JAMES LATHAM PLC

ANNUAL REPORT & ACCOUNTS 2023

JAMES latham THE NATURAL CHOICE

Contents

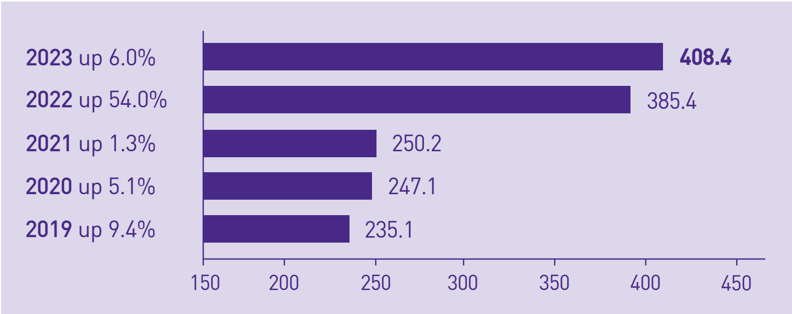
Financial Highlights and Calendar

for the year ended 31 March 2023

Financial Highlights

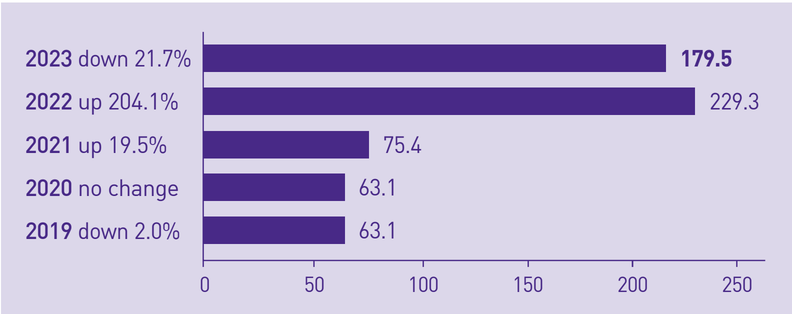
Revenue

£408.4m



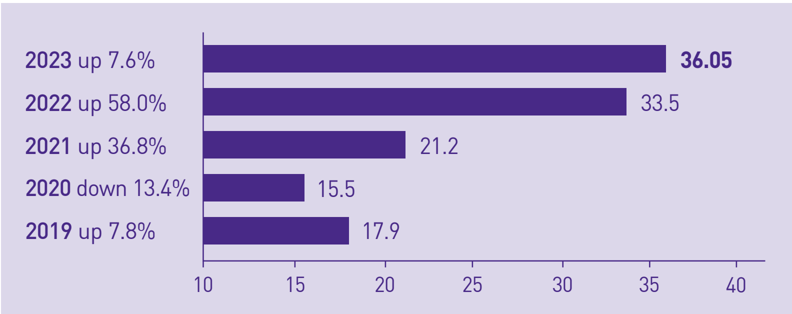
Earnings per share (see Note 9)

179.5p



Total Dividend per share

36.05p



Net profit attributable to shareholders

£35.9m

Down 21.3%

Equity Shareholders Funds

£195.6m

Up 19.3%

Cash and Cash Equivalents

£62.6m

Up 69.1%

Financial Calendar

Record date for final dividend 2023	4 August 2023
Annual General Meeting 2023	23 August 2023
Payment of final dividend	25 August 2023
Interim 2023/24 results announcement	30 November 2023
Interim dividend expected payment date	26 January 2024
Preliminary announcement of 2023/24 results	27 June 2024
Annual General Meeting 2024	21 August 2024

Chairman's Statement

I am very pleased to report excellent trading results for the financial year to 31 March 2023. These results follow the unprecedented trading results for the year to 31 March 2022 where we benefitted from our strong relationships with our suppliers and our balance sheet strength, in navigating the global supply chain issues and significant increases in the market prices for our products.

The financial year to 31 March 2023 saw a gradual return to more normal market conditions, with supply chains becoming easier and cost prices of our products stabilising. New challenges arose with inflation increasing rapidly throughout much of the year, with increased energy costs, due in part to the conflict in Ukraine. The impact of inflation has been felt throughout the economy with a reduction in both confidence levels and macroeconomic growth forecasts. Our markets though remained resilient to these challenges.

Revenue for the financial year to 31 March 2023 was £408.4m, up 6.0% on last year's £385.4m. Like for like volumes taking into account working days and acquisitions, increased by 5.3%, with the growth mainly on delivered business from our own warehouses. The cost price of our products is on average 6.5% higher (2022: 36.2% higher) than at the start of the financial year.

Gross profit percentage for the financial year to 31 March 2023 was 19.6% compared with 23.8% in the previous financial year, as the margins return to more normal levels. This figure includes warehouse costs and seven depots now run extended shift systems to improve our service levels.

Profit before tax is £44.5m, compared with last year's £57.9m. Profit after tax for the year is £35.9m compared with last year's £45.6m. Earnings per ordinary share is 179.5p compared with last year's 229.3p.

As at 31 March 2023 net assets have increased to £195.6m (2022: £164.0m). Inventory levels have reduced to £67.5m from £74.2m last year as the easing of supply chain conditions meant we could reduce the investment we made last year in additional inventories. Trade and other receivables at the year end were £1.5m lower than the previous year with debtors days remaining the same as the previous year. Despite the challenges of the economic environment, bad debts have remained small at 0.1% of revenues. Cash and cash equivalents of £62.6m (2022: £37.0m) remain strong with good cash flows from operating activities.

Final dividend

The Board has declared a final dividend of 20.8p per Ordinary Share (2022: 19.0p) plus a special dividend of 8.0p (2022: 8.0p) to reflect the exceptional performances both this year and the previous year. The dividend is payable on 25 August 2023 to ordinary shareholders on the Company's register at close of business on 4 August 2023. The ex-dividend date will be 3 August 2023. The total dividend per ordinary share of 36.05p for the year (2022: 33.5p) is covered 5.0 times by earnings (2022: 6.8 times).

Current and future trading

The gradual trend of a more competitive market place has continued into the new financial year, with margins having returned to the longer term average. We have seen price weakness in a few of our key product areas, as the supply issues have become much easier, but our product values are still considerably higher than they were before the COVID-19 pandemic.

Although we have seen some weakness in prices, our manufacturers still have significant cost pressures on raw materials, energy and wages which should temper any price weakness. Our overall volumes have continued to increase compared with the previous financial year, but there has been a shift in product mix to some lower value products, in part due to product replacement and value engineering by our customers.

We are mindful that this year will continue to be affected by macroeconomic concerns as the year progresses, with inflation remaining high, and the geopolitical back drop causing uncertainty, but the fundamentals within the majority of the market sectors in which we operate are stable at this stage. We have a concern that the market in Europe is quiet, and this could cause manufacturers to export cheaper product to the UK market, and negatively affect product values.

The group has delivered great results in challenging circumstances due to the ability of the team to work together to manage the challenges, and seize opportunities as they present themselves, and this will continue. The board is therefore very aware that the results for the last two years have been exceptional, and far beyond the profits earned before the start of the COVID-19 pandemic. The board's challenge is to navigate the business towards what is a more normal and realistic profit achievement which takes into account the market conditions we are operating in and the inflationary overhead pressures that all companies are facing.

Development strategy

Our business, like many others, have faced numerous challenges over the past two years, and these challenges have helped the board identify opportunities to develop the business. The service levels and product mix that we offer our customers are becoming ever more critical, so we are currently focusing on a comprehensive end to end review of our supply chain in order to future proof our business and ensure that we can meet and exceed our future customer expectations.

We have invested in some melamine racking at IJK Timber, our recent acquisition in Belfast, to allow them to increase their product offering. The longer term objective is to relocate this business to a modern facility to allow them to stock the full range of our products and grow their market share. The Yate site development was completed in mid August 2022 which has resulted in a 25% increase in capacity that will allow the depot to further develop the business and grow market share. Our largest timber site in Purfleet is now operating a 24/5 warehouse which will enable increased volumes through the business, and now seven sites are operating 24 hours a day, 5 days a week.

During the year we will be upgrading our ERP computer system which will create efficiencies for the business, enable us to integrate a modern warehouse management system, and provide further opportunities to introduce best in class computer software. Rather than and provide opportunities to further introduce best in class computer software.

We are planning to purchase our site at Abbey Woods in Dublin in the autumn of 2023, with the plan to modernise the site and allow us to use part of the warehouse that was used by the previous landlord, which will give us about 15% more capacity.

Environmental, Social and Governance (ESG) issues have always been important to the board, and we plan to integrate our ESG values into all of our strategic decisions and incorporate performance measures to monitor our success. We are planning to increase use of electric vehicles and will start adding solar panels to our depots in order to accelerate the move to a net zero carbon position.

The board remain focused on identifying acquisitions that either help develop sales in specific market sectors, enable the business to sell a wider product range to our existing customers, or any geographical opportunities that arise.

Directors and staff

I would like to congratulate Nick Widlinski on his appointment as an associate director of James Latham plc as of 1st April 2023. Nick is currently the Panel Products director on the Lathams Limited board and has worked in the business for 14 years. This will enable Nick to attend plc board meetings and listen to the discussions, albeit without a vote, as part of our succession planning policy.

I would also like to thank Howard Hayes who retires as director of our Hemel Hempstead site in September. Howard has worked for the business for 40 years and has been instrumental in the growth of the business at Hemel Hempstead since we opened the site in 2001.

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 operating policy. Both boards are well balanced in terms of experience and skills.

I believe that a major part of our success has been giving autonomy to our site directors, and it is the communication from both the timber and the panel trading committees that meet regularly that feed crucial information to the local teams which enables us to make the right trading decisions, and allows the business to maintain its ability to react quickly to the ever changing market conditions.

I would like to thank all the directors and everyone within our group, as the results this year are exceptional and could not have been achieved without the dedication and commitment of all of our staff at James Latham.

Nick Latham,
Chairman, James Latham plc
20 July 2023

Strategic Report

Introduction

Outline of the Strategic Report

The directors present their Strategic Report for the year ended 31 March 2023. 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 20 July 2023 and signed on its behalf by:

Nick Latham
David Dunmow

Section 172 Statement

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

- **Shareholders.** As owners of the Group, we rely on the support and views of our shareholders. Members of the board have regular dialogue with shareholders in order to develop an understanding of their views. Shareholder feedback is regularly reported on and discussed by the board and their views are considered as part of the decision making process. The AGM is an important forum for shareholders to meet the board and ask any questions they may have. Further information is shown on pages 8 and 29.

- **Employees.** All of our employees throughout the business are key to our success, and we need to reward, protect and listen at all levels. We engage with our employees through the Company Intranet, local board meetings, performance reviews and briefings from various parts of the business. We undertake employee surveys which we use to present ideas to the board, representing the views of all our staff. We provide share schemes to encourage employees to share in the success of the group. Further information is shown on page 14.

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

- **Environment and Local Communities.** As a provider of natural materials, our impact and interaction with the environment and our local communities is key to our long term success. We support local charities with donations and encourage employees to undertake fundraising activities. Further information is found on on pages 8 to 14.

Hydrofugo Moisture resistant MDF, Oak veneered MDF and Tulipwood by James Wilding Joinery.

Valchromat table being finished in Koate treatment.

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

The key decisions taken by the board in the year to 31 March 2023 include:

a. Approving a full review of our supply chain and route to market in order to future proof our business and increase efficiency in inventory levels and throughput. This is a long term project that will start to be implemented over the next few years.

b. Approval of capital expenditure at our Yate branch to extend the warehouse and provide more capacity necessary for the future profits from this site.

c. Approval of the move of our Head Office from the Hemel Hempstead trading depot to its own office at Breakspear Park in Hemel Hempstead, to allow the Hemel Hempstead depot more room to expand.

d. Agreeing a new investment strategy with the Trustees of the James Latham Pension and Assurance Scheme to accelerate the derisking of the scheme's investments.

e. Approval of a one off cost of living payment to the majority of our employees to help ease the pressures caused by the sudden increase in inflation, at a cost of £250,000.

f. 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.

g. 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.

Strategic Report

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, commercial interior fitout and many other market sectors, offering a wide range of wood based panel products, natural acrylic stone, door blanks, hardwoods, high grade softwoods, modified and engineered timbers, decking and mouldings and other machined products. We also supply commodity and specialist panel products to timber and builders' merchants.

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

The company believes that to provide the service demanded, we need to be close to our customers. We offer national coverage from thirteen locations in the UK and three locations in the Republic of Ireland, as shown in The Latham Group map on page 89, as well as from various port and storage locations around the UK.

Our timber 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 the United Kingdom. We also hold a range of specialist products in Leeds for distribution to the UK and Irish markets to complement the business supplied directly by our depots.

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 Environmental, Social and Governance (ESG) issues;
- To provide a safe working environment for our staff;
- To improve service levels by improving warehouse facilities to speed order picking over an extended product range; and
- To employ and develop well-trained, knowledgeable and helpful staff.

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of high quality timber and associated products, purchased using the TDUK 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.

James Latham plc and Our Objectives and Strategy

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® and Decking. The Dresser Mouldings facility allows us to further develop our offering of processed timbers. Full ranges of the specialist products are stocked and key to our success is having the right stock in the right place at the right time.

Melamine, decorative laminates and edging products are important product groups and all Latham depots offer a comprehensive range of products ex-stock, including decors from Egger, Kronospan and CLEAF.

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

Our Leeds depot acts as the central distribution point for ATP, HI-Macs®, Avonite, Kydex®, Laminates and Valchromat. These are all available on a national basis for prompt delivery to our customer base. We have and will continue to enhance our delivery service and will continue to develop our centrally held stocks. Overnight trunking of goods between the depots enables us to provide an increased range of stocks available for next day delivery.

CNC'd HI-Macs® by IP Surfaces.

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. These plans drive our investment in our facilities as we adapt our product ranges and service levels to meet customer demands, which includes operating 24 hours a day, 5 days a week.

We will continue to look to develop new markets, both organically through our depot network, or by acquisition where the opportunity arises.

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, technical and financial 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 specification website promotes our product offering to professional specifiers, architects and designers. We also put in place a programme of presentations to architects for their Continual Professional Development.

Digital media has provided the company with the opportunity to increase brand awareness across a wide range of social media platforms including a series of short videos available on the **www.lathamtimber.co.uk** website. We have centralised our sampling service in Leicester to provide a more efficient service with greater visibility to follow up the sales leads that this produces.

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.

The challenges in achieving our strategic objectives are considered within the Principal Risks and Uncertainties on pages 15 to 17.

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.lathamtimber.co.uk**. We allocate at least two days a year for Investor Roadshows organised by our broker, SP Angel, where investors have the opportunity to discuss our strategy and their own expectations. In addition we occasionally host shareholder visits to our depots with a guided tour of the facilities to increase their understanding of our business. Shareholder feedback and significant movements in our shareholder base are regularly discussed at board level, and their views are considered as part of our decision making processes.

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

At James Latham plc, we are conscious of our corporate responsibilities to all our stakeholders and to society as a whole. Environmental matters, health and safety, staff training and equal opportunities are key areas relevant to the group's business. We also maintain contact with and support both the local and the wider community. A substantial amount of management time is devoted to Environmental, Social and Governance (ESG) 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.

ESG matters are of increasing importance with our stakeholders, and in due course, as the broader company ESG strategy develops, we will seek to incorporate performance measures into the implementation of the policy which support this.

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

Timber is the only renewable resource used in construction unlike steel and concrete which cannot claim this as only a finite source is available. Due to construction being responsible for 40% of the UK's total carbon footprint, construction companies need to look at the choice of materials and construction methods used, as well as the energy efficiency EPC ratings of the buildings. This has led to architects and specifiers increasingly paying attention to the embodied carbon in the building. Using timber as a building material helps offset carbon emissions as timber is carbon negative.

Horizon Boule Cherry.

Horizon timber kitchen by Stonehams.

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

To support this, we ensure our timber is legally harvested and comes from well managed forests. We recognise that the independent certification of forests and supply chains is the best means of providing assurances of this. 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 Timber and Timber Products (Placing on the Market) Regulations (“UKTR”) places an obligation on the first placer of timber on the British market to ensure that the timber has been legally sourced and traded. Compliance requires operation of a due diligence system, assessing risks and implanting mitigation measures to ensure that only negligible status product can enter the supply chain. In 2020, an Office of Product and Safety Standards audit of our due diligence systems found that we were fully compliant with the European Union Timber Regulation No 995/2021. We are also audited by the Government body in the Republic of Ireland responsible for legal sourcing and recently passed the audit of our site in Dublin.

