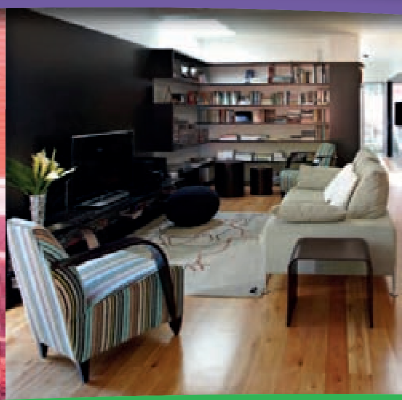
JAMES LATHAM PLC

ANNUAL REPORT & ACCOUNTS 2014






JAMES latham

THE NATURAL CHOICE

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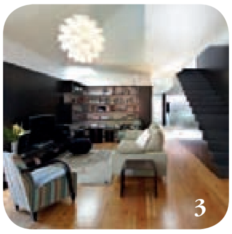


Front cover:

1 *Flexible Plywood*
2 *Valchromat Engineered Wood Fibreboard*
3 *Baüsen Hardwood Flooring*
4 *ATP Harlequin High-density Polyethene*

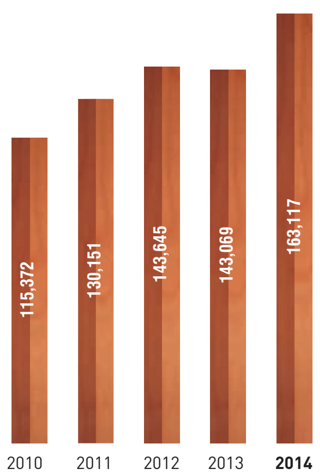
Financial Highlights for the year ended 31 March 2014

Financial Highlights

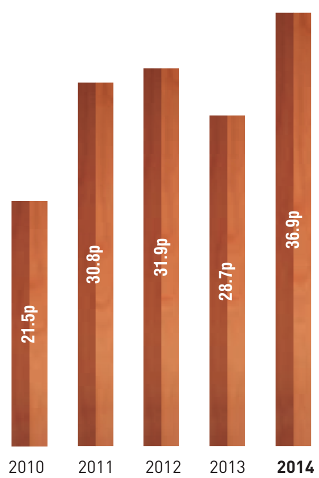
Year to 31 March	2014 £000	2013 £000	Increase/ (Decrease)	2012 £000
Turnover	163,117	143,069	14.0%	143,645
Operating profit*	9,478	7,369	28.6%	7,723
Operating margin*	5.8%	5.2%	11.5%	5.4%
Profit before taxation*	8,682	6,969	24.6%	7,186
Earnings per share*	36.9p	28.7p	28.6%	31.9p
Total ordinary dividend per share	11.4p	10.2p	11.8%	9.75p
Equity shareholders' funds	58,108	47,467	22.4%	46,924
Cash and cash equivalents	11,234	8,075	39.1%	7,004

** Adjusted for exceptional items*

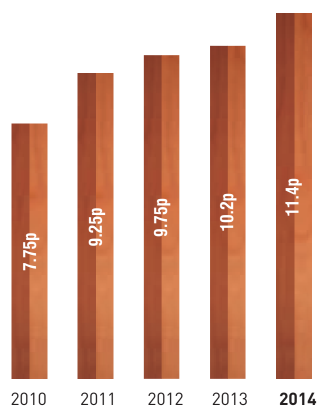
Turnover (£000's)



Adjusted EPS



Dividend



Financial Calendar

Record date for final dividend 2014	1 August 2014
AGM	20 August 2014
Payment of final dividend	22 August 2014
Interim 2014/15 results announcement	27 November 2014
Interim dividend expected payment date	30 January 2015
Preliminary announcement of 2014/15 results	25 June 2015
AGM 2015	26 August 2015

Chairman’s Statement

I am pleased to report good results for the financial year to 31 March 2014. After a slow start, trading conditions gradually improved throughout the year for all areas of the business.

Group revenue for the financial year to 31 March 2014 was £163.1m, 14.0% up on last year’s £143.1m. The operating profit was £11.3m, up £3.9m from £7.4m last year. Included in the operating profit this year is £1.8m of exceptional gains relating to the pension scheme, explained in more detail below. The increase in volumes traded this year has been achieved without greatly affecting costs.

Finance income was £27,000 against £26,000 last year. Financial costs, which are principally interest on the pension scheme deficit as calculated under IAS19 (revised) were £823,000 against £683,000 last year. Last year’s results included a profit of £257,000 on the sale of the Ossett site.

Pre-tax profit was £10.5m up from last year’s figure of £7.0m. The tax charge represents a rate of 18% and has benefited from a credit due to a reduction in rates of tax used in deferred tax calculations. Post-tax profit for the year is £8.6m, up from last year’s figure of £5.5m.

Earnings per share, adjusted for the exceptional pension credit of £1.8m, were 36.9p compared to last year’s 28.7p. The unadjusted earnings per share were 44.3p (2013: 28.7p).

Net assets (total equity) were £58.1m compared to £47.5m last year, helped by a reduction of £7.5m in the pension liability.

At the year end the group’s cash reserves stood at £11.2m compared to £8.1m last year.

Final dividend

The directors recommend a final dividend of 8.0p per ordinary share (2013 7.1p). The final dividend will be paid on 22 August 2014 to shareholders on the register at the close of business on 1 August 2014. The shares will become ex-dividend on 30 July 2014.

The total dividend per ordinary share of 11.4p for the year is covered 3.2 times by earnings (2013: 2.8 times).

Financial year 2013/14

The group’s results are based on the trading of Lathams Limited, a specialist panel and timber distributor. Revenue continued to grow during the year, due to increased volumes both in ex-warehouse and direct business. Timber, which had a difficult March 2013 quarter grew revenues throughout the year and ended up 12% higher than the previous year. The gross margin per cent, before warehouse costs, reduced by 0.5 percentage points, due to a higher proportion of direct business, which attract lower margins, and increased competition.

Timber and panel prices remained steady throughout the year. Focus panel product sales increased by 11% over the previous year, and commodity plywood sales grew significantly, closely linked to our environmental purchasing policy. Accoya modified wood and WoodEx, our brand of engineered timber for the joinery sector, were particularly successful this year.

Overheads have been well controlled, and the extra volumes have largely been dealt with by improved operational efficiencies. Staff numbers have remained stable during the year, with the sales staff recruited last year, in areas of the business where we saw opportunities, proving successful. Bad debts were low during the year.

Pension Scheme

At 31 March 2014 the deficit of the defined benefit scheme under IAS19 (revised) was £9.3m down £7.5m compared with £16.8m last year. During the year, it was agreed that pension scheme payrises would be based upon CPI rather than RPI for all payrises after 1 January 2014. The result of this is an exceptional past service credit of £1.8m which is shown separately in the income statement. This change, along with small changes in other financial assumptions, have lead to the large reduction in the deficit this year, illustrating the volatility of the accounting for this scheme. We have commenced work on the 1 April 2014 triennial actuarial valuation and expect to report progress on this in next year's annual report.

Current financial year 2014/15

This year so far, revenues are 6% higher for April and May than the corresponding period last year, both in panels and timber. It is a steady start to the year and customers are reporting that their order books are improved and that they have more confidence. Whilst there is still some uncertainty about future economic market conditions, the signs support cautious optimism.

It is pleasing to note increased demand from the joinery and shopfitting sectors for our core timber products, with the mild weather assisting our sales of decking and cladding products. The panels market remains competitive with MDF supply outweighing demand. Continued customer awareness and more specifications for legal and sustainable products have increased our sales of third party certified timber and panels.

Development strategy

The directors continue to identify opportunities for growth and to introduce and promote new products. Investment in the business continues and 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

I am delighted to report that Peter Latham is making excellent progress in recovering from his accident and we are looking forward to him returning to the business. During the year Piers Latham was appointed as a main board director and I welcome the contribution that he makes to board discussions. There is a clear division of responsibilities with the main board determining strategy and exercising corporate governance and the trading board of Lathams Limited 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.

I am pleased that the efforts of those working in the group have resulted in these good results. We continue to provide a high quality of customer service as measured by our record fourth consecutive TTJ award of Timber Trader of the Year and I would like to thank everyone in the group for their individual contribution.

Meryl Bushell
Acting Chairman, James Latham plc *25 June 2014*

Introduction

Outline of the Strategic Report

The directors present their strategic report for the year ended 31 March 2014. The Strategic Report encompasses the following information.

The Strategic Report was approved by the board of directors on 25th June 2014 and signed on its behalf by:-

Nick Latham

David Dunmow

1 HI-MACS® was used extensively in the recent refurbishment of the £75m Science Centre in Glasgow.
2 Valchromat has become a popular choice in the shopfitting, education and furniture making sectors.
3 UPM ProFi Decking.
4 Accoya® wood is a perfect solution for windows, where aesthetics, less frequent maintenance and insulation value are key factors.

James Latham plc and Our Objectives

James Latham plc aims to be the supplier of choice throughout the UK for joinery, door and kitchen manufacturers, shopfitters and a wide range of other wood based panel, natural acrylic sheets, hardwoods, high grade softwoods, flooring, cladding and decking to other market sectors. We also supply commodity and specialist products to timber and builders' merchants. The company aims to increase the amount of legal and sustainable product supplied into its marketplace.

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, now in the 9th generation, work in the business.

