

65619

JAMES LATHAM PLC
ANNUAL REPORT & ACCOUNTS 2013

THURSDAY



A2GAD11M

A43

05/09/2013

#210

COMPANIES HOUSE

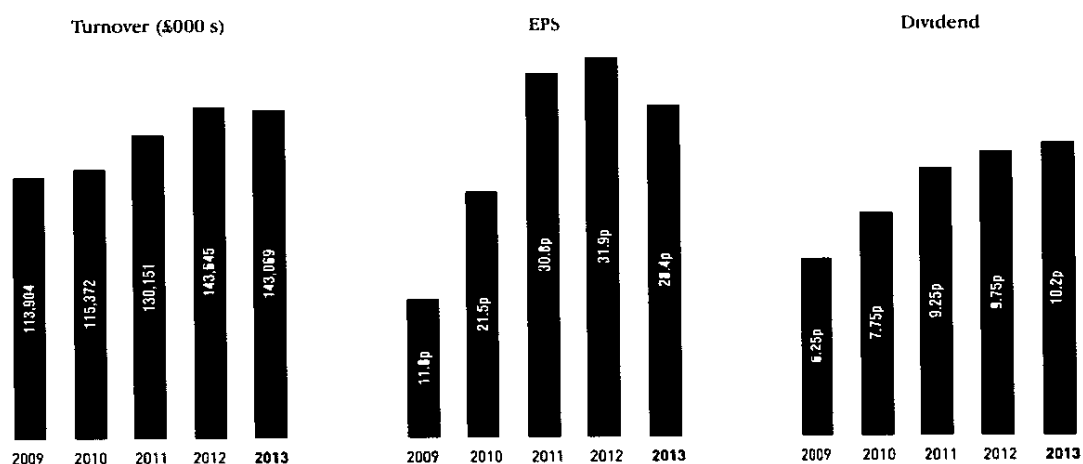
Contents

1	Financial Highlights and Calendar
2	Chairman's Statement
4	Company Objectives
5	Operating Review
8	Financial Review
11	Corporate Responsibility
13	Directors and Advisers
14	Directors' Report
17	Corporate Governance
18	Directors' Remuneration Report
22	Independent Auditor's Report
23	Consolidated Income Statement
24	Consolidated Statement of Comprehensive Income
25	Consolidated Balance Sheet
26	Consolidated Statement of Changes in Equity
27	Consolidated Cash Flow Statement
28	Notes forming part of the Group Accounts
53	Company Balance Sheet
54	Notes to the Company Accounts
60	Notice of Annual General Meeting
65	The Latham Group

Financial Highlights for the year ended 31 March 2013

Financial Highlights

Year to 31 March	2013 £000	2012 £000	Increase/ (Decrease)	2011 £000
Turnover	143,069	143,645	(0.4%)	130,151
Operating profit	7,546	7,723	(2.3%)	8,070
Operating margin	5.3%	5.4%	(1.9%)	6.2%
Profit before taxation	6,882	7,186	(4.2%)	8,004
Earnings per share	28.4p	31.9p	(11.0%)	30.8p
Total ordinary dividend per share	10.2p	9.75p	4.6%	9.25p
Equity shareholders' funds	47,467	46,924	1.2%	45,816
Cash and cash equivalents	8,075	7,004	15.3%	7,113



Financial Calendar

Record date for final dividend 2013	2 August 2013
AGM	21 August 2013
Payment of final dividend	23 August 2013
Interim 2013/14 results announcement	28 November 2013
Interim dividend expected payment date	31 January 2014
Preliminary announcement of 2013/14 results	26 June 2014
AGM 2014	20 August 2014

Chairman's Statement

I am pleased to report results for the financial year to 31 March 2013 that show a solid trading performance and a strong balance sheet, in what has been another challenging year for the economy as a whole and our target markets

Group revenue for the financial year to 31 March 2013 was £143,069,000, 0.4% down on last year's £143,645,000

Operating profit was £7,546,000, down £177,000 from £7,723,000 last year. Slightly higher trading margins were offset by higher operating costs

Finance income was £26,000 against £43,000 last year. Financial costs, which are principally interest on the pension scheme deficit as calculated under IAS19, were £947,000 against £580,000 last year. There was a profit of £257,000 on the sale of the Ossett site

Pre tax profit was £6,882,000 down from last year's figure of £7,186,000

Profit after tax was £5,454,000 compared to £6,070,000 last year. Last year's lower tax charge resulted from a one-off change in the deferred tax provision

Earnings per share were 28.4p compared to last year's 31.9p

Net assets (total equity) were £47,467,000 compared to £46,924,000 last year

At the year end the group's cash reserves stood at £8,075,000 compared to £7,004,000 at 31 March 2012

Final dividend

The directors recommend a final dividend of 7.1p per ordinary share (2012 6.75p). The final dividend will be paid on 23 August 2013 to shareholders on the register at the close of business on 2 August 2013. The shares will become ex-dividend on 31 July 2013

The total dividend per ordinary share of 10.2p for the year is covered 2.8 times by earnings

Financial year 2012/13

The group's results are based on the trading of Latham's Limited, a specialist panel and timber distributor. Revenue was 0.4% lower than the previous year in spite of being ahead by £582,000 at 30 September 2012. Trading was difficult in the March quarter, particularly for timber, with some weakness in the joinery sector. The gross margin per cent was higher as a result of focus on improving margins on specialist products, in spite of competition for business

The international market for hardwood and panel products was stable, with prices for both increasing mainly due to the pound weakening against both the US Dollar and the Euro. MDF based panels, a major element of panel sales, saw prices fluctuate throughout the period

Overheads have been well controlled. Staff numbers are slightly higher as sales staff have been recruited in areas of the business where we see opportunities

Bad debts were lower than last year as the deterioration that we anticipated over the Christmas period as a result of seasonal cash flow pressures did not materialise

At 31 March 2013 the deficit of the defined benefit scheme under IAS19 was £16,793,000 compared with £12,316,000 last year. Although the scheme's assets increased by £5,283,000, the liabilities increased more due to a reduction in yield on high quality corporate bonds, a measure that is highly volatile

Current financial year 2013/14

Although the March quarter was difficult this year volumes are higher for April and May than the corresponding period last year. This is led by panels but timber has recovered from the poor March quarter. The European Union Timber Regulation, which makes it an offence to place illegally harvested timber on the European market, came into force on 3 March 2013

This is creating opportunities for the group to sell its range of 3rd party certified products. While customer order books are generally short term there appears to be a bit more optimism.

Development strategy

The directors continue to identify opportunities for growth and to introduce and promote new products. Increasing levels of business are being done in Ireland from the new Leeds depot with the appointment of a local sales team. Following the successful relocation of our biggest depot in Ossett to a larger, modern site in Leeds plans are being drawn up to upgrade our two older sites over the coming years.

The group is in a strong financial position to take advantage of opportunities for further business growth.

Directors and staff

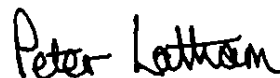
The Directors have remained unchanged throughout the year at both the James Latham plc and the Management Board of Lathams Ltd levels. There is a clear division of responsibilities with the main board determining strategy and exercising corporate governance and the trading board setting and monitoring operations policy. Both boards are well balanced in terms of skills and experience. Their support throughout the year has been invaluable.

While the business is organised to give as much local autonomy as possible and staff are targeted at depot level, groups of senior staff meet regularly to coordinate purchasing and sales strategy for the major product groups of timber and panels. Group product champions look after key product ranges backed up by product champions in each depot.

We have taken on a number of trainees during the year and attach great importance to staff training and development, something that can appear optional when trading is tough. Training on product knowledge, selling

skills, management and leadership is provided to staff at all levels and the remuneration committee keeps a regular overview of talent development.

This has been a year when the efforts of those working in the group have not been reflected in higher turnover and profits. The number of orders we processed increased from 181,000 to 186,000 so the work of answering phones, order selection and making deliveries have remained high. In many areas work done developing products will result in business this year. We continue to provide a high quality of customer service as measured by our record third consecutive TTJ award of Timber Trader of the Year and I would like to thank everyone in the group for their individual contribution.



Peter Latham

Chairman, James Latham plc

26 June 2013

Company Objectives

James Latham plc aims to be the supplier of choice throughout the UK for joinery manufacturers, shopfitters, kitchen manufacturers and a wide range of other wood based panel and hardwood using businesses, and to supply specialist products to timber and builders merchants

The company traces its history back to James Latham who traded in exotic hardwood in Liverpool in 1757. His son had established a business in London by 1799. It was taken public in 1965 and the shares are now quoted on the AIM market. The Latham family owns over half of the company shares and six members of the Latham family work in the business.

Our core values are based on a business structure that encourages an entrepreneurial spirit at depot level while maintaining central financial control and reaping the benefits of scale from the size of the group's activities.

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

The company was voted UK Timber Trader of the Year in 2000, 2002, 2004, 2008, 2010, 2011 and 2012 in a vote of readers of the Timber Trades Journal.

The company's objectives are:

- To maximise shareholder value over the medium term,
- To grow the business profitably,
- To maintain its presence in timber based products but to extend the product range to the existing customer base from an extended distribution network,
- To increase sales of third party certified sustainable timber products,
- To improve service levels by upgrading warehouse facilities to speed order picking and to cope with an extended product range and
- To employ well trained, knowledgeable and helpful staff

Operating Review

Results for the year to 31 March 2013

Lathams Limited is the trading subsidiary of James Latham plc and trades in wood based sheet materials and joinery quality hardwood and softwood hardwood flooring, decking and acrylic stone surfaces from eleven locations throughout the United Kingdom

The UK economy has been flat, at best, for 2012/13. The forecast rate of growth did not materialise and cuts in public sector expenditure hit some of our key markets. The boost in confidence that arose from the successful staging of the Olympics and Team GB's performance was short lived. The group benefitted from some £0.5m of additional turnover in products for games venues in the three months leading up to the opening ceremony. The year can be seen as one of continuing uncertainty.

UK imports of timber and panel products as measured by the Timber Trade Federation were similar in 2012 to 2011, but for the three months to 31st March 2013 were 9% lower year on year. Against this backdrop our results, in which we have generally maintained volumes and margins above those we forecast, are reasonably good.

Revenue for 2012/13 was £143.1m, \$0.6m lower than the previous year, reflecting lower volumes in timber partially offset by higher purchase prices due to the weakness of sterling against both the euro and the dollar.

The gross margin, the difference between the sales values and the cost prices was 0.2 percentage points up on the previous year. This was in spite of continuing competitive pressure in our markets and more business direct from the manufacturer.

Managing customer credit continues to be a key area for the business. The problem with insolvencies anticipated during the winter months did not materialise but a number of customers experienced cash flow difficulties. Bad debts were slightly below last year's level. Some insured limits were reduced or withdrawn during the winter months and the group exposure to risk on balances owed over £40,000 rose to 9%.

Staff numbers increased in sales areas where the group is planning to increase turnover, such as doors and HI-MACS[®] acrylic stone solid surface, but overhead cost control has continued to be important.

For management purposes, the group is organised into one trading division, timber importing and distribution, carried out in each of the eleven locations trading wholly in the United Kingdom. Within this one segment performance in terms of revenue and trading margin of the main product types are considered below.

Panel products (wood based sheet materials, door blanks and solid surface)

Panel sales at £101.3m were 4% higher than last year, with volumes up 2%. The group's strategy is to target markets for decorative surfaces (door blanks and HI-MACS[®] solid surface panels) which are higher in unit value and command better margins, whilst reducing the proportion of sales in commodity products, which are more volatile.

Promoting new products that we are introducing to the market has been a key focus of our PR department this year and sales of melamine panels and doors were both 9% higher, reflecting our increased sales focus and expanding product range.

The EU Timber Regulation which came into force in March 2013 has created some opportunities for us in commodity areas of hardwood and softwood plywood where our environmental policy had lost us business in the past. For the first time in a number of years we saw growth in both these areas where our certified products are now in demand.

It was a difficult year for MDF sales, our largest area of panel business, with both sales and volumes flat. Manufacturers have struggled to make money due to rising raw materials as the government have given subsidies to power generators to burn wood chips as a biofuel. Margins throughout the supply chain have been under pressure.