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

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

Corporate Responsibility

Latham lorries awaiting loading at the new Yate warehouse extension.

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 table below:-

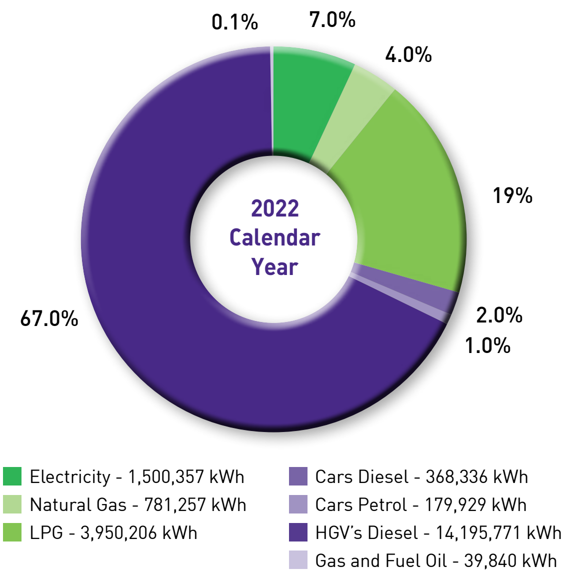
Carbon Dioxide Equivalent (CO2e) tonnes

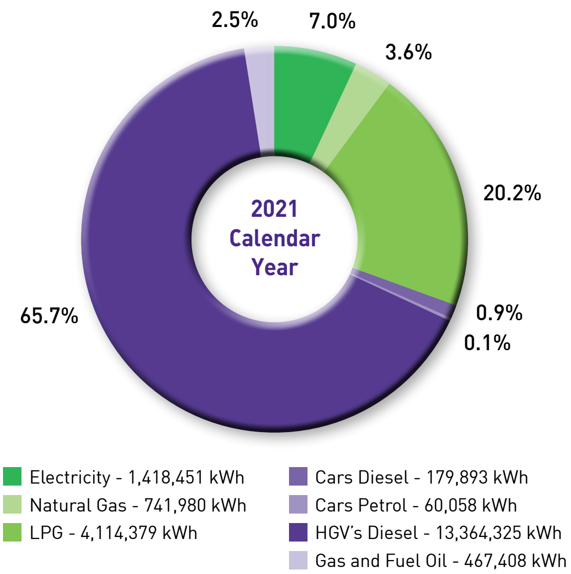
	2020	2021	**2022**
Scope 1			
Direct emissions from burning gas and solid fuel for heating and from road use for sales and distribution	3,466	4,369	**4,562**
Scope 2			
Indirect emissions from use of electricity	202	301	**290**
Total	3,668	4,670	**4,852**
Total kWh	15,815,599	20,346,194	**21,018,283**
Global Intensity Ratio			
Tonnes of CO2 from scope 1 and 2 per £m of turnover	14.86	12.98	**11.73**
Tonnes of CO2 from scope 1 and 2 per thousand m3	8.80	9.69	**10.44**

Data shown is for the calendar years 2022, 2021 and 2020.

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

Total annual energy use of 21,018,283 kWh is further analysed in the graphs below.





As a distribution company, the majority of our emissions are from our vehicles. These are increased this year mainly due to the increase in revenues and hence journeys undertaken. We have continued to encourage working from home on a hybrid basis where this is possible for the efficient running of our operations. However as the economy has opened up after the COVID-19 pandemic, our sales representatives have increased the number of face to face visits to customers. The reduction in the Global Intensity Ratio shows that progress is being made in reducing our CO2 emissions.

We have started on the solar journey with panels ordered and due to be fitted at our Leicester depot over the coming months. This investment should prove to pay for itself over five years from less energy paid for from the grid. After this initial trial we will look at pushing this out to more of our depots and become far more self sufficient in our electricity generation.

All 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 or other sustainably fueled 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.

Our company car policy aims to increase the numbers of energy efficient cars including plug-in hybrid and fully electric cars. Back in 2019 we were almost exclusively diesel, but the percentages now are as follows:

Diesel: 39%   Petrol: 6%   Hybrid: 47%   Electric: 5%

We lease our cars over four years and by 2025 we expect all our cars to be mainly hybrid or pure electric. We currently have electric charging points at one of our depots only, but we are looking at adding more to the other depots, space permitting.

We invested in an additional nine electric combi trucks over the last year. These will be the preferred choice of combi truck going forward where we have enough capacity of KVA from the national grid or solar to keep them powered. The rest of our combi fleet is powered by LPG. 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.

Corporate Responsibility

The Carbon Story

The growing interest in 'Net-Zero Carbon' construction is very significant to us. Timber performs fantastically when compared to Carbon Dioxide (CO_2) intensive materials such as concrete or steel which release CO_2 into the atmosphere during production. Conversely, timber produces no CO_2 during its growth, instead removing carbon from the air and locking it away for its lifetime.

Our compliance team continue to work with the Biocomposites Centre at the University of Bangor to develop a unique calculator that can measure not only the carbon locking potential of our products, but also the carbon footprint created by their production, transport and storage at our facilities. Not only is this data available to our customers, but we also rank (1-4) the confidence we have in the data and the sources it was taken from. With a broad portfolio of products from around the world, this ranking not only provides peace of mind for our customers, but also encourages lower ranked suppliers to improve the documentation available for us to make these calculations. Tier four will be the next level of reporting we will be required to do under SECR and we are already working together with TDUK using their methodology.

Waste Disposal

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

Waste to landfill and diverted from landfill

	2018	2019	2020	2021	**2022**
Landfill (tonne)	371	156	87	121	**110**
Diverted from landfill (tonne)	479	681	707	838	**820**
Total waste	850	837	794	959	**930**
Diverted from landfill	56%	81%	89%	87%	**89%**

Production Waste (Dresser Mouldings)

	2020	2021	**2022**
Dust (tonne)	360	465	**529**
Liquid residue (tonne)			
Trade effluent	30	39	**10**
Landfill	2	2	**1**

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

Salvation Army Project Malachi

Continuing our long-term relationship with the scheme, Project Malachi in Ilford, London, is The Salvation Army's latest homeless accommodation initiative and the first of its kind to target rough sleepers who have No Recourse to Public Funds (NRPF). Further to a previous project where we supplied Garnica Efficiency plywood for indoor sleeping pods, 2022 saw a further donation in the form of 150 sheets of Duraply, an external poplar plywood, to construct an outdoor exercise and relaxation area for the service users.

Support of our communities

Our depots and all our employees are part of their own local communities and we encourage interaction with these communities by charitable donations, fund raising activities and volunteering.

Each year we ask our employees to nominate charities for the company to support. Our employees vote on which charity should receive a donation of £20,000, and this year we supported MacMillan Nurses, with over half of all employees having their say. All other charities nominated also received a small donation.

We also support environmental charities and this year donated £20,000 to the Woodland Trust to continue their work protecting and creating native woodland in the UK. In addition we continue to support the National Forest project in Central England, which started with the planting of 250 trees to celebrate the company's 250 year anniversary in 2007. We donated £10,000 this year for them to continue their work in regenerating industrial land and creating the first forest to be created in England for over 100 years.

We have also pledged to encourage fund raising efforts of our employees by matching up to £500 of any money they raise. This year activities included half marathons, Christmas jumper days, the Three Peaks Challenge and donation of food to local food banks.

We also encourage volunteering by allowing all employees to take a day off for volunteering at full pay.

Continuing our long-term relationship with the scheme, Project Malachi in Ilford, London, is The Salvation Army's latest homeless accommodation initiative and the first of its kind to target rough sleepers who have No Recourse to Public Funds. Further to a previous project where we supplied Garnica Efficiency plywood for indoor sleeping pods, 2022 saw a further donation in the form of 150 sheets of Duraply, an external poplar plywood, to construct an outdoor exercise and relaxation area for the service users.

As a business with a fond eye for history and tradition, we were delighted to be involved in the resurrection of an old favourite TV show – Challenge Anneka. In episode 3 of the latest series, the team helped Luton Sea and Royal Marine Cadets with the renovation of their barracks and construction of new sleeping quarters, using sheet materials including OSB and exterior plywood provided by our Thurrock Depot. Presenter Anneka Rice stated "The Sea Cadets in Luton help hundreds of vulnerable young people learn confidence and new skills. Who knew that a leaky hanger right by Luton Airport could become such a vital thing for this local community?"

Further to the success of last year's campaign to introduce young furniture makers to innovative products, we once again worked with Rycotewood Furniture College to donate materials for their 2023 2nd year Student Competition. With a goal of producing 'storage furniture' the students got to choose from a selection of products including HI-Macs®, UPM Grada plywood, various hardwoods and the Dekodur range of real metal laminates to allow them to learn about the possibilities of new materials and really stretch their design scope.

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 the company.

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 are members of 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.

Corporate Responsibility

We undertake driving licence verification checks on a regular basis for all our drivers. The latest technology allows us to monitor driver behaviour not only from a safety aspect but also from an environmental aspect, minimising fuel use by efficient routing.

We are pleased to have gained this year accreditation under the Safety Schemes in Procurement scheme.

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, through the company intranet and internal newsletters.

We undertake staff surveys and have worked on the key areas arising from the survey to improve our strategies on issues including staff retention, communication, succession planning, training and development for all employees. We plan to continue to use this tool on an ongoing basis to continue to improve the working environment for all staff as well as improve the quality of service that they offer to our customers. We publish our internal magazine, 1757, three times a year to help communicate all the company initiatives to our staff.

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

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

We have a successful program of introducing trainees from school or college. Trainees are put through external courses obtaining qualifications, including NVQs in Sales and Warehousing, accountancy qualifications and the Wood Science exams covering the properties and uses of timber and panel products. We also use the government apprenticeship levy to help train our staff in skills relevant to our industry.

Details of the number of employees and their related costs can be found in note 4 to the accounts, and key decisions taken which have considered the employee interests are set out on page 4.

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. These risks change and evolve and our risk management processes take a balanced approach to help us to deliver our strategic objectives over the medium term 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. Where the risk environment changes significantly, then these risk control and communication processes are accelerated so that any new information is passed up and down the company's structure as soon as possible.

Principal Risks and Uncertainties

Business operations are controlled by the site director at each location and they are responsible for training of their staff, local controls including Quality Systems and service levels, monitoring KPI's and ensuring group policies are adhered to. These controls are monitored at the quarterly board meetings. Central functions such as health and safety, insurance, IT, credit control, finance and HR are controlled by the executive boards of James Latham plc and Lathams Limited, who are responsible for assessing these risks and setting policies and procedures and ensuring that adequate training is given. Internal audit activities, such as Health and Safety audits, financial internal audits, Environmental Chain of Custody audits and Quality System audits provide assurances to the board that policies have been implemented properly and are being adhered to.

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 31st March 2023 we paid particular attention to the Supply Chain risks associated with the conflict in Ukraine, Cyber Security and the high inflation and its effect on our costs and the general economic environment.

The principle risks that are considered to potentially have the most impact on the group's future operating results and the risk mitigation measures that we have introduced, are considered below.

Market and Macroeconomic Conditions

Risk Status – High	Risk Direction – Increased
Description The group's sales are predominantly based in the UK and the Republic of Ireland. It is exposed to any slowdown in the UK or Irish economy. Negative or uncertain economic conditions could affect our customers' business resulting in them reducing purchases from our group. Price inflation, for both our products and overheads, and its effect on the cost of living, is at its highest for many years and is significantly affecting cost of goods sold and operating expenses.	**Mitigation** The distribution of our customers across the UK and Irish economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the board assess current trends. Our depots keep in close contact with our customers and discuss with them how market conditions are affecting their business. We undertake product price reviews and have regular reviews with our customers to ensure that we pass on these price rises in as fair a way as possible. We also recognise the effect of the cost of living increases on our employees and on top of the pay review, have made a one off payment in October 2022 to employees to help mitigate these increases.

Competition from new and existing businesses

Risk Status – Low	Risk Direction – Unchanged
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 different routes to market.	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. We continue to invest in improving on-line trading platforms and other digital methods to meet customer demand.

Environmental Risks and Carbon Reduction

Risk Status – Medium	Risk Direction – Unchanged
Climate change could significantly affect our trading environment as the economy moves to meeting the UK governments pledge to achieve a net zero target by 2050. Environmental matters are increasingly important to our customers, employees and investors and we need to respond to the increasing information expectations.	ESG forms an increasing part of board discussions and various initiatives are being introduced or trialled including increasing the electric component of our forklift and vehicle fleet, LED lighting and solar panels, and use of IT to reduce travelling. In addition, we are the first in the industry to publish data on the carbon impact of our products, with our Carbon Calculator.

Continued overleaf

Principal Risks and Uncertainties

Inventory levels move out of line with sales requirements and market prices	
Risk Status – Medium	**Risk Direction – Unchanged**
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 or obsolete. The Global Supply Chain difficulties may cause demand for some products to switch to alternative products.	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 and obsolete stocks are monitored regularly and action taken to mitigate the risk.

Supply Chain disruption could result in shortages of product	
Risk Status – Medium	**Risk Direction – Increasing**
Although a high percentage of the group's imported products 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.	To mitigate the risk from these pressures, the group's dealings are spread across a large number of countries of supply. The group keeps informed of developments in higher risk producer countries. We maintain close relationships with our suppliers, including ports and shipping lines, to ensure that we are pre-warned of difficulties of supply. We maintain relationships with suppliers of alternative products. We also maintain close relationships with customers to help them find alternative sources of supply. The effect of the Ukrainian conflict on supply chains continues to cause difficulties with certain products and we have found alternative sources of supply for many of our customers.

Reputational Risk	
Risk Status – Low	**Risk Direction – Unchanged**
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.

Defined Benefit pension scheme funding could increase	
Risk Status – Medium	**Risk Direction – Unchanged**
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, and a plan is in place with the Trustees to reduce risk in line with the changing maturity of the scheme.

Information technology failures impact our ability to trade	
Risk Status – Medium	**Risk Direction – Unchanged**
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, 365 days a year and maintenance work carried out on an ongoing basis. The infrastructure is regularly reviewed and updated. 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.

Cyber Security and Data Protection	
Risk Status – Medium	**Risk Direction – Increased**
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 continued to invest in our Cyber security systems. Our IT disaster recovery plans include provisions for Cyber Attack. Our GDPR policy is regularly reviewed and we ensure that our marketing activities are appropriately carried out.

Inability to trade from a depot	
Risk Status – Low	**Risk Direction – Reduced**
Inability to trade from a depot due to an incident, internally or externally, or the effects of a pandemic, 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.

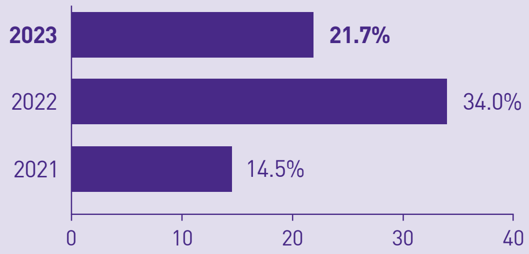
Inability to fill key roles within the organisation	
Risk Status – Low	**Risk Direction – Reduced**
Our staff are key to the success of our business, and our inability to fill key roles could affect our profitability.	The group, through the Remuneration Committee, is committed to having remuneration, training and development policies to make James Latham the employer of choice. Benchmarking takes place to ensure our senior staff are rewarded appropriately. 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 with this process overseen by our HR Manager.

Strategic Report

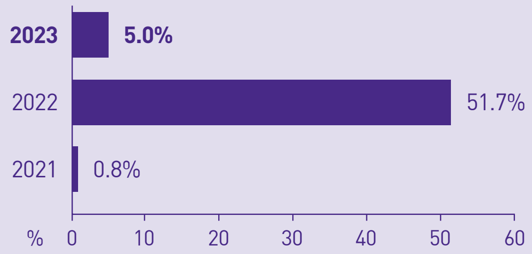
Key Performance Indicators

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

To maximise shareholder value over the medium term

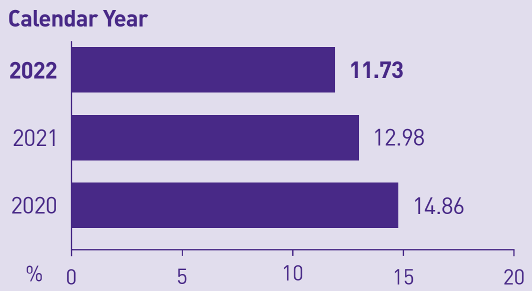


Return on Capital Employed, defined as Operating profit divided by Net Assets plus Non Current Liabilities less non current pension surplus and deferred tax.