The company believes that to provide the service demanded, we need to be close to our customers. We offer national coverage from eleven locations, as shown in The Latham Group map on page 69. Having stock of product in the right place at the right time is important to provide this service. Commodity imports are held in ports including Tilbury, Liverpool and Grangemouth. This stock can be delivered directly to customers for multi-pack orders, or transferred to the depots for onward delivery. Around London we stock Panel Products and Timber Products in separate warehouses whereas a full range of products are held in our other locations around Great Britain. We also hold a range of specialist products in Leeds for national distribution and Leeds also offers an efficient delivery service to Ireland.

Our core values are based on a business structure that encourages an entrepreneurial spirit at depot level while maintaining central financial control and trading policy, 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, 2012 and 2013 in a vote of readers of the Timber Trades Journal.

Chris Sutton accepting the UK Timber Trader of the Year Award 2013 from Huw Edwards and Sarah Wootton.

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.

Strategic Report

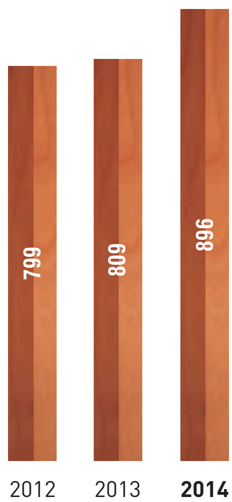
Key Performance Indicators

The group monitors its performance against the following Key Performance Indicators that we believe best reflect our performance and progress. In addition to the KPI's disclosed below, we have set out on page 15 the non-financial KPI monitoring the amount of timber certified as coming from sustainable and well-managed forests.

Turnover (£000's)

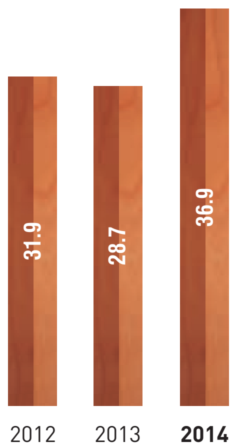
Turnover up 14%

Weight of product sold per working day (tonnes)



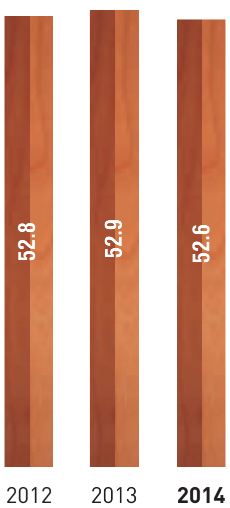
Tonnes per working day up 10.8%

Adjusted earnings per share (pence)



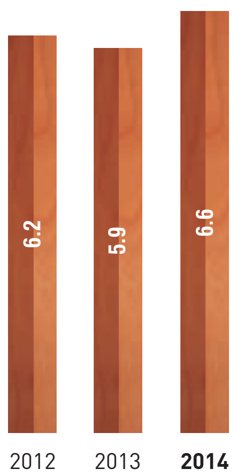
Adjusted earnings per share up 28.6%

Debtors days average



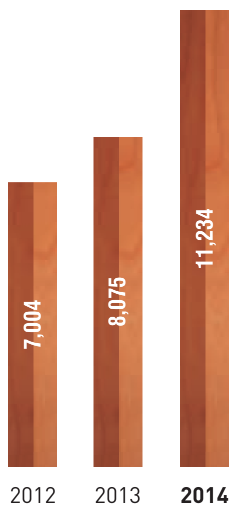
This figure is adjusted to take account of customer credit terms and is compared with our target of 53 days

Stock turn (times)



This figure is compared with our target of 6.7 times

Cash (£000's)



Cash balances up £3,159,000

Results for the year to 31 March 2014

The UK economy has shown some positive signs of recovery during the course of this year with more noticeable growth in the second half of the year. Our customers and the timber trade in general are more optimistic now than at any time since the beginning of the recession in 2008.

Revenue for 2013/14 was £163.1m, £20m higher than the previous year, reflecting improving volumes in both panels and timber rather than prices that were largely static throughout the year.

The gross margin, the difference between the sales values and the cost prices excluding warehouse costs, was 0.5 percentage points down on the previous year. This was due to a higher proportion of direct business, which attract lower margins, and continuing competitive pressure in our markets.

Staff numbers have remained stable this year. The investment last year in specialised staff, with specific product knowledge and skills in key product areas, has paid off with improved sales this year. Overhead cost control has continued to be important and we have managed to increase turnover with limited increase in overheads aided by improved efficiency and productivity.

For management purposes, the group is organised into one trading division, timber importing and distribution, carried out in each of the eleven locations trading mainly 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, laminates and natural acrylic stone)

Panel sales at £116.5m were 14.9% higher than last year, with volumes up 13.7%. The group's strategy is to target markets for decorative surfaces to include veneered and melamine panels, laminates, door blanks and HI-MACS® natural acrylic stone. These products are of higher value and generate more gross profit.

We have also worked to develop a range of high quality hardwood and softwood plywood in line with the requirements of the European Union Timber Regulation ("EUTR") which became effective from 3rd March 2013. Sales to merchants and manufacturers subsequently increased during the year, helped by our strong due diligence systems. It is pleasing to see that our environmental policy, which has lost us business in the past, is now benefitting our sales.

MDF still remains a very important core product for the group, although prices and volumes came under pressure during the year due to competitor activity and market conditions. Demand for Oriented Strand Board (OSB), linked to an upturn in the building sector, was well up.

Promotion of new and added value products to the market has been a key focus of our marketing team and our PR agency this year. Each year we target our depots on their focus product sales and this year we have increased sales by 11%. During the year we have developed and improved showrooms and trade counters at several depots to enable us to promote new product lines to our calling customer base, architects and designers.

Hemel Hempstead Showroom – Kronospan Decor display unit, and Egger VDS machine allowing designers to instantly visualise decor's in room situations.

Operating Review

We attended the Surface Design Show at the Business Design Centre, Islington, where we showcased several of our added value, new and niche products. This show is well attended by customers, architects and designers. We also have specialist salesmen who concentrate on visiting architect practices and design houses to enable our products to be specified in their projects.

James Latham exhibiting at the Surface Design Show.

Advanced Technical Panels, the group's specialist business dealing in pre-finished panels designed for specific end uses, has significantly increased sales through our depots, as well as through our central Leeds depot, leading to increased customer awareness of their products.

Importers, timber and builders merchants are a growing market for the group and some progress has been made in this area by supplying added value products and certified legal and sustainable, fit for purpose commodity plywood.

Lathams Limited is the exclusive distributor of HI-MACS® acrylic stone solid surface for both the UK and Ireland. During the year, we increased sales values by 14% and gained roll out specifications with a major high street retailer.

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

Timber sales, at £46.1m were 12.0% higher than last year with volumes 4.2% higher. Following the difficult March quarter last year, demand has improved during the year, with the joinery sector much stronger. Sales from our core product areas of North American, Europe and Africa were under pressure and so we have concentrated on improving the market for our focus products. Supply of product proved difficult during the year, with political unrest in parts of Africa and lead times from North America being difficult to manage.

The group's strategy is to continue to develop the range of certified Forest Stewardship Council (FSC®) and Programme for the Endorsement of Forest Certification (PEFC) European and American hardwoods and softwoods. Our stock range includes FSC sapele and PEFC beech and oak.

Sales of laminated timber (WoodEx) in both hardwood and softwood have grown significantly during the course of the year. WoodEx is very suitable for use in the joinery sector, offering less waste and greater dimensional stability. We have continued to develop our range throughout the year and now offer FSC Oak, Sapele, European Redwood and Eucalyptus.

We are the largest distributor of Accoya in the UK, increasing sales by 90% during the year. Accoya is softwood modified by an acetylation process to improve its properties, notably durability and stability. During the year we launched Accoya-Clad, our own brand of Accoya cladding, certified by the Timber Research and Development Association (TRADA).

Baüsen, our own brand solid and engineered hardwood flooring continues to be an important product. A range of 28 different floors are available in stock, with a core range held in the depots and more exotic ranges held centrally in Leeds.

LDT has continued to make good progress with sales up 23% on the previous year. LDT continue to develop their product range, selling landed stock in pack quantities and on a forward basis in full loads to importers and merchants only. Sapele and Decking products continue to be their core business. Opportunities exist for LDT to export to overseas markets, and sales staff have visited key countries in order to develop these opportunities.

LDT Meranti from Malaysia.

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of high quality timber and timber associated products, sourced from legal and sustainable sources of supply, to existing and new customer bases. A secure supply base with long standing partners is in place across our product range. This year we held a Supplier Day for our key panel products suppliers from across the globe to reinforce our strategy.

Value added products now account for a significant proportion of our sales. End user manufacturers are receptive to new products that may provide them with solutions or the ability to develop their own customer offering. Additions to the core commodity range have been made and will be further explored and developed. We will continue to look to develop new markets, including Ireland and other export markets. We will also continue to invest in our depots, with two of our older sites requiring investment or relocation. We will also consider acquisitions where opportunities arise, to enhance our product range or geographical coverage.

The group is very active in marketing its products through product brochures, direct advertising, public relations, exhibitions and depot open days. Additional marketing spend has been set aside for website development. We are grateful for the marketing support provided by some of our key suppliers.

Market place

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

Market sector	Customer group	Lathams sales value % 2014	2013
Construction/housing	Merchants	17	17
	Joiners	21	21
	Builders	5	5
	Kitchen manufacturers	4	5
	Door manufacturers	3	2
Retail	Shopfitters	6	7
	Laminators/Veneerers	5	5
	Furniture manufacturers	9	9
Transport	Vehicle builders	2	2
Exhibitions	Exhibition fitters	3	3
Cash sales		7	6
Other importers		10	8
Other sectors		8	10
	TOTAL	100	100

End products are used in both the public and private sectors. Our top ten customers account for 11% of sales and our top 25 customers represent 17% of sales.