Advanced Technical Panels, the group's specialist business dealing in pre-finished panels designed for specific end uses saw strong growth in turnover in the first six months, benefitting from late orders for the Olympic sites. However their core markets of the transport and construction sectors continue to struggle.

Timber and builders merchants are an important market for the group and although a lot of standard softwood and hardwood plywood is directly imported and distributed through their own warehouses, they take advantage of our extensive product range.

Lathams Limited is the exclusive distributor of HI-MACS[®] acrylic stone solid surface for both the UK and Ireland. In 2012 we were their top performing distributor in Europe and our sales grew 10%.

Operating Review

Timber (hardwood, joinery quality softwood, hardwood flooring and decking)

Timber sales at £41.6m, and volumes were both 9% lower than last year. The March quarter was particularly difficult. However the gross margin per cent was slightly up. Turnover in hardwood from Africa was 19% lower. Supply of some key specie for LDT, our tropical hardwood import business, and our depots was disrupted during the year as a result of civil war in the Ivory Coast and supply difficulties in Congo Brazzaville which meant contracts were delayed. Sales of hardwood from Europe and America were also down. Demand was generally weak from joinery and shop-fitting companies and the group's focus on high quality product made sales difficult in a weak market. While timber business is still very hand-to-mouth it is showing signs of improvement this year.

The group's strategy is to develop the market for third party certified timber from well-managed forests. We continue to have good stocks of Forest Stewardship Council (FSC) certified sapele, the most popular African hardwood for the UK market and other tropical specie, in addition to a full range of FSC and Programme for the Endorsement of Forest Certification (PEFC) European and American hardwoods.

Sales of laminated timber sections, in both hardwood and softwood, continue to increase. These offer advantages of improved structural stability and specification to the customer and lower waste factors to producers. Our range includes FSC European redwood, sapele and oak.

Latham's Limited is a national distributor of Accova wood softwood modified by the acetylation process to improve its properties, notably durability and stability. Sales grew by over £0.5m.

Bausen hardwood flooring continues to be an important product range. Storage and distribution is now handled by the new Leeds site and sales driven through the depots.

LDT, previously DLH UK Limited, continues to develop its product range and has again made an excellent contribution to group results.

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of specialist high quality timber and timber associated products to existing and new customer bases. Bulk manufacturing in the UK is in decline with factories moving to low cost producing countries. To counter this, the group is targeting a customer base making custom made products and where lead times are short.

Value added products, such as melamine and veneered panels, specialist birch panels and doors now account for a higher value of sales than traditional commodity items such as hardwood and softwood plywood and standard MDF. This ratio of value added to standard items varies between depots and it is planned to increase sales of these products at all depots. Further investment to up-grade older sites will be required in the future. The move of our largest site at Ossett to the new site in Leeds was completed by 1st April 2012 with little impact on day to day trading. It has demonstrated improved operating efficiencies but we still have to grow sales to maximise the benefit of the increased capacity.

The group has been growing business in Ireland both as sole distributor of HI-MACS® and for timber and panels from LDT and Leeds.

The group is very active in marketing its products through product brochures, direct advertising, public relations, exhibitions and depot open days. This is done centrally and at depot level with a budget exceeding £500,000. In addition we get marketing support from many of our suppliers.

Operating Review

Market share

UK imports for the calendar year 2012 including domestic production of MDF, OSB and Particleboard are shown in the table below

Product	UK Imports Cubic metres	UK Imports Change on year %	Latham's sales Cubic metres	Latham's shares of UK imports %	
				2012	2011
Softwood	4 687,000	14.0%	10,442	0.2%	0.2%
Hardwood	422,000	12.5%	48,926	9.2%	10.6%
Plywood	1 285,000	5.1%	62,806	4.9%	4.8%
Particleboard	2,583,000	0.1%	13,170	0.5%	0.5%
OSB/MDF	1,545,000	10.0%	159,294	10.4%	9.7%

The data on UK imports is supplied by the Timber Trade Federation using Customs declarations. The table above demonstrates that even in the markets that Latham is seen as a major player, our share of the total industry imports is small. Some large users buy direct from producers and the group's largest merchant customers serving the building industry import the bulk of their requirement themselves. The UK imports figure also includes products in which the group does not trade, for example lower grade building and fencing timber.

Market place

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

Market sector	Customer group	Latham's sales value %	
		2013	2012
Construction/housing	Merchants	17	15
	Joiners	21	23
	Builders	5	5
	Kitchen manufacturers	5	5
Retail	Shopfitters	7	6
	Laminators/Veneers	5	5
	Furniture manufacturers	9	8
Transport	Vehicle builders	2	3
Exhibitions	Exhibition fitters	3	2
Cash sales		6	6
Other importers		8	7
Other sectors		12	15
	TOTAL	100	100

End products are used in both the public and private sectors. Our top ten customers account for 10% of sales and our top 25 customers represent 16% of sales.

Risks to the business

Cyclical nature of the timber trade

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.

To mitigate this risk the group has a strict policy of stock level targets by 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.

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.

The group's reduced reliance on commodity items has reduced this risk of over exposure to low value, high volume and price sensitive items.

Political risks

Although far more of the group's purchases now come from Europe and North America, it has significant dealings with countries where the political climate is less stable. To mitigate the risk from these pressures, the group's dealings are spread across a large number of countries of supply, so no one particular country or region poses a strategic threat to the supply of product to the group. Erratic shipments can result in stock excess and shortages in specific special products. The group keeps informed of developments in higher risk producer countries through involvement in work by the Royal Institute of International Affairs (Chatham House).

Economic slowdown

The group's sales are predominantly UK based so it is exposed to any slowdown in the UK economy. However the distribution of its customers across the UK economic sectors helps reduce the impact of slowdown in any one sector.

Reputational risk

Over many years the group has built up a reputation for integrity and responsible trading and is aware that this can be easily damaged with the consequential cost to the Latham brand. To mitigate this risk policies are in place which cover standards of behaviour and good governance.

On the purchasing side the group has strengthened its risk based responsible purchasing policy during the year and appointed an Environmental Manager to minimise possible damage to its reputation and legal risk from dealing in illegal products.

Financial Review

Introduction

This report provides a commentary on how the group has performed against the financial objectives during this year, together with a review of its financial risks. We anticipated that this would be a year where growth of turnover and margin would be difficult to achieve. Demand in the UK economy remained weak throughout the year, in particular in the joinery sector, but despite the competitive pressures that this produced, gross profit increased by 0.6%. I believe we met our financial objectives for this year, consolidating our position in the market and maintaining a strong balance sheet, although the pension deficit has proved difficult to exert any control over.

Financial objectives

The board of directors remain committed to the long term improvement in shareholder value which we believe we can achieve by:

- Improving profitability by maximising gross margins
- Increasing group market share through improving facilities at our existing depots
- Identifying expansion and acquisition opportunities, where the return on capital is at least equal to that of the existing group
- Controlling cashflows to maximise cash available for the business and shareholders
- Identifying and managing risks, with particular emphasis on the pension scheme liability
- Maintaining dividend cover at between 2.5 times and 4 times earnings

Financial review

Revenues decreased by 0.4% to £143.1m, whilst gross profit improved from 17.5% to 17.6%. Gross margin, which excludes warehouse costs, was 0.2 percentage points up on the previous year. A key focus of the board throughout this year has been managing margins to enable us to remain competitive in commodity products but grow margins in our focus products.

Operating profit decreased 2.3% to £7.5m following a decrease of 4.3% last year. Costs in each location are monitored closely by the board through the quarterly board meetings at each depot. We have continued to invest in additional sales staff to strengthen existing depots and to develop new product areas for future growth.

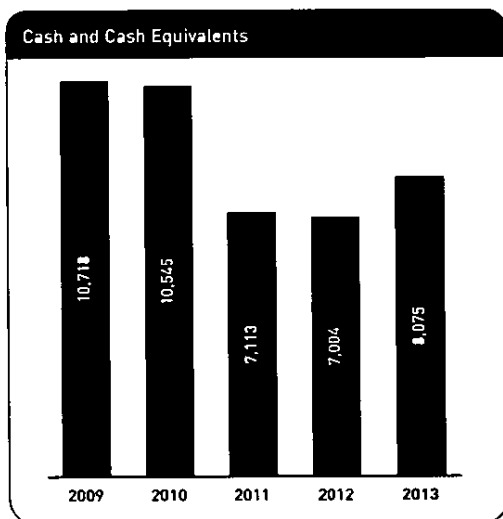
Group net profit before taxation decreased by 4.2% to £6.9m. We disposed of the Ossett site shortly after the end of the last financial year to record a £257,000 profit on disposal. The sale of this site helped minimise the costs of running both Ossett and Leeds sites this year. There was an increase in the notional interest charge on the pension liability of £441,000 caused by declining yields on corporate bonds.

A commentary on the group's trading results is set out in the Operating Review on page 5.

Cash flow and working capital

At the end of the year cash balances of £8.1m were held, up from £7.0m 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. Interest rates have remained at record lows throughout the year so we have continued to use our cash to obtain cash settlement terms with most of our major suppliers. In addition, the level of cash has continued to give our customers, suppliers and credit ratings agencies confidence in the company in times of economic uncertainty.

Financial Review



The timber importing and distribution business requires considerable working capital investment in stock and debtors. Control of cash flow from debtors is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, has moved from 52.8 days to 52.9 days. The company policy is that all customers with outstanding balances exceeding £40,000 are covered by credit insurance policies. Where credit insurance is unavailable, a sub-committee of the board review financial reports to approve new credit limits. The amount of debtors over £40,000 covered by credit insurance has reduced to 91% from 92% last year.

Stock turnover targets are set and monitored on a monthly basis, and senior management has access to real time stock levels. Stock turn is 5.9 times compared with 6.2 times last year. This has reduced partly due to the timing of imported commodity product and partly due to investment in new products in order to grow future sales.

Capital investment

During the year, we invested £1.5m into new fixed assets. We continued our program of purchasing outright vehicles and mechanical plant, rather than taking out operating leases, spending £1.1m during the year. This allows us the flexibility to replace assets as required and avoid end of lease costs. We now have 79% of our lorry fleet and mechanical plant owned outright.

Net assets at the year end was £47.5m (2012: £46.9m). The group's adjusted pre-tax return on capital for the year was 13.8% (2012: 13.6%), which continues to be above our weighted average cost of capital.

Taxation

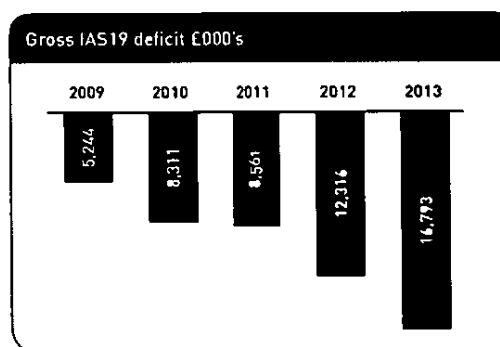
The taxation charge of £1.4m represents an effective rate of 20.7% compared with 15.5% last year. Last year's tax rate benefitted from a one off deferred tax credit of £450,000.

The group's profits arise wholly in the UK and the group's tax charge will reflect the UK corporation tax rate.

Pension scheme

At 31 March 2013 the deficit of the defined benefit scheme under International Financial Reporting Standards was £16.8m compared with £12.3m last year. However, actuarial assumptions and short term market conditions can have a major effect on the amount of the pension scheme liability. Despite the improvement in market values of investments by 13% or £5.3m, liabilities increased by £9.8m. The yields on high quality corporate bonds have decreased by a further 0.7% this year, which added over £9m to the liabilities. In note 19 to the accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate further the volatility of the pension liability.

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



Financial Review

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, and does not take speculative positions.

As the group trades predominantly in the UK, the market price of our products tends to fluctuate in line with currency spot prices. Speculative positions on currencies are not entered into. Comparing against spot prices, we had a positive tracking error of less than 0.1% during this year.

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. The bank loan was taken out at a fixed rate of interest in order to reduce the interest rate risk.

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.

Further information is disclosed in note 29 to the accounts.