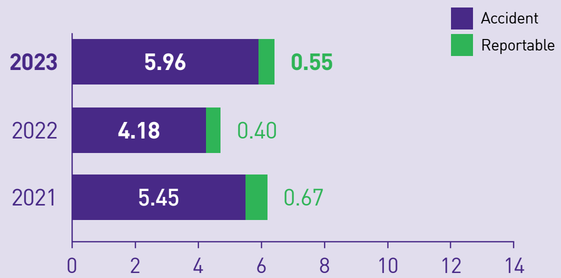
Like for like revenue, adjusted for the effects of acquisitions and working days, increased 5.0%.

Carbon Emissions



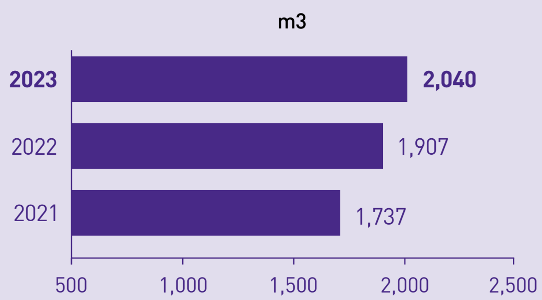
Carbon emissions shown as Tonnes of CO2 from Scope 1 and Scope 2 per £m of turnover (see page 10).

To provide a safe working environment for our staff

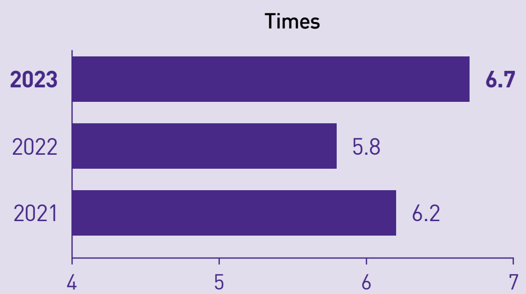


Total number of injuries, no matter how minor, and total number of reportable injuries, reported per 100,000 hours worked, remain low as a result of our continued focus on health and safety.

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



Volume of product sold per working day continues to increase.



Stock turn based on volumes is better than our budget of 6.50 times.

Results for the year ended 31 March 2023

Revenue for the year ended 31 March 2023 was £408.4m, £23.0m higher than the previous year.

Collectively we have seen strong performances across all regions and sectors of our business during this financial year. The business experienced good demand for its range of products with revenues and volumes in line with our forecasts.

Supply lines have improved since the disruption caused by the COVID-19 pandemic, meaning lead times have shortened and product is more available. This is reflected in our inventory levels which have reduced in line with forecasts and have been well balanced throughout the year.

The cost of containerised freight has fallen significantly reducing the landed cost of some commodity timber and panels. Replacement costs have shown some pockets of weakness reflecting global demand, however the underlying cost prices of our products in this period have remained relatively strong against the longer-term historical values.

As expected, margins have slowly reduced to more normal levels. Efforts to improve systems and processes to drive efficiencies and create opportunities across all areas of the business have and will remain a focus. The highest rate of inflation for 40 years, driven mainly by fuel and energy costs, has made these efforts even more important and overheads and payroll numbers have been under close scrutiny all year, whilst maintaining and improving our service levels. In addition the rising cost of energy has affected our manufacturing suppliers driving inflationary pressure on production and handling costs which has been reflected in raw material prices.

Despite the widely reported weakening of confidence in the UK economy, our customers, and the sectors they operate in have generally remained busy. Customer purchasing has adjusted during the year becoming project lead or short-term, taking advantage of reduced lead times and stock availability. Considering these challenges overall demand has been good and generally followed our expectations in this period.

Our relationship with suppliers has provided access to increased volumes to meet customer demand. Working with our key suppliers has enabled us to continue to revise and expand our product range to grow our business strategically.

Customer service levels have remained strong which was reflected in our customer retention and market penetration objectives. We undertook a Customer Survey this year with over 18,000 customers contacted, which highlighted how important service was to them. Over 80% of responders scored us at 8 out of 10 or better, and we achieved a Net Promoter Score (NPS) of 46 which is a very good achievement whilst giving us opportunities for further improvement.

Latham staff visit to the Moralt door factory.

Strategic Report

Operating Review

New melamine racking in the IJK Belfast site.

The move to a 24 hour a day 5 day a week operation at our largest timber only site at Purfleet in October provided a noticeable gain in service levels and potential capacity, making this the seventh of our distribution sites to be operating 24/5.

The conflict in Ukraine and sanctions placed on Russia and Belarus created shortages in certain timber products, especially Birch Plywood and the need for customers to find alternative products. Consequently, we have worked hard to help identify and provide customers with solutions.

To help mitigate reliance on any one form of energy we have invested in electric powered trucks for material handling and are about to trial the introduction of solar power.

Our investment in Northern Ireland is being successfully integrated into the Latham business and we will continue to invest in this opportunity. The installation of a new racking facility in the Belfast site has been completed which will increase the range of products available from stock and improve customer service levels opening new opportunities across Ireland. We will continue to develop our combined business strategy across the whole of Ireland. Brexit continues to play its part with alterations to import legislation and changes to UK standards causing some delays at the ports and creating additional work.

The expansion of the Yate site has been completed and is fully operational providing more capacity to support the development of business in the South West of England and South Wales regions.

The investments made at Dresser Mouldings in new machinery have enabled us to focus on quality and customer service levels, cutting lead-times and improving On Time In Full (OTIF) ratios. As expected, this improvement is beginning to open new areas of business for us across the James Latham customer base.

We have increased the resources and capacity of our timber importing and pack sale division, Latham Direct Timber (LDT), to grow market share. We have also added a similar model for panel products, with our pack trading division LDP.

The recruitment of well-trained or talented people for specific roles remains challenging. Where possible we try to promote from within and have focused heavily on our staff training, career development strategies and recruitment policies. The previous difficulties recruiting lorry drivers though has improved.

The launch of James Latham Carbon Calculator received two industry awards for promoting the carbon value of using wood products. The carbon story is a real opportunity for the timber industry to differentiate from other suppliers of building materials. We expect this message to become increasingly important to all our stakeholders.

Our marketing activities have been targeted on specific products and market sectors and continue to create opportunities. The work in this area has created a significant increase in interaction across all our recognised communication channels and raise awareness of the James Latham brand.

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 sixteen 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.

Market place

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

Market sector	Customer group	Lathams sales value %	
		2023	2022
Construction/ housing	Merchants	**15**	16
	Joiners	**26**	24
	Builders	**4**	5
	Kitchen manufacturers	**6**	6
	Door manufacturers	**4**	5
Retail	Shopfitters	**4**	4
	Laminators/Veneerers	**4**	5
	Furniture manufacturers	**6**	6
Transport	Vehicle builders/Van liners	**2**	1
Exhibitions	Exhibition fitters	**2**	1
Cash sales		**10**	10
Other importers		**7**	8
Other sectors		**10**	9
	TOTAL	**100**	100

End products are used in both the public and private sectors. Our top ten customers account for 8% (2022: 9%) of sales and our top 25 customers represent 14% (2022: 14%) of sales.

Hamleys, Westfield, London

We worked with Fabricator Cre8ive Joinery and Brand activators Dalziel & Pow to produce this striking shopfront for famous toy store Hamleys at their shop in Westfield shopping centre. Supplying a range of materials into the project, the stand-out feature was this bright, shiny façade in 'Fiery Red' HI-Macs® solid surface. Manufactured in Bromsgrove in the Midlands, then transported to site in London for installation, the whole project was undertaken at night to ensure minimal disruption to the everyday running of the busy retail centre.

Financial Review

Financial review

A commentary on the group's trading results is set out in the Operating Review on pages 19 to 21, and the key figures are considered below, with emphasis on the financial performance.

Revenue Analysis

Over the last two financial years the impact of the COVID-19 pandemic and resultant supply chain disruption had a significant positive effect on our revenues. In this financial year revenues have stabilised as the markets slowly returned to normal. Revenues are up 5.0% on a like for like basis against the year to 31 March 2022. Cost prices rose at a much slower rate in the first half of the year than in the previous financial year, and remained stable for much of the second half of the year. Volumes continued to grow despite the more challenging macroeconomic conditions.

Revenue Growth Analysis

	2022	**2023**
Volume	+11.9%	**+5.3%**
Price and Product Mix	+39.8%	**-0.3%**
Like for Like Revenue Growth	+51.7%	**+5.0%**
Acquisitions	+3.6%	**+1.4%**
Trading Days	-1.2%	**-0.4%**
Total Revenue Growth	+54.0%	**+6.0%**

Half Yearly Revenue Analysis

	2022 vs 2021	**2023 vs 2022**
Half 1	+81.2%	**+9.7%**
Half 2	+33.7%	**+2.2%**

David Dunmow
Finance Director and Company Secretary

Operating profit

The board remained focussed on managing margins to enable us to remain competitive in commodity products but grow margins in our focus products and other products where there were market shortages, whilst still maintaining our service levels. Gross profit % has reduced to 19.6% from 23.8% as margins slowly return to normal levels, which for the ten years prior to the COVID pandemic have averaged 17.8%.

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 and improve service levels. Seven depots are now operating a 24 hour system meaning we can take orders later in the day to provide next day deliveries where our customers require it. It also provides opportunities to receive goods in during the night from suppliers or from other depots.

Costs in each location are monitored closely by the board through the quarterly meetings at each depot, with detailed variance analyses being provided. We constantly look for efficiencies in our overheads whilst continuing to invest for the future. Transport and warehouse costs per tonne have increased by 11.7% (2022: increased by 13.4%) and 13.1% (2022: increased by 5.7%) respectively. There have been continued inflationary pressures on these costs, including energy, fuel and manpower costs.

Operating profit reduced to £43.7m from £58.2m last year. Group net profit before taxation reduced to £44.5m from £58.0m last year.

Taxation

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

The taxation charge of £8.6m represents an effective rate of 19.3%, compared with 21.2% 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 rate of UK corporation tax rate will rise to 25% with effect from 1 April 2023.

Earnings per share

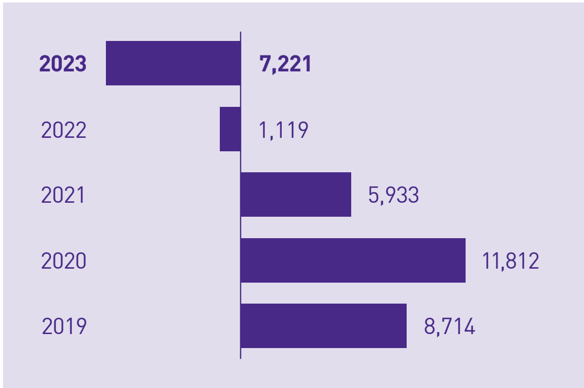
The group reported a total profit after tax of £35.9m (2022: £45.6m) resulting in a basic earnings per share of 179.5p (2022: 229.3p) with diluted earnings per share being 179.2p (2022: 228.3p).

Pension scheme

At 31 March 2023 there was a surplus in the defined benefit scheme under International Financial Reporting Standards of £7.2m compared with a surplus of £1.1m last year. During the year we saw incremental rises in interest rates from 0.5% at the start of the financial year to 4.25% at 31 March 2023. This had a corresponding effect on discount rates, represented by yields on corporate bonds which increased to 4.7% from 2.7%. This helped reduce the valuation of pension scheme liabilities by £17m, although the assets under management have reduced by £9.1m to £66.4m due to falls in the value of defensive assets such as gilts and corporate bonds. These falls show that the assets are acting as designed in matching the movements in the liabilities. The company paid in £4.4m of deficit recovery funding during the year, which will continue until March 2024, when the deficit recovery funding payment will be recalculated at the next triennial valuation. In note 20.2 to the accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility, and details of the IFRIC 14 liability.

The group is constantly assessing the risks in the pension scheme, especially as more of the members are at or close to pensionable age, and have continued to take the opportunity afforded by good equity values to de-risk and invest more in gilts and bonds. We also maintained a cap on pensionable salary increases to a maximum of 1% over CPI.

Gross IAS19 surplus/deficit £000's



Cash flow and working capital

At the end of the year cash balances of £62.6m were held, up from £37.0m last year. The cash is being held as short term deposits providing funds for short term working capital fluctuations and allowing us to make capital investments when opportunities arise.

Free Cash Flow

	2023 '000's	2022 '000's
Operating Profit	**43,698**	58,165
Depreciation and other non cash movements	**42**	902
Change in working capital	**124**	(28,084)
Net interest received/(paid)	**769**	(30)
Tax paid	**(7,498)**	(10,259)
Operating cash flow	**37,135**	20,694
Fixed Asset additions less disposals	**(3,232)**	(4,257)
Acquisitions	**–**	(2,238)
Free cash flow	**33,903**	14,199

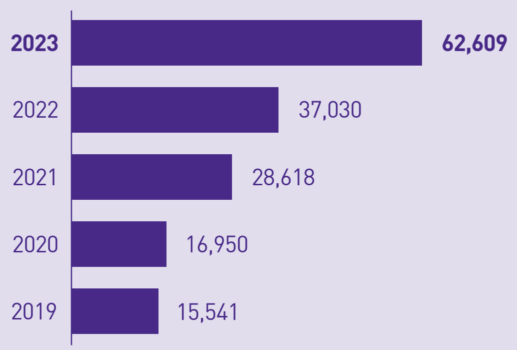
Financial Review

Morepeth Leisure Centre

Our Dresser Mouldings team worked with leading UK contractor Willmott Dixon, to deliver an intricate Accoya louvered façade for a low-carbon, state-of-the art leisure centre in Morpeth, Northumberland. Prone to inclement weather conditions due to its coastal location in the north of the country, the façade had to be highly resistant to wind driven rain and salt corrosion. Working closely with the contractor M&C Roofing, the 605 individual bespoke louvres were all designed and machined in the Dresser factory, delivered and installed within 6 months of the initial order.

With the rise in interest rates from 0.5% to 4.25% in the year, we have received more interest on our cash deposits, earning £822,000 this year compared with £29,000 in the previous financial year. We have also continued to use our cash to obtain cash settlement terms with most of our major suppliers allowing us to earn £2,795,000 of discounts received compared with £2,656,000 last year.

Cash and Cash Equivalents



Trade receivables have reduced to £61.4m (2021: £63.3m), with the provision for impairment down to £200,000 from £305,000. Control of cash flow from customers is closely monitored as an indicator of the health of the markets that we trade in. The key performance indicator of average debtors days, taking into account our credit terms, has slightly increased from 49.6 days to 49.9 days. Bad debts this year were 0.06% against a budget of 0.4%, and 0.09% last year. In times of increasing pressure on business with cost rises and a more difficult macroeconomic environment, this demonstrates the strength of our customer base. We work very closely with our credit insurers to ensure that as many of our major accounts as possible are covered. At the year end we had 96.0% (2022: 95.3%) of accounts owing over £40,000 covered by credit insurance.

The Supply Chain difficulties that we saw last year eased considerably during the year. This has lead to a significant reduction in the volume of inventory in transit from last year where we invested in additional inventories to meet those challenges. This has also lead to a reduction in trade payables as less orders needed to be placed for inventories.

Inventory Analysis

	2023			2022		
	£ 000's	Volume m3	£ per m3	£ 000's	Volume m3	£ per m3
Depot locations	49,223	52,579	936	43,116	46,762	922
Port locations	12,185	15,251	799	11,303	13,151	859
In Transit	6,081	6,993	870	19,811	24,629	804
Total	**67,489**	**74,823**	**902**	**74,230**	**84,542**	**878**

Radial arm saw in use at Dresser Mouldings.

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. Our Supply Chain Team work with our suppliers to strengthen our supply chain and ensure we have inventory available when required by our customers. At 31 March 2023 stock turn based on volumes is 6.7 times (2022: 5.8 times) compared with our target of 6.5 times. There were no significant overstocked areas giving any concern to us at the year end.