James Latham Supplier Day – Kilworth House.

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. I believe we met our financial objectives for this year, enhancing our position in the market and maintaining a strong balance sheet.

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
A commentary on the group's trading results is set out in the Operating Review on pages 7-9, and the key figures are considered below, with emphasis on the financial figures.

Operating profit
Revenues increased by 14.0% to £163.1m. 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. Gross profit fell slightly to 17.4% from 17.6%, reflecting the mix of business between ex-warehouse and direct business and increased competition but assisted by improvements in efficiency in our warehouses.

Selling and distribution costs increased by 7%. These costs include the direct cost of transport. We monitor transport costs by reviewing costs per tonne of product delivered, and during this year the cost per tonne reduced by 3.4% over last year. Investment in sales staff last year has helped improve our revenues this year.

David Dunmow
Finance Director and Company Secretary

Administration costs increased by 4.3% which was in line with our budgets. Costs in each location are monitored closely by the board through the quarterly board meetings at each depot. We have separated out of administration costs an exceptional credit relating to the pension scheme valuation, which is described in more detail below.

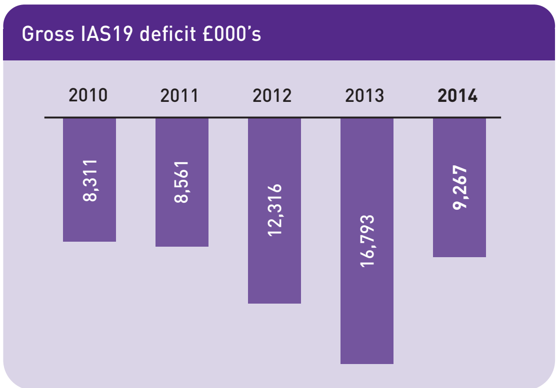
Operating profit, excluding the exceptional pension credit, increased 28.6% to £9.5m following a decrease of 2.3% last year. Group net profit before taxation increased to £10.5m from £7.0m last year.

The taxation charge of £1.9m represents an effective rate of 18.0%, compared with 20.8% last year. This year's tax rate has benefitted from a one off deferred tax credit of £323,000 due to a reduction in future corporation tax rates down from 23% to 20%.

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 2014 the deficit of the defined benefit scheme under International Financial Reporting Standards was £9.3m compared with £16.8m last year.

During the year the trustees of the pension scheme agreed to use Consumer Price Index (CPI) as the measure of inflation used to increase pensions each year, rather than the Retail Prices Index (RPI). A consultation exercise took place with active members of the scheme on this change in benefits and this was introduced for all pension payrises occurring after 1 January 2014. This 1% change in inflation measure resulted in a one off credit of £1,797,000 to the income statement.



In addition there were the following actuarial gains on the change of financial assumptions:-

Increase in discount rate from 4.4% to 4.5%	£1,283,000
Change in RPI/CPI gap from 0.8% to 1%	£1,093,000
Change in salary growth assumption to be based on CPI rather than RPI	£1,925,000

This reduction is very welcome although it illustrates how actuarial assumptions and short term market conditions can have a major effect on the amount of the pension scheme liability. In note 18.2 to the accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility.

The next triennial valuation on 1 April 2014 has just commenced and we expect to report on the outcome in next years annual report

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

Cash flow and working capital

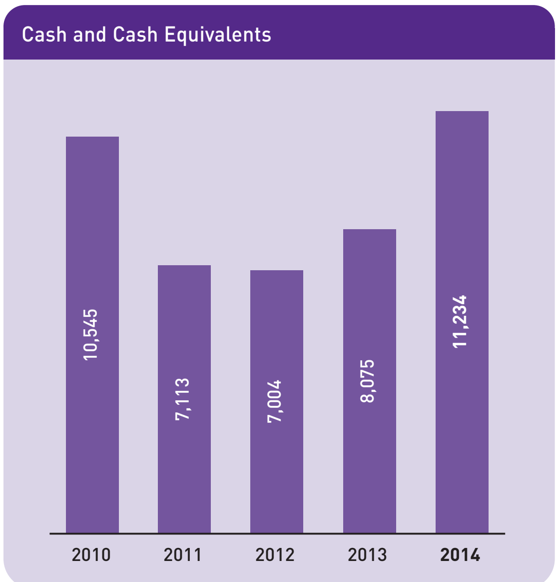
At the end of the year cash balances of £11.2m were held, up from £8.1m last year. The cash is being held as short term deposits providing funds for short term working capital fluctuations and allowing us to make capital investments when opportunities arise. Part of this cash will be also used to finance the upgrades necessary at two of our older depots in the next few years. 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 allowing us to earn £746,000 of discounts received compared with £659,000 last year. In addition, the level of cash has continued to give our customers, suppliers and credit ratings agencies confidence in the company.

The timber importing and distribution business requires considerable working capital investment in stock and debtors.

Control of cash flow from customers is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, has moved from 52.9 days to 52.6 days. Bad debts this year were particularly low at 0.11% of turnover against a budget of 0.5%. I am very grateful for the work our excellent credit control team have done this year in getting right the difficult balance of dealing with our customers, dealing with our depots and collecting our debts.

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 90% from 91% last year. This reflects an improved assessment of the risks associated with some of our customers rather than a reduction in available credit insurance.

Stock turnover targets are set and monitored on a monthly basis, and senior management has access to real time stock levels. Stock turn is 6.6 times compared with 5.9 times last year. This improvement is due to stock of



Financial Review

new products, held at the last year end, turning into sales this year, and also the improved market conditions allowed better stock turn on more of the niche products.

Capital investment

During the year, we invested £1.2m into new fixed assets. We completed our program of purchasing outright vehicles and mechanical plant rather than taking out operating leases during the year, spending £1.1m during the year. This allows us the flexibility to replace assets as required and avoid end of lease costs. We anticipate on average running the lorries on one year longer and mechanical plant two years longer than we would have leased for, but the repair and environmental costs of running the older vehicles are reviewed on an individual basis.

Net assets at the year end was £58.1m (2013 £47.5m). The group's adjusted pre-tax return on capital for the year was 15.8% (2013 12.6%), which continues to be above our weighted average cost of capital.

Financial risk management

In the course of our business, the group is exposed to currency risk, interest rate risk, liquidity risk and credit risk. The overall aim of the group's financial risk management strategy is to mitigate any potential negative effects on the group's assets and profitability. The group manages these risks in accordance with group policies, 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. Our LDT division can have stock tied up in the kilns for six to nine months and we enter into currency swaps to ensure this stock is costed at spot price when it becomes available for sale.

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.

David Dunmow Finance Director

Timber aisle in our Leeds depot.

Principal Risks and Uncertainties

The group operates in a market and an industry which by their nature are subject to a number of inherent risks. We attempt to control these risks by adopting appropriate strategies and maintaining strong systems of internal control. These strategies however do not attempt to eliminate risk, but control the risks that we believe are appropriate to take to generate acceptable shareholder returns. Details of the group's risk management processes are given in the Corporate Governance report on page 17.

We have considered below the current risk factors that are considered by the board to be material. However in a changing world, new risks may appear or immaterial risks may become more important, and the directors will develop appropriate strategies as these risks appear.

Market conditions

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. Regular financial information helps the board assess current trends. An assessment of the market and competitor activity is discussed at each depot's quarterly board meeting. This includes an assessment of our routes to market as challenges to our depot structure and operations emerge and assessment of our pricing strategies as competitive pressures increase.

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 groups 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).

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 a strong risk based responsible purchasing policy managed by our Environmental Manager to minimise possible damage to its reputation and legal risk from dealing in illegal products.

Defined Benefit pension scheme funding

The group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors are disclosed in note 18.2 in the notes to the accounts.

The scheme has been closed to new entrants for many years. The board regularly reviews the investment strategy and performance of the pension scheme investments, and has set a cap on pensionable salaries of 1% above CPI.

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

Health and Safety – Providing a safe working environment

The handling of timber and panel products, both manually and mechanically, and the stacking and storage of these products at height, can be dangerous activities. We are very active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible for all people that come into contact with James Latham plc. We 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, attends board meetings twice a year and chairs regular health and safety meetings at each depot. 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. All employees take a personal responsibility for making sure their actions and behaviour maintain safety for all.

In addition, we recognise that safety extends beyond our warehouses. We regularly monitor vehicle accidents both in our lorries and company cars to assess whether further training is required. Our lorries all have tracking devices fitted which provide alerts and information on speed as well as the routes taken. We are currently trialing a system of cameras to be installed in each lorry to not only provide retrospective footage for training and insurance purposes, but to provide improved rear and side visibility to our drivers.

Environmental

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

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

A lifecycle assessment study published by Wood for Good, showed that timber has the lowest embodied carbon impact of any mainstream building material. It shows that all timber products are in fact carbon negative at the point of delivery, ie the amount of carbon dioxide absorbed by the tree by photosynthesis during growth, is greater than all the emissions associated with harvesting, processing, manufacture, transport and installation.

Eucalyptus trees being felled in Uruguay to produce our PEFC certified Lumin Softwood Plywood together with saplings being grown to take their place.

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

It is therefore essential that we ensure our timber is legally harvested and comes form well managed forests. 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). As well as providing assurances on the timber itself, these schemes also provide assurances on the welfare of the forest workers and indigenous population.

