition	-	2,016	2,016
At 1 April 2019 and 31 March 2020	**1**	**2,016**	**2,017**
Amortisation			
At 1 April 2018	-	-	-
Charge for the year	-	28	28
At 1 April 2019	**-**	**28**	**28**
Charge for the year	-	167	167
At 31 March 2020	**-**	**195**	**195**
Net book value			
At 31 March 2020	**1**	**1,821**	**1,822**
At 31 March 2019	1	1,988	1,989
At 31 March 2018	1	-	1

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 during the prior year. 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

	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	**Total £'000**
Cost:				
At 1 April 2018	28,704	615	15,339	**44,658**
Additions	55	-	2,307	**2,362**
Acquisition	-	-	34	**34**
Disposals	(5)	-	(576)	**(581)**
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 31 March 2020	**29,698**	**615**	**19,174**	**49,487**
Depreciation:				
At 1 April 2018	2,991	362	7,474	**10,827**
Acquisition	-	-	34	**34**
Disposals	(1)	-	(554)	**(555)**
Charge for the year	402	37	1,569	**2,008**
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 31 March 2020	**3,800**	**437**	**9,298**	**13,535**
Net book value				
At 31 March 2020	**25,898**	**178**	**9,876**	**35,952**
At 31 March 2019	25,362	216	8,581	**34,159**
At 31 March 2018	25,713	253	7,865	**33,831**

Included in freehold property is land with a book value of £8,519,000 (2019: £8,519,000) which is not depreciated.

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

	2020 £'000	2019 £'000
Cost of sales	**1,427**	1,302
Selling and distribution costs	**750**	599
Administrative expenses	**103**	107
	2,280	2,008

13.2 Company

	Plant, equipment and vehicles £'000
Cost:	
At 1 April 2018	361
Additions	2
At 1 April 2019	**363**
Additions	11
At 31 March 2020	**374**
Depreciation:	
At 1 April 2018	346
Charge for the year	4
At 1 April 2019	**350**
Charge for the year	3
At 31 March 2020	**353**
Net book value	
At 31 March 2020	**21**
At 31 March 2019	13
At 31 March 2018	15

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.

Right-of-use assets	No of right-of use assets leased	Range of remaining lease	Average remaining lease
Building	10	1-55 years	9 years
Vehicles	110	1-4 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:

	Property £'000	Vehicles £'000	**Total £'000**
Cost:			
At 1 April 2019 – initial adoption of IFRS 16	**4,141**	**831**	**4,972**
Additions	-	246	246
Acquisitions	1,020	-	1,020
At 31 March 2020	**5,161**	**1,077**	**6,238**
Depreciation:			
At 1 April 2019	-	-	-
Charge for the year	896	447	1,343
At 31 March 2020	**896**	**447**	**1,343**
Balance sheet value			
At 31 March 2020	**4,265**	**630**	**4,895**
At 31 March 2019	-	-	-

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

	2020 £'000	2019 £'000
Cost of sales	**896**	-
Selling and distribution costs	**380**	-
Administrative expenses	**67**	-
	1,343	-

b) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	£'000
Current	**1,178**
Non-current	**3,857**
Non-current	**5,035**

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2020 is as follows:

	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	over 10 years £'000	**Total £'000**
Lease payments	1,329	1,165	1,678	734	1,367	**6,273**
Finance values	(151)	(116)	(183)	(163)	(625)	**(1,238)**
Net present values	1,178	1,049	1,495	571	742	**5,035**

At 31 March 2020 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:

	£'000
Vehicles	**245**

A total of £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.

15. Deferred tax

15.1 Group

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

	Post-employment benefits £'000	Revalued properties £'000	Roll over gains on assets £'000	Other (*) £'000	Intangible assets £'000	Total £'000
As at 1 April 2018 asset	1,491	-	-	-	-	**1,491**
As at 1 April 2018 liability	-	(57)	(1,577)	(740)	-	**(2,374)**
Charge to the income statement	(176)	-	-	(185)	-	**(361)**
Credit to other comprehensive income and equity	262	57	-	83	-	**402**
Acquisitions	-	-	-	-	(343)	**(343)**
At 31 March 2019 asset	1,577	-	-	-	-	**1,577**
At 31 March 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)**

* *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 2018	49	2	**51**
Charge for the year	45	-	**45**
At 31 March 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)**

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.