Capital investment

We invested £1.4m on extending the warehouse at our Yate depot providing extra capacity allowing us to grow our market share in the South West of England. We also invested £0.3m on new racking in the IJK site in Belfast, to enable us to increase the product range available for our Irish customers. We invested £0.8m (2022: £2.6m) on the cyclical replacement of lorries and Combilift plant, which includes £0.5m on electric Combilifts.

Net assets at the year end were £195.6m (2022: £164.0m). The group's pre-tax return on capital (defined as operating profit divided by net shareholders funds plus non current liabilities less non current pensions surplus and deferred tax) for the year was 21.7% (2022 34.0%), 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 and Ireland, the market price of our products tends to fluctuate in line with currency spot prices. Speculative positions on currencies are not entered into. Our LDT division can have stock tied up in kilns for six to nine months, and we enter into currency swaps to ensure that this stock is costed at spot price when it becomes available for sale. We will also enter into forward currency agreements to cover where customers are quoted a particular exchange rate.

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

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

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

I am very grateful for all the work that my Head Office team has put in this year. They have embraced the hybrid way of working which resulted in a seamless move to our new head office, and have continued to provide a first class service to our customers and suppliers and to our depots.

David Dunmow
Finance Director

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. Good corporate governance guides the overall group strategy, and considers the risks and opportunities we face in considering the future success of the business.

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. I also regularly visit our depots to ensure these principles are understood and maintained.

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. There were no changes to the board during the year.

In the year to 31 March 2023, the board met 5 times, with all directors attending each meeting, except Andrew Wright who attended 4 meetings and presented a written report on the matters to be discussed at the meeting that was missed. The board meetings were held via a mixture of in person meetings and video conferencing which are just as effective as face to face meetings. In addition conference calls are held where matters which cannot wait for the next board meeting can be discussed. This included an off-site strategy meeting at one of our key suppliers, where we looked forward for the next five years to consider investment plans and risks. In addition the executive directors have a monthly conference call to discuss the monthly management accounts and other matters of importance.

The non-executive directors are Fabian French and Paula Kerrigan. I consider that all non-executives are independent, as I consider that three terms of three years is the maximum amount of time that a non-executive director can serve before their independence is impaired. In addition to the scheduled meetings, the non-executives attend the group annual operational budget and strategy meeting, as well as making individual visits to operational sites. Each non executive director is expected to give a time commitment of at least 12 days a year.

Corporate Governance Report

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 30. Each executive director has many years experience within the James Latham Group 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, Andrew Wright and Piers Latham are actively involved in the running of the Lathams Limited and Abbey Woods business, the company's trading subsidiaries. All directors keep their skill sets up to date by training, discussions on market trends with customers and suppliers, involvement with trade and environmental organisations, and working closely with our IT, pensions and HR advisors. I believe the board works well together, challenging each other to constantly improve and move forward.

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

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

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

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.

The board regularly visit the depots to ensure that our core values are understood and are an integral part of depot life. The core values are actively promoted so that we maintain our culture of ethical, sustainable and safe working to achieve a fully inclusive, engaged and healthy workforce. Our staff survey this year concentrated on our values and how to ensure that these values reached every part of the business.

European Oak door by ICM Kent Ltd.

Corporate Governance

Corporate Governance Report

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

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

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

Rycotewood Furniture College

As part of a campaign to introduce young furniture makers to innovative products, we worked with Rycotewood Furniture College to donate materials for their 2022 2nd year Student Competition. With a focus of colour and curve, we selected HI-Macs®, UPM Grada plywood, various hardwoods and Valchromat through-coloured HDF to allow students to learn about the possibilities of new materials and really stretch their design scope. Featured here, winner Yuchen-Liu's Bar Cabinet in curved HI-Macs® Orange and Oak.

Remuneration and Nominations Committee

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

The main function of the Committee is to make recommendations to the board regarding the group's policy on the remuneration and conditions of employment of the executive directors of the group, and, where appropriate, senior management, and includes considering nominations to the board. The Committee also discussed group pay and employment policy including reviewing diversity and equality, the gender pay gap report 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 31.

BUILD TRUST

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

We were pleased to be able to return to an in person AGM this year following the closed meetings due to restrictions in place during the COVID-19 pandemic, and this year are looking to welcoming shareholders to the AGM in the Holiday Inn, Breakspear Way, Hemel Hempstead, adjacent to our new Head Office.

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.lathamtimber.co.uk** as well as historical financial and meeting information.

Red Cedar Cladding and Decking by Simon Hickey Limited.

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* *20 July 2023*

Directors and Advisors

Directors' biographies

Nick Latham BSc *Chairman*
Nick Latham, age 55 has worked in the company for 31 years and was appointed to the board in 2007. He provides advice to the Remuneration Committee. He is a board director of Timber Development UK (TDUK) and a former director of the Timber Research and Development Association.

David Dunmow BSc FCA
Finance Director and Company Secretary
David Dunmow, age 59, has worked in the company for 29 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 Abbey Wood Agencies Limited, and provides advice to the Audit and Remuneration Committees. He is a former treasurer of the Timber Trade Federation. He is a Trustee of the James Latham plc Pension and Assurance Scheme.

Andrew Wright *Managing Director*
Andrew Wright, age 58, has worked in the company for 22 years and was appointed to the board in 2015. He is Managing Director, chairing the Lathams Limited board, and provides advice to the Audit Committee.

Piers Latham BSc *Executive Director*
Piers Latham, age 52 has worked in the company for 30 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 64, was appointed a non-executive director in 2015. He chairs the Audit Committee and sits on the Remuneration and Nominations committee. He is a qualified solicitor and worked in corporate finance for major investment banks. He is a director of CCRTM Ltd, St. George's School Windsor and Trebartha Hydro Ltd, and is a previous director of Mithras Investment Trust plc.

Paula Kerrigan *Non-Executive Director*
Paula Kerrigan, age 51, was appointed a non-executive director in 2017. She has a wide variety of public company experience and is currently Chief Strategy and Innovation Officer at Saga plc. She sits on the Audit Committee and chairs the Remuneration and Nominations Committee. She has previously held C-suite strategy and transformation roles at Greene King, SuperGroup plc and the Co-operative Group. Prior to that she spent 15 years at Kingfisher plc where she held a variety of roles including Finance and Strategy Director for B&Q in Asia and Delivering Value Director for B&Q in the UK.


Nick Latham


David Dunmow


Andrew Wright


Piers Latham


Fabian French


Paula Kerrigan

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

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

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

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

Pensions Advisors
First Actuarial LLP
Network House
Basing View
Basingstoke
Hampshire RG21 4HG

Independent Auditor
RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Registered Office
James Latham plc
Unit C2 Breakspear Park
Breakspear Way
Hemel Hempstead
Herts HP2 4TZ

Registered Number 65619
Registered in England and Wales

As Chairman of the Remuneration and Nominations Committee I am pleased to present the Directors Remuneration report.

This year has seen inflation hit 40 year highs which has affected colleagues from all around the group, with food and energy prices rising considerably and interest rate rises affecting mortgage and rental costs. We have tried to balance the need to control costs with the need to support our hard working and loyal workforce and have introduced several initiatives to assist with the cost of living crisis.

In October 2022 we paid a one off cost of living payment of £500 to all staff earning under £45,000 per annum and £250 to all other staff excluding directors. We also pay the Real Living Wage and increased the wages of our lower paid employees by up to 10% in October 2022.

This was in addition to the annual pay review. 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. This year the overall pay increase was 5%. The executive directors have their pay rises based on the same criteria as all other employees.

We also made other benefits available to all staff, including cash plans which help with covering medical expenses such as dental and optical, discounts on a range of resources to help well being, and made available an employee assistance programme, with confidential helplines for stress, financial and other medical issues.

Remuneration Policy

The remuneration policy aims to ensure that all staff 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. When setting individual pay, we look at their role and where it sits in the James Latham structure, undertake benchmarking exercises to review the external market, and review internally with others of equivalent roles to ensure equality across the group.

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

Performance related bonuses

All staff have the opportunity to earn a bonus based on the performance targets of their individual profit centres, which in the main reflect the performance of the individual depot that they work in. I am pleased to report that over 70% of employees have earned a bonus of at least 5%.

The performance related bonuses earned by executive directors are measured on the achievement of the sum of the individual profit centre's targets. These performance targets are 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 2023 was the achievement of £30,290,000 operating profit, as measured in the depots management accounts, an increase of 74.9% over the previous year's targets. Maximum bonuses of 39.5% of basic salary are paid on achieving 130% 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 161.8% of the target operating profit was achieved earning 39.5% of basic salary.

In addition to the performance related targets, 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 7.83% of basic salary to 541 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 page 33.

Directors' Remuneration Report

Black & White Building

Built on the site of one of the early James Latham storage facilities from 1830, the Black & White Building is the first timber, multi-story, commercial building to be built in the City of London since the great fire of 1666. Working alongside specialist sustainable architects Waugh Thistleton and Façade contractor Pacegrade, we supplied the entire engineered spruce timber curtain walling system, plus additional panel products from Viroc for internal communal areas, rooftop furniture and other high traffic specifications.

Pension Scheme

The James Latham plc Pension and Assurance Scheme, which is a final salary scheme, was closed to new entrants in 2003 and there remain 26 employees still accruing benefits in 2023. All other staff are eligible to join the defined contribution scheme which matches employee contributions up to 7.5%.

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

Service Contracts

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

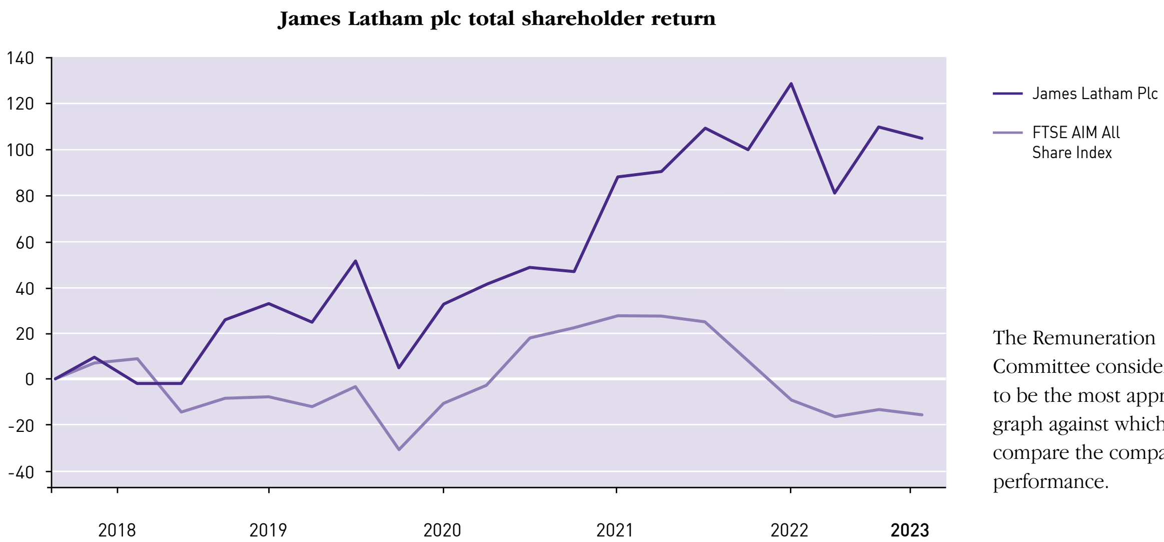
Executive director's contracts have no provisions for pre-determined compensation on termination that exceeds two years salary and benefits in kind.

Remuneration of the non-executive directors

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

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 2023.



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	**2023**	**236**	**1**	**113**	**350**	**3**	**56**	**409**
	2022	225	1	115	341	3	54	398
D.A. Dunmow	**2023**	**207**	**7**	**102**	**316**	**3**	**76**	**395**
	2022	198	9	104	311	3	73	387
P.F. Latham	**2023**	**200**	**1**	**95**	**296**	**3**	**46**	**345**
	2022	190	1	96	287	3	44	334
A.G. Wright	**2023**	**203**	**2**	**102**	**307**	**26**	**52**	**385**
	2022	195	7	104	306	12	50	368
Non-executive								
P.L.F. French	**2023**	**39**	**-**	**-**	**39**	**-**	**-**	**39**
	2022	37	-	-	37	-	-	37
P. Kerrigan	**2023**	**39**	**-**	**-**	**39**	**-**	**-**	**39**
	2022	37	-	-	37	-	-	37
Total		**924**	**11**	**412**	**1,347**	**35**	**230**	**1,612**
2022		882	18	419	1,319	21	221	1,561

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 2023		31 March 2022	
Directors		**Ordinary shares**	**Preference shares**	Ordinary shares	Preference shares
N.C. Latham	Beneficial owner	**646,082**	**-**	641,614	-
D.A. Dunmow	Beneficial owner	**143,670**	**-**	139,703	-
P.F. Latham	Beneficial owner	**642,956**	**567**	638,628	567
A.G. Wright	Beneficial owner	**31,866**	**-**	29,657	-
P.L.F. French	Beneficial owner	**370,052**	**5,088**	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 2023	31 March 2022
N.C. Latham	**-**	2,475
D.A. Dunmow	**-**	2,475
P.F. Latham	**-**	2,475
A.G. Wright	**-**	1,237

The Options granted on 2 January 2020 at 727p per share were exercised on 1 March 2023. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham each made a gain of £12,697, and Mr A.G. Wright made a gain of £6,346 on the exercise of these options.

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 2022	Granted during the year	Exercised	Outstanding 31 March 2023	Exercise price	Exercise period
N.C. Latham	560	-	(560)	-	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	486	-	-	486	£9.25	16.12.25 to 15.12.30
	357	-	-	357	£12.60	11.12.26 to 10.12.31
	-	360	-	360	£12.50	20.12.27 to 19.12.32
D.A. Dunmow	560	-	(560)	-	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	486	-	-	486	£9.25	16.12.25 to 15.12.30
	357	-	-	357	£12.60	11.12.26 to 10.12.31
	-	360	-	360	£12.50	20.12.27 to 19.12.32
P.F. Latham	560	-	(560)	-	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	486	-	-	486	£9.25	16.12.25 to 15.12.30
	357	-	-	357	£12.60	11.12.26 to 10.12.31
	-	360	-	360	£12.50	20.12.27 to 19.12.32
A.G. Wright	560	-	(560)	-	£8.025	14.12.22 to 13.12.27
	718	-	-	718	£6.26	03.01.24 to 02.01.29
	466	-	-	466	£9.65	23.12.24 to 22.12.29
	486	-	-	486	£9.25	16.12.25 to 15.12.30
	357	-	-	357	£12.60	11.12.26 to 10.12.31
	-	360	-	360	£12.50	20.12.27 to 19.12.32

These options will only be exercised if the share price during the exercise period is in excess of the exercise price. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham made a gain of £2,702 and Mr A.G. Wright made a gain of £2,814 on options exercised during the year.

Deferred Share Bonus Plan

Participation by the directors in the James Latham plc Deferred Share Bonus Plan is as follows:

	Outstanding 1 April 2022	Awarded during the year	Exercised	Outstanding 31 March 2023	Exercise price	Award price	Vesting Date
A.G. Wright	3,254	109	-	3,363	nil	£9.15	01.04.2024
	-	2,675	-	2,675	nil	£12.10	01.04.2025

No performance conditions or voting rights apply to these shares, but dividends will be reinvested into additional shares in the plan.

Paula Kerrigan,
Chairman of the Remuneration Committee *20 July 2023*

Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2023. In accordance with section 414c(11) of the Companies Act 2006, included in the Strategic Review is the review of financial risk management, future developments, carbon emission disclosures, employee policies and engagement policies with suppliers, customers and other stakeholders. This information would have been required by section 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors Report.

Results and dividends

Group results for the year ended 31 March 2023 are set out on page 45. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 7.25 pence (2022: 6.5 pence) per ordinary share	1,446
Final dividend proposed, 28.8 pence (2022: 27.0 pence) per ordinary share	5,789
Total ordinary dividends, 36.05 pence (2022: 33.5 pence) per ordinary share	7,235

The directors recommend payment of the final dividend on 25 August 2023 to shareholders on the register of members at the close of business on 4 August 2023.