Peter Latham standing by an indigenous family's house in the CIB Pokola reserve in Congo Brazzaville.

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.

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.

The figures for the relevant calendar years are given below.

		Legal and sustainable	3rd party verified legal	Total
Panels	2012	84%	-	84%
	2013	95%	2%	97%
	2014 target	96%	2%	98%
Timber	2012	58%	16%	74%
	2013	81%	10%	91%
	2014 target	83%	10%	93%

Member of the Timber Trade Federation

The European Timber Regulation (EUTR), which came into force in March 2013, places an obligation on the first placer of timber on the European market to ensure that the timber has been legally sourced and traded, to operate a risk assessment process and to take mitigating measures to minimise the risk of illegality. We are committed to only purchasing products with negligible status. We will not trade in timber species prohibited under Appendix 1 of the CITES legislation and will obtain the appropriate documents for trade in all other CITES listed timber species.

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. The risk assessment will seek to provide the clearest practicable information regarding the sources of raw material used in the manufacture of wood products. 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, and have had meetings with representatives of other European agencies to share our experiences.

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.

PT Kutai Flamebreak door factory in Indonesia, during an inspection visit by Chris Sutton.

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.

Local environmental issues

We also recognise that alongside our timber environmental policy, we have a responsibility to minimise our local environmental footprint. We have developed an environmental management system which is accredited under ISO14001. This commits us to considering energy efficient options for lighting, heating and ventilation before making purchasing decisions. Vehicle procurement considerations will include reduction of emissions and improved fuel efficiency.

The company seeks to minimise the use of packaging material and to recycle discarded packaging material and paper where it is practical to do so, to avoid these materials entering landfill.

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

The group's employment policies do not discriminate between employees, or potential employees, on the grounds of age, gender, disability, sexual orientation, colour, ethnic origin or religious belief. The sole criterion for selection or promotion is the suitability of any applicant for the job. The group's pay policy is to ensure that every employee, other than trainees, are paid the Living Wage.

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. Internal courses are run on the technical aspects of our products, alongside general management and presentation skills courses.

We have a successful program of introducing trainees from school or college. All depots either already have trainees or have plans in place to recruit during the year. Trainees are put through external courses obtaining qualifications, including NVQ's in Sales and Warehousing and Institute of Wood Science exams covering the use of timber and panel products. This year Jay Foster, from our Thurrock depot, was the runner up in the Timber Trade Journal's Career Development Award, open to

Trainees, Toby Hughff and Thomas Jones inspecting Accoya in Leeds.

trainees aged under 25 throughout the timber trade. This is the third year in a row that one of our trainees has been nominated for this award. As well as training sales and operations staff, it is important to have good quality financial staff, and Sheila Good in our accounts department is currently working towards the ACCA qualification.

This year we have sponsored a James Latham Timber Engineering Scholar through an MSc Timber Engineering program at Edinburgh Napier University.

We are very proud to see employees develop and move upwards through the business, and we see low levels of staff turnover. 36 of our staff have now done more than 20 years continuous service with the group.

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

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.

Corporate Governance Report

As an AIM company, it is not mandatory for the company to fully comply with the UK Corporate Governance Code. However, the directors have sought to comply with a number of the provisions of the Code in so far as they consider them appropriate to comply with as far as is relevant for a company of this size and nature. The directors make no statement of compliance with the Code overall and do not explain in detail any aspect of the Code with which they do not comply.

The Board of Directors

The company is governed by a board of directors consisting of the Chairman, Peter Latham, four 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. Agendas and board packs are discussed and circulated in advance of the meetings to ensure that all directors have adequate time to research and take part in discussions on the key issues. The board is responsible for group strategy, corporate responsibility including health and safety and environmental issues, acquisition policy, bribery policy, approval of major capital expenditure and monitoring the key operational and financial risks. It also reviews the strategy and budgets for the trading subsidiaries and monitors the progress towards their long term objectives. All directors have access to the company secretary or to independent professional advice, if required, at the company's expense.

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.

Corporate Governance Report

The Audit Committee

The Audit Committee is chaired by Pippa Latham and includes Meryl 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. This includes a review of the non-audit work performed to ensure that such work would not impair their independence or objectivity in carrying out the audit.

The audit committee receives a report from the external auditor following the annual audit which provides details of the significant financial reporting estimates and judgements made during the preparation of the group's annual accounts. No matters of material significance were identified by the external auditors during the course of the audit.

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, financial or otherwise, faced by the group have been in place throughout the year under review. The processes for identifying and managing the key risks to the business are communicated regularly to all staff, who are made aware of the areas for which they are responsible. Such processes include strategic planning, maintenance and review of a risk register, the appointment of appropriately qualified staff, regular reporting and monitoring of performance against budgets and other performance targets, and effective control over capital expenditure.

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.

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.

Corporate Governance

Directors and Advisors

Directors' biographies

Peter Latham OBE BA FIMMM *Chairman*
Peter Latham, age 63, has worked in the company for 41 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 *Finance Director and Company Secretary*
David Dunmow, age 50, has worked in the company for 20 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 *Executive Director*
Chris Sutton, age 55, has worked in the company for 36 years and was appointed to the board in 2005. He is managing 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. He is also a board member of the Timber Industry Accord.

Nick Latham BSc *Executive Director*
Nick Latham, age 46 has worked in the company for 23 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.

Piers Latham BSc *Executive Director*
Piers Latham, age 43 has worked in the company for 21 years and was appointed to the board in 2014. He is a director of Lathams Limited and Chairman of the Trustees of James Latham plc Pension and Assurance Scheme.

Pippa Latham MA MBA ACIS FCMA CGMA
Non-Executive Director
Pippa Latham, age 53, 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. She is a non-executive director for W Lucy and Co Limited.

Meryl Bushell BA MSc FCIPS
Non-Executive Director
Meryl Bushell, age 59, 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, South London Healthcare NHS Trust and of SupplierForce.


Peter Latham


David Dunmow


Chris Sutton


Nick Latham


Piers Latham


Pippa Latham


Meryl Bushell

Registrars
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The Pavilions
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Bankers
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Major Corporate Banking
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Verulam Point
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Station Way
St Albans AL1 5HE

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London EC1A 1NT

Pension Advisor
Mercer
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London EC3R 5BU

Independent Auditor
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25 Farringdon Street
London EC4A 4AB

Registered Office
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Hemel Hempstead
Herts HP2 7QU

Registered Number 65619
Registered in England and Wales

Directors Remuneration Report

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

Remuneration and Nominations Committee

During the year ended 31 March 2014, the Remuneration and Nominations Committee comprised two non-executive directors, Meryl Bushell as chairman and Pippa Latham. The meetings were attended by Peter Latham and David Dunmow to provide information to the Committee when required.

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

This year the Committee recommended to the board that Piers Latham be appointed an executive director. Piers is currently Chairman of the Trustees of the James Latham plc Pension and Assurance Scheme, and is responsible for Panel Products purchasing and the group's quality processes. Piers' skills enhance the board, and his appointment forms part of our long term succession plans.

The 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 criteria as all other employees.

Performance related bonuses

Annual bonuses can be earned by executive directors for the achievement of specific financial performance targets set by the group's board of directors and agreed by the remuneration committee. The criterion on which the executive directors' bonuses were based in 2014 was the achievement of £7,780,000 operating profit, as measured in the depots management accounts. Maximum bonuses of 19.5% of basic salary are paid on achieving 120% of the target operating profit. This year 132.6% of the target operating profit was achieved earning 19.5% of basic salary. The criterion for the year ended 31 March 2015 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 3.56% 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 director's contracts have no provisions for pre-determined compensation on termination that exceeds two years salary and benefits in kind.

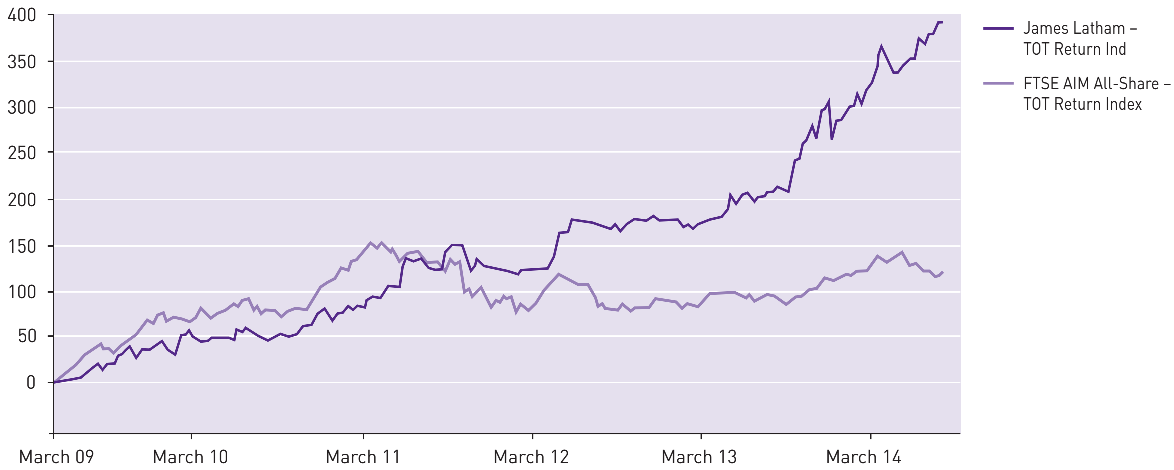
Remuneration of the non-executive directors

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

Review of past performance

The graph below shows the company's total shareholder return performance against the total shareholder return performance of the AIM All Share Index for the five years ended 31 March 2014.