16. Inventories

	2020 £'000	2019 £'000
Finished goods and goods for resale	**45,101**	43,006
Less: provisions for slow moving and obsolete stock	**(813)**	(656)
	44,288	42,350

The inventories impairment charge for the year ended 31 March 2020 was £672,000 (2019: £582,000). Impairment charges reversed during the year were £516,000 (2019: £493,000). 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).

17. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**43,545**	39,592	**3**	54
Other receivables:				
Other receivables	**1,438**	1,011	**2**	10
Amounts owed by subsidiaries	**-**	-	**439**	3,189
Tax receivable	**103**	-	**2,720**	1,360
Prepayments	**1,960**	2,010	**57**	21
	3,501	3,021	**3,218**	4,580
	47,046	42,613	**3,221**	4,634

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 £383,000 (2019: £367,000). 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 (2019: nil).

At 31 March 2020, £42,353,000 (2019: £38,484,000) of trade and other receivables were denominated in sterling, £2,386,000 (2019: £1,973,000) were denominated in Euros and £244,000 (2019: £144,000) were denominated in US dollars and £nil (2019: £2,000) were denominated in Canadian dollars. The Company balances are all denominated in sterling.

18. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**20,126**	18,808	**53**	41
Other taxation and social security	**5,161**	4,788	**685**	679
Amounts owed to subsidiaries	**-**	-	**7**	-
Other payables	**1,107**	1,512	**268**	270
Accruals and deferred income	**2,292**	2,005	**118**	133
	28,686	27,113	**1,131**	1,123

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2019: 26 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2020, £17,887,000 (2019: £16,708,000) of trade and other payables were denominated in sterling, £2,041,000 (2019: £1,288,000) in US dollars, £1,627,000 (2019: £2,324,000) in Euros and £23,000 (2019: £nil) 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 £369,000 (2019: £361,000).

19. Interest bearing loans and borrowings

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current liabilities				
Bank overdraft	**-**	-	**-**	1,120
	-	-	**-**	1,120
Non-current liabilities				
Cumulative preference shares of £1 each (note 21)	**592**	597	**592**	597
Total	**592**	597	**592**	1,717

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.

20. Retirement and other benefit obligation

	Group	
	2020 **£'000**	2019 £'000
Retirement benefit obligations (note 20.2)	**11,812**	8,714

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. 48% of the assets are invested in equities, with 34% under passive management by Blackrock, 5% in a Fund of Hedge funds managed by Mesirow/Lighthouse and 9% in a Multi-Asset Credit fund managed by Wellington. 41% are held in bonds and gilts, with 22% in a Buy and Maintain Fund managed by Mercers, 9% in an Absolute Return Fund managed by Wellington and 10% in an Index Linked fund managed by Blackrock, with the remaining 10% in a HLV Property Fund managed by Aviva and 1% 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 £1,861,000 (2019: £2,327,000). Of the charge, £316,000 (2019: £396,000) is included in cost of sales, £946,000 (2019: £1,320,000) is included in selling and distribution costs, and £599,000 (2019: £611,000) 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 2017. 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 2017 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 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.

	2020	2019
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	**69,819**	66,439
Service cost	**636**	623
Past service cost	**-**	746
Interest cost	**1,647**	1,700
Actuarial loss	**279**	2,441
Benefits paid	**(2,361)**	(2,119)
Premiums paid	**(25)**	(11)
Benefit obligation at end of year	**69,995**	69,819
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	**69,995**	69,819
Change in scheme assets		
Fair value of scheme assets at beginning of year	**61,105**	58,057
Interest income	**1,468**	1,515
Return on plan assets (excluding interest income)	**(4,544)**	1,081
Employers contributions (incl. employer direct benefit payments)	**2,540**	2,582
Benefits paid from plan	**(2,361)**	(2,119)
Expenses paid	**(25)**	(11)
Fair value of scheme assets at end of year	**58,183**	61,105
Amounts recognised in the balance sheet		
Present value of funded obligations	**69,995**	69,819
Fair value of scheme assets	**58,183**	61,105
Net liability	**11,812**	8,714

20.2. Group defined benefit pension scheme *(continued)*

	2020 £'000	2019 £'000
Components of pension expense		
Current service cost	636	623
Past service cost	-	746
Interest cost	1,647	1,700
Income on plan assets	(1,468)	(1,515)
Total pension expense recognised in the income statement	815	1,554
Actuarial loss immediately recognised	4,823	1,360
Total recognised in the statement of other Comprehensive income	4,823	1,360
Cumulative amount of actuarial loss immediately recognised	16,367	11,544