Balance sheet and post balance sheet events

The balance sheet on page 46 shows the group's financial position. No significant events have occurred since the balance sheet date.

European Oak Stairs by MG Dales Joinery.

Directors

All directors of the company were directors throughout the year. Each director's biographical details are shown on page 30.

In compliance with the Articles of Association, Fabian French, Paula Kerrigan and Nick 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 31 to 35.

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

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

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

Share capital

Details of the share capital is shown in Note 21. 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 23 on page 79. During the year the company transferred its remaining 209,200 ordinary shares held as treasury shares to the Trustees of the James Latham Employee Benefits Trust to use to satisfy employee share schemes. The company also holds 208 preference shares in treasury. In addition the Trustees of the James Latham Employee Benefits Trust holds 60,362 shares with a view to being used for employee share schemes.

Buffalo board being installed in Horse Box.

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. During the year 159,491 options were exercised 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 15,680 options were issued at an option price of £12.50. In addition 11,373 options were exercised after being held for five years, 311 at an option price of £7.075 and 11,062 at an option price of £8.025.

In addition 2,682 shares were awarded under the Deferred Bonus Scheme 2010 at nil price to be exercised after 3 years.

Employees

The strategic report on page 4 and 14 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 28 June 2023, 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	6.03
Close Asset Management Ltd	1,015,112	5.04
Robert Latham	684,121	3.39
Nick Latham	646,082	3.20
Piers Latham	642,956	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 2023 were 33 days (2022: 34 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 31 July 2024
- Sensitivity of these projections to reasonable changes in trading conditions
- Cash and borrowing facilities available to the group
- Consideration of the principal risks and uncertainties outlined on pages 15 to 17.

Political and charitable donations
During the year the group made no political contributions but made direct donations to various charitable organisations amounting to £44,126 (2022: £22,934). 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 27 to the group accounts and in the Financial Review on pages 22 to 25.

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

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

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

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

The Annual General Meeting will be held at the Leverstock Suite, Holiday Inn, Breakspear Way, Hemel Hempstead, Herts, HP2 4UA on 23 August 2023 at 12.30pm. Last year all resolutions were passed with over 90% of the votes in favour.

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

Resolution 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 *20 July 2023*

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 parent company financial statements for each financial year. The directors have elected under company law and are required by the AIM rules of the London Stock Exchange to prepare the group financial statements in accordance with UK adopted International Accounting Standards and have elected under company law to prepare the parent company financial statements in accordance with UK adopted International Accounting Standards and applicable law.

The group and parent company financial statements are required by law and UK adopted International Accounting Standards to present fairly the financial position and performance of the group and the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group for that period.

Tulipwood Bookcase by Carrington Joiners.

In preparing each of the group and parent 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 UK-adopted International Accounting Standards;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and 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.lathamtimber.co.uk/Investors**.

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

On behalf of the Board of Directors
Nick Latham
Chairman *20 July 2023*

Independent Auditor's Report

To the members of James Latham plc

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 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement and notes forming part of the Group Accounts, including summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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.

Emphasis of matter – dividends not in full compliance with the Companies Act 2006

We draw attention to note 20.3 to the Group Accounts, which sets out that James Latham plc has paid dividends which management have determined subsequently were not in full compliance with the Companies Act 2006. The directors have taken legal advice, on the basis of which a process has been commenced to address this matter, but the process involved had not been completed at the date the financial statements were signed off and at this stage, although the directors are confident that this process will be successfully completed, they are not certain of the outcome. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	**Group** • Inventory – valuation
Materiality	**Group** • Overall materiality: £1,960,000 (2022: £2,720,000) • Performance materiality: £1,470,000 (2022: £2,040,000) **Parent Company** • Overall materiality: £77,700 (2022: £93,900) • Performance materiality: £58,200 (2022: £70,400)
Scope	Our audit procedures covered 97% of revenue, 97% of total assets and 91% of 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.

Inventory provision valuation	
Key audit matter description	As set out in note 16 to the financial statements, the group carried inventory amounting to £67.5m at 31 March 2023 (2022: £74.2m) and details of the accounting policies applicable during the year are set out in notes 1.10 and 1.21. Provisioning is the element of the inventory balance which involves the highest degree of management judgement, and therefore risk of fraud, in arriving at the year-end inventory valuation and it is this aspect of the year-end inventory valuation that we have designated as a key audit matter.
How the matter was addressed in the audit	To audit the appropriateness of the provision against inventory, we: • considered management's stock provisioning policy in the light of the requirements of IAS 2 *Inventories* and in the context of the change in the market for the group's products in the year. • reviewed and compared the aged profile of inventory and the provision at 31 March 2023 on a group and individual depot basis. We investigated any significant increase or decrease in the provision compared to 31 March 2022 and assessed the provision as a percentage of total inventory year on year to identify any significant changes. • performed reliability testing on the underlying stock ageing data by testing a sample of sales orders and stock receipts from Bistrack to supporting documentation to ensure that the transactions have been recorded accurately. • obtained loss-making sales report for the period post year end and calculated the total loss on sales post year end (taking into account products subject to purchase rebates) and compared against the value of total sales and margin achieved post year end. • utilised data analytics to analyse the year end inventory value against post year end sales data.

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	£1,960,000 (2022: £2,720,000)	£77,700 (2022: £93,900)
Basis for determining overall materiality	4.4% (2022: 4.7%) of profit before tax	0.5% (2022: 0.8%) 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 and has no trading activity of its own.
Performance materiality	£1,470,000 (2022: £2,040,000)	£58,200 (2022: £70,400)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £98,000 (2022: £136,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements of £3,880 (2022: £4,700) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

To the members of James Latham plc

An overview of the scope of our audit

The group consists of 15 components, all of which are based in the UK and Republic of Ireland.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	2	97%	97%	91%
Analytical procedures at group level	1	3%	3%	1%
Total	**3**	**100%**	**100%**	**92%**

Other group companies are dormant and have no trade.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing and evaluating management's cash flow forecast for the twelve months from anticipated approval of the financial statements and the results of sensitivity analysis as well as considering post year end results and cash positions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

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

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

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition: cut-off	• Tested a sample of goods dispatched records either side of 31 March 2023, inspected supporting documentation and determined the appropriate accounting period in which each transaction in the sample should be recorded; • Testing a sample of sales issued not yet invoiced as at 31 March 2023 to supporting sales order and goods dispatched records; • Tested a sample of credit notes raised in the month following the year end and determining whether they are indicative of an error or potential misstatement relating to revenue recorded in the year to 31 March 2023; • Investigated any discrepancies where revenue does not appear to have been recognised in the correct period according to the supporting documentation.
Inventory provision valuation	• This was a key audit matter. Therefore, the procedures performed are described in the relevant section above.
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

William Farren FCA *(Senior Statutory Auditor)*
For and on behalf of
RSM UK Audit LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street, London, EC4A 4AB

20 July 2023

Consolidated Income Statement

For the year ended 31 March 2023

£'000s	Notes	2023	2022
Continuing Operations			
Revenue	2	**408,370**	385,368
Cost of sales (including warehouse costs)	3	**(328,361)**	(293,839)
Gross profit		**80,009**	91,529
Selling and distribution costs	3	**(24,214)**	(22,151)
Administrative expenses	3	**(12,097)**	(11,213)
Operating profit		**43,698**	58,165
Finance income	5	**1,071**	29
Financing costs	6	**(258)**	(242)
Profit before tax	3	**44,511**	57,952
Tax expense	7	**(8,593)**	(12,310)
Profit after tax attributable to owners of the parent company		**35,918**	45,642
Earnings per ordinary share (basic)	9	**179.5p**	229.3p
Earnings per ordinary share (diluted)	9	**179.2p**	228.3p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

£'000s	Notes	2023	2023	2022	2022
Profit after tax			**35,918**		45,642
Other comprehensive income:					
Actuarial gain on defined benefit pension scheme	20.2	**1,407**		3,625	
Deferred tax relating to components of other comprehensive income		**(632)**		(424)	
Foreign translation charge		**233**		(29)	
Other comprehensive income for the year, net of tax			**1,008**		3,172
Total comprehensive income attributable to the owners of the parent company			**36,926**		48,814

Financial Statements

Consolidated and Company Balance Sheet

Company Registration Number 65619

As at 31 March 2023		Group		Company		
£'000s	Notes	**2023**	2022	**2023**	Restated 2022	Restated 2021
Assets						
Non-current assets						
Investments	10	**-**	-	**9,613**	9,613	9,613
Goodwill	11	**1,193**	1,372	**-**	-	-
Other intangible assets	12	**1,319**	1,487	**-**	-	-
Property, plant and equipment	13	**37,440**	36,935	**221**	48	18
Right-of-use-assets	14	**5,817**	4,154	**1,445**	1,485	791
Retirement benefit surplus	20	**7,221**	1,119	**7,221**	1,119	-
Deferred tax asset	15	**-**	154	**-**	129	1,150
Total non-current assets		**52,990**	45,221	**18,500**	12,394	11,572
Current assets						
Inventories	16	**67,489**	74,230	**-**	-	-
Trade and other receivables	17	**66,782**	68,332	**1,171**	3,328	3,992
Cash and cash equivalents		**62,609**	37,030	**104**	204	168
Tax receivable		**490**	-	**-**	-	-
Total current assets		**197,370**	179,592	**1,275**	3,532	4,160
Total assets		**250,360**	224,813	**19,775**	15,926	15,732
Current liabilities						
Lease liabilities	14	**879**	1,275	**84**	82	10
Trade and other payables	18	**41,066**	50,876	**1,772**	1,795	1,193
Interest bearing loans and borrowings	19	**-**	-	**-**	936	1,807
Tax payable		**-**	400	**-**	-	-
Total current liabilities		**41,945**	52,551	**1,856**	2,813	3,010
Non-current liabilities						
Interest bearing loans and borrowings	19	**592**	592	**592**	592	592
Lease liabilities	14	**5,130**	3,133	**1,343**	1,430	799
Retirement and other benefit obligation	20	**-**	-	**-**	-	5,933
Deferred tax liabilities	15	**7,118**	4,566	**1,787**	-	-
Total non-current liabilities		**12,840**	8,291	**3,722**	2,022	7,324
Total liabilities		**54,785**	60,842	**5,578**	4,835	10,334
Net assets		**195,575**	163,971	**14,197**	11,091	5,398
Capital and reserves						
Issued capital	21	**5,040**	5,040	**5,040**	5,040	5,040
Share-based payment reserve	22	**124**	387	**124**	387	167
Own shares	23	**-**	(873)	**-**	(873)	(471)
Capital reserve		**398**	398	**395**	395	395
Retained earnings		**190,013**	159,019	**8,638**	6,142	267
Total equity attributable to shareholders of the parent company		**195,575**	163,971	**14,197**	11,091	5,398

The comparative Company financial information has been restated (see note 20.3).

The Company's profit for the year was £7,653,000 (2022: £6,419,000 as restated). The entity has taken exemption from presenting its unconsolidated income statement under section 408 of the Companies Act 2006.

These accounts were approved and authorised for issue by the Board of Directors on 20 July 2023 and signed on its behalf by:
N.C. Latham and ***D.A. Dunmow***

The consolidated and company notes on pages 50 to 84 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 2021	5,040	167	(471)	398	113,950	119,084
Profit for the year	-	-	-	-	45,642	45,642
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	3,625	3,625
Deferred tax relating to components of other comprehensive income	-	-	-	-	(424)	(424)
Foreign translation charge	-	-	-	-	(29)	(29)
Total comprehensive income for the year	-	-	-	-	48,814	48,814
Transactions with owners:						
Dividends	-	-	-	-	(4,379)	(4,379)
Exercise of options	-	(24)	228	-	4	208
Deferred tax on share options	-	75	-	-	-	75
Transfer of treasury shares	-	-	(630)	-	630	-
Share-based payment expense	-	169	-	-	-	169
Total transactions with owners	-	220	(402)	-	(3,745)	(3,927)
Balance at 31 March 2022	**5,040**	**387**	**(873)**	**398**	**159,019**	**163,971**
Profit for the year	-	-	-	-	35,918	35,918
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	1,407	1,407
Deferred tax relating to components of other comprehensive income	-	-	-	-	(632)	(632)
Foreign translation charge	-	-	-	-	233	233
Total comprehensive income for the year	-	-	-	-	36,926	36,926
Transactions with owners:						
Dividends	-	-	-	-	(6,825)	(6,825)
Exercise of options	-	(386)	1,397	-	369	1,380
Deferred tax on share options	-	(59)	-	-	-	(59)
Transfer to retained earnings	-	-	(524)	-	524	-
Share-based payment expense	-	182	-	-	-	182
Total transactions with owners	-	(263)	873	-	(5,932)	(5,322)
Balance at 31 March 2023	**5,040**	**124**	**-**	**398**	**190,013**	**195,575**

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	Restated Retained earnings £'000	Total equity £'000
Balance at 1 April 2021	5,040	167	(471)	395	5,073	10,204
Prior period adjustment	-	-	-	-	(4,806)	(4,806)
Restated balance at 1 April 2021	5,040	167	(471)	395	267	5,398
Profit for the year (restated)	-	-	-	-	6,419	6,419
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme (restated)	-	-	-	-	3,625	3,625
Deferred tax relating to components of other comprehensive income (restated)	-	-	-	-	(424)	(424)
Total comprehensive income for the year	-	-	-	-	9,620	9,620
Transactions with owners:						
Dividends	-	-	-	-	(4,379)	(4,379)
Exercise of options	-	(24)	228	-	4	208
Deferred tax on share options	-	75	-	-	-	75
Transfer of treasury shares	-	-	(630)	-	630	-
Share-based payment expense	-	169	-	-	-	169
Total transactions with owners	-	220	(402)	-	(3,745)	(3,927)
Balance at 31 March 2022	**5,040**	**387**	**(873)**	**395**	**6,142**	**11,091**
Profit for the year	-	-	-	-	7,653	7,653
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	1,407	1,407
Deferred tax relating to components of other comprehensive income	-	-	-	-	(632)	(632)
Total comprehensive income for the year	-	-	-	-	8,428	8,428
Transactions with owners:						
Dividends	-	-	-	-	(6,825)	(6,825)
Exercise of options	-	(386)	1,397	-	369	1,380
Deferred tax on share options	-	(59)	-	-	-	(59)
Transfer to retained earnings	-	-	(524)	-	524	-
Share-based payment expense	-	182	-	-	-	182
Total transactions with owners	-	(263)	873	-	(5,932)	(5,322)
Balance at 31 March 2023	**5,040**	**124**	**-**	**395**	**8,638**	**14,197**

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 Group's share option schemes.

The capital reserve represents the cancellation of the preference shares.

* See note 20.3 for details regarding the restatement as a result of an error.

Consolidated and Company Cash Flow Statement

For the year ended 31 March 2023		**Group**		**Company**	
£'000s	Notes	**2023**	2022	**2023**	2022
Net cash flow from operating activities					
Cash generated from/(used in) operations	24	**43,864**	30,983	**(2,223)**	(1,786)
Interest paid		**(53)**	(59)	**(48)**	(48)
Income tax paid		**(7,498)**	(10,259)	**1,717**	-
Net cash inflow/(outflow) from operating activities		**36,313**	20,665	**(554)**	(1,834)
Cash flows from investing activities					
Interest received and similar income		**822**	29	**46**	1
Dividend received		**-**	-	**8,500**	7,209
Acquisition of businesses net of cash and cash equivalents acquired		**-**	(2,238)	**-**	-
Purchase of property, plant and equipment		**(3,304)**	(4,319)	**(200)**	(33)
Proceeds from sale of property, plant and equipment		**72**	62	**-**	-
Net cash (outflow)/inflow from investing activities		**(2,410)**	(6,466)	**8,346**	7,177
Cash flows from financing activities					
Lease liability payments		**(1,499)**	(1,408)	**(131)**	(57)
Equity dividends paid		**(6,825)**	(4,379)	**(6,825)**	(4,379)
Net cash outflow from financing activities		**(8,324)**	(5,787)	**(6,956)**	(4,436)
Increase in cash and cash equivalents for the year		**25,579**	8,412	**836**	907
Cash and cash equivalents at beginning of year		**37,030**	28,618	**(732)**	(1,639)
Cash and cash equivalents at end of year		**62,609**	37,030	**104**	(732)
Balance sheet cash and cash equivalents		**62,609**	37,030	**104**	204
Bank overdraft in current liabilities (note 19)		**-**	-	**-**	(936)
Cash and cash equivalents at end of year		**62,609**	37,030	**104**	(732)

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 C2 Breakspear Park, Breakspear Way, Hemel Hempstead, Herts, HP2 4TZ.

