



# **James Walker Group Limited**

## **Companies Act 2006 Section 172 Statement**

**28 July 2020**

The Board takes its duties towards a wide range of stakeholders seriously and acts in such a way as to promote the success of the Company for the benefit of these stakeholders, in accordance with Section 172. This statement of compliance should be read alongside the rest of the annual report including pages 1 to 7.

The Board recognises the importance of managing the Group for the benefit of all stakeholders taking into account also potential conflicts as well as both short and potential long-term implications. The Board seeks to develop the business to serve customers, our staff and our shareholders as well as a range of other related interests such as the environment and wider society.

In terms of particular stakeholder groups:

- Customers, employees, suppliers, community and environment: see the future prospects and key performance indicator sections of the Strategic Report [below] noting the use of customer and employee surveys. Additionally, other forms of interaction with different groups are maintained, including employee forums where appropriate, site visits, newsletters and broadcasts.
- Shareholders: we would guide you to the entire report and to take advantage of the details included in the private shareholder portal section of our website.

Responsibility for shareholder relations rests with the Chairman, supported by the CEO and Group Finance Director. The Group is committed to communicating openly with shareholders and the Annual General Meeting is the principal forum for shareholders. Additionally, written updates to shareholders are made at appropriate moments throughout the year.

*This statement forms part of the company's strategic report in the report and financial statements for the year ended 31 March 2020, and is made pursuant to The Companies (Miscellaneous Reporting) Regulations 2018.*



Peter Needham  
Chairman  
28 July 2020

## **FUTURE PROSPECTS**

The Group remains in a healthy financial position with a strong cash balance and limited external debt, which will support the business during recessionary times.

Given the uncertain economic outlook driven by the global pandemic and, to a lesser extent Brexit, cash conservation is a priority for the business to ensure sustainability for the future. This has impacted all stakeholders in the business to some extent. We anticipate a reduction in sales in our markets; however, we continue to take a medium-term approach in the management of the business.

### **James Walker SBU**

James Walker SBU continues to focus on growing sales and developing the sales teams and channels for its range of sealing products and services. We are increasing focus on products, sectors and territories where we have competitive advantage. It is pleasing to note that critical orders during Covid-19 restrictions reinforced the importance of James Walker products.

We have been delighted with the ability to implement remote working and effectiveness of data analysis tools. We will continue higher than average levels of expenditure on IT over the coming years as we improve the digital effectiveness and efficiency of our processes globally, through Project Keystone. This involves deploying a single cloud-hosted enterprise resource planning platform; we are redesigning processes to fit with standard configurations in support of our corporate goals of improved customer experience and enhanced profitability.

A sales recovery plan has been implemented as a response to the current economic downturn. The changing dynamics of the oil and gas market, resulting in significantly lower oil prices, will impact demand for our products. Whilst continuing to service this market, we are increasing efforts to diversify into other industries. A next-generation Walkersele has recently been launched and has received a favourable response in the market place for large rotary applications.

Our emphasis on manufacturing excellence will continue, to support the future growth of the business.

In line with the earn-out plan developed at the time of acquisition in 2012, we expect to increase our equity in James Walker Inmarco Industries Pvt. Limited in India from 69% to 90% on 1 July 2021.

After due diligence and a review of the investment case, we decided not to progress the acquisition in China. We are exploring a joint venture manufacturing opportunity in the Middle East.

We continue to evaluate further rationalisation of locations. Further business restructuring may be required in response to Covid-19.

### **edilon)(sedra SBU**

edilon)(sedra SBU has, for several years, increased focus on the technical solutions aspect of its rail fixing systems, through investing in project engineering and advancing the development of its own in-house knowledge centre. Projects continue to be won on the basis of our technical capabilities.

We continue to anticipate that the market for track infrastructure projects will develop for many decades, driven by worldwide growth in urban population centres, with associated congestion and environmental strain, and the renovation of existing infrastructure. We will focus on developing markets where we have the greatest potential competitive advantage. This may involve increasing our sales and technical staff presence outside of Europe.

Market circumstances in the track industry have been challenging in recent times with many rail projects being delayed, resulting in increased competitiveness in the industry. The short-term project pipeline is not at the desired level.

By contrast, Technobeton B.V. has a positive short-term outlook. Due to lessened traffic movements during the Covid-19 lockdown we have been requested to bring forward several infrastructure maintenance projects including at Schiphol airport and on major roads.