James Latham plc total shareholder return



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								
P.D.L. Latham	**2014**	**185**	**9**	**45**	**239**	**2**	**40**	**281**
	2013	180	9	20	209	2	39	250
D.A. Dunmow	**2014**	**137**	**11**	**33**	**181**	**15**	**29**	**225**
	2013	130	11	14	155	17	28	200
C.D. Sutton	**2014**	**130**	**8**	**33**	**171**	**15**	**27**	**213**
	2013	124	8	14	146	16	26	188
N.C. Latham	**2014**	**99**	**-**	**24**	**123**	**2**	**21**	**146**
	2013	94	-	19	113	2	20	135
P.F. Latham	**2014**	**21**	**-**	**5**	**26**	**1**	**5**	**32**
(appointed 1 January 2014)	2013	-	-	-	-	-	-	-
Non-executive								
P.A.J. Latham	**2014**	**29**	**-**	**-**	**29**	**-**	**-**	**29**
	2013	28	-	-	28	-	-	28
M.A. Bushell	**2014**	**29**	**-**	**-**	**29**	**-**	**-**	**29**
	2013	28	-	-	28	-	-	28
Total		**630**	**28**	**140**	**798**	**35**	**122**	**955**
2013		584	28	67	679	37	113	829

Directors Remuneration Report

Directors' shareholdings

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

		31 March 2014		31 March 2013	
Directors		**Ordinary shares**	**Preference shares**	Ordinary shares	Preference shares
P.D.L. Latham	Beneficial owner	**1,119,058**	**Nil**	1,112,861	Nil
D.A. Dunmow	Beneficial owner	**98,775**	**Nil**	88,404	Nil
C.D. Sutton	Beneficial owner	**34,344**	**Nil**	23,035	Nil
N.C. Latham	Beneficial owner	**610,928**	**Nil**	604,768	Nil
P.F. Latham	Beneficial owner	**608,592**	**567**	602,493	567
P.A.J. Latham	Beneficial owner	**369,905**	**Nil**	365,093	Nil
M.A. Bushell	Beneficial owner	**3,400**	**Nil**	3,400	Nil

Directors' share option schemes

Save as You Earn Scheme

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

	31 March 2014	31 March 2013
P.D.L. Latham	**3,658**	3,658
D.A. Dunmow	**3,658**	3,658
N.C. Latham	**3,658**	3,658
P.F. Latham	**3,658**	3,658

These options are exercisable on 29 February 2016 at £2.46 a share. There are no performance conditions attached to these options.

Company Share Option Scheme

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

	Outstanding 1 April 2013	Granted during the year	Exercised	Outstanding 31 March 2014	Exercise price	Exercise period
P.D.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
	-	1,262	-	1,262	£3.96	16.12.18 to 15.12.23
D.A. Dunmow	4,310	-	(863)	3,447	£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
	-	1,262	-	1,262	£3.96	16.12.18 to 15.12.23

Continued on page 23

Company Share Option Scheme *(continued)*

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

	Outstanding 1 April 2013	Granted during the year	Exercised	Outstanding 31 March 2014	Exercise price	Exercise period
C.D. Sutton	4,310	-	(863)	3,447	£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
	-	1,262	-	1,262	£3.96	16.12.18 to 15.12.23
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
	-	1,262	-	1,262	£3.96	16.12.18 to 15.12.23
P.F. 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
	-	1,262	-	1,262	£3.96	16.12.18 to 15.12.23

No performance conditions attach to these options. Mr P.D.L. Latham, Mr N.C. Latham and Mr P.F. Latham made a gain of £12,068, and Mr D.A. Dunmow and Mr C.D. Sutton made a gain of £2,416 on options exercised during the year.

Deferred Share Bonus Plan

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

	Outstanding 1 April 2013	Awarded during the year	Excercised during the year	Outstanding 31 March 2014	Exercise price	Award price	Vesting date
D.A. Dunmow	8,739	171	(8,910)	-	nil	£1.975	15.12.13
	5,246	145	-	5,391	nil	£2.295	29.11.14
	5,056	139	-	5,195	nil	£2.74	06.12.15
C.D. Sutton	8,739	171	(8,910)	-	nil	£1.975	15.12.13
	5,246	145	-	5,391	nil	£2.295	29.11.14
	5,056	139	-	5,195	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 and Mr C.D. Sutton made a gain of £35,284 on options exercised during the year.

MA Bushell, *Chairman of the Remuneration Committee* *25 June 2014*

Directors Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2014. In accordance with section 414c(11) of the Companies Act 2006, included in the Strategic Report is the review of business, principal risks and uncertainties and key performance indicators. This information would have been required by section 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors Report.

Results and dividends

Group results for the year ended 31 March 2014 are set out on page 29. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 3.4 pence per ordinary share	659
Final dividend proposed, 8.0 pence per ordinary share	1,555
Total ordinary dividends, 11.4 pence per ordinary share	2,214

The directors recommend payment of the final dividend on 22 August 2014 to shareholders on the register of members at the close of business on 1 August 2014.

Balance sheet and post balance sheet events

The balance sheet on page 31 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 19, were directors throughout the year, other than Piers Latham who was appointed on 1 January 2014.

In compliance with the Articles of Association, Peter Latham, Chris Sutton, Pippa Latham and Meryl Bushell will retire by rotation and, being eligible, offer themselves for re-election. Piers Latham, who was appointed during the year, will be proposed for 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 Meryl 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 20 to 23.

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. In addition the Trustees of the James Latham Employee Benefits Trust holds 67,080 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. A 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 25,394 options were issued at an option price of £3.96. In addition 39,261 options were exercised after being held for five years, at an option price of £1.16.

Substantial shareholdings

At 25 June 2014, 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 Ltd	1,352,000	6.95
Peter Latham	1,119,058	5.76
International Plywood (Importers) Ltd	963,746	4.96
Nick Latham	610,928	3.14
Piers Latham	608,592	3.13

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 2014 were 36 days (2013: 38 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 £8,265 (2013: £6,577). 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 28 to the group accounts and in the Financial Review on pages 10-12.

The Gateshead warehouse team.

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.

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 7QU on 20 August 2014 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 9. 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 10. 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 11. Authority for the company to purchase its own shares. This gives the board the power to purchase up to 10% of the company's shares at a price not more than 105% of the average of the mid market price for the ten business days preceding the date of the purchase.

On behalf of the Board of Directors
Meryl Bushell
Acting Chairman *25 June 2014*

Statement of Directors Responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union "EU" and have elected under company law to prepare the company financial statements in accordance with 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
Meryl Bushell
Acting Chairman *25 June 2014*

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 29 to 65. 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 Statement of Directors' Responsibilities set out on page 27, 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 Financial Reporting Council's website at **http://www.frc.org.uk/auditscopeukprivate**

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 2014 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 Strategic Report and 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

25 June 2014

Consolidated Income Statement

For the year ended 31 March 2014

£'000s	Notes	2014	2013 (as restated)
Revenue		**163,117**	143,069
Cost of sales (including warehouse costs)	3, 4, 12	**(134,688)**	(117,847)
Gross profit		**28,429**	25,222
Selling and distribution costs	4, 12	**(12,941)**	(12,093)
Administrative expenses	4, 12	**(6,016)**	(5,766)
Exceptional adjustment to defined benefit pension cost	18.3	**1,797**	-
Other income	5	**6**	6
		(17,154)	(17,853)
Operating profit		**11,275**	7,369
Profit on disposal of property		**-**	257
Finance income	6	**27**	26
Finance costs	7	**(823)**	(683)
Profit before tax	3	**10,479**	6,969
Tax expense	8	**(1,888)**	(1,448)
Profit after tax attributable to owners of the parent company		**8,591**	5,521
Earnings per ordinary share (basic)	10	**44.3p**	28.7p
Earnings per ordinary share (diluted)	10	**43.9p**	28.5p
Earnings per ordinary share (basic, excluding exceptional adjustment net of tax)	10	**36.9p**	28.7p
Earnings per ordinary share (diluted, excluding exceptional adjustment net of tax)	10	**36.6p**	28.5p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

£'000s	Notes	2014		2013 (as restated)	
Profit after tax			**8,591**		5,521
Other comprehensive income:					
Actuarial gain/(loss) on defined benefit pension scheme		**5,543**		(4,919)	
Deferred tax relating to components of other comprehensive income		**(1,508)**		1,350	
Other comprehensive income for the year, net of tax			**4,035**		(3,569)
Total comprehensive income attributable to the owners of the parent company			**12,626**		1,952

Consolidated Balance Sheet

At 31 March 2014

£'000s	Notes	2014	2013
Assets			
Non-current assets			
Goodwill	13	**237**	237
Other intangible assets	11	**108**	115
Property, plant and equipment	12	**22,647**	22,965
Deferred tax asset	20	**-**	803
Total non-current assets		**22,992**	24,120
Current assets			
Inventories	14	**27,937**	26,222
Trade and other receivables	15	**32,842**	28,877
Cash and cash equivalents		**11,234**	8,075
Total current assets		**72,013**	63,174
Total assets		**95,005**	87,294
Current liabilities			
Trade and other payables	16	**23,191**	19,561
Interest bearing loans and borrowings	17	**238**	229
Tax payable		**1,017**	537
Total current liabilities		**24,446**	20,327
Non-current liabilities			
Interest bearing loans and borrowings	17	**1,890**	2,128
Retirement and other benefit obligation	18	**9,267**	16,793
Other payables	19	**520**	579
Deferred tax liabilities	20	**774**	-
Total non-current liabilities		**12,451**	19,500
Total liabilities		**36,897**	39,827
Net assets		**58,108**	47,467
Capital and reserves			
Issued capital	21	**5,040**	5,040
Share-based payment reserve	22	**123**	91
Own shares	23	**(175)**	(218)
Capital reserve		**3**	3
Retained earnings		**53,117**	42,551
Total equity attributable to shareholders of the parent company		**58,108**	47,467

These accounts were approved and authorised for issue by the Board of Directors on 25 June 2014 and signed on its behalf by:

N.C. Latham
D.A. Dunmow } Directors

The consolidated notes on pages 34 to 58 form part of these accounts.