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 UK-adopted International Accounting Standards and Companies Act 2006.

The accounts have been prepared under the historical 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 38. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

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

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022)

- Annual Improvements 2018-2020 Cycle: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 4 (effective 1 January 2022)

- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)

- Amendments IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)

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

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

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effect Date (effective 1 January 2023)

- IFRS17 Insurance Contracts (effective 1 January 2023)

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current (effective 1 January 2023)

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective 1 January 2023)

- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

- Amendments to IAS 8 'Definition of Accounting Estimates' (effective 1 January 2023)

- Amendments to IFRS16 'Lease liability in a sales and Leaseback (effective 1 January 2024)

- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (effective 1 January 2024)

The Directors do not expect the adoption of these standards and amendments to have a material impact on the Financial Statements.

(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 as this is when the performance obligation in the contract is fulfilled and when control of the goods transfers to the customer. Revenue is shown net of returns and rebates and after eliminating sales within the group.

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

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

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

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

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

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

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

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

It is calculated at the following rates:

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

Freehold land is not depreciated.

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

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

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

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

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

1.10 Inventories

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

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

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

1.11 Financial instruments

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

1.11.1 Trade and other receivables

Trade receivables are classified as financial assets at amortised cost and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. For trade receivables, the group uses the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of receivables.

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 2023 or 31 March 2022 as any expected credit losses are not material.

1.11.2 Cash and cash equivalents

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

1.11.3 Financial liabilities and equity

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

1.11.4 Bank borrowings

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

1.11.5 Trade payables

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

1.11.6 Equity instruments

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

1.11.7 Derivative financial instruments

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

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

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

1.12 Current and deferred income tax

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

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

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

1.13 Leased assets

The Group as a Lessee

For any new contracts entered into, the Group considers whether a 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.

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

1.14 Dividend distribution

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

1.15 Retirement benefit costs

Retirement benefit costs are accounted for in accordance with IAS 19 (revised) “Employee benefits”. Full details of the basis of calculation of the net pension asset disclosed in the balance sheet at 31 March 2023, and of the amounts charged/credited to the income statement and equity, are set out in note 20 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 at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits, or related restructuring costs under IAS 37 Provisions, Contingent liabilities and Contingent Assets. 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 retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Where the Group is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

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

1.16 Share-based payment

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

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

1.17 Treasury shares

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

1.18 Employee Share Ownership Plan (ESOP)

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

1.19 Government grants

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

1.20 Investments in subsidiaries

Investements in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet.

1.21 Accounting estimates and judgements

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

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

These judgements and 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. Specifically, our deficit recovery plan includes a potential requirement to pay additional contributions, linked to future dividends being above £4m in any year. A key accounting judgement in relation to this is that future dividends are at the discretion of the directors, can therefore be avoided, and have not been taken into account of in the assessment of the deficit recovery plan under IFRIC 14. 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, including in respect of the estimation of the impact of IFRIC 14 on the recognised asset/liability, 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 estimate is calculated by reviewing the activity and age of each individual stockline to highlight those lines that could result in future sales below cost if a provsion for obsolete and slow moving stock had not been included.

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

2. Business and geographical segments

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

The geographical turnover is as follows:	2023 £'000	2022 £'000
Republic of Ireland	**17,079**	16,937
Rest of Europe	**68**	271
Rest of the World	**-**	38
United Kingdom	**391,223**	368,122
	408,370	385,368

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.

All revenue is recognised at a point in time for both financial years.

3. Profit before tax

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

	2023 £'000	2022 £'000
Employee remuneration (note 4)	**27,835**	24,998
Net foreign exchange losses/(gains)	**324**	(367)
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement	**306,779**	278,568
Government grants from furlough scheme	**-**	(12)
Depreciation of property, plant and equipment (note 13)	**2,773**	2,659
Depreciation of right-of-use assets (note 14)	**1,232**	1,301
(Profit)/loss on disposal of property, plant and equipment	**(46)**	50
Amortisation (note 12)	**168**	168
Fees payable to the company's auditors for the audit of the consolidated and parent company accounts	**17**	25
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiary pursuant to legislation	**151**	104
Other	**-**	-
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme	**15**	11
Other expenses	**25,424**	19,698
Total cost of sales, Distribution costs and Administrative expenses	**364,672**	327,203

4. Information regarding employees

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

	Group		Company	
	2023 Number	2022 Number	**2023 Number**	2022 Number
Management and administration	**77**	73	**30**	28
Warehousing	**210**	191	**-**	-
Selling	**158**	144	**-**	-
Distribution	**98**	90	**-**	-
	543	498	**30**	28

The aggregate payroll costs of these employees were as follows:	**£'000**	£'000	**£'000**	£'000
Wages and salaries	**22,494**	20,503	**2,274**	2,162
Social security costs	**2,477**	2,230	**281**	268
Apprenticeship levy	**95**	77	**10**	8
Pension costs	**2,587**	2,031	**4,842**	3,737
Government grants from furlough scheme	**-**	(12)	**-**	-
Share-based payment	**182**	169	**182**	169
	27,835	24,998	**7,589**	6,344

Of the above payroll costs, £7,698,000 (2022: £6,806,000) is included in cost of sales, £13,119,000 (2022: £11,718,000) is included in selling and distribution costs, and £7,018,000 (2022: £6,474,000) is included in administrative expenses in the income statement.

5. Finance income

	2023 £'000	2022 £'000
On pension surplus	**249**	-
Bank deposit interest	**822**	29
Interest receivable	**1,071**	29

The interest received is on bank deposits.

6. Finance costs

	2023 £'000	2022 £'000
On bank loans and overdrafts	**5**	11
On pension liability	**-**	18
Interest on lease liabilities	**205**	165
On 8% Cumulative Preference shares	**48**	48
	258	242

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

		2023 £'000	2022 £'000
The charge for taxation on profit comprises:			
Current year:			
UK corporation tax at 19% (2022: 19%)		**7,359**	10,383
Prior year		**(769)**	-
Deferred taxation	- post employment benefits	**1,208**	827
	- prior year	**769**	-
	- change in tax rates	**-**	879
	- other	**26**	221
		8,593	12,310
Profit before taxation		**44,511**	57,952
Tax at 19% (2022: 19%)		**8,457**	11,011
Tax effect of expenses/credits that are not deductible/ taxable in determining taxable profit		**86**	68
IBAs derecognised in current year		**(21)**	(21)
Prior year – corporation tax		**(769)**	-
Prior year – deferred tax		**769**	-
Change in tax rates		**-**	879
Other		**71**	373
Total tax charge		**8,593**	12,310

The change in tax rates in the prior year is based on the future corporation tax rate increasing from 19% to 25%.

8. Dividends

	2023		2022	
	£'000	**£'000**	£'000	£'000
Ordinary dividends:				
Final 27.0p per share paid 2 September 2022 (2021: 15.5p)	**5,380**		3,084	
Interim 7.25p per share paid 27 January 2023 (2022: 6.5p)	**1,445**		1,295	
		6,825		4,379

The Directors propose a final dividend for 2023 of 28.8p per share, that, subject to approval by the shareholders, will be paid on 25 August 2023 to shareholders on the register on 4 August 2023.

Based on the number of shares currently in issue, the final dividend for 2023 is expected to absorb £5,789,000.

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.

	2023 '000	2022 '000
Profit attributable to ordinary equity holders	**35,918**	45,642
Issued ordinary share capital	**20,160**	20,160
Less: weighted average number of own shares held in treasury	**(105)**	(234)
Less: weighted average number of own shares held in ESOP Trust	**(46)**	(21)
Weighted average share capital	**20,009**	19,905
Add: dilutive effects of share options issued	**31**	85
Weighted average share capital for diluted earnings per ordinary share calculation	**20,040**	19,990
Earnings per ordinary share (basic)	**179.5p**	229.3p
Earnings per ordinary share (diluted)	**179.2p**	228.3p

10. Fixed asset investments – Company

	Subsidiary undertakings £'000
Shares:	
At 1 April 2021, 2022 and 31 March 2023	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
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%	Dormant
Sarcon (No. 155) Limited	Northern Ireland	£1 Ordinary	100%	Dormant
I.J.K. Timber Group Limited	England and Wales	£1 Ordinary	100%	Importing and distribution of timber and panel products
Irvin and Sellers Limited*	Northern Ireland	£1 Ordinary	100%	Dormant
Keizer Venesta Limited*	Northern Ireland	£1 Ordinary	100%	Dormant
Northern Hardwoods Limited*	Northern Ireland	£1 Ordinary	100%	Dormant
William Davidson (Timber) Limited*	Northern Ireland	£1 Ordinary	100%	Dormant

* Indirectly held.

All companies operate within the United Kingdom and the Republic of Ireland and their registered office is at Unit C2 Breakspear Park, Breakspear Way, Hemel Hempstead, Herts, HP2 4TZ except for Sarcon (No. 155) Limited, Irvin and Sellers Limited, Keizer Venesta Limited, Northern Hardwoods Limited and William Davidson (Timber) Limited whose registered office is 24-28 Duncrue Street, Belfast, Co Antrim, Northern Ireland, BT3 9AR.

11. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2021	**997**
Additions	500
At 1 April 2022	**1,497**
Additions	-
At 31 March 2023	**1,497**
Impairment	
At 1 April 2021	**125**
Charge for impairment during the year	-
At 1 April 2022	125
Charge for impairment during the year	179
At 31 March 2023	**304**
Net book value	
At 31 March 2023	**1,193**
At 31 March 2022	1,372
At 31 March 2021	872

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 pre-tax discount rate used is the group's estimated weighted average cost of capital which is currently 6% (2022: 6%). The key assumptions in the impairment review used an annual growth rate in gross margins of 5.5% (2022: 5.5%) with a perpetuity rate of 2% (2022: 2%).

The review performed at the year end resulted in an impairment of the goodwill recognised on the acquisition of Abbey Wood Agencies Limited. For all other goodwill, the year end review 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 2021 and 2022	**1**	**2,016**	**2,017**
Additions on acquisition	-	-	-
At 31 March 2023	**1**	**2,016**	**2,017**
Amortisation			
At 1 April 2021	-	362	362
Charge for the year	-	168	168
At 1 April 2022	**-**	**530**	**530**
Charge for the year	-	168	168
At 31 March 2023	**-**	**698**	**698**
Net book value			
At 31 March 2023	**1**	**1,318**	**1,319**
At 31 March 2022	1	1,486	1,487
At 31 March 2021	1	1,654	1,655

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

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

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

The company does not have any intangible assets at 31 March 2023 or 31 March 2022.

13. Property, plant and equipment

13.1 Group

	Group			
	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	**Total £'000**
Cost:				
At 1 April 2021	30,170	615	20,496	**51,281**
Additions	121	2	4,196	**4,319**
Acquisition	-	-	45	**45**
Disposals	(3)	-	(793)	**(796)**
At 1 April 2022	**30,288**	**617**	**23,944**	**54,849**
Additions	1,500	7	1,797	**3,304**
Disposals	-	-	(1,041)	**(1,041)**
At 31 March 2023	**31,788**	**624**	**24,700**	**57,112**
Depreciation:				
At 1 April 2021	4,301	474	11,164	**15,939**
Disposals	(1)	-	(683)	**(684)**
Charge for the year	429	38	2,192	**2,659**
At 1 April 2022	**4,729**	**512**	**12,673**	**17,914**
Disposals	-	-	(1,015)	**(1,015)**
Charge for the year	448	37	2,288	**2,773**
At 31 March 2023	**5,177**	**549**	**13,946**	**19,672**
Net book value				
At 31 March 2023	**26,611**	**75**	**10,754**	**37,440**
At 31 March 2022	25,559	105	11,271	**36,935**
At 31 March 2021	25,869	141	9,332	**35,342**

Included in freehold property is land with a book value of £8,519,000 (2022: £8,519,000) which is not depreciated.

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

	2023 £'000	2022 £'000
Cost of sales	**1,711**	1,678
Selling and distribution costs	**852**	803
Administrative expenses	**210**	178
	2,773	2,659

13.2 Company

	Plant, equipment and vehicles £'000
Cost:	
At 1 April 2021	374
Additions	33
At 1 April 2022	**407**
Additions	200
Disposals	(338)
At 31 March 2023	**269**
Depreciation:	
At 1 April 2021	356
Charge for the year	3
At 1 April 2022	**359**
Disposals	(329)
Charge for the year	18
At 31 March 2023	**48**
Net book value	
At 31 March 2023	**221**
At 31 March 2022	48
At 31 March 2021	18

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	**2023** **Average remaining lease**	2022 Average remaining lease
Building	19	1-52 years	**8 years**	8 years
Vehicles	91	1-4 years	**2 years**	2 years

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

14. Leases *(continued)*

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

	Group			Company		
	Property £'000	Vehicles £'000	**Total £'000**	Property £'000	Vehicles £'000	**Total £'000**
Cost:						
At 1 April 2021	**5,403**	**1,197**	**6,600**	**816**	**29**	**845**
Additions	1,124	267	1,391	683	50	733
Disposals	(80)	(43)	(123)	-	(15)	(15)
At 1 April 2022	**6,447**	**1,421**	**7,868**	**1,499**	**64**	**1,563**
Additions	2,570	325	2,895	-	-	-
Disposals	(1,064)	(302)	(1,366)	-	-	-
At 31 March 2023	**7,953**	**1,444**	**9,397**	**1,499**	**64**	**1,563**
Depreciation:						
At 1 April 2021	**1,799**	**737**	**2,536**	**29**	**25**	**54**
Charge for the year	916	385	1,301	20	19	39
Disposals	(80)	(43)	(123)	-	(15)	(15)
At 1 April 2022	**2,635**	**1,079**	**3,714**	**49**	**29**	**78**
Charge for the year	952	280	1,232	21	19	40
Disposals	(1,064)	(302)	(1,366)	-	-	-
At 31 March 2023	**2,523**	**1,057**	**3,580**	**70**	**48**	**118**
Balance sheet value						
At 31 March 2023	**5,430**	**387**	**5,817**	**1,429**	**16**	**1,445**
At 31 March 2022	3,812	342	4,154	1,450	35	1,485
At 31 March 2021	3,604	460	4,064	787	4	791

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

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cost of sales	**952**	916	**-**	-
Selling and distribution costs	**247**	309	**-**	-
Administrative expenses	**33**	76	**40**	39
	1,232	1,301	**40**	39

14. Leases *(continued)*

b) Lease liabilities

Lease liabilities are presented in the balance sheet as follows:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current	**879**	1,275	**84**	82
Non-current	**5,130**	3,133	**1,343**	1,430
	6,009	4,408	**1,427**	1,512

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2023 is as follows:

Group	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	over 10 years £'000	**2023 Total £'000**	2022 Total £'000
Lease payments	1,046	767	1,656	2,579	1,419	**7,467**	5,560
Finance costs	(167)	(140)	(324)	(269)	(558)	**(1,458)**	(1,152)
Net present values	879	627	1,332	2,310	861	**6,009**	4,408

Company	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	over 10 years £'000	**2023 Total £'000**	2022 Total £'000
Lease payments	127	127	339	467	1,251	**2,311**	2,448
Finance costs	(43)	(41)	(108)	(134)	(558)	**(884)**	(936)
Net present values	84	86	231	333	693	**1,427**	1,512

At 31 March 2023 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:

	2023 £'000	2022 £'000
Vehicles	**1,001**	341

A total of £1,499,000 (2022: £1,408,000) was paid during the year in respect of lease principal for the Group. A total of £131,000 (2022: £57,000) was paid during the year in respect of lease principal for the Company. These figures are 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	Roll over gains on assets	Other (*)	Intangible assets	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2021 asset	1,174	-	-	-	**1,174**
As at 1 April 2021 liability	-	(1,762)	(1,263)	(314)	**(3,339)**
(Charge)/credit to the income statement	(827)	-	(262)	41	**(1,048)**
Change in tax rates in income statement	156	(556)	(380)	(99)	**(879)**
Credit to other comprehensive income and equity	(349)	-	-	-	**(349)**
Acquisitions	-	-	29	-	**29**
At 31 March 2022 asset	154	-	-	-	**154**
At 31 March 2022 liability	-	(2,318)	(1,876)	(372)	**(4,566)**
(Charge)/credit to the income statement	(1,208)	-	(837)	42	**(2,003)**
Credit to other comprehensive income and equity	(691)	-	(12)	-	**(703)**
At 31 March 2023 asset	-	-	-	-	**0**
At 31 March 2023 liability	(1,745)	(2,318)	(2,725)	(330)	**(7,118)**

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

15.2 Company

The deferred tax asset/(liability) is made up as follows:

	Restated Post-employment benefits	Accelerated capital allowances	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2021 – restated	1,172	(22)	**1,150**
Charge to the income statement	(826)	-	**(826)**
Change in tax rates in income statement	154	-	**154**
Charge to other comprehensive income and equity	(349)	-	**(349)**
At 31 March 2022 – restated	151	(22)	**129**
Charge to the income statement	(1,208)	(17)	**(1,225)**
Charge to other comprehensive income and equity	(691)	-	**(691)**
At 31 March 2023	(1,748)	(39)	**(1,787)**

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

	2023 £'000	2022 £'000
Finished goods and goods for resale	**68,627**	75,237
Less: provisions for slow moving and obsolete stock	**(1,138)**	(1,007)
	67,489	74,230

The inventories impairment charge for the year ended 31 March 2023 was £856,000 (2022: £603,000). Impairment charges reversed during the year were £725,000 (2022: £710,000). The reversal of inventories arises from sales in the year of the slow moving and obsolete stock previously provided for.