	2020	2019
Plan assets		
The asset allocations at the year end were as follows:		
Equities	47.5%	53.3%
Bonds	41.8%	36.2%
Property	9.5%	8.9%
Other	1.2%	1.6%
	100.0%	100.0%

	2020 £'000	2019 £'000
Amounts included in the fair value of assets for		
Equity instruments	27,640	32,575
Bond instruments	24,332	22,109
Property occupied	5,545	5,417
Other assets used	666	1,004
	58,183	61,105

20.2. Group defined benefit pension scheme *(continued)*

	2020	2019
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**2.40%**	2.40%
Rate of compensation increase	**3.10%**	3.20%
Inflation (RPI)	**2.60%**	3.20%
Inflation (CPI)	**2.10%**	2.20%
Rate of pension increases (CPI capped at 5%)	**2.15%**	2.20%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	**23.5**	23.5
Female member age 65 (current life expectancy)	**25.5**	25.4
Male member age 45 (life expectancy at age 65)	**24.9**	24.9
Female member age 45 (life expectancy at age 65)	**27.0**	27.0
Weighted average assumptions used to determine pension expense:		
Discount rate	**2.40%**	2.60%
Rate of compensation increase	**3.20%**	3.05%

Sensitivity analysis of the key assumptions

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%	**(2,823)**
Inflation rate increases by 0.25%	**2,020**
Life expectancy increases by one year	**2,889**

History of plan assets and defined benefit obligation

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit obligation	**69,995**	69,819	66,439	72,992	60,164
Fair value of plan assets	**58,183**	61,105	58,057	56,367	50,507
Net liability	**11,812**	8,714	8,382	16,625	9,657

Contributions

The group expects to contribute £2,540,000 to the pension scheme for the year ending 31 March 2021.

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 £1,248,000 (2019: £940,000).

21. Other payables (non-current liabilities)

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Other taxation and social security	**47**	-	**7**	-
Other payables	**345**	-	**52**	-
Accruals and deferred income	**-**	413	**-**	157
	392	**413**	**59**	**157**

22. Share capital

	2020, 2019 and 2018			
Ordinary shares	**Authorised**		**Issued**	
	Number	**£'000**	**Number**	**£'000**
Ordinary shares of 25 pence each	**28,000,000**	**7,000**	**20,160,000**	**5,040**

Preference shares	**Authorised**		**Issued**	
8% Cumulative Preference Shares of £1 each	**Number**	**£'000**	**Number**	**£'000**
At 1 April 2018 and 1 April 2019	**1,500,000**	**1,500**	**987,000**	**987**
Cancelled during the year	**-**	**-**	**(395,000)**	**(395)**
At 31 March 2020	**1,500,000**	**1,500**	**592,000**	**592**

In the year ended 31 March 2019, 390,382 Cumulative Preference Shares were purchased by the Company for consideration of £478,218. At 31 March 2019 these shares were held by the Company, the Company waived the right to receive the 8% dividend during the year. During the year, the Company has cancelled 395,115 Cumulative preference shares, leaving a balance of 591,811 shares.

	2020	2019
	£'000	£'000
Share Capital		
Ordinary share capital	**5,040**	5,040
Preference shares	**-**	390
	5,040	5,430

The balance of 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 2020 or 2019.

23. Share-based payment

Equity-settled share option schemes
Details of the share options outstanding during the year are as follows:

	2020		2019	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	**245,658**	**5.83**	255,135	5.64
Granted during the year	**206,128**	**7.42**	17,960	6.26
Forfeited during the year	**(3,509)**	**6.92**	(8,458)	5.93
Exercised during the year	**(174,963)**	**5.57**	(18,979)	3.70
Outstanding at the end of the year	**273,314**	**7.18**	245,658	5.83

The weighted average share price for options exercised during the year was £8.47 (2019: £6.86).

Details of the options outstanding at 31 March 2020 are shown below. 13,000 (2019: 14,000) of these options were exercisable at the year end.

	2020		2019	
	CSOP	SAYE	CSOP	SAYE
Range of exercise prices	**£1.65-£9.65**	**£7.27**	£1.65-£8.03	£5.65
Number of shares	**80,080**	**193,234**	84,401	161,257
Weighted average expected remaining life (years)	**3.0**	**2.9**	3.0	0.4

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:

	2020		2019	
	CSOP	SAYE	CSOP	SAYE
Share price at grant date	**£9.65**	**£9.08**	£6.26	-
Option exercise price	**£9.65**	**£7.27**	£6.26	-
Expected volatility	**20.0%**	**19.3%**	23.0%	-
Option life	**5 years**	**3 years**	5 years	-
Risk free interest rate	**0.78%**	**0.52%**	1.2%	-
Fair value	**£1.87**	**£2.30**	£1.44	-

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. For the nil price share options, dividends will be reinvested into additional shares in the plan.