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent company					
	Issued capital	Share-based payment reserve	Own shares	Capital reserve	Retained earnings (as restated)	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2012	5,040	144	(356)	3	42,093	46,924
Profit for the year	-	-	-	-	5,521	5,521
Other comprehensive income:						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(4,919)	(4,919)
Deferred tax relating to components of other comprehensive income	-	-	-	-	1,350	1,350
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)	-
Conversions of ESOP 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**
Profit for the year	-	-	-	-	8,591	8,591
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	5,543	5,543
Deferred tax relating to components of other comprehensive income	-	-	-	-	(1,508)	(1,508)
Total comprehensive income for the year	-	-	-	-	12,626	12,626
Transactions with owners:						
Dividends	-	-	-	-	(2,031)	(2,031)
Exercise of options	-	(48)	-	-	48	-
Write down on conversion of ESOP shares	-	-	77	-	(77)	-
Change in investment in ESOP shares	-	-	(34)	-	-	(34)
Share-based payment expense	-	80	-	-	-	80
Total transactions with owners	-	32	43	-	(2,060)	(1,985)
Balance at 31 March 2014	**5,040**	**123**	**(175)**	**3**	**53,117**	**58,108**

Consolidated Cash Flow Statement

For the year ended 31 March 2014

£'000s	Notes	2014	2013
Net cash flow from operating activities			
Cash generated from operations	24	**8,036**	5,829
Interest paid		**(45)**	(64)
Income tax paid		**(1,339)**	(1,469)
Net cash inflow from operating activities		**6,652**	4,296
Cash flows from investing activities			
Interest received and similar income		**27**	26
Purchase of property, plant and equipment		**(1,181)**	(1,517)
Proceeds from sale of property, plant and equipment		**-**	1,070
Net cash outflow from investing activities		**(1,154)**	(421)
Net cash outflow from financing activities			
Borrowings repaid during the year		**(229)**	(1,207)
Equity dividends paid		**(2,031)**	(1,883)
Preference dividend paid		**(79)**	(79)
Sale of Own Shares		**-**	365
Net cash outflow from financing activities		**(2,339)**	(2,804)
Increase in cash and cash equivalents for the year		**3,159**	1,071
Cash and cash equivalents at beginning of year		**8,075**	7,004
Cash and cash equivalents at end of year		**11,234**	8,075

Notes forming part of the Group Accounts

General information

James Latham plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on the AIM market. The nature of the group's operations and its principal activities are set out in the Strategic 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 59 to 65.

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 25. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

In the current year, the group has adopted IAS19 (revised) retrospectively and in accordance with the transitional provisions. As the group has always recognised actuarial gains and losses immediately, there is no effect on the prior year defined benefit obligation and balance sheet disclosure arising from this change. IAS19 (revised) requires interest cost and return on scheme assets calculated under the previous version of IAS19 to be replaced with a net interest amount calculated by applying a discount rate to the net defined liability or asset. The impact of this revision is shown in note 3.2.

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:

- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IAS 27 (revised) – Separate Financial Statements
- IAS 28 (revised) – Interests in Associates and Joint Ventures
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IAS 24 – Related Party Disclosures
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 38 – Intangible Assets
- Amendments to IFRS 3 – Business Combinations
- Amendments to IFRS 8 – Operating Segments

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 2014.

(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 Exceptional items

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

1.5 Foreign currency translation

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.

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

1.6 Property, plant and equipment

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

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

Freehold land is not depreciated.

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

1.7 Impairment of non-current assets

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

1.8 Goodwill

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

1.9 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.

1.10 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.

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 (revised) "Employee benefits". Full details of the basis of calculation of the net pension liability disclosed in the balance sheet at 31 March 2014, and of the amounts charged/credited to the income statement and equity, are set out in note 18 to the accounts.

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

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

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

Pension payments to the group's defined contribution schemes 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 group and company accounts.

1.20 Accounting estimates and judgements

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

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

3. Profit before tax

3.1 Profit for the year has been arrived at after taking into account the following:	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net foreign exchange gains		**134**		35
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement		**130,607**		112,236
Depreciation of property, plant and equipment – owned		**1,496**		1,200
Loss/(profit) on disposal of property, plant and equipment		**3**		(287)
Amortisation		**7**		8
Operating lease rentals - vehicles and plant	**570**		867	
- property	**539**		539	
		1,109		1,406
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		**58**		56
Tax services		**11**		7
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		**7**		6

3.2 Prior period restatement

IAS 19 (revised 2011) has amended the allocation of costs for the group's defined benefit pension scheme (see note 18.2). This replaces the combined interest cost on liabilites and expected return on plan assets with a net interest charge on the net defined benefit liability.

Prior year comparatives have been restated and this has had the following impact on the income statement.

	Year ended 31 March 2013		
	As previously stated £'000	Prior period adjustment £'000	As restated £'000
Revenue	143,069	-	143,069
Cost of sales (including warehouse costs)	(117,831)	(16)	(117,847)
Gross profit	25,238	(16)	25,222
Selling and distribution costs	(12,051)	(42)	(12,093)
Administrative expenses	(5,647)	(119)	(5,766)
Other income	6	-	6
Operating profit	7,546	(177)	7,369
Profit on disposal of property	257	-	257
Finance income	26	-	26
Finance costs	(947)	264	(683)
Profit before tax	6,882	87	6,969
Tax expense	(1,428)	(20)	(1,448)
Profit after tax	5,454	67	5,521

The impact on the consolidated statement of comprehensive income is as follows

Profit after tax	5,454	67	5,521
Actuarial losses on defined benefit pension scheme	(4,832)	(87)	(4,919)
Deferred taxation	1,330	20	1,350
	1,952	-	1,952

This change had no effect on either the net assets as at 31 March 2013 or cash flow statement.

4. Information regarding employees

The monthly average number of persons, including directors, employed by the group during the year was as follows:	2014 Number	2013 Number
Management and administration	58	59
Warehousing	94	96
Selling	115	115
Distribution	63	61
	330	331

The aggregate payroll costs of these employees were as follows:	£'000	£'000 as restated
Wages and salaries	10,607	9,966
Social security costs	1,076	986
Pension costs	1,370	1,127
Past service on pension cost	(1,797)	-
Share-based payment	80	68
	11,336	12,147

Of the above payroll costs, £2,634,000 (2013: £2,510,000) is included in cost of sales, £6,697,000 (2013: £6,264,000) is included in selling and distribution costs, and £2,005,000 (2013: £3,373,000) is included in administrative expenses in the income statement.

5. Other income

	2014 £'000	2013 £'000
Rent receivable	6	6

6. Finance income

	2014 £'000	2013 £'000
Interest receivable	27	26

The interest received is on bank deposits.

7. Finance costs

	2014 £'000	2013 as restated £'000
On bank loans and overdrafts	45	64
Finance cost generated by financial liabilities held at fair value through profit and loss	-	(45)
On pension liability	699	585
On 8% Cumulative Preference shares	79	79
	823	683

The interest payable on overdrafts is payable on balances with a maturity analysis of less than 6 months 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.

8. Tax expense

	2014 £'000	2013 as restated £'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 23% (2013: 24%)	**1,832**	1,322
Adjustment in respect of prior year	**(13)**	(75)
Deferred taxation - pension	**397**	102
- IBAs derecognised in current year	**(29)**	(30)
- change in tax rates	**(323)**	27
- on trading losses carried forward	**203**	155
- other	**(179)**	(53)
	1,888	1,448
Profit before taxation	**10,479**	6,969
Tax at 23% (2013: 24%)	**2,410**	1,672
Tax effect of expenses/credits that are not deductible/taxable in determining taxable profit	**(60)**	(66)
Property sales	**-**	(53)
IBAs derecognised in current year	**(29)**	(30)
Change in tax rates	**(323)**	-
Other	**(97)**	-
Adjustment in respect of prior year	**(13)**	(75)
Total tax charge	**1,888**	1,448

There are tax trading losses of £439,000 (2013: £1,283,000) carried forward in the accounts of Lathams 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 £92,000 (2013: £295,000) is recognised based on the trading losses and these are included in the deferred tax note 20.

9. Dividends

	2014		2013	
	£'000	£'000	£'000	£'000
Ordinary dividends:				
Final 7.1p per share paid 23 August 2013 (2012: 6.75p)	**1,372**		1,284	
Interim 3.4p per share paid 31 January 2014 (2013: 3.1p)	**659**		599	
		2,031		1,883

The Directors propose a final dividend for 2014 of 8.0p per share, that, subject to approval by the shareholders, will be paid on 22 August 2014 to shareholders on the register on 1 August 2014.

Based on the number of shares currently in issue, the final dividend for 2014 is expected to absorb £1,555,000.

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.