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

The company did not have any inventories at either 31 March 2023 or 31 March 2022.

17. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	**61,439**	63,295	**6**	14
Other receivables:				
Other receivables	**2,760**	2,912	**37**	3
Amounts owed by subsidiaries	**-**	-	**22**	1,550
Tax receivable	**-**	-	**1,014**	1,717
Prepayments	**2,583**	2,125	**92**	44
	5,343	5,037	**1,165**	3,314
	66,782	68,332	**1,171**	3,328

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

Trade receivables amounted to £61,439,000 (2022: £63,295,000), net of a provision of £200,000 (2022: £305,000) for impairment. Movements on the group provisions for impairment were as follows:

	Group	
	2023 £'000	2022 £'000
At 1 April 2022	**305**	161
Provisions for receivables impairment	**518**	447
Receivables written off during the year as uncollectible	**(623)**	(303)
At 31 March 2023	**200**	305

17. Trade and other receivables *(continued)*

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2023.

	2023 £'000			2022 £'000		
	Trade receivables	Loss rate percentage	Expected credit loss	Trade receivables	Loss rate percentage	Expected credit loss
Current (not past due)	**34,538**	**0.0%**	**-**	37,298	0.0%	-
Days overdue:						
1 - 30	**21,638**	**0.0%**	**-**	21,848	0.0%	-
31 - 60	**4,815**	**0.0%**	**-**	3,965	0.0%	-
61 - 90	**372**	**0.0%**	**-**	139	0.0%	-
More than 90	**276**	**72.5%**	**200**	350	87.1%	305
	61,639	**0.3%**	**200**	63,600	0.5%	305

The group has recognised an impairment against specifically identified expected credit losses ("ECLs") at year end of £200,000 (2022: £305,000). 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 (2022: £nil).

At 31 March 2023, £60,552,000 (2022: £62,063,000) of trade and other receivables were denominated in sterling, £3,485,000 (2022: £3,723,000) were denominated in Euros and £128,000 (2022: £421,000) were denominated in US dollars. The Company balances are all denominated in sterling.

Based on the balance sheet value of trade and other receivables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £361,000 (2022: £414,000).

Amounts owed by subsidiaries are interest free and repayable on demand.

18. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade payables	**25,745**	34,758	**80**	46
Other taxation and social security	**7,694**	7,937	**763**	857
Amounts owed to subsidiaries	**-**	-	**9**	-
Other payables	**5,247**	3,909	**771**	706
Accruals and deferred income	**2,380**	4,272	**149**	186
	41,066	50,876	**1,772**	1,795

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2022: 34 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2023, £28,613,000 (2022: £33,851,000) of trade and other payables were denominated in sterling, £1,237,000 (2022: £2,593,000) in US dollars, £1,142,000 (2022: £2,133,000) in Euros and £nil (2022: £90,000) in Canadian dollars. The company balances are all denominated in sterling.

Based on the balance sheet value of trade and other payables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £238,000 (2022: £482,000).

19. Interest bearing loans and borrowings

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current liabilities				
Bank overdraft	**-**	-	**-**	936
	-	-	**-**	936
Non-current liabilities				
Cumulative preference shares of £1 each (note 21)	**592**	592	**592**	592
Total	**592**	592	**592**	592

The loans and borrowings were all denominated in sterling.

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

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

20. Retirement and other benefit obligation

	Group	
	2023 **£'000**	2022 £'000
Retirement surplus (note 20.2)	**(14,960)**	(6,993)
IFRIC 14 adjustment	**7,739**	5,874
Net defined benefit surplus after IFRIC 14 adjustment	**(7,221)**	(1,119)

The company has the legal right to benefit from any surplus on the winding up of the scheme. The IAS19 valuation at 31 March 2023 showed the scheme had an accounting surplus of £14,960,000. Under IFRIC 14, we are required to consider how much of this surplus plus future committed deficit recovery contributions at the reporting date will be recovered through a reduction of future contributions, or by refund of the surplus. A restriction of 35% has been applied in respect of the authorised surplus payments charge that would be withheld by the scheme on a repayment of a surplus.

The annual funding update on an actuarial basis shows that at 31 March 2023, the scheme has a £3,680,000 deficit (2022: £3,680,000 deficit) and we are on target to eliminate the actuarial deficit by the next triennial valuation on 31 March 2024, where the deficit recovery contributions will be reassessed. The IFRIC 14 adjustment is therefore a technical accounting adjustment and unlikely to occur in practice.

20.1. Group pension schemes – Group and Company*

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. 22% (2022: 31%) of the assets are invested in equities, with 12% (2022: 22%) under passive management by Blackrock and 10% (2022: 9%) in a Multi-Asset Credit fund managed by Wellington. 78% (2022: 59%) are held in bonds and gilts, with 19% (2022: 18%) in a Buy and Maintain Fund managed by Mercers, 9% (2022: 8%) in an Absolute Return Fund managed by Wellington and 42% (2022: 33%) in an Index Linked fund managed by Blackrock, with the remaining 8% (2022: 8%) in a HLV Property Fund managed by Aegon. In 2022, there was also 2% in cash.

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

The pension charge for the year for all schemes was £2,587,000 (2022: £2,031,000). Of the charge, £487,000 (2022: £405,000) is included in cost of sales, £1,152,000 (2022: £924,000) is included in selling and distribution costs, and £948,000 (2022: £702,000) is included in administrative expenses in the income statement.

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

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

* The pension scheme figures, along with any deferred tax have been included in the restated Company accounts for 2022 and 2021 and the accounts for 31 March 2023. The adjustments to the Company accounts can be seen in note 20.3.

20.2. Group defined benefit pension scheme

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

The defined benefit obligation of £51,442,000 (2022: £68,534,000) includes £12,539,000 (2022: £18,516,000) in relation to active members, £10,046,000 (2022: £14,275,000) in relation to deferred members and £28,857,000 (2022: £35,743,000) in relation to members in retirement.

The retirement benefit asset recognised in the balance sheet is the present value of the defined benefit obligations, less the fair value of the scheme assets, adjusted for the impact of IFRIC 14. Actuarial gains and losses are immediately recognised in the statement of other comprehensive income.

	2023 £'000	2022 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	**68,534**	71,364
Service cost	**602**	596
Interest cost	**1,826**	1,480
Actuarial gain	**(17,126)**	(2,483)
Benefits paid	**(2,381)**	(2,425)
Premiums paid	**(13)**	2
Benefit obligation at end of year	**51,442**	68,534
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	**51,442**	68,534
Change in scheme assets		
Fair value of scheme assets at beginning of year	**75,527**	68,803
Interest income	**2,075**	1,462
Return on plan assets (excluding interest income)	**(13,854)**	3,644
Employer contributions (incl. employer direct benefit payments)	**5,048**	4,041
Benefits paid from plan	**(2,381)**	(2,425)
Expenses paid	**(13)**	2
Fair value of scheme assets at end of year	**66,402**	75,527
Amounts recognised in the balance sheet		
Present value of funded obligations	**51,442**	68,534
Fair value of scheme assets	**66,402**	75,527
Net defined surplus before IFRIC 14 adjustment	**(14,960)**	(6,993)
IFRIC 14 adjustment	**7,739**	5,874
Net defined benefit surplus after IFRIC 14 adjustment	**(7,221)**	(1,119)

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

	2023 £'000	2022 £'000
Components of pension expense		
Current service cost	602	596
Interest cost	1,826	1,480
Income on plan assets	(2,075)	(1,462)
Total pension expense recognised in the income statement	353	614
Actuarial gain immediately recognised	(3,272)	(6,127)
IFRIC 14 adjustment	1,865	2,502
Total recognised in the statement of other Comprehensive income	(1,407)	(3,625)
Cumulative amount of actuarial loss immediately recognised	7,990	9,397

	2023	2022
Plan assets		
The asset allocations at the year end were as follows:		
Equities	11.6%	21.8%
Bonds	60.5%	50.6%
Property	7.9%	8.3%
Diversified Credit Fund	19.7%	17.4%
Other	0.3%	1.9%
	100.0%	100.0%

	2023 £'000	2022 £'000
Amounts included in the fair value of assets for		
Equity instruments	7,723	16,495
Bond instruments	40,164	38,189
Property occupied	5,278	6,277
Diversified Credit Fund	13,030	13,116
Other assets used	207	1,450
	66,402	75,527

	2023 £'000	2022 £'000
Summary of Plan assets		
Quoted assets	60,917	67,800
Unquoted assets	5,485	7,727
	66,402	75,527

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

	2023	2022
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**4.70%**	2.70%
Rate of compensation increase	**3.90%**	4.40%
Inflation (RPI)	**3.30%**	3.80%
Inflation (CPI)	**2.90%**	3.40%
Rate of pension increases (CPI capped at 5%)	**2.90%**	3.30%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	**22.4**	22.3
Female member age 65 (current life expectancy)	**24.5**	24.5
Male member age 45 (life expectancy at age 65)	**23.7**	23.6
Female member age 45 (life expectancy at age 65)	**25.8**	25.7
Weighted average assumptions used to determine pension expense:		
Discount rate	**4.70%**	2.70%
Rate of compensation increase	**3.90%**	4.40%

Maturity profile of obligations

The weighted average duration of the obligations of the defined benefit pension scheme is 13 years. At the time of the most recent triennial valuation, 48% of the liabilities were in respect of members who were yet to retire. At 31 March 2023, the youngest member of the scheme was 46 years old. It is therefore expected that all members of the scheme will have retired in 19 years' time.

Sensitivity analysis of the key assumptions

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

	Impact on deficit (Decrease)/increase **£'000**
Discount rate increases by 0.25%	**(1,492)**
Inflation rate increases by 0.25%	**1,029**
Life expectancy increases by one year	**1,698**

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

The major categories and fair values of scheme assets at the end of the reporting period for each category are as follows:

	2023 £'000	2022 £'000
Level 1:		
Cash	**207**	1,450
Level 2:		
Equities	**7,723**	16,495
Index-linked gilts	**27,684**	24,637
Total return fund	**6,183**	5,963
Multi-sector credit fund	**6,847**	7,153
Buy and maintain fund	**12,480**	13,552
Property funds	**5,278**	6,277
	66,402	75,527

History of plan assets and defined benefit obligation

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Present value of defined benefit obligation	**51,442**	68,534	71,364	69,995	69,819
Fair value of plan assets	**66,402**	75,527	68,803	58,183	61,105
Net (asset)/liability before impact of IFRIC 14	**(14,960)**	(6,993)	2,561	11,812	8,714

Contributions

The group expects to contribute £3,689,000 to the pension scheme for the year ending 31 March 2024.

20.3. Company prior year adjustment

The 31 March 2022 Company balance sheet and statement of changes in equity have been restated to include the defined benefit pension scheme. The pension scheme had previously only been included in the consolidated group figures. As the Company is the sponsoring employer, the defined benefit pension scheme should be included in the Company balance sheet. There is no impact on the Group figures.

The effect of this change in accounting on the Company balance sheet means that, had this method of accounting had been introduced earlier, then between the years ended 31 March 2016 and 31 March 2023 there would not have been sufficient distributable reserves in the Company to pay the dividends in those years, despite there being more than sufficient distributable reserves in the Group.

As a result of this, James Latham plc has paid dividends between the years ended 31 March 2016 and 31 March 2023 which management have determined subsequently were not in full compliance with the Companies Act 2006. The directors have taken legal advice, on the basis of which a process has been commenced to address this matter. This process has not been completed at the date the financial statements were signed off and, at this stage, although the directors are confident that this process will be successfully completed, they are not certain of the outcome. In order to ensure the sufficiency of distributable reserves in the Company going forward, dividends have been paid up from subsidiary companies to the Company.

The impact of the prior year adjustment on the Company figures can be seen as follows:

Company statement of changes in equity Year ended 31 March 2022	2022 (originally presented) £'000	Adjustment £'000	2022 (restated) £'000
Retained earnings at 1 April 2021	5,073	(4,806)	267
Profit for the year	3,695	2,724	6,419
Actuarial gain on defined benefit pension scheme	-	3,625	3,625
Deferred tax related to components of other comprehensive income	-	(424)	(424)
Total comprehensive income for the year	3,695	5,925	9,620
Total transactions with owners (extract)	(3,745)	-	(3,745)
Retained earnings at 31 March 2022	5,023	1,119	6,142

20.3. Company prior year adjustment *(continued)*

Balance Sheet As at 31 March 2022	2022 (originally presented) £'000	Adjustment £'000	2022 (restated) £'000
Non-current assets			
Investments	9,613	-	9,613
Property, plant and equipment	48	-	48
Right-of-use-assets	1,485	-	1,485
Retirement benefit surplus	-	1,119	1,119
Deferred tax asset	129	-	129
Total non-current assets	11,275	1,119	12,394
Current assets (extract)	3,532	-	3,532
Total assets	14,807	1,119	15,926
Current liabilities (extract)	2,813	-	2,813
Non-current liabilities			
Interest bearing loans and borrowings	592	-	592
Lease liabilities	1,430	-	1,430
	2,022	-	2,022
Total liabilities	4,835	-	4,835
Net assets	9,972	1,119	11,091
Capital and reserves			
Issued capital	5,040	-	5,040
Share-based payment reserve	387	-	387
Own shares	(873)	-	(873)
Capital reserve	395	-	395
Retained earnings	5,023	1,119	6,142
Total equity	9,972	1,119	11,091

20.3. Company prior year adjustment *(continued)*

Balance Sheet **As at 31 March 2021**	2021 (originally presented) £'000	Adjustment £'000	2021 (restated) £'000
Non-current assets			
Investments	9,613	-	9,613
Property, plant and equipment	18	-	18
Right-of-use-assets	791	-	791
Deferred tax asset	23	1,127	1,150
Total non-current assets	10,445	1,127	11,572
Current assets (extract)	4,160	-	4,160
Total assets	14,605	1,127	15,732
Current liabilities (extract)	3,010	-	3,010
Non-current liabilities			
Interest bearing loans and borrowings	592	-	592
Lease liabilities	799	-	799
Retirement and other benefit obligation	-	5,933	5,933
	1,391	5,933	7,324
Total liabilities	4,401	5,933	10,334
Net assets	10,204	(4,806)	5,398
Capital and reserves			
Issued capital	5,040	-	5,040
Share-based payment reserve	167	-	167
Own shares	(471)	-	(471)
Capital reserve	395	-	395
Retained earnings	5,073	(4,806)	267
Total equity	10,204	(4,806)	5,398

20.4. Defined contribution pension payments

The group operates a defined contribution scheme managed by Aegon. 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 £1,787,000 (2022: £1,392,000).