Information technology/business continuity

The operations of the group depend to a large extent on the availability and reliability of our information technology systems. An IT steering committee reviews the performance of our IT systems and recommends development work to the board. Software maintenance contracts ensure that our business critical software is up to date, allowing us to take advantage of new technologies. The IT systems are monitored 24 hours a day and maintenance work carried out on an ongoing basis.

Our main computer servers are located in a secure site away from the trading operations, as part of our business continuity planning. No individual trading location makes up more than 25% of the business, and disaster recovery plans are in place to service customers from other locations should a major event occur.

Corporate Responsibility

At Latham's we are conscious of our corporate responsibilities, particularly in the spheres of health and safety and environmental matters, as these are 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 CSR issues, environmental good practice and sustainable development. The group seeks to minimise as far as is reasonably practicable the waste that it generates in areas such as product packaging and to segregate waste products to reduce landfill. We have undertaken a Carbon Trust funded review to minimise our use of electricity and fossil fuels.

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. We spend an increasing amount of time and money on this activity. We employ a full-time Health and Safety Advisor who reports to the board regularly and attends board meetings twice a year. We have a 3-year action plan and all sites are subject to regular audits. Management and employees are actively involved in improving our safety record, which is high on everyone's agenda.

Sustainable timber from well managed forests – a renewable crop or destroying the planet?

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 impact of its trading as far as is reasonably practical.

Timber from well-managed forests absorbs carbon in growing and locks in carbon in use. Well managed, timber uses less energy in conversion to components than other materials and can be recycled at the end of its life. It is sustainable, producing a regular crop and puts value into growing forests so helping to reduce land clearance for other uses.

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

How do we ensure that our timber is legally harvested and comes from well managed forests?

Preference given to certified sustainable supplies

The group recognises that the independent certification of forests and of the supply chain is the best means of providing assurance that timber comes from legal and well managed forests. Where possible it purchases material certified by the Programme for the Endorsement of Forest Certification schemes (PEFC) or the Forest Stewardship Council (FSC).

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

Commitment to purchase from legal sources

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

The group sets targets each year to increase the amount of timber and timber based products that are certified by recognised international organisations such as PEFC and FSC, as coming from sustainable and well-managed forests.

Corporate Responsibility

The figures for the relevant calendar years are given below

		Legal and sustainable	3rd party verified legal	Total
Panels	2011	80%		80%
	2012	84%		84%
	2013 target	86%	-	86%
Timber	2011	47%	8%	55%
	2012	58%	16%	74%
	2013 target	60%	17%	77%

The European Union Timber Regulation (EUTR), which came into force in March 2013, places an obligation on the first placer of timber on the European market to ensure that the timber has been legally sourced and traded, to operate a risk assessment process and to take mitigating measures to minimise the risk of illegality. For a number of years the group has had risk assessment tools in place to monitor suppliers through the Timber Trade Federation Responsible Purchasing Policy and Code of Conduct. We have supported the National Measurement Office, the UK competent authority charged with enforcement of the EUTR, in staff training by giving them access to our due diligence system.

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

Informing suppliers and supporting certification

Our senior staff have spoken about the importance of independent certification of forests and supply chains at EU and UK conferences for groups of suppliers in Ghana, Cameroon, Congo Brazzaville, Gabon, Peninsular Malaysia, Sarawak, Sabah and China. Group buyers have visited individual suppliers in Europe, Russia, China, Indonesia, Malaysia, the United States, Uruguay, Brazil and Argentina giving the same message. The group has been helping promote the EU Forest Law Enforcement, Governance and Trade Initiative to prevent illegal logging by giving press and film interviews.

The group has supported and funded suppliers in Africa and China working under the EU funded Timber Trade Action Plan which is a step-by-step approach towards certification. Our Chairman contributes a considerable amount of his own time too as a director of the PEFC International Board, the Timber Trade Federation environmental committee and to promoting PEFC and FSC certified products with chain of custody certification.

Backing UK Government Initiatives

Our directors continue to work with DEFRA and DFID ministers to support the Government's policy and initiatives to halt illegal timber entering the UK supply chain.

The e-Tree Initiative

James Latham plc has signed up to the e-Tree initiative organised by our registrars Computershare. e-Tree™ is a programme designed to help companies promote eCommunications to their shareholders, whilst also allowing them to make a valuable contribution to the environment.

As a shareholder in James Latham plc, whenever you opt in to receive your designated communications online, eTree will make a donation to the Woodland Trust. So we are doing our bit, while you are making your life easier.

To register please visit www.etreeuk.com/jameslatham. You will need your shareholder number, which is contained either on your share certificate or on your latest dividend voucher.

Please help us to reduce costs and support a very worthwhile cause.

Directors and Advisers

Directors' biographies

Peter Latham OBE BA FRCGS

Peter Latham, age 62, has worked in the company for 40 years and was appointed to the board in 1983. He is a director of Lathams Limited. He is a director of the Programme for the Endorsement of Forest Certification schemes (PEFC) International board, an independent non-governmental organisation, which has certified the largest area of world forests. He is a member and past chairman of the industry's environment committee, Forests Forever and a Trustee of the Commonwealth Forestry Association. He is a past president of the Institute of Wood Science and of the High Wycombe Furniture Manufacturers' Society.

David Dunmow BSc FCA

David Dunmow, age 49, has worked in the company for 19 years and was appointed to the board as Finance Director in 2000. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is a director of Lathams Limited. He is a former treasurer of the Timber Trade Federation.

Chris Sutton

Chris Sutton, age 54, has worked in the company for 35 years and was appointed to the board in 2005. He is a director of Lathams Limited. He is Chairman of the board of the National Panel Products Division of the Timber Trade Federation and sits on the Governing Board of the Timber Trade Federation.

Pippa Latham MA MBA ACIS FCMA CGMA

Pippa Latham, age 52, joined the company in 1990 from a previous career in investment banking and management consulting. She was Company Secretary from 1994 to 2005 and was appointed to the board as a non-executive director in 2005. She is an investment manager for the Timber Trades Benevolent Society and principal of Pippa Latham Associates, company secretary and corporate governance consultants.

Nick Latham BSc

Nick Latham, age 45, has worked in the company for 22 years and was appointed to the board in 2007. He is a director of Lathams Limited. He sits on the advisory committee of the Timber Research and Development Association.

Meryl Bushell BA MSc FCIPS

Meryl Bushell, age 58, was appointed a non-executive director in 2008. She has many years senior management experience with BT including several years as Chief Procurement Officer for the BT Group. She is a previous member of the Board of Management of the Chartered Institute of Purchasing and Supply and a previous director of Invest in Gateway London Limited and of SupplierForce.

Registrars

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

Stockbrokers and

Nominated Adviser

Northland Capital Partners
60 Gresham Street
London EC2V 7BB

Pension Advisor

Mercer
Tower Place West
London EC3R 5BL

Bankers

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

Clydesdale Bank
St Albans Financial
Solutions Centre
Verulam Point
4th Floor
Station Way
St Albans AL1 5HH

Independent Auditor

Baker Tilly UK Audit LLP
25 Farringdon Street
London EC4A 3AB

Registered Office

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

Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2013

Principal activities

The group's principal activity is the importation and distribution of wood based sheet materials and joinery quality softwood and hardwood hardwood flooring and decking, offering national coverage from eleven locations

Performance and prospects

A review of the group's performance and prospects is given in the Chairman's Statement on pages 2 and 3 in the Operating Review on pages 5 to 7 and in the Financial Review on pages 8 to 10 which includes a review of the risks and uncertainties impacting on the group's long term performance. Details of the group's key performance indicators – revenue, margin earnings per share, debtors days, stock turn and cash, are given in the Results section of the Chairman's Statement on page 2 and the Financial Review on page 9. The key performance indicator of percentage of certified timber traded is set out on page 12

Results and dividends

Group results for the year ended 31 March 2013 are set out on page 23. The directors recommend the following dividends

Ordinary dividends	£000
Interim dividend paid 3.1 pence per ordinary share	599
Final dividend proposed, 7.1 pence per ordinary share	1,372
Total ordinary dividends, 10.2 pence per ordinary share	1,971

The directors recommend payment of the final dividend on 23 August 2013 to shareholders on the register of members at the close of business on 2 August 2013

Balance sheet and post balance sheet events

The balance sheet on page 25 shows the group's financial position. No significant events have occurred since the balance sheet date.

Directors

The directors of the company, whose biographical details are shown on page 13, were directors throughout the year

In compliance with the Articles of Association, Nick Latham, Pippa Latham and Mervil Bushell will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting

Other than their service contracts, no director has a material interest in any contract with the company. Pippa Latham and Mervil Bushell, 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 18 to 21

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

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

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

Share capital

Resolutions concerning the ability of the board to purchase the company's own shares and to allot shares and to dis-apply pre-emption rights are again being proposed at the Annual General Meeting

The company holds 719,200 shares as treasury shares with a view to being used for employee share schemes or cancelled. During the year 200,000 shares were issued to the James Latham Employee Benefits Trust to satisfy share options under the expiring Save As You Earn share scheme. In addition the Trustees of the James Latham Employee Benefits Trust holds 104,409 shares with a view to being used for employee share schemes

Share option schemes

On 29 August 2007, the shareholders approved by ordinary resolution the extension of the Save as You Earn scheme for a further 10 years. During the year the 2009 SAYE scheme matured with 289,770 shares being issued to employees. A new 3 year scheme commenced on 1 March 2013 with 188,284 options being issued at an option price of £2.46

On 21 August 2008, the shareholders approved by special resolution the establishment of the Company Share Option Scheme. During the year 35,938 options were issued at an option price of £2.725

Directors' Report

Substantial shareholdings

At 26 June 2013, 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	%
Sir Robert McAlpine Enterprises Limited	1,352,000	6.95
Peter Latham	1,112,861	5.72
International Plywood (Importers) Limited	963,746	4.96
Nick Latham	604,768	3.11
Piers Latham	602,347	3.10

Employees

The group's ability to achieve its commercial objectives and to service the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The group regularly keeps employees up to date with financial and other information. Quarterly meetings are held in each location, chaired by Peter Latham, 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. The sole criterion for selection or promotion is the suitability of any applicant for the job.

It is the policy of the group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff. This year Joe Salt, from our Yate depot, was the runner up in the Timber Trade Journal's Career Development Award, open to trainees aged under 25 throughout the timber trade.

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

Risks and uncertainties

The principal risks and uncertainties affecting the business are set out in the risks to the business section of both the Operating Review on pages 5-7 and the Financial Review on pages 8-10.

Payments to suppliers

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 2013 were 38 days (2012 37 days).

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 Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council in October 2009.

Political and charitable donations

During the year the group made no political contributions but made direct donations to various charitable organisations amounting to £6,577 (2012 £3,287). 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.

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Financial instruments

A summary of the group financial instruments and related disclosures are set out in note 29 to the group accounts and in the Financial Review on pages 8-10.

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 aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint Baker Tilly 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. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Directors' Report

Annual General Meeting special business

The Annual General Meeting of the company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QL on 21 August 2013 at 12.30pm. 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.

Statement of directors responsibilities

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

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

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

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

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

- a select suitable accounting policies and then apply them consistently
- b make judgements and accounting estimates that are reasonable and prudent,
- c for the group financial statements, state whether they have been prepared in accordance with IFRS's adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the company financial statements
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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



On behalf of the Board of Directors

Peter Latham

Chairman

26 June 2013

Corporate Governance

Whilst as an AIM company, it is not mandatory for the company to fully comply with the UK Corporate Governance Code, the directors believe that it is appropriate to comply as far as is relevant for a company of this size

The Board of Directors

The company is governed by a board of directors consisting of the Chairman, Peter Latham, three other 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.

The board meets at least six times a year and has a formal schedule of matters referred to it for decision. It is responsible for group strategy, corporate responsibility including health and safety and environmental issues, acquisition 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 independent professional advice, if required, at the company's expense.

In addition to the scheduled meetings, the non-executives attended the group annual operational budget and strategy meeting, as well as making individual visits to operational sites. 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 manner in which the company has applied the principles of corporate governance is set out below.