	2014 £'000	2013 as restated £'000
Net profit attributable to ordinary shareholders	**8,591**	5,521
Net profit attributable to ordinary shareholders less exceptional adjustment to defined benefit pension cost net of tax	**7,153**	5,521
	Number '000	Number '000
Issued ordinary share capital	**20,160**	20,160
Less: weighted average number of own shares held in treasury investment	**(719)**	(819)
Less: weighted average number of own shares held in ESOP Trust	**(56)**	(124)
Weighted average share capital	**19,385**	19,217
Add: dilutive effects of share options issued	**182**	141
Weighted average share capital for diluted earnings per ordinary share calculation	**19,567**	19,358

11. Intangible assets

	Trademark £'000
Cost:	
At 1 April 2012	155
Additions	-
At 1 April 2013	**155**
Additions	-
At 31 March 2014	**155**
Amortisation	
At 1 April 2012	32
Charge for the year	8
At 1 April 2013	**40**
Charge for the year	7
At 31 March 2014	**47**
Net book value	
At 31 March 2014	**108**
At 31 March 2013	115
At 31 March 2012	123

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

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

12. Property, plant and equipment

	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	**Total £'000**
Cost:				
At 1 April 2012	18,646	613	8,222	**27,481**
Additions	82	-	1,435	**1,517**
Disposals	-	-	(278)	**(278)**
At 1 April 2013	**18,728**	**613**	**9,379**	**28,720**
Additions	14	-	1,167	**1,181**
Disposals	-	-	(30)	**(30)**
At 31 March 2014	**18,742**	**613**	**10,516**	**29,871**
Depreciation:				
At 1 April 2012	1,672	140	2,996	**4,808**
Disposals	-	-	(253)	**(253)**
Charge for the year	247	37	916	**1,200**
At 1 April 2013	**1,919**	**177**	**3,659**	**5,755**
Disposals	-	-	(27)	**(27)**
Charge for the year	247	37	1,212	**1,496**
At 31 March 2014	**2,166**	**214**	**4,844**	**7,224**
Net book value				
At 31 March 2014	**16,576**	**399**	**5,672**	**22,647**
At 31 March 2013	16,809	436	5,720	**22,965**
At 31 March 2012	16,974	473	5,226	**22,673**

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:

	2014 £'000	2013 £'000
Cost of sales	**806**	694
Selling and distribution costs	**591**	408
Administrative expenses	**99**	98
	1,496	1,200

13. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2012 and 31 March 2014	**362**
Impairment	
At 1 April 2012 and 31 March 2014	125
Net book value	
At 31 March 2014, 2013 and 2012	**237**

The goodwill arose upon the acquisition of part of the trade and net assets of F.H. 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. Inventories

	2014 £'000	2013 £'000
Finished goods and goods for resale	**28,603**	26,936
Less: provisions for slow moving and obsolete stock	**(666)**	(714)
	27,937	26,222

The inventories impairment charge for the year ended 31 March 2014 was £341,000 (2013: 420,000). Impairment charges reversed during the year were £389,000 (2013: £430,000). 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 17).

15. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**30,281**	26,548
Other receivables:		
Other receivables	**1,060**	815
Prepayments and accrued income	**1,501**	1,514
	2,561	2,329
	32,842	28,877

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

Trade receivables amounted to £30,281,000 (2013: £26,548,000), net of a provision of £136,000 (2013: £246,000) for impairment. Movements on the group provisions for impairment were as follows:

	2014 £'000	2013 £'000
At 1 April 2013	**246**	232
Provisions for receivables impairment	**197**	447
Receivables written off during the year as uncollectible	**(307)**	(433)
At 31 March 2014	**136**	246

The average credit period on sale of goods is 53 days (2013: 53 days).

The following table provides analysis of trade and other receivables that were past due at 31 March 2014 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.

	2014 £'000	2013 £'000
0-30 days	**919**	1,095
31-60 days	**111**	19
61-90 days	**20**	27
	1,050	1,141

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

At 31 March 2014, £32,559,000 (2013: £28,475,000) of trade and other receivables were denominated in sterling, £157,000 (2013: £114,000) were denominated in Euros and £126,000 (2013: £288,000) were denominated in US dollars.

16. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**16,744**	15,260
Other taxation and social security	**3,697**	2,634
Other payables	**1,228**	582
Accruals and deferred income	**1,522**	1,085
	23,191	19,561

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2013: 38 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2014, £21,478,000 (2013: £16,576,000) of trade and other payables were denominated in sterling, £1,075,000 (2013: £1,989,000) in US dollars and £638,000 (2013: £996,000) 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 £171,000 (2013: £299,000).

17. Interest bearing loans and borrowings

	2014 £'000	2013 £'000
Current liabilities		
Bank loans	**238**	229
Non-current liabilities		
Bank loans	**903**	1,141
Cumulative preference shares of £1 each (note 21)	**987**	987
	1,890	2,128
Total	**2,128**	2,357

The loans and borrowings were all denominated in sterling. Bank loans are secured by a legal charge over a freehold property.

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 (2013: £2,000,000) 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.

17. Interest bearing loans and borrowings (continued)

Bank loans

	2014		2013	
	Current £'000	Non-current £'000	Current £'000	Non-Current £'000
Bank loans	238	903	229	1,141

	2013	2012
The weighted average interest rates paid were:		
Bank loans	3.59%	3.59%

The weighted average period until maturity was 4.4 years (2013: 5.4 years).

18. Retirement and other benefit obligations

	2014 £'000	2013 £'000
Retirement benefit obligations (note 18.2)	9,267	16,793

18.1. 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. 60% of the assets are invested in equities, with 53% under passive management by Blackrock and 7% in a Fund of Hedge funds managed by Mesirow. 32% are held in bonds and gilts, with 19% managed by Mercers, 6% in an Absolute Return Fund managed by Wellington and 7% in an Index Linked fund managed by Blackrock, with the remaining 7% in a HLV Property Fund managed by Aviva and 1% in cash.

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

The pension charge for the year for all schemes, excluding the exceptional adjustment (see note 18.3) was £1,370,000 (2013: £1,127,000). Of the charge, £113,000 (2013: £100,000) is included in cost of sales, £356,000 (2013: £269,000) is included in selling and distribution costs, and £901,000 (2013: £758,000) is included in administrative expenses in the income statement.

Contributions are determined by a qualified actuary on a basis of triennial valuations using the projected unit funding method. The most recent available valuation was at 31 March 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. Limited Price Indexation was replaced by the Consumer Price Index (CPI) for payrises occurring after 1 January 2014.

18.2. Group defined benefit pension scheme

IAS19 (revised 2011) and the related consequential amendments have impacted the classification of costs for the group's defined benefit pension scheme by replacing the combined interest cost on liabilities and expected return on plan assets with a net interest charge on the net defined benefit liability. Prior year comparatives have been restated as set out in note 3.2.

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.

	2014	2013 as restated
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	**62,770**	53,010
Service cost	**823**	699
Exceptional past service cost	**(1,797)**	-
Interest cost	**2,725**	2,664
Plan members' contribution	**5**	5
Actuarial (gain)/loss	**(4,604)**	7,962
Benefits paid	**(1,670)**	(1,525)
Premiums paid	**(15)**	(45)
Benefit obligation at end of year	**58,237**	62,770
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	**58,237**	62,770
Change in scheme assets		
Fair value of scheme assets at beginning of year	**45,977**	40,694
Interest income	**2,026**	2,079
Return on plan assets (excluding interest income)	**939**	3,043
Employers contributions (incl. employer direct benefit payments)	**1,834**	1,869
Member contributions	**5**	5
Benefits paid from plan	**(1,670)**	(1,525)
Expenses paid	**(141)**	(188)
Fair value of scheme assets at end of year	**48,970**	45,977
Amounts recognised in the balance sheet		
Present value of funded obligations	**58,237**	62,770
Fair value of scheme assets	**48,970**	45,977
Net liability	**9,267**	16,793

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

	2014 £'000	2013 as restated £'000
Components of pension expense		
Current service cost	**823**	699
Exceptional past service cost	**(1,797)**	-
Interest cost	**2,725**	2,664
Income on plan assets	**(2,026)**	(2,079)
Expenses paid	**126**	143
Total pension (credit)/expense recognised in the income statement	**(149)**	1,427
Actuarial (gain)/loss immediately recognised	**(5,543)**	4,919
Total recognised in the statement of other comprehensive income	**(5,543)**	4,919
Cumulative amount of actuarial loss immediately recognised	**9,565**	15,108

	2014	2013
Plan assets		
The weighted-average asset allocations at the year end were as follows:		
Equities	**59.8%**	57.8%
Bonds	**32.0%**	33.1%
Property	**7.4%**	7.6%
Other	**0.8%**	1.5%
	100.0%	100.0%

	2014 £'000	2013 £'000
Amounts included in the fair value of assets for		
Equity instruments	**29,271**	26,581
Bond instruments	**15,694**	15,192
Property occupied	**3,608**	3,512
Other assets used	**397**	692
	48,970	45,977

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

	2014	2013
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**4.50%**	4.40%
Rate of compensation increase	**3.35%**	4.40%
Inflation (RPI)	**3.35%**	3.40%
Inflation (CPI)	**2.35%**	2.60%
Rate of pension increases (CPI capped at 5% [RPI in 2013])	**2.35%**	3.30%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	**24.3**	24.2
Female member age 65 (current life expectancy)	**26.7**	26.6
Male member age 40 (life expectancy at age 65)	**26.1**	26.0
Female member age 40 (life expectancy at age 65)	**28.7**	28.6
Weighted average assumptions used to determine pension expense:		
Discount rate	**4.40%**	5.10%
Rate of compensation increase	**4.40%**	4.30%

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%	**(3,000)**
Inflation rate increases by 0.25%	**1,407**
Life expectancy increases by one year	**1,703**

History of plan assets and defined benefit obligation

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	**58,237**	62,770	53,010	47,031	44,587
Fair value of plan assets	**48,970**	45,977	40,694	38,470	36,276
Net liability	**9,267**	16,793	12,316	8,561	8,311

Contributions
The group expects to contribute £1,776,000 to the pension scheme for the year ending 31 March 2015.