The group recognised total expenses of £64,000 (2019: £94,000) 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 2020 was 161,168 (2019: 163,299).

24. Own shares

	Ordinary shares £'000	Preference shares £'000	Total £'000
At 1 April 2018			
Cost	529	-	529
Transfer of treasury shares	82	-	82
Purchase of treasury shares	-	478	478
Transfer to employees	(166)	-	(166)
At 31 March 2019	445	478	923
Cancellation of treasury shares	-	(478)	(478)
Transfer to employees	174	-	174
At 31 March 2020	**619**	**-**	**619**

The investment in own shares represents 28,246 25p Ordinary shares (2019: 10,693 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.1% (2019: 0.05%) 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 2020 259,200 (2019: 459,200) 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. During the year 200,000 shares were issued to the James Latham Employee Benefits Trust.

25. Cash generated from operations

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Profit before tax	**15,662**	15,335	**(2,160)**	(2,195)
Adjustment for finance income and expense	**335**	185	**(15)**	(5)
Depreciation and amortisation	**3,790**	2,036	**22**	4
Profit on disposal of property, plant and equipment	**(121)**	(1,079)	**-**	-
Increase in inventories	**(1,659)**	(2,282)	**-**	-
(Increase)/decrease in receivables	**(3,963)**	(1,105)	**2,773**	(2,802)
Increase/(decrease) in payables	**1,244**	(1,825)	**67**	(347)
Retirement benefits non cash amounts	**(1,904)**	(1,213)	**-**	-
Translation non cash amounts	**80**	(31)	**-**	-
Share-based payments non cash amounts	**64**	94	**64**	94
Cash generated from operations	**13,528**	10,115	**751**	(5,251)

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 2018	13,989	-	(987)	**13,002**
Cash flow	1,552	-	478	**2,030**
Non cash movement on preference shares	-	-	(88)	**(88)**
At 1 April 2019	15,541	-	(597)	**14,944**
Recognition of lease liability	-	(6,238)	-	**(6,238)**
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**

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.

	2020 **£'000**	2019 £'000
Salaries and other short-term employee benefits	**953**	1,109
Social security costs	**119**	146
Pension costs	**103**	132
Share-based payments	**8**	9
	1,183	1,396

There are 4 (2019: 4) directors to whom retirement benefits are accruing under defined benefit schemes, and 4 (2019: 4) directors that exercised share options during the year.

Emoluments for the highest paid director totalled £238,000 (2019: £228,000). The highest paid director exercised 3,185 shares at a gain of £10,988 and also exercised 707 CSOP share options during the year at a gain of £2,740. The highest paid director had an accrued defined benefit pension of £63,000 (2019: £59,000) 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 (2019: £6,000).
- Receiving an annual management charge to cover services provided of £2,492,000 (2019: £2,121,000).
- 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.

27. Capital commitments

At 31 March 2020, there were capital commitments contracted for but not provided in the accounts of £876,000 (2019: £1,266,000).

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 page 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
2020					
Trade payables	20,126	-	-	-	**20,126**
Accruals	2,292	-	-	-	**2,292**
Other payables	1,107	-	345	-	**1,452**
Cumulative preference shares of £1 each	-	-	-	592	**592**
Total	**23,525**	**-**	**345**	**592**	**24,462**
2019					
Trade payables	18,808	-	-	-	**18,808**
Accruals	1,830	175	180	-	**2,185**
Other payables	1,512	-	-	-	**1,512**
Cumulative preference shares of £1 each	-	-	-	597	**597**
Total	**22,150**	**175**	**180**	**597**	**23,102**

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
2020					
Trade payables	53	-	-	-	**53**
Accruals	118	-	-	-	**118**
Amounts owed to Subsidiaries	7	-	-	-	**7**
Other payables	268	-	52	-	**320**
Cumulative preference shares of £1 each	-	-	-	592	**592**
Total	**446**	**-**	**52**	**592**	**1,090**
2019					
Trade payables	41	-	-	-	**41**
Accruals	133	-	-	-	**133**
Other payables	270	-	-	-	**270**
Cumulative preference shares of £1 each	-	-	-	597	**597**
Total	**444**	**-**	**-**	**597**	**1,041**

28. Financial instruments *(continued)*

Foreign currency risk
Approximately 44% 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 2020 was £86,000 in US Dollars (2019: £195,000), £316,000 in Euros (2019: £525,000) and £258 in Canadian dollars (2019: £56,000), 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 £40,000 (2019: £78,000).