The Audit Committee

The Audit Committee is currently chaired by Pippa Latham and includes Mervil Bushell and Nick Latham. David Dunmow also attends the meetings of the committee. The committee meets at least three times a year to review internal controls within the group. 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.

The audit committee continues to review the work of the group's internal auditor.

Once a year the auditor meets with the non-executive directors only.

Financial reporting

The directors have a commitment to best practice in the group's external financial reporting in order to present a balanced and comprehensible 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.

Internal controls

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.

Risk assessment

Procedures for identifying, quantifying and managing the risks 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.

Whistleblowing

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.

Review of effectiveness of financial controls

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. In addition, the directors confirm that they have conducted a specific annual review of the effectiveness of the group's internal audit function.

Relations with shareholders

The company is committed to maintaining good communications with shareholders with any published financial statements and Stock Exchange announcements also posted on to our website, www.lathams.co.uk. From the website a direct link is maintained to the London Stock Exchange for our daily share price.

Directors' Remuneration Report

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

Remuneration Committee

During the year ended 31 March 2013, the remuneration committee comprised two non-executive directors, Meryl Bushell as chairman and Pippa Latham. The meetings were attended by Peter Latham.

The main function of the remuneration committee is to make recommendations to the board regarding the group's policy on the remuneration and conditions of employment of the executive directors of the group, and where appropriate senior management, and includes considering nominations to the board. Over the course of the year the committee has also taken an active interest in talent development, succession planning and group diversity.

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

Remuneration Policy

The remuneration policy aims to ensure that executive directors are fairly rewarded for their individual contributions to the performance of the group with due regard for the interests of shareholders.

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

Pay rises are considered once a year, to apply from 1 December. Pay rises are based on cost of living increases plus awards for promotion where relevant. The executive directors have their pay rises based on the same percentages as the rest of the group.

Performance related bonuses

Annual bonuses can be earned by executive directors for the achievement of specific financial performance targets set by the group's board of directors and agreed by the remuneration committee. The criterion on which the executive directors' bonuses were based in 2013 was the achievement of £7,505,000 operating profit as measured in the depots management accounts. Maximum bonuses of 19.5% of basic salary are paid on achieving 125% of the target operating profit. This year 100% of the target operating profit was achieved earning 7.8% of basic salary. The criterion for the year ended 31 March 2014 will be based on a similar formula applying to target profits. In addition a Group Bonus scheme pays out a bonus to all eligible members of staff, subject to achieving a minimum level of group profits. This year the scheme is paying 2.63% of basic salary to 314 eligible employees.

Service Contracts

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

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

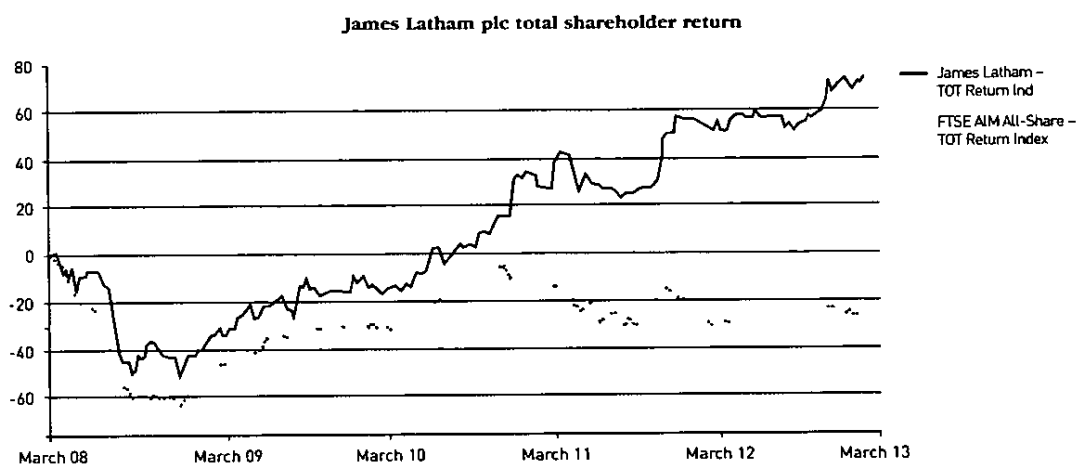
Remuneration of the non-executive directors

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.

Directors' Remuneration Report

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 2013



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								
PD L. Latham	2013	180	9	20	209	2	39	250
	2012	167	10	41	218	2	36	256
D.A. Dunmow	2013	130	11	14	155	17	28	200
	2012	122	10	29	161	13	26	200
C.D. Sutton	2013	124	8	14	146	16	26	188
	2012	114	12	28	154	11	24	189
N.C. Latham	2013	94	-	19	113	2	20	135
	2012	90	-	21	111	2	19	132
Non-executive								
P.A.J. Latham	2013	28	-	-	28	-	-	28
	2012	27	-	-	27	-	-	27
M.A. Bushell	2013	28	-	-	28	-	-	28
	2012	26	-	-	26	-	-	26
Total		584	28	67	679	37	113	829
2012		546	32	119	697	28	105	830

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:

<i>Directors</i>		31 March 2013		31 March 2012	
		Ordinary shares	Preference shares	Ordinary shares	Preference shares
PD L Latham	Beneficial owner	1,112,861	Nil	1,103,518	Nil
DA Dunmow	Beneficial owner	88,404	Nil	71,679	Nil
CD Sutton	Beneficial owner	23,035	Nil	13,118	Nil
NC Latham	Beneficial owner	604,768	Nil	595,405	Nil
EAJ Latham	Beneficial owner	365,093	Nil	364,952	Nil
MA Bushell	Beneficial owner	3,400	Nil	3,400	Nil

Director's 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 2013	31 March 2012
PD L Latham	3,658	7,202
DA Dunmow	3,658	7,202
CD Sutton	-	2,160
NC Latham	3,658	7,202

During the year, the 2009 Save as You Earn share option scheme matured and all the options were exercised. Mr PD L Latham, Mr DA Dunmow and Mr NC Latham made a gain of £11,379.16 and Mr CD Sutton made a gain of £3,412.80 on the exercise of these options. On the 1 March 2013 a new scheme was launched. These options are exercisable on 29 February 2016 at £2.46 a share. There are no performance conditions attached to these options.

Directors' Remuneration Report

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 2012	Granted during the year	Outstanding 31 March 2013	Exercise price	Exercise period
PD L. Latham	4,310	-	4,310	£1 16	16 12 13 to 15 12 18
	4,242	-	4,242	£1 65	26 11 14 to 25 11 19
	2,532	-	2,532	£1 98	15 12 15 to 14 12 20
	1,742	-	1,742	£2 295	29 11 16 to 28 11 21
	-	1,834	1,834	£2 725	05 12 17 to 04 12 22
D A Dunmow	4,310	-	4,310	£1 16	16 12 13 to 15 12 18
	4,242	-	4,242	£1 65	26 11 14 to 25 11 19
	2,532	-	2,532	£1 98	15 12 15 to 14 12 20
	1,742	-	1,742	£2 295	29 11 16 to 28 11 21
	-	1,834	1,834	£2 725	05 12 17 to 04 12 22
C D Sutton	4,310	-	4,310	£1 16	16 12 13 to 15 12 18
	4,242	-	4,242	£1 65	26 11 14 to 25 11 19
	2,532	-	2,532	£1 98	15 12 15 to 14 12 20
	1,742	-	1,742	£2 295	29 11 16 to 28 11 21
	-	1,834	1,834	£2 725	05 12 17 to 04 12 22
N C Latham	4,310	-	4,310	£1 16	16 12 13 to 15 12 18
	4 242	-	4 242	£1 65	26 11 14 to 25 11 19
	2,532	-	2,532	£1 98	15 12 15 to 14 12 20
	1,742	-	1,742	£2 295	29 11 16 to 28 11 21
	-	1,834	1,834	£2 725	05 12 17 to 04 12 22

No performance conditions attach to these options

Deferred Share Bonus Plan

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

	Outstanding 1 April 2012	Awarded during the year	Exercised during the year	Outstanding 31 March 2013	Exercise price	Award price	Vesting date
D A Dunmow	7,106	255	(7,361)	-	nil	£1 64	22 01 13
	8,437	302	-	8,739	nil	£1 975	15 12 13
	5,065	181	-	5,246	nil	£2 295	29 11 14
	-	5,056	-	5,056	nil	£2 74	06 12 15
C D Sutton	5,710	216	(5,926)	-	nil	£1 64	22 01 13
	8 437	319	-	8,756	nil	£1 975	15 12 13
	5,065	181	-	5,246	nil	£2 295	29 11 14
	-	5,056	-	5,056	nil	£2 74	06 12 15

No performance conditions or voting rights apply to these shares, but dividends will be reinvested into additional shares in the plan. Mr D A Dunmow made a gain of £20,242.75 and Mr C D Sutton a gain of £16,296.50 on options exercised during the year.

MA Bushell, *Chairman of the Remuneration Committee*

26 June 2013

Independent Auditor's Report

To the members of James Latham plc

We have audited the group and parent company financial statements (the financial statements) on pages 23 to 59. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Paul Watts
Senior Statutory Auditor

For and on behalf of
BAKER TILLY UK AUDIT LLP
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

26 June 2013

Consolidated Income Statement

For the year ended 31 March 2013

£'000s	Notes	2013	2012
Revenue		143,069	143,645
Cost of sales (including warehouse costs)	3, 4, 12	(117,831)	(118,564)
Gross profit		25,238	25,081
Selling and distribution costs	4, 12	(12,051)	(11,687)
Administrative expenses	4, 12	(5,647)	(5,702)
Other income	5	6	31
		(17,692)	(17,358)
Operating profit		7,546	7,723
Profit on disposal of property	14	257	-
Finance income	6	26	43
Finance costs	7	(947)	(580)
Profit before tax	3	6,882	7,186
Tax expense	8	(1,428)	(1,116)
Profit after tax attributable to owners of the parent company		5,454	6,070
Earnings per ordinary share (basic)	10	28 4p	31 9p
Earnings per ordinary share (diluted)	10	28 2p	31 4p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

£'000s	2013	2012
Profit after tax	5,454	6,070
Other comprehensive income		
Actuarial losses on defined benefit pension scheme	(4,832)	(4,304)
Deferred tax relating to components of other comprehensive income	1,330	973
Other comprehensive income for the year, net of tax	(3,502)	(3,331)
Total comprehensive income attributable to the owners of the parent company	1,952	2,739

Consolidated Balance Sheet

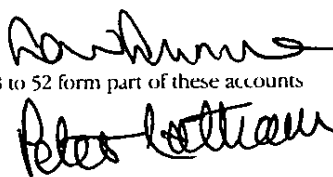
At 31 March 2013

£'000s	Notes	2013	2012
Assets			
Non-current assets			
Goodwill	13	237	237
Other intangible assets	11	115	123
Property, plant and equipment	12	22,965	22,673
Deferred tax asset	21	803	-
Total non-current assets		24,120	23,033
Current assets			
Inventories	15	26,222	24,829
Trade and other receivables	16	28,877	29,133
Cash and cash equivalents		8,075	7,004
Non-current assets held for sale	14	-	758
Total current assets		63,174	61,724
Total assets		87,294	84,757
Current liabilities			
Trade and other payables	17	19,561	20,207
Interest bearing loans and borrowings	18	229	1,161
Tax payable		537	760
Total current liabilities		20,327	22,128
Non-current liabilities			
Interest bearing loans and borrowings	18	2,128	2,403
Retirement and other benefit obligation	19	16,793	12,316
Other payables	20	579	641
Deferred tax liabilities	21	-	345
Total non-current liabilities		19,500	15,705
Total liabilities		39,827	37,833
Net assets		47,467	46,924
Capital and reserves			
Issued capital	22	5,040	5,040
Share-based payment reserve		91	144
Own shares	24	(218)	(356)
Capital reserve		3	3
Retained earnings		42,551	42,093
Total equity attributable to owners of the parent company		47,467	46,924

These accounts were approved and authorised for issue by the Board of Directors on 26 June 2013 and signed on its behalf by