The outlook for 2021 onwards is not clear. Governments may decide on infrastructure packages to stimulate the economy, as followed previous crises. However, budgets are suffering from Covid-19 support measures and reduced tax receipts and spending may be restricted.

### **Tiflex SBU**

Tiflex SBU will continue to focus on rail, industrial and flooring markets. We are increasing external sales activity by focusing on building long-term cooperation and partnerships, replicating the success of recent contracts, as a reliable and proactive solution provider.

We have made progress in research and development work for new product lines and have approvals that are allowing us to gain entry to the market. We continue to seek further approvals for this product range.

In the short term, the additional factory space is being used to accommodate social distancing and our response to Covid-19 is taking priority over major new manufacturing processes.

### **Group**

The response of employees to the restrictions imposed by the pandemic has epitomised the values and behaviours we encourage in the business.

Our actions to support employee engagement have included increasing focus on communication and empowering staff to make decisions at an appropriate level.

We are expanding the coverage and functionality of a human resources system to manage and support our processes more effectively. This includes online, remote training which ensures that training is up-to-date.

The ongoing weakness of sterling relative to other currencies is expected to assist the Group's profitability, although this will be linked to the outcome of further Brexit trade negotiations.

### **FINANCIAL KEY PERFORMANCE INDICATORS**

The following key performance indicators are measured and reviewed on a regular basis and enable the business to set and communicate its performance targets and monitor its performance against these targets.

Revenue growth – annual growth rate of revenue: minus 8.9% (2019: 2.7%). Using constant exchange rates turnover would have been £182,816k, a decline of 8.8%.

Operating margin – operating profit as a percentage of revenue: 2.5% (2019: 4.2%).

Average working capital – stocks plus debtors less creditors falling due within one year as a percentage of revenue: 22.4% (2019: 21.1%).

Net assets: £102,890k (2019: £104,067k). The decline in the year was mostly due to amortisation of intangible fixed assets and exchange rate movements.

Capital expenditure: the Group invested £5,285k (2019: £7,189k). This was 99% of tangible asset depreciation.

### **OTHER KEY PERFORMANCE INDICATORS**

The following additional key performance indicators are measured and reviewed on a regular basis by the Directors to provide visibility of the Group's performance from a non-financial information perspective.

Health, Safety and Environment – the management of these risks forms an important part of the Directors’ review of the businesses. There was a 44% reduction in accidents resulting in greater than seven days away from work per 1,000 staff compared to the prior year (2020: 2.6, 2019: 4.6). Much of this is achieved through an improved safety culture demonstrated through the increasing rigour of audit, near miss and hazard identification.

Carbon Reporting – large UK companies are required to report their levels of greenhouse gas (“GHG”) emissions in their annual report and accounts. This obligation is for Scope 1 (direct) and Scope 2 (indirect) emissions, only to the extent that emissions are the responsibility of the Company. Direct emissions originate from combustion of natural gas and transportation, whilst indirect emissions are based on purchased electricity.

Emissions are calculated following the UK Government GHG Conversion Factors for Company Reporting 2019 and the UK Government Environmental Reporting Guidelines. Emissions are based on the Group’s global sales and operations.

An intensity ratio of carbon dioxide equivalent (“CO<sub>2</sub>e”) per £1 million revenue has been selected which will allow a comparison of performance over time and with other similar types of businesses.

	<b>2020</b>
<b>Source of emissions</b>	<b>Tonnes CO<sub>2</sub>e</b>
Direct emissions (Scope 1)	
Gas	3,453
Transport	82
Indirect emissions (Scope 2)	
Electricity	4,037
Gross emissions	<u>7,572</u>
Global sales £m	182
<b>Tonnes CO<sub>2</sub>e per £1 million revenue</b>	<u>42</u>

Customer experience – customer service remains a cornerstone of our activities and a customer satisfaction survey was held again, in early 2020.

Although edilon(sedra SBU and Tiflex SBU remain in the top quartile, it is disappointing to report that James Walker SBU slipped to the second quartile. We are increasing our focus on customer facing processes, including lead times, consistency of delivery, problem handling, complaint management and project reviews, all resulting in actions for improvement.

Average monthly headcount – 1,979 (2019: 2,020).