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Fixed rate instruments				
Cumulative preference shares of £1 each	**(592)**	(597)	**(592)**	(597)
Variable rate instruments				
Cash and cash equivalents	**16,950**	15,541	**929**	94
Bank overdraft	**-**	-	**-**	1,120

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 £170,000 (2019: £155,000) in the group and £9,000 (2019: £10,000) in the company.

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 0.20% of sales this year, compared with our target of 0.4%. In adopting 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. In adopting 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**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**43,545**	39,592	**3**	54
Other receivables	**1,438**	1,011	**2**	10
Amounts owed by subsidiaries	**-**	-	**439**	3,189
Cash and cash equivalents	**16,950**	15,541	**929**	94
Total	**61,933**	56,144	**1,373**	3,347

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**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**20,126**	18,808	**53**	41
Other payables	**1,452**	1,512	**320**	270
Amounts owed to subsidiaries	**-**	-	**7**	-
Accruals	**2,292**	2,185	**118**	133
Bank overdraft	**-**	-	**-**	1,120
Total	**23,870**	22,505	**498**	1,564

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.

29. Business Combinations

On 31 October 2019 the Group acquired 100% of the issued share capital of Dresser Mouldings (Rochdale) Limited, a company incorporated in England and Wales whose principle activity is the further processing of timber and panel products. The acquisition will allow the company to increase its offering in processed timber.

The fair values are as follows:	2020 £'000
Property, plant and equipment	218
Inventories	279
Trade and other receivables	367
Cash	422
Trade and other payables	(597)
Deferred tax liability	(38)
Net assets acquired	651
Goodwill	349
Consideration	1,000

The consideration was satisfied by a cash payment of £1,000,000 during the year. It is expected that the gross contractual amounts receivable above are expected to be received in full.

Since the acquisition date, Dresser Mouldings (Rochdale) Limited has contributed £737,000 to group revenues and £35,000 to group profit. If the acquisition had occurred on 1 April 2019, group revenue would have been £248,425,000 and group profit would have been £12,591,000.

30. Reconciliation of opening lease liabilities

The 2019 future aggregate minimum payments under various operating lease contracts for vehicles, plant and property payable, prior to IFRS 16: Leases, by the group are as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Vehicles and Plant:				
No later than one year	-	654	-	17
Later than one year but no later than five years	-	523	-	23
	-	1,177	-	40
Property:				
No later than one year	-	796	-	243
Later than one year but no later than five years	-	2,945	-	974
Later than five years	-	243	-	243
	-	3,984	-	1,460

The changes in the Group's lease liabilities can be classified as follows:

Total operating lease commitments disclosed at 31 March 2019	5,161
Adjustments to opening lease liabilities	291
Operating lease liabilities before discounting	5,452
Discounted using incremental borrowing rate	(480)
Total lease liabilities recognised under IFRS 16 at 1 April 2019	4,972

Notice is hereby given that the one hundred and twenty first Annual General Meeting of the Company will be held at Unit 1, Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on Wednesday 2 September 2020 at 12.30pm. Resolutions 1 to 7 inclusive will be proposed as ordinary resolutions, and resolutions 8 and 9 will be proposed as special resolutions.

Impact of COVID-19

Due to the current restrictions imposed due to the COVID-19 pandemic, the Annual General Meeting this year will not be open for shareholders to attend in person. To ensure that your vote counts, please submit your proxy form appointing the Chairman as your proxy. Questions can be submitted in advance to **plc@lathams.co.uk** and these will be answered during the meeting. Full voting details and answers to questions will be posted on the Investor page at **www.lathams.co.uk/investors**.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2020 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 Piers Latham as a director, who retires by rotation.
6. 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.

Special business

7. 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."

8. Disapplication of pre-emption rights: To consider, and if thought fit, pass the following resolution: "THAT subject to the passing of the previous Resolution 7, 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 7:

   (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."

9. 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 D Dunmow
Company Secretary

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

30 June 2020

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

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.

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 12.30pm on Friday 28 August 2020 are entitled to 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 vote at the adjourned meeting.

At 24 June 2020, 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, 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-uk.computershare.com/investor**. 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.