PD L. Latham } Directors
DA Dunmow

The consolidated notes on pages 28 to 52 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 2011	5,040	79	(401)	3	41,095	45,816
Profit for the year	-	-	-	-	6,070	6,070
Other comprehensive income						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(4,304)	(4,304)
Deferred tax relating to components of other comprehensive income	-	-	-	-	973	973
Total comprehensive income for the year	-	-	-	-	2,739	2,739
Transactions with owners						
Dividends	-	-	-	-	(1,741)	(1,741)
Change in investment in ESOP shares	-	-	45	-	-	45
Share-based payment expense	-	65	-	-	-	65
Total transactions with owners		65	45	-	(1,741)	(1,631)
Balance at 31 March 2012	5,040	144	(356)	3	42,093	46,924
Profit for the year		-	-	-	5,154	5,454
Other comprehensive income						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(4,832)	(4,832)
Deferred tax relating to components of other comprehensive income	-	-	-	-	1,330	1,330
Total comprehensive income for the year	-	-	-	-	1,952	1,952
Transactions with owners						
Dividends	-	-	-	-	(1,883)	(1,883)
Transfer of treasury shares	-	-	(562)	-	562	-
Write down on conversion of ESOP shares	-	-	293	-	(293)	-
Sale of own shares	-	-	365	-	-	365
Exercise of options	-	(120)	-	-	120	-
Change in investment in ESOP shares	-	-	42	-	-	42
Share based payment expense	-	67	-	-	-	67
Total transactions with owners		(53)	138	-	(1,494)	(1,409)
Balance at 31 March 2013	5,040	91	(218)	3	42,551	47,467

Consolidated Cash Flow Statement

For the year ended 31 March 2013

£'000s	Notes	2013	2012
Net cash flow from operating activities			
Cash generated from operations	25	5,829	7,039
Interest paid		(64)	(48)
Income tax paid		(1,469)	(1,954)
Net cash inflow from operating activities		4,296	5,037
Cash flows from investing activities			
Interest received and similar income		26	50
Purchase of property, plant and equipment		(1,517)	(5,922)
Proceeds from sale of property, plant and equipment		1,070	25
Net cash outflow from investing activities		(421)	(5,847)
Cash flows from financing activities			
Finance leases repaid during the year		-	(11)
Borrowings repaid during the year		(1,207)	(168)
Borrowings received during the year		-	2,700
Equity dividends paid		(1,883)	(1,741)
Preference dividend paid		(79)	(79)
Sale of Own Shares		365	-
Net cash (outflow)/inflow from financing activities		(2,804)	701
Increase/(decrease) in cash and cash equivalents for the year		1,071	(109)
Cash and cash equivalents at beginning of year		7,004	7,113
Cash and cash equivalents at end of year		8,075	7,004

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 Directors' Report. The address of the registered office is Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU.

1 Summary of Significant accounting policies

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

(a) Basis of preparation

These consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 53 to 59.

The accounts have been prepared under the historic cost convention except for forward contract financial instruments measured at fair value. The directors have prepared the financial statements on the going concern basis for the reasons set out on page 15. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

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:

- IAS 19 (revised June 2011) Employee benefits
- IFRS 13 Fair Value Measurement
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 11 Joint Arrangements
- IFRS 10 Consolidated Financial Statements
- IFRS 9 Financial Instruments – Classification and Measurement
- IAS 28 (revised May 2011) Investment in Associates and Joint Ventures
- IAS 27 (revised May 2011) Separate Financial Statements
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The directors anticipate that the adoption of these standards and interpretations as appropriate in future periods will have no material impact on the financial statements of the group when the relevant standards come into effect for periods commencing after 1 April 2013.

(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 expenses in the period in which they are incurred.

1.1 Revenue recognition

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

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 Foreign currency translation

The functional and presentational currency of the parent company and its subsidiaries is UK Pounds Sterling. Transactions in currencies other than the functional currency are translated at the rate ruling at 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.

Notes forming part of the Group Accounts

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 5 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 6 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 7 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 8 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 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. The condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, management are committed to the sale and expect the asset to qualify for recognition as a completed sale within one year from the date of classification.

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.

1 11 1 Trade receivables

Trade receivables are classified as loans and receivables 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. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

Notes forming part of the Group Accounts

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 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis 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 'Employee benefits'. Full details of the basis of calculation of the net pension liability disclosed in the balance sheet at 31 March 2013 and of the amounts charged/credited to the income statement and equity, are set out in note 19 to the accounts. The group has recognised all actuarial gains and losses outside of the income statement as permitted by paragraph 93a of IAS 19.

The cost of the defined benefit plan recognised in the income statement comprises the net total of the current service cost, the past service cost, the expected return on plan assets, the interest cost and the effect of curtailments and settlements. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. Past service costs resulting from enhanced benefits are recognised in the income statement on a straight line basis over the vesting period, or immediately if the benefits have vested. The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the life of the benefit obligation. The interest cost represents the increase in the benefit obligation due to the passage of time. The discount rate used is determined by reference to market yields on high quality corporate

Notes forming part of the Group Accounts

bonds where available, or government bonds at the balance sheet date. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

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

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

Pension payments to the group's stakeholder scheme are charged to the income statement as they arise.

1 16 Finance leases

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

1 17 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 18 Treasury shares

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

1 19 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 plc and group accounts.

1 20 Accounting estimates and judgements

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

- i. Post-employment benefits
- ii. Stock obsolescence provision
- iii. Provisions for receivables impairment

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

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 eleven locations trading wholly in the United Kingdom.

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.

Notes forming part of the Group Accounts

3 Profit before tax	2013		2012	
	£'000	£'000	£'000	£'000
Profit for the year has been arrived at after taking into account the following				
Net foreign exchange gains		35		118
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement		112,236		112,690
Depreciation of property, plant and equipment – owned		1,200		964
Depreciation of property, plant and equipment – leased		-		13
(Profit)/loss on disposal of property, plant and equipment		(287)		34
Amortisation		8		8
Operating lease rentals - vehicles and plant	867		1,013	
- property	539		539	
		1,406		1,552
Fees payable to the company's auditor for the audit of the consolidated and parent company accounts		9		9
Fees payable to the company's auditor and its associates for other services				
The audit of the company's subsidiary pursuant to legislation		56		52
Tax services		7		13
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		6		6

4 Information regarding employees

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

	2013	2012
	Number	Number
Management and administration	59	60
Warehousing	96	93
Selling	115	110
Distribution	61	63
	331	326
	£'000	£'000
The aggregate payroll costs of these employees were as follows		
Wages and salaries	9,966	9,999
Social security costs	986	1,000
Pension costs	950	748
Share-based payment	68	64
	11,970	11,811

Of the above payroll costs, £2,494,000 (2012 £2,426,000) is included in cost of sales, £6,222,000 (2012 £6,024,000) is included in selling and distribution costs, and £3,254,000 (2012 £3,361,000) is included in administrative expenses in the income statement

Notes forming part of the Group Accounts

5 Other income	2013 £'000	2012 £'000
Rent receivable	<u>6</u>	<u>31</u>

6 Finance income	2013 £'000	2012 £'000
Interest receivable	<u>26</u>	<u>43</u>

The interest received is on bank deposits

7 Finance costs	2013 £'000	2012 £'000
On bank loans and overdrafts	64	46
Finance cost generated by financial liabilities held at fair value through profit and loss	(45)	45
On pension liability	849	408
On 8% Cumulative Preference shares	79	79
On finance lease agreements	<u>-</u>	<u>2</u>
	<u>947</u>	<u>580</u>

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

Notes forming part of the Group Accounts

8 Tax expense	2013	2012
	£'000	£ 000
The charge for taxation on profit comprises		
Current year		
UK corporation tax at 24% (2012 26%)	1,322	1,635
Adjustment in respect of prior year	(75)	(11)
Deferred taxation - pension	82	132
- IBAs derecognised in current year	(30)	(217)
- change in tax rates	27	(30)
- on trading losses carried forward	155	(450)
- other	(53)	57
	<u>1,428</u>	<u>1,116</u>
 Profit before taxation	 <u>6,882</u>	 <u>7,186</u>
Tax at 24% (2012 26%)	<u>1,652</u>	<u>1,868</u>
 Tax effect of expenses/credits that are not deductible/taxable in determining taxable profit	 (66)	 71
Property Sales	(53)	-
IBAs derecognised in current year	(30)	(217)
Recognition of deferred tax asset	-	(450)
Utilisation of brought forward tax losses	-	(145)
Adjustment in respect of prior year	(75)	(11)
	<u>1,428</u>	<u>1,116</u>
Total tax charge	<u>1,428</u>	<u>1,116</u>

There are tax trading losses of £1,283,000 (2012 £1,875,000) carried forward in the accounts of Latham Limited for the trade transferred from DLH UK Ltd for offset against future trading profits of that trade. The directors consider that the utilisation of these losses against future profits is suitably foreseeable based on current year profits and future budgets for the business to enable a deferred tax asset to be recognised.

A deferred tax asset of £295,000 (2012 £450,000) is recognised based on the trading losses and these are included in the deferred tax note 21.

9 Dividends	2013		2012	
	£'000	£'000	£ 000	£ 000
Ordinary dividends				
Final 6.75p per share paid 24 August 2012 (2011 6.25p)	1,284		1,170	
Interim 3.0p per share paid 23 January 2013 (2012 3.0p)	599		571	
		<u>1,883</u>		<u>1,741</u>

The Directors propose a final dividend for 2013 of 7.0p per share, that, subject to approval by the shareholders, will be paid on 23 August 2013 to shareholders on the register on 2 August 2013.

Based on the number of shares currently in issue, the final dividend for 2013 is expected to absorb £1,372,000.

Notes forming part of the Group Accounts

10 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

	2013 £'000	2012 £'000
Net profit attributable to ordinary shareholders	<u>5,454</u>	<u>6,070</u>
	Number '000	Number 000
Issued ordinary share capital	20,160	20,160
Less weighted average number of own shares held in treasury investment	(819)	(919)
Less weighted average number of own shares held in ESOP Trust	<u>(124)</u>	<u>(197)</u>
Weighted average share capital	19,217	19,044
Add dilutive effects of share options issued	<u>141</u>	<u>268</u>
Weighted average share capital for diluted earnings per ordinary share calculation	<u>19,358</u>	<u>19,312</u>

11 Intangible assets

	Trademark £'000
Cost	
At 1 April 2011	155
Additions	-
At 1 April 2012	155
Additions	-
At 31 March 2013	155
Amortisation	
At 1 April 2011	24
Charge for the year	8
At 1 April 2012	32
Charge for the year	8
At 31 March 2013	40
Net book value	
At 31 March 2013	115
At 31 March 2012	123
At 31 March 2011	<u>131</u>

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

The registered trademarks of the group are Bausen® Flooring and Buffalo® Board

Notes forming part of the Group Accounts

12 Property, plant and equipment

	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	Total £'000
Cost				
At 1 April 2011	16,126	613	5,985	22,724
Additions	3,437	-	2,485	5,922
Reclassification as non-current asset held for sale	(900)	-	-	(900)
Disposals	(17)	-	(248)	(265)
At 1 April 2012	18,646	613	8,222	27,481
Additions	82	-	1,435	1,517
Disposals	-	-	(278)	(278)
At 31 March 2013	18,728	613	9,379	28,720
Depreciation				
At 1 April 2011	1,584	103	2,501	4,188
Reclassification as non-current asset held for sale	(142)	-	-	(142)
Disposals	(2)	-	(213)	(215)
Charge for the year	232	37	708	977
At 1 April 2012	1,672	140	2,996	4,808
Disposals	-	-	(253)	(253)
Charge for the year	247	37	916	1,200
At 31 March 2013	1,919	177	3,659	5,755
Net book value				
At 31 March 2013	16,809	436	5,720	22,965
At 31 March 2012	16,974	473	5,226	22,673
At 31 March 2011	14,542	510	3,484	18,536

Included in freehold property is land with a book value of £6,311,000 (2012 £6,311,000) which is not depreciated

The depreciation charge is included in the income statement as follows

	2013 £'000	2012 £'000
Cost of sales	694	564
Selling and distribution costs	408	294
Administrative expenses	98	119
	1,200	977

Notes forming part of the Group Accounts

13 Goodwill	Goodwill £ 000
Cost	
At 1 April 2011 and 31 March 2013	<u>362</u>
Impairment	
At 1 April 2011 and 31 March 2013	<u>125</u>
Net book value	
At 31 March 2013	<u>237</u>
At 31 March 2012	<u>237</u>
At 31 March 2011	<u>237</u>

The goodwill arose upon the acquisition of part of the trade and net assets of FH Thompson Limited in the year ended 31 March 2005

In accordance with the group's accounting policy the carrying value of goodwill is reviewed annually for impairment. The review entails an assessment of the present value of projected return from an asset over a period of 5 years. The discount rate used in the group's estimated weighted average cost of capital is currently 6%.