21. Share capital

Ordinary shares

	2023, 2022 and 2021			
	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 2020, 31 March 2022 and 2023	**1,500,000**	**1,500**	**592,000**	**592**

	2023 **£'000**	2022 £'000
Share Capital		
Ordinary share capital	**5,040**	5,040
	5,040	5,040

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 an 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 2023 or 2022.

22. Share-based payment

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

	2023		2022	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	**246,071**	**7.68**	252,978	7.45
Granted during the year	**18,416**	**10.64**	16,280	10.12
Forfeited during the year	**(990)**	**7.27**	(5,277)	7.42
Exercised during the year	**(170,864)**	**7.32**	(17,910)	6.62
Outstanding at the end of the year	**92,633**	**8.95**	246,071	7.68

The weighted average share price for options exercised during the year was £13.22 (2022: £12.22).

Details of the options outstanding at 31 March 2023 are shown below. 10,439 (2022: 3,742) of these options were exercisable at the year end. No options expired during the periods covered by the above table.

	2023			2022		
	CSOP	SAYE	DBP	CSOP	SAYE	DBP
Range of exercise prices	**£3.96-£12.60**	**£7.27**	**£12.15**	£3.96-£12.60	£7.27	£9.05
Number of shares	**80,959**	**5,738**	**5,936**	76,652	166,219	3,200
Weighted average expected remaining life (years)	**3.0**	**-**	**1.5**	3.0	0.9	2.0

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.

Details of the outstanding options at 31 March are as follows:

	Number of shares	Grant date	Expiry date
CSOP	404	16.12.13	16.12.23
CSOP	1,170	18.12.15	18.12.25
CSOP	1,857	06.12.16	06.12.26
CSOP	1,270	14.12.17	14.12.22
CSOP	17,123	03.01.19	03.01.29
CSOP	13,149	23.12.19	23.12.29
CSOP	17,226	16.12.20	16.12.30
CSOP	13,080	10.12.21	10.12.31
CSOP	15,680	20.12.22	20.12.32
SAYE	5,738	01.03.20	01.09.23
DBP	3,363	01.04.21	31.03.24
DBP	2,573	01.04.22	31.03.25
	92,633		

22. Share-based payment *(continued)*

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

	2023			2022		
	CSOP	SAYE	DBP	CSOP	SAYE	DBP
Share price at grant date	**£12.50**	**-**	**£12.15**	£12.60	-	£9.05
Option exercise price	**£12.50**	**-**	**-**	£12.60	-	-
Expected volatility	**37.0%**	**-**	**41.7%**	35.0%	-	40.8%
Option life	**5 years**	**-**	**3 years**	5 years	-	3 years
Risk free interest rate	**3.60%**	**-**	**1.61%**	0.74%	-	0.80%
Fair value	**£4.79**	**-**	**-**	£4.00	-	-

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

The group recognised total expenses of £182,000 (2022: £169,000) 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 2023 was 165,539 (2022: 161,958).

23. Own shares

	Ordinary shares £'000
At 1 April 2021	
Cost	471
Transfer of treasury shares	630
Transfer to employees	(228)
At 31 March 2022	873
Transfer to employees	(1,397)
Transfer to retained earnings	524
At 31 March 2023	**-**

The investment in own shares represents 60,362 25p Ordinary shares (2022: 32,197 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.30% (2022: 0.16%) of the issued share capital. The maximum number of shares held during the year was 234,767 (1.16%). 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 2023 nil (2022: 209,200) 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, the balance of 209,200 shares were issued to the James Latham Employee Benefits Trust.

The own shares reserve has been transferred to retained earnings at 31 March 2023.

24. Cash generated from/(used in) operations

	Group		Company	
	2023	2022	**2023**	Restated 2022
	£'000	£'000	**£'000**	£'000
Profit before tax	**44,511**	57,952	**7,862**	6,469
Finance income and expense	**(813)**	213	**(2)**	47
Dividend received	**-**	-	**(8,500)**	(7,209)
Depreciation and amortisation	**4,173**	4,128	**58**	42
Impairment	**179**	-	**-**	-
(Profit)/loss on disposal of property, plant and equipment	**(46)**	50	**9**	-
Decrease/(increase) in inventories	**6,741**	(23,990)	**-**	-
Decrease/(increase) in receivables	**1,550**	(18,034)	**1,454**	1,443
(Decrease)/Increase in payables	**(8,167)**	13,940	**1,160**	698
Retirement benefits	**(4,446)**	(3,445)	**(4,446)**	(3,445)
Share-based payments non cash amounts	**182**	169	**182**	169
Cash generated from/(used in) operations	**43,864**	30,983	**(2,223)**	(1,786)

Movement in net funds/(debt)	Cash and cash equivalents	Leases	Preference shares	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2021	28,618	(4,260)	(592)	**23,766**
Additions in the year	-	(1,391)	-	**(1,391)**
Cash flow	8,412	1,408	-	**9,820**
Discount unwind on lease liabilities	-	(165)	-	**(165)**
At 31 March 2022	37,030	(4,408)	(592)	**32,030**
Additions in the year	-	(2,895)	-	**(2,895)**
Cash flow	25,579	1,499	-	**27,078**
Discount unwind on lease liabilities	-	(205)	-	**(205)**
At 31 March 2023	62,609	(6,009)	(592)	**56,008**

25. Related party transactions

25.1 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.

	2023 £'000	2022 £'000
Salaries and other short-term employee benefits	1,347	1,319
Social security costs	186	147
Pension costs	230	221
Share-based payments	35	21
	1,798	1,708

There are 4 (2022: 4) directors to whom retirement benefits are accruing under defined benefit schemes, and 4 (2022: 4) directors that exercised share options during the year.

Emoluments for the highest paid director totalled £350,000 (2022: £341,000). The highest paid director exercised 3,035 CSOP share options during the year at a gain of £15,400. The highest paid director had an accrued defined benefit pension of £81,000 (2022: £71,000) at the balance sheet date. Contributions to the highest paid director in respect of which money purchase benefits may be payable totalled £56,000 (2022: £54,000).

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 31-35. The gain made by directors who exercised share options during the year was £55,000 (2022: £11,000).

The company undertakes the following transactions with the active subsidiary companies:
- Receiving an annual management charge to cover services provided of £3,288,000 (2022: £2,897,000).
- 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 and dividends, there have been no related party transactions with the directors.

26. Capital commitments

At 31 March 2023, there were capital commitments contracted for but not provided in the accounts of £4,758,000 (2022: £2,415,000).

27. Financial instruments

The group and company's activities expose the group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are managed through an effective risk management programme. Further details are set out in the Financial Review on pages 22 to 25.

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
2023					
Trade payables	25,745	-	-	-	**25,745**
Accruals	2,380	-	-	-	**2,380**
Other payables	5,247	-	-	-	**5,247**
Lease liabilities	523	523	2,423	3,998	**7,467**
Total	**33,895**	**523**	**2,423**	**3,998**	**40,839**
2022					
Trade payables	34,758	-	-	-	**34,758**
Accruals	4,272	-	-	-	**4,272**
Other payables	3,909	-	-	-	**3,909**
Lease liabilities	702	701	1,692	2,465	**5,560**
Total	**43,641**	**701**	**1,692**	**2,465**	**48,499**

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
2023					
Trade payables	80	-	-	-	**80**
Accruals	149	-	-	-	**149**
Amounts owed to subsidiaries	9	-	-	-	**9**
Other payables	771	-	-	-	**771**
Lease liabilities	64	63	466	1,718	**2,311**
Total	**1,073**	**63**	**466**	**1,718**	**3,320**
2022					
Trade payables	46	-	-	-	**46**
Accruals	186	-	-	-	**186**
Other payables	706	-	-	-	**706**
Lease liabilities	66	65	482	1,781	**2,394**
Bank overdraft	936	-	-	-	**936**
Total	**1,940**	**65**	**482**	**1,781**	**4,268**

27. Financial instruments *(continued)*

Foreign currency risk
Approximately 39% of the group's purchases are denominated in foreign currencies, principally the US dollar and the Euro. Forward contracts are used where we have agreed exchange rates with our customers and we also use other currency derivatives to help manage our short term exposure on a weakening sterling from time to time. However, no more than 30% 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 2023 was £455,000 in US Dollars (2022: £620,000), £896,000 in Euros (2022: £634,000) and £29,000 in Canadian dollars (2022: £92,000) 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 £138,000 (2022: £135,000).

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	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Fixed rate instruments				
Cumulative preference shares of £1 each	**592**	592	**592**	592
Variable rate instruments				
Cash and cash equivalents	**62,609**	37,030	**104**	204
Bank overdraft	**-**	-	**-**	936

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 £626,000 (2022: £370,000) in the group and an increase or decrease in income and equity of £1,000 (2022: £7,000) in the company.

27. Financial instruments *(continued)*

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

Financial assets measured at amortised cost	**Group**		**Company**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade receivables	**61,439**	63,295	**6**	14
Other receivables	**2,760**	2,912	**37**	3
Amounts owed by subsidiaries	**-**	-	**22**	1,550
Cash and cash equivalents	**62,609**	37,030	**104**	204
Total	**126,808**	103,237	**169**	1,771

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**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade payables	**25,745**	34,758	**80**	46
Other payables	**5,247**	3,909	**771**	706
Amounts owed to subsidiaries	**-**	-	**9**	-
Accruals	**2,380**	4,272	**149**	186
Bank overdraft	**-**	-	**-**	936
Total	**33,372**	42,939	**1,009**	1,874

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.

Notice is hereby given that the one hundred and twenty fourth Annual General Meeting of the Company will be held at the Leverstock Suite, Holiday Inn, Breakspear Way, Hemel Hempstead, Hertfordshire, HP2 4UA on Wednesday 23rd August 2023 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.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2023 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.

Other 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 8:

(a) this power shall be limited to:

(i) the allotment of equity securities in connection with or subject to an offer or invitation, open for acceptance for a period fixed by the Directors, to the holders of Ordinary Shares on the register on a fixed record date in proportion (as nearly as maybe) to their respective holdings or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with the fractional entitlements which would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise how so ever); and

(ii) other than pursuant to paragraph (a)(i) of this Resolution, the allotments of equity securities for cash up to an aggregate nominal amount of £252,000; and

(b) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date after passing of this Resolution except that the Directors may allot equity securities under this power after that date to satisfy an offer or agreement made before this power expired."

Notice of Annual General Meeting

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
Company Secretary

Registered Office:
Unit C2, Breakspear Park, Breakspear Way,
Hemel Hempstead, Hertfordshire, HP2 4TZ

20 July 2023

Notes:
The Report and Accounts are sent to all members of the Company who elect to receive a paper copy, or is available on the Investor page at **www.lathamtimber.co.uk**.

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

A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy, which may be used to make such appointment and to give proxy instructions, accompanies this Notice. To appoint more than one proxy, (an) additional Form(s) of Proxy may be obtained by contacting the Shareholder Helpline on 0370 707 1093 or you may photocopy the Form of Proxy. Calls to the Shareholder Helpline number are charged at the standard rate per minute plus network extras. Overseas holders should contact +44 (0)370 707 1093. Lines are open from 8.00am to 5.30pm (GMT) Monday to Friday, excluding UK public holidays.

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

To be valid, the enclosed Form of Proxy and any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be completed and returned so as to be received by the Company’s registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours (excluding non-working days) before the time fixed for the holding of the meeting or, in the event that the meeting is adjourned, any adjourned meeting.

Shareholders may appoint a proxy electronically by visiting **www.investorcentre.co.uk/eproxy**. You will be asked to enter the Control Number, Shareholder Reference Number (SRN), and PIN shown on your Form of Proxy and agree to certain terms and conditions. To be valid, your proxy appointment and instructions should reach Computershare no later than 12.30pm on Monday 21 August 2023.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for this meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via **www.euroclear.com**). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & International Limited’s (‘Euroclear’) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company’s agent (ID 3RA50) by the latest time for proxy appointments set out in previous notes above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members eligible to vote and entered on the Company’s register of members as at 6.00pm on Monday 21 August 2023 are entitled to attend and vote at the meeting; or, if the meeting is adjourned, shareholders entered on the Company’s register of members not later than 48 hours (excluding non-working days) before the time fixed for the adjourned meeting shall be entitled to attend and vote at the adjourned meeting.

At 20 July 2023, the Company’s issued share capital consisted of 20,160,000 shares. The total number of voting rights are therefore 20,160,000.

In the case of joint holders, the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names are stated in the register of members of the Company in respect of the joint holding.

Share dealing service for shareholders

We operate a share dealing services with our registrar, Computershare Investor Services PLC, please view all dealing options at **www.computershare.com/dealing/uk** which provides shareholders with a simple way to sell or purchase shares (subject to availability) on the London Stock Exchange. Real time trading is available during market hours (08.00 to 16.30 Monday to Friday excluding bank holidays). In addition, you can place a sale instruction outside of market hours. The commission is **1.4% subject to a minimum of £40**. Before you can sell your shares online, you will need to become a member of Computershare's Investor Centre.

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.

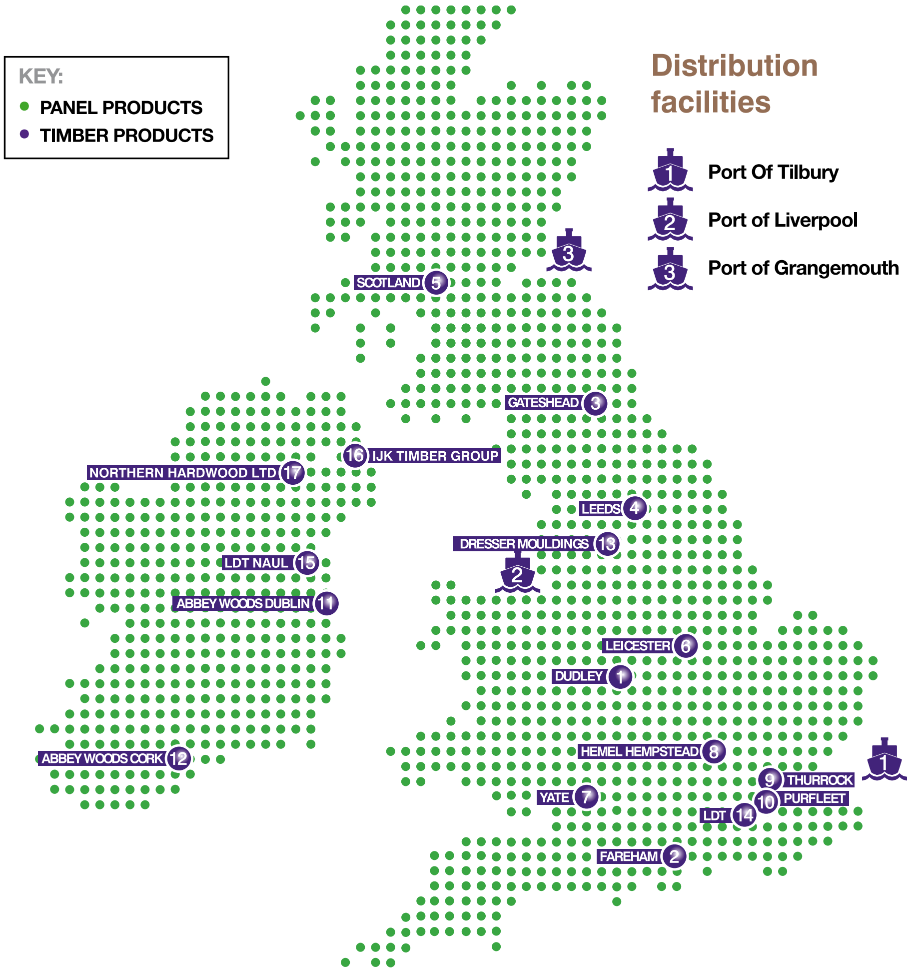
Under section 319A of the Companies Act, any Shareholder attending the AGM has the right to ask questions at the AGM relating to the business of the AGM. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Please keep your questions and statements short and relevant to the business of the AGM to allow everyone who wishes to speak the chance to do so. It would be helpful if you could state your name before you ask your question. The Chair may nominate a representative to answer a specific question after the AGM or refer the question to the Company's website.

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (as attributed to you by the Company or its registrars). The Company determines the purposes for which, and the manner in which, your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice or in any related documents (including the Form of Proxy and the Annual Report and Financial Statements) to communicate with the Company for any purposes other than those expressly stated.

James Latham Locations



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