The review performed at the year end did not result in the impairment of goodwill as the estimated recoverable amount exceeded the carrying value. The recoverable amount of the cash generating unit to which the goodwill has been allocated is determined based on value-in-use calculations.

14 Non-current assets held for sale	Freehold property
Cost	
At 1 April 2012	900
Disposals	<u>(900)</u>
At 31 March 2013	<u>-</u>
Depreciation	
At 1 April 2012	142
Disposals	<u>(142)</u>
At 31 March 2013	<u>-</u>
Net book value	
At 31 March 2013	<u>-</u>
At 31 March 2012	<u>758</u>
At 31 March 2011	<u>-</u>

The asset held for sale related to the vacated Ossett property, where the business has been relocated to the new Leeds site. The property was for sale at 31 March 2012 and the sale was completed on 1 June 2012 realising net proceeds of £1,015,000. The profit on the sale of the Ossett property was £257,000 which is shown as a separate item on the face of the income statement.

Notes forming part of the Group Accounts

15 Inventories	2013	2012
	£'000	£'000
Finished goods and goods for resale	26,936	25,554
Less provisions for slow moving and obsolete stock	(714)	(725)
	<u>26,222</u>	<u>24,829</u>

The inventories impairment charge for the year ended 31 March 2013 was £420,000 (2012 438,000). Impairment charges reversed during the year were £430,000 (2012 £441,000). The reversal of inventories arises from sales in the year of the slow moving and obsolete stock previously provided.

Inventories are pledged as securities against bank overdrafts (see note 18).

16 Trade and other receivables	2013	2012
	£'000	£'000
Trade receivables	26,548	26,791
Other receivables	815	929
Other receivables	1,514	1,413
Prepayments and accrued income	2,329	2,342
	<u>28,877</u>	<u>29,133</u>

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

Trade receivables amounted to £26,548,000 (2012 £26,791,000) net of a provision of £246,000 (2012 £232,000) for impairment. Movements on the group provisions for impairment were as follows:

	2013	2012
	£'000	£'000
At 1 April 2012	232	212
Provisions for receivables impairment	447	564
Receivables written off during the year as uncollectible	(433)	(544)
At 31 March 2013	<u>246</u>	<u>232</u>

The average credit period on sale of goods is 53 days (2012 53 days).

The following table provides analysis of trade and other receivables that were past due at 31 March 2013 but not impaired. The group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2013	2012
	£'000	£'000
0-30 days	1,095	1,322
31-60 days	19	43
61-90 days	27	26
	<u>1,141</u>	<u>1,391</u>

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

At 31 March 2013 £28,475,000 (2012 £28,837,000) of trade and other receivables were denominated in sterling, £114,000 (2012 £154,000) were denominated in Euros and £288,000 (2012 £142,000) were denominated in US dollars.

Notes forming part of the Group Accounts

17 Trade and other payables	2013	2012
	£'000	£'000
Trade payables	15,260	15,610
Other taxation and social security	2,634	2,535
Other payables	582	903
Accruals and deferred income	1,085	1,159
	<u>19,561</u>	<u>20,207</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 38 days (2012: 37 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2013, £16,576,000 (2012: £18,454,000) of trade and other payables were denominated in sterling, £1,989,000 (2012: £1,247,000) in US dollars and £996,000 (2012: £506,000) in Euros.

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 £299,000 (2012: £183,000).

18 Interest bearing loans and borrowings	2013	2012
	£'000	£'000
Current liabilities		
Bank loans	<u>229</u>	<u>1,161</u>
Non-current liabilities		
Bank loans	1,141	1,416
Cumulative preference shares of £1 each (note 21)	<u>987</u>	<u>987</u>
	<u>2,128</u>	<u>2,403</u>
Total	<u>2,357</u>	<u>3,564</u>

The loans and borrowings were all denominated in sterling. The bank loan is secured over the freehold property at Leeds.

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as discussed above through effective cash management. In addition, the group maintains uncommitted undrawn bank facilities of £2,000,000 (2012: £3,750,000) which can be accessed as considered necessary. The facilities bear interest at 2% above base rate and are secured by fixed and floating charges over the assets of the company and its subsidiaries. This facility is renewed annually.

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

Notes forming part of the Group Accounts

18 Interest bearing loans and borrowings (continued)

Bank loans

	2013		2012	
	Current £'000	Non-current £'000	Current £'000	Non-Current £'000
Bank loans	229	1,141	1,161	1,416

The weighted average interest rates paid were
Bank loans

2013	2012
3.59%	2.38%

The weighted average period until maturity was 5.4 years (2012: 6.4 years)

19 Retirement and other benefit obligations

	2013 £'000	2012 £'000
Retirement benefit obligations (note 19.2)	16,793	12,316

19.1 Group pension schemes

James Latham plc operates a group contributory defined benefit pension scheme. The scheme is a funded scheme. Benefits are provided based on earnings in the last twelve months before retirement, plus average bonuses received over the last three years. The assets of the scheme are held separately from those of the company. Company 58% of the assets are invested in equities, with 51% under passive management by Blackrock and 7% in a Fund of Hedge Funds managed by Mesrirow. 33% are held in bonds and gilts, with 20% managed by Kames Capital, 6% in an Absolute Return Fund managed by Wellington and 7% in an Index Linked Fund managed by Blackrock. 8% is held in a HLV Property Fund managed by Aviva and the remaining 1% held as short term cash deposits.

The group contributory defined benefit pension scheme is closed to new entrants, and a defined contribution group stakeholder scheme has been established for the pension provision of all other employees.

The pension charge for the year for both schemes was £950,000 (2012: £748,000). Of the charge, £81,000 (2012: £61,000) is included in cost of sales, £227,000 (2012: £171,000) is included in selling and distribution costs, and £639,000 (2012: £516,000) is included in administrative expenses in the income statement.

Notes forming part of the Group Accounts

19.1 Group pension schemes (continued)

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 2011. 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 that the investment return would be 6.9% per annum pre-retirement and 5.0% per annum post-retirement, that the salary increases would average 4.6% 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 3.5% in the future.

19.2 Group defined benefit pension scheme

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

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

	2013 £'000	2012 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	53,010	47,031
Service cost	665	625
Interest cost	2,698	2,572
Plan members' contribution	5	4
Actuarial loss	7,962	4,525
Benefits paid	(1,525)	(1,710)
Premiums paid	(45)	(37)
Benefit obligation at end of year	<u>62,770</u>	<u>53,010</u>
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	<u>62,770</u>	<u>53,010</u>
Change in scheme assets		
Fair value of scheme assets at beginning of year	40,694	38,470
Expected return on scheme assets	1,849	2,164
Actuarial gain	3,130	221
Employers contributions (incl. employer direct benefit payments)	1,869	1,582
Member contributions	5	4
Benefits paid from plan	(1,525)	(1,710)
Premiums paid	(45)	(37)
Fair value of scheme assets at end of year	<u>45,977</u>	<u>40,694</u>
Amounts recognised in the balance sheet		
Present value of funded obligations	62,770	53,010
Fair value of scheme assets	<u>45,977</u>	<u>40,694</u>
Net liability	<u>16,793</u>	<u>12,316</u>

Notes forming part of the Group Accounts

19.2 Group defined benefit pension scheme (continued)

	2013 £'000	2012 £'000
Amounts in the balance sheet		
Net liability	<u>16,793</u>	<u>12,316</u>
Components of pension expense		
Current service cost	665	625
Interest cost	2,698	2,572
Expected return on scheme assets	(1,849)	(2,164)
Total pension expense recognised in the income statement	<u>1,514</u>	<u>1,033</u>
Actuarial loss immediately recognised	<u>4,832</u>	<u>4,304</u>
Total recognised in the statement of other comprehensive income	<u>4,832</u>	<u>4,304</u>
Cumulative amount of actuarial loss immediately recognised	<u>15,108</u>	<u>10,276</u>

	2013	2012
Plan assets		
The weighted-average asset allocations at the year end were as follows		
Equities	57.8%	59.3%
Bonds	33.1%	32.0%
Property	7.6%	8.6%
Other	1.5%	0.1%
	<u>100.0%</u>	<u>100.0%</u>

	2013 £'000	2012 £'000
Amounts included in the fair value of assets for		
Equity instruments	26,581	24,134
Bond instruments	15,192	13,074
Property occupied	3,512	3,486
Other assets used	692	-
	<u>45,977</u>	<u>40,694</u>

To develop the expected long-term rate of return on assets assumption, the directors considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 4.53% assumption.

	2013 £'000	2012 £'000
Actual return on scheme assets	<u>4,979</u>	<u>2,385</u>

Notes forming part of the Group Accounts

19.2 Group defined benefit pension scheme (continued)

	2013	2012
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.40%	5.10%
Rate of compensation increase	4.40%	4.30%
Inflation (RPI)	3.40%	3.30%
Weighted average life expectancy for mortality tables used to determine benefit obligations		
Male member age 65 (current life expectancy)	24.2	24.1
Female member age 65 (current life expectancy)	26.6	26.5
Male member age 45 (life expectancy at age 65)	26.0	25.9
Female member age 45 (life expectancy at age 65)	28.6	28.5
Weighted average assumptions used to determine pension expense		
Discount rate	5.10%	5.50%
Expected long-term return on scheme assets	4.53%	5.64%
Rate of compensation increase	4.30%	4.50%

Sensitivity analysis of the key assumptions

The valuation of the scheme's liabilities is dependant on the assumptions used. The sensitivity of the valuation of the liability to changes in the assumptions is shown in the table below.

	Impact on deficit (Decrease)/increase
	£'000
Discount rate increases by 0.25%	(3,335)
Inflation rate increases by 0.25%	1,658
Life expectancy increases by one year	1,892

History of plan assets and defined benefit obligation

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit obligation	62,770	53,010	47,031	44,587	33,770
Fair value of plan assets	45,977	40,694	38,170	36,276	28,526
Net liability	16,793	12,316	8,561	8,311	5,244

History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between expected and actual return on scheme assets					
Amount	(3,130)	(221)	(454)	(6,090)	8,573
Percentage of scheme assets	(7.0%)	(1.0%)	(1.0%)	(16.8%)	30.0%
Experience gains and losses on scheme liabilities					
Amount	(1,121)	(377)	-	-	(470)
Percentage of scheme assets	(2.0%)	(1.0%)	0.0%	0.0%	(1.4%)

Contributions

The group expects to contribute £1,843,000 to the pension scheme for the year ending 31 March 2014.

Notes forming part of the Group Accounts

19.3 Stakeholder and other pension payments

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

Pension contributions paid to the stakeholder scheme for the year totalled £275,000 (2012: £104,000).

20 Other payables (non-current liabilities)

	2013 £'000	2012 £'000
Accruals and deferred income	579	636
Other payables	-	5
	<u>579</u>	<u>641</u>

21 Deferred tax

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

	Post- employment benefits £'000	Revalued properties £'000	Rollover gains on assets £'000	Other (*) £'000	Total £'000
As at 1 April 2011	2,156	(197)	(2,413)	(1,373)	(1,827)
(Charge)/credit to the income statement	(185)	16	186	623	640
Credit directly to equity	842	-	-	-	842
At 31 March 2012 asset/(liability)	2,813	(181)	(2,227)	(750)	(345)
(Charge)/credit to the income statement	(158)	8	93	(125)	(182)
Credit directly to equity	1,259	71	-	-	1,330
At 31 March 2013 asset/(liability)	<u>3,914</u>	<u>(102)</u>	<u>(2,134)</u>	<u>(875)</u>	<u>803</u>

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

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.

Notes forming part of the Group Accounts

22 Share capital

Ordinary shares	2012 and 2013			
	Authorised		Issued	
	Number	£'000	Number	£'000
Ordinary shares of 25 pence each	28,000,000	7,000	20,160,000	5,040

Preference shares	2012 and 2013			
	Authorised		Issued	
	Number	£'000	Number	£'000
8% Cumulative Preference Shares of £1 each	1,500,000	1,500	987,000	987

Preference shares are included in non-current liabilities (as interest bearing loans and borrowings) See note 18

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

There were no movements in the share capital of the company in either the year ended 31 March 2013 or 2012

23 Share-based payment

Equity-settled share option schemes

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

	2013			2012		
	Number of share options	Weighted average exercise price (£)	Nil price share options	Number of share options	Weighted average exercise price (£)	Nil price share options
Outstanding at beginning of year	479,180	1.42	39,820	462,016	1.30	28,567
Granted during the year	224,222	2.50	11,538	32,874	2.30	11,253
Forfeited during the year	(13,464)	1.49	-	(15,710)	1.41	-
Exercised during the year	(289,770)	1.26	(13,276)	-	-	-
Outstanding at the end of the year	400,168	2.14	38,082	479,180	1.42	39,820

The weighted average share price for options exercised during the year was £2.825

Notes forming part of the Group Accounts

23 Share-based payment (continued)

Details of the options outstanding at 31 March 2013 are shown below. None of these options were exercisable at the year end.

	2013			2012		
	CSOP	SAYE	Nil price share options	CSOP	SAYE	Nil price share options
Range of exercise prices	£1.16-£2.73	£2.46	Nil	£1.16-£2.30	£1.26	Nil
Number of shares	211,884	188,284	38,082	177,745	301,435	39,820
Weighted average expected remaining life (years)	3.0	2.9	1.2	3.0	0.4	1.7

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

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

	2013			2012	
	CSOP	SAYE	Nil price share options	CSOP	Nil price share options
Share price at grant date	£2.73	£2.73	£2.74	£2.30	£2.30
Option exercise price	£2.73	£2.46	Nil	£2.30	Nil
Expected volatility	24%	24%	24%	24%	24%
Option life	5 years	3 years	3 years	5 years	3 years
Risk free interest rate	1.7%	1.9%	1.7%	1.8%	1.8%
Fair value	£0.67	£0.65	£2.74	£0.57	£2.30

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

The group recognised total expenses of £67,000 (2012: £65,000) 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 2013 was 182,082 (2012: 167,262).

Notes forming part of the Group Accounts

24 Own shares

	£ 000
At 1 April 2011	401
Cost	(45)
Movement in the year	<u>356</u>
At 31 March 2012	(138)
Movement in the year	<u>218</u>
At 31 March 2013	<u>218</u>

The investment in own shares represents 104,409 25p Ordinary shares (2012 222,215 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.52% (2012 1.10%) of the issued share capital. The maximum number of shares held during the year was 422,215 (2.09%). 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 2013 719,200 (2012 919,200) 25p Ordinary shares were held by the company as Treasury Shares. These shares will be either used to meet existing employee share option plan requirements or will be cancelled. During the year 200,000 shares were issued to the James Latham plc Employee Benefits Trust.

25 Cash generated from operations

	2013 £'000	2012 £'000
Profit before tax	6,882	7,186
Adjustment for finance income and expense	921	537
Depreciation and amortisation	1,208	985
(Profit)/loss on disposal of property, plant and equipment	(287)	25
Increase in inventories	(1,393)	(58)
Decrease/(increase) in receivables	256	(615)
Decrease in payables	(663)	(173)
Retirement benefits non cash amounts	(1,204)	(958)
Share-based payments non cash amounts	67	65
Own shares non cash amounts	42	45
Cash generated from operations	<u>5,829</u>	<u>7,039</u>

26 Leasing commitments

Future aggregate minimum payments under various operating lease contracts for vehicles, plant and property payable by the group are as follows:

	2013 £'000	2012 £'000
Vehicles and Plant		
No later than one year	439	1,180
Later than one year but no later than five years	643	354
	<u>1,082</u>	<u>1,534</u>
Property		
No later than one year	595	595
Later than one year but no later than five years	2,383	2,383
Later than five years	3,235	3,831
	<u>6,213</u>	<u>6,809</u>

The average period of leasing for vehicles and plant is four to five years.

Notes forming part of the Group Accounts

27 Related party transactions

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.

	2013 £'000	2012 £'000
Salaries and other short-term employee benefits	679	697
Social security costs	89	78
Pension costs	113	105
Share-based payments	37	28
	<u>918</u>	<u>908</u>

Emoluments for the highest paid director totalled £209,000 (2012: £218,000). The highest paid director also exercised 7,202 Save as You Earn share options during the year at a gain of £11,379.16.

At 31 March 2013, the group's defined benefit pension scheme owed James Latham plc £nil (2012: £50,000) in the form of a short-term loan.

There are 4 directors to whom retirement benefits are accruing under defined benefit schemes, and 4 directors that exercised share options during the year. The highest paid director had an accrued defined benefit pension of £97,000 (2012: £89,000) at the balance sheet date.

28 Capital commitments

At 31 March 2013, there were capital commitments contracted for but not provided in the accounts of £531,000 (2012: £263,000).

Notes forming part of the Group Accounts

29 Financial instruments

The group'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. The group manages these risks through an effective risk management programme. Further details are set out in the Financial Review on pages 8 – 10.

Maturity analysis

The table below analyses the group's 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.

	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
2013					
Bank loans	112	117	1,005	136	1,370
Trade payables	15,260	-	-	-	15,260
Accruals	1,053	-	-	-	1,053
Other payables	582	-	-	-	582
Cumulative preference shares of £1 each	-	-	-	987	987
Total	17,007	117	1,005	1,123	19,252
2012					
Bank loans	1,049	112	969	447	2,577
Trade payables	15,610	-	-	-	15,610
Accruals	1,127	-	-	-	1,127
Other payables	903	-	-	-	903
Cumulative preference shares of £1 each	-	-	-	987	987
Total	18,689	112	969	1,434	21,204

Foreign currency risk

Approximately 30% 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 25 percent of the currency requirements will be covered by forward contracts or other currency derivatives.

Whilst purchases in foreign currencies are a significant figure, fluctuations in currency exchange rates do not have a major impact on the results. As the group trades wholly 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 2013 was £252,000 in US Dollars (2012: £214,000), £Nil in Canadian Dollars (2012: £19,000) and £27,000 in Euros (2012: £Nil), 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 £28,000 (2012: £23,000).

Interest rate risk

The group's 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.

The table below shows the group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

Notes forming part of the Group Accounts

29 Financial instruments (continued)

Financial assets				
	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
2013				
Cash and cash equivalents	-	8,075	-	8,075
Trade and other receivables	-	-	27,363	27,363
	-	8,075	27,363	35,438
	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
2012				
Cash and cash equivalents	-	7,004	-	7,004
Trade and other receivables	-	-	27,720	27,720
	-	7,004	27,720	34,724
Financial liabilities				
	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
2013				
Trade payables	-	-	15,260	15,260
Accruals	-	-	1,053	1,053
Other payables	-	-	582	582
Bank loan	1,370	-	-	1,370
Cumulative preference shares of £1 each	987	-	-	987
	2,357	-	16,895	19,252
	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	£'000	£'000	£'000
2012				
Trade payables	-	-	15,610	15,610
Accruals	-	-	1,127	1,127
Other payables	-	-	903	903
Bank loan	1,637	940	-	2,577
Cumulative preference shares of £1 each	987	-	-	987
	2,624	940	17,640	21,204

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

Based on the balance sheet value of cash and cash equivalents 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 £81,000 (2012: £61,000)

Notes forming part of the Group Accounts

29 Financial instruments (continued)

Credit risk exposure

Credit risk arises on our financial asset investments: trade receivables and cash and cash equivalents. Credit exposure is managed on a group basis and appropriate credit limits are set for each customer taking into account credit reports received from outside agencies, and previous credit history. Credit insurance is taken out to cover approved individual debtors with balances over £40,000. Where limits are required above £40,000 that cannot be backed by insurance, a sub-committee of the board will review reports on the customer, and agree additional limits if appropriate. Bad debts are 0.3% of sales this year, compared with our target of 0.5%. The carrying amount of financial assets recorded in the accounts, which is net of impairment losses, represents the group's maximum exposure to credit risk.

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.

Capital management

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

Finance income

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

Finance costs

An analysis of finance costs is set out in note 7 to the consolidated accounts.

Financial instruments recognised in the balance sheet

2013	Loans and receivables	
	£'000	
Current assets	26,548	
Trade receivables	815	
Other receivables	8,075	
Cash and cash equivalents	35,438	
Total current assets	35,438	
	Financial liabilities measured at amortised cost	Total
Current liabilities		
Trade payables	15,260	15,260
Other payables	582	582
Accruals	1,053	1,053
Bank loans	229	229
Total current liabilities	17,124	17,124
Non-current liabilities		
Bank loans	1,141	1,141
Other payables	-	-
Total non-current liabilities	1,141	1,141

Notes forming part of the Group Accounts

29 Financial instruments (continued)

Financial instruments recognised in the balance sheet (continued)

	Loans and receivables
2012	£'000
Current assets	
Trade receivables	26,791
Other receivables	929
Cash and cash equivalents	7,004
Total current assets	34,724

	Designated as fair value through Profit and Loss	Financial liabilities measured at amortised cost	Total
Current liabilities			
Trade payables	-	15,610	15,610
Other payables	-	903	903
Accruals	-	1,127	1,127
Bank loans	224	937	1,161
Total current liabilities	224	18,577	18,801
Non-current liabilities			
Bank loans	1,416	-	1,416
Other payables	-	5	5
Total non-current liabilities	1,416	5	1,421

Company Balance Sheet

Company number 65619

At 31 March 2013

£ 000s	Notes	2013	2012
Fixed assets			
Tangible fixed assets	2	17	19
Investments	3	14,613	14,613
		14,630	14,632
Current assets			
Debtors amounts falling due within one year	4	6,560	7,076
Cash at bank and in hand		6,808	5,592
		13,368	12,668
Creditors amounts falling due within one year	5	(2,816)	(1,020)
Net current assets		10,552	11,648
Total assets less current liabilities		25,182	26,280
Creditors amounts falling due after more than one year	6	(1,338)	(1,375)
Net assets		23,844	24,905
Represented by			
Capital and reserves			
Called up share capital	8	5,040	5,040
Investment in own shares	9	(218)	(356)
Share based payment reserve	10	91	144
Profit and loss account	10	18,931	20,077
Equity Shareholders Funds		23,844	24,905

These accounts were approved and authorised for issue by the Board of Directors on 26 June 2013 and signed on its behalf by

PD L. Latbam

} Directors

D A Dunmow

The notes on pages 54 to 59 form part of these company accounts

Notes to the Company Accounts

1 Principal accounting policies

The parent company accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom (UK GAAP). A summary of the company accounting policies which have been applied consistently, is set out below.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention. The directors have prepared the financial statements on the going concern basis for the reasons set out on page 15.

The company does not present its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The company profit is disclosed in note 11 to the company accounts.

(b) Fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost or valuation over the estimated useful lives of the assets on a straight line basis, as follows:

Plant and machinery 4 to 20 years

(c) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Discounting has been applied using appropriate post-tax discount rates.

(d) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals are charged to the profit and loss account in the year in which they fall due, except where provision has been made for future rents on unoccupied properties.

(e) Pension scheme costs

The James Latham plc defined benefit pension scheme is a multi-employer scheme due to the historic complexities of the group structure and thus no separate actuarial information is available in respect of the employees of the

parent company. Full details of the basis of calculation of the net pension liability is disclosed in the group balance sheet at 31 March 2013, and of the amounts charged/credited to the group income statement and group equity are set out in note 19 to the IFRS accounts. In the company accounts, contributions to the defined benefit scheme have been charged to the profit and loss account as incurred.

Pension payments made into the group's stakeholder scheme are charged to the profit and loss account as they arise.

(f) Share-based payments

The accounting for share based payments mirrors that of the group's accounting policy under IFRS2 as detailed on page 31. Details of the share-based payments are set out in note 23 to the group accounts.

(g) Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment. The carrying values of fixed asset investments are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the carrying value is written down to its estimated recoverable amount.

(h) Treasury shares

Treasury shares are valued on a cost basis. Any treasury share balance at the balance sheet date has been transferred as a deduction to accumulated profits.

(j) Employee Share Ownership Plan (ESOP)

Own shares represent the company's shares that are held by the company sponsored ESOP trust in relation to the group's employees share scheme. 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 plc accounts.

(k) 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 company after deducting all of its liabilities.

(l) 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.

Notes to the Company Accounts

2 Tangible fixed assets	Plant equipment and vehicles
	£'000
Cost	
At 1 April 2012	380
Additions	5
Disposals	(42)
At 31 March 2013	<u>343</u>
Depreciation	
At 1 April 2012	361
Provision for the year	6
Disposals	(41)
At 31 March 2013	<u>326</u>
Net book value	
At 31 March 2013	<u>17</u>
At 31 March 2012	<u>19</u>

3 Fixed asset investments	Subsidiary undertakings
	£ 000
Shares	
At 1 April 2012 and 31 March 2013	<u>9,613</u>
Loans	
At 1 April 2012 and 31 March 2013	<u>5,000</u>
Total at 31 March 2013	<u>14,613</u>
At 31 March 2012	<u>14 613</u>

The loan to Lathams Limited has no fixed repayment terms and interest is charged at a rate of 1.25% above base rate per annum. Details of subsidiary companies are given in note 12 to the company accounts.

4 Debtors amounts falling due within one year	2013	2012
	£'000	£ 000
Trade debtors	14	8
Amounts owed by subsidiary undertakings	5,464	5,847
Other debtors	-	50
Corporation tax	1,059	1,122
Deferred taxation (note 7)	8	12
Prepayments and accrued income	15	37
	<u>6,560</u>	<u>7,076</u>

Notes to the Company Accounts

5 Creditors amounts falling due within one year	2013	2012
	£'000	£'000
Bank overdraft	2,203	397
Trade creditors	32	28
Other taxation and social security	413	337
Other creditors	112	161
Accruals and deferred income	56	97
	<u>2,816</u>	<u>1,020</u>

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the company and its subsidiaries

6 Creditors amounts falling due after more than one year	2013	2012
	£'000	£'000
Other creditors	-	5
Accruals and deferred income	351	383
8% Cumulative Preference Shares of £1 each (note 8)	987	987
	<u>1,338</u>	<u>1,375</u>

7 Deferred taxation

Included in debtors (note 4) is a deferred taxation asset of £8,000 (2012 £12,000)	2013	2012
	£'000	£'000
The deferred taxation provision comprises		
Accelerated capital allowances	(8)	(9)
Timing differences on pension adjustments	-	(3)
Undiscounted provision for deferred tax	<u>(8)</u>	<u>(12)</u>
Discount	-	-
Discounted provision for deferred tax	<u>(8)</u>	<u>(12)</u>

Deferred taxation is provided at a rate of 23% (2012 24%)

Some or all of the deferred taxation debtor may be recoverable after more than one year

8 Share capital

Details of the share capital of the company are set out in note 22 to the consolidated accounts

Notes to the Company Accounts

9 Investment in own shares

	£'000
Shares	
At 1 April 2012	356
Transfer of treasury shares	562
Conversions of ESOP shares	(293)
Sale of own shares	(365)
Movements during the year	(42)
Total at 31 March 2013	218
Total at 31 March 2012	356

The investment in own shares represents 104,409 25p ordinary shares (2012: 222,215 25p ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. 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.

10 Reserves

	Profit and loss account £'000	Share-based payment reserve £'000	Total £'000
At April 2012	20,077	144	20,221
Profit for the year	348	-	348
Dividends	(1,883)	-	(1,883)
Exercise of options	120	(120)	-
Transfer of treasury shares	562	-	562
Conversions of ESOP shares	(293)	-	(293)
Share based payment expense	-	67	67
At 31 March 2013	18,931	91	19,022

At 31 March 2013, 719,200 (2012: 919,200) 25p Ordinary shares were held by the company as Treasury Shares. These shares will be either used to meet existing employee share option plan requirements or will be cancelled. During the year, 200,000 shares were transferred from Treasury Shares into the James Latham plc Employee Benefits Trust to meet the requirements of the Save As You Earn Share Option Scheme.

11 Reconciliation of movements in shareholders' funds

	2013 £'000
Profit for the financial year	348
Dividends	(1,883)
	(1,535)
Change in investment in ESOP shares	407
Movement in share based payment reserve	67
	(1,061)
Opening shareholders' funds	24,905
Closing shareholders' funds	23,844

Notes to the Company Accounts

12 Principal subsidiary undertakings

Name	Country of incorporation	Class of shares	Percentage of ownership	Principal activity
Latham's Limited	England and Wales	£1 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
Bausen 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

* Indirectly held

All companies operate within the United Kingdom

13. Leasing commitments

Leasing commitments under various operating lease contracts for vehicles, plant and property payable by the company

	2013 £'000	2012 £'000
Vehicles and plant		
Leases expiring within one year	3	10
Leases expiring within two to five years	26	26
	<u>29</u>	<u>36</u>
Property		
Leases expiring after more than five years	87	87
	<u>87</u>	<u>87</u>

14 Related party transactions

At 31 March 2013, the group's defined benefit pension scheme owed James Latham plc £nil (2012: £50,000) in the form of a short term loan

The company has taken advantage of the exemption in FRS8 Related Parties not to disclose transactions with the active subsidiary company

Notes to the Company Accounts

15 Financial instruments

Risk management disclosures as applicable to the group as a whole are set out in note 29 to the consolidated financial statements

The company's financial instruments comprise cash, bank loans and bank overdrafts, other creditors and various items arising directly from its operations, such as trade debtors and trade creditors. Trade debtors, trade creditors, group balances and other items arising directly from operations have been excluded from the following disclosures. The main purpose of these financial instruments is to provide working capital and to assist with the purchase of capital assets for the company.

The company's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the company to unnecessary risk of default.

The company's cash at bank is all in sterling accounts.

The total borrowing facilities available to the company which were undrawn as at 31 March 2013 were

	£
Repayable on demand	2,000,000

The carrying value of all financial instruments is not materially different from their fair value.

16 Dividends

	2013		2012	
	£'000	£'000	£'000	£'000
Ordinary dividends				
Final 6.75p per share paid 24 August 2012 (2011: 6.25p)	1,284		1,170	
Interim 3.1p per share paid 23 January 2013 (2012: 3.0p)	599		571	
		1,883		1,741

The Directors propose a final dividend for 2013 of 7.1p per share, that subject to approval by the shareholders, will be paid on 23 August 2013 to shareholders on the register on 2 August 2013.

Based on the number of shares currently in issue, the final dividend for 2013 is expected to absorb £1,372,000.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fourteenth Annual General Meeting of the Company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QU on Wednesday 21 August 2013 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 2013 together with the Independent Auditors' report thereon
- 2 To declare the final dividend recommended by the directors on the ordinary shares of the Company
- 3 To re-elect Pippa Latham as a director, who retires by rotation
- 4 To re-elect Meryl Bushell as a director, who retires by rotation
- 5 To re-elect Nick Latham as a director who retires by rotation
- 6 To re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors

Special business

- 7 Directors' authority to allot shares. To consider, and if thought fit, pass the following resolution: "THAT in substitution for all existing authorities to the extent unused, the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot equity securities up to an aggregate nominal amount of £1,680,000 provided that this authority shall expire at the earlier of the conclusion of the Company's next Annual General Meeting or 15 months from the date of the passing of this resolution and that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements

notwithstanding that the authority conferred has expired. The expressions 'equity securities' and 'allotment' shall bear the same meanings respectively given to the same in section 560 Companies Act 2006."

- 8 Disapplication of pre-emption rights. To consider, and if thought fit, pass the following resolution: "THAT subject to the passing of the previous Resolution 7, pursuant to section 571 of the Companies Act 2006, section 561 of the Companies Act 2006 shall not apply to any allotment or agreement to allot equity securities pursuant to the authority conferred by Resolution 7

(a) this power shall be limited to

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

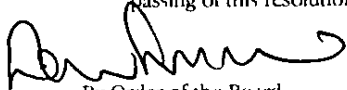
- (b) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date after passing of this Resolution except that the Directors may allot equity securities under this power after that date to satisfy an offer or agreement made before 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 3, Swallow Park, Finway Road
Hemel Hempstead, Hertfordshire HP2 7QU

26 June 2013

Notes

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

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

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

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

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

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

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members eligible to vote and entered on the Company's register of members as at 12.30pm on Monday 19 August 2013 are entitled to attend and vote at the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the adjourned meeting

At 26th June 2013 the Company's issued share capital consisted of 20,160,000 shares of which 719,200 shares are held in Treasury. Each share not held in Treasury carries one vote. The total number of voting rights are therefore 19,440,800

Notice of Annual General Meeting

Share dealing service for shareholders

We continue to operate a telephone share dealing service with our registrar, Computershare Investor Services plc, which provides shareholders with a simple way of buying or selling James Latham plc ordinary shares on the London Stock Exchange. The commission is 1%, subject to a minimum charge of £25. In addition stamp duty, currently 0.5% is payable on purchases. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays on telephone number 0870 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. In addition an internet share dealing service is available by logging into your account on

this service will be 0.5% of the value of each sale or purchase of shares subject to a minimum of £15. There are no additional charges for limit orders (available for sales only). Stamp duty, currently 0.5%, is payable on all purchases.

Detailed terms and conditions are available on request, please phone 0870 707 1093.

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

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

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

Notice of Annual General Meeting

JAMES LATHAM PLC

Company Number 65619

Notice is hereby given that the one hundred and fourteenth Annual General Meeting of the Company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QU on Wednesday 21 August 2013 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 2013 together with the Independent Auditors report thereon *RAH*
- 2 To declare the final dividend recommended by the directors on the ordinary shares of the Company *RAH*
- 3 To re-elect Pippa Latham as a director, who retires by rotation *RAH*
- 4 To re-elect Meryl Bushell as a director, who retires by rotation *RAH*
- 5 To re-elect Nick Latham as a director, who retires by rotation *RAH*
- 6 To re-appoint Baker Tilly 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 *RAH*

Special business

- 7 Directors authority to allot shares To consider, and if thought fit pass the following resolution "THAT in substitution for all existing authorities to the extent unused the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot equity securities up to an aggregate nominal amount of £1,680,000 provided that this authority shall expire at the earlier of the conclusion of the Company's next Annual General Meeting or 15 months from the date of the passing of this resolution and that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements

notwithstanding that the authority conferred has expired The expression 'equity securities' and allotment' shall bear the same meanings respectively given to the same in section 560 Companies Act 2006 " *RAH*

- 8 Disapplication of pre-emption rights To consider, and if thought fit, pass the following resolution "THAT subject to the passing of the previous Resolution 7, pursuant to section 571 of the Companies Act 2006, section 561 of the Companies Act 2006 shall not apply to any allotment or agreement to allot equity securities pursuant to the authority conferred by Resolution 7

(a) this power shall be limited to

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

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

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

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 "

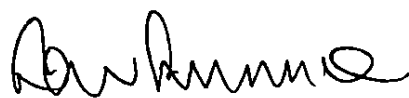


By Order of the Board
D A Dunmow
Company Secretary

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

26 June 2013

I certify that all the above resolutions were proposed, seconded and duly passed at the Annual General Meeting


Company secretary
21 August 2013

Notes

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

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

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

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

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

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

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members eligible to vote and entered on the Company's register of members as at 12.30pm on Monday 19 August 2013 are entitled to attend and vote at the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the adjourned meeting

At 26th June 2013, the Company's issued share capital consisted of 20,160,000 shares of which 719,200 shares are held in Treasury. Each share not held in Treasury carries one vote. The total number of voting rights are therefore 19,440,800