18.3. Exceptional adjustment to defined benefit pension cost

During the year, the trustees of the defined benefit pension scheme amended the index used to measure inflation from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This followed research by the government and the Office of National Statistics which concluded that RPI overstated the true level of price inflation. This affected all pensioner pay rises with effect from 1 January 2014. The effect of this change is to produce an exceptional credit of £1,797,000 to the service cost for the year.

18.4. Defined Contribution pension payments

The group operates a defined contribution scheme managed by Aegon. The group has agreed to match contributions by employees up to a maximum of 7.5%. In February 2014 the group reached its staging date for auto enrolment where eligible employees are enrolled with a minimum of 3% matching contributions.

Pension contributions paid to the defined contribution schemes for the year totalled £369,000 (2013: £275,000).

19. Other payables (non-current liabilities)

	2014 £'000	2013 £'000
Accruals and deferred income	**520**	579

20. Deferred tax

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

	Post-employment benefits **£'000**	Revalued properties **£'000**	Credit direct to equity **£'000**	Other (*) **£'000**	**Total £'000**
As at 1 April 2012	2,813	(181)	(2,227)	(750)	**(345)**
(Charge)/credit to the income statement	(158)	8	93	(125)	**(182)**
Credit direct to equity	1,259	71	-	-	**1,330**
At 31 March 2013 asset/(liability)	3,914	(102)	(2,134)	(875)	**803**
(Charge)/credit to the income statement	(438)	-	278	91	**(69)**
(Charge)/credit direct to equity	(1,520)	12	-	-	**(1,508)**
At 31 March 2014 asset/(liability)	1,956	(90)	(1,856)	(784)	**(774)**

** 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.

21. Share capital

Ordinary shares	2014 and 2013 Authorised Number	£'000	Issued Number	£'000
Ordinary shares of 25 pence each	**28,000,000**	**7,000**	**20,160,000**	**5,040**

Preference shares	2014 and 2013 Authorised Number	£'000	Issued 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 17.

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 2014 or 2013.

22. Share-based payment

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

	2014 Number of share options	2014 Weighted average exercise price (£)	2014 Nil price share options	2013 Number of share options	2013 Weighted average exercise price (£)	2013 Nil price share options
Outstanding at beginning of year	**400,168**	**2.14**	**38,082**	479,180	1.42	39,820
Granted during the year	**25,394**	**3.96**	**746**	224,222	2.50	11,538
Forfeited during the year	**(19,373)**	**2.24**	**-**	(13,464)	1.49	-
Exercised during the year	**(39,261)**	**1.16**	**(17,820)**	(289,770)	1.26	(13,276)
Outstanding at the end of the year	**366,928**	**2.37**	**21,008**	400,168	2.14	38,082

The weighted average share price for options exercised during the year was £3.96.

22. Share-based payment *(continued)*

Details of the options outstanding at 31 March 2014 are shown below. 12,894 of these options were exercisable at the year end.

	2014			2013		
	CSOP	SAYE	Nil price share options	CSOP	SAYE	Nil price share options
Range of exercise prices	**£1.16-£3.96**	**£2.46**	**Nil**	£1.16-£2.73	£2.46	Nil
Number of shares	**192,323**	**174,605**	**21,008**	211,884	188,284	38,082
Weighted average expected remaining life (years)	**3.0**	**1.9**	**1.1**	3.0	2.9	1.2

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:

	2014			2013		
	CSOP	SAYE	Nil price share options	CSOP	SAYE	Nil price share options
Share price at grant date	**£3.96**	-	-	£2.73	£2.73	£2.74
Option exercise price	**£3.96**	-	-	£2.73	£2.46	Nil
Expected volatility	**24%**	-	-	24%	24%	24%
Option life	**5 years**	-	-	5 years	3 years	3 years
Risk free interest rate	**2.9%**	-	-	1.7%	1.9%	1.7%
Fair value	**£1.07**	-	-	£0.67	£0.65	£2.74

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 £80,000 (2013: £67,000) 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 2014 was 180,217 (2013: 182,082).

23. Own shares

	£'000
At 1 April 2012	
Cost	356
Movement in the year	(138)
At 31 March 2013	218
Movement in the year	(43)
At 31 March 2014	**175**

The investment in own shares represents 67,080 25p Ordinary shares (2013: 104,409 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.33% (2013: 0.52%) of the issued share capital. The maximum number of shares held during the year was 116,868 (0.58%). 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 2014 719,200 (2013: 719,200) 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.

24. Cash generated from operations

	2014 £'000	2013 £'000
Profit before tax	**10,479**	6,969
Adjustment for finance income and expense	**796**	657
Depreciation and amortisation	**1,503**	1,208
Loss/(profit) on disposal of property, plant and equipment	**3**	(287)
Increase in inventories	**(1,715)**	(1,393)
(Increase)/decrease in receivables	**(3,965)**	256
Increase/(decrease) in payables	**3,571**	(663)
Retirement benefits non cash amounts	**(2,682)**	(1,027)
Share-based payments non cash amounts	**80**	67
Own shares non cash amounts	**(34)**	42
Cash generated from operations	**8,036**	5,829

25. Leasing commitments

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

	2014 £'000	2013 £'000
Vehicles and Plant		
No later than one year	**478**	439
Later than one year but no later than five years	**505**	643
	983	1,082
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	**2,640**	3,235
	5,618	6,213

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

26. 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.

	2014 £'000	2013 £'000
Salaries and other short-term employee benefits	**798**	679
Social security costs	**97**	89
Pension costs	**122**	113
Share-based payments	**35**	37
	1,052	918

There are 5 directors to whom retirement benefits are accruing under defined benefit schemes, and 5 directors that exercised share options during the year.

Emoluments for the highest paid director totalled £239,000 (2013: £209,000). The highest paid director also exercised 4,310 Company Share Option Plan share options during the year at a gain of £12,068. The highest paid director had an accrued defined benefit pension of £108,000 (2013: £97,000) at the balance sheet date.

27. Capital commitments

At 31 March 2014, there were capital commitments contracted for but not provided in the accounts of £76,000 (2013: £531,000).

28. 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 10-12.

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**
2014					
Bank loans	118	120	903	-	**1,141**
Trade payables	16,744	-	-	-	**16,744**
Accruals	1,490	-	-	-	**1,490**
Other payables	1,228	-	-	-	**1,228**
Cumulative preference shares of £1 each	-	-	-	987	**987**
Total	**19,580**	**120**	**903**	**987**	**21,590**
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**

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 mainly in the UK, the market price of our products tends to fluctuate in line with spot prices.

Included in group cash and cash equivalents at 31 March 2014 was £390,000 in US Dollars (2013: £252,000) and £184,000 in Euros (2013: £27,000), at variable interest rates.

Based on the balance sheet value of cash and cash equivalents, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £57,000 (2013: £28,000).

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.

28. Financial instruments *(continued)*

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.

Financial assets

	Fixed rate	Floating rate	Non-interest bearing	**Total**
2014	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	-	11,234	-	**11,234**
Trade and other receivables	-	-	31,341	**31,341**
	-	**11,234**	**31,341**	**42,575**

	Fixed rate	Floating rate	Non-interest bearing	**Total**
2013	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	-	8,075	-	**8,075**
Trade and other receivables	-	-	27,363	**27,363**
	-	**8,075**	**27,363**	**35,438**

Financial liabilities

	Fixed rate	Floating rate	Non-interest bearing	**Total**
2014	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	-	-	16,744	**16,744**
Accruals	-	-	1,490	**1,490**
Other payables	-	-	1,228	**1,228**
Bank loan	1,141	-	-	**1,141**
Cumulative preference shares of £1 each	987	-	-	**987**
	2,128	**-**	**19,462**	**21,590**

	Fixed rate	Floating rate	Non-interest bearing	**Total**
2013	**£'000**	**£'000**	**£'000**	**£'000**
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**

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 £112,000 (2013: £81,000).

28. Financial instruments *(continued)*

Credit risk exposure
Credit risk arises on our financial asset investments, trade receivables and cash and cash equivalents. Credit exposure is managed on a group basis 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 0.1% 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 groups 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

2014	Loans and receivables
Current assets	**£'000**
Trade receivables	30,281
Other receivables	1,060
Cash and cash equivalents	11,234
Total current assets	**42,575**

	Financial liabilities measured at amortised cost	**Total**
Current liabilities		
Trade payables	16,744	**16,744**
Other payables	1,228	**1,228**
Accruals	1,490	**1,490**
Bank loans	238	**238**
Total current liabilities	**19,700**	**19,700**
Non-current liabilities		
Bank loans	903	**903**
Total non-current liabilities	**903**	**903**

28. Financial instruments *(continued)*

Financial instruments recognised in the balance sheet *(continued)*

2013	Loans and receivables
	£'000
Current assets	
Trade receivables	26,548
Other receivables	815
Cash and cash equivalents	8,075
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**
Total non-current liabilities	**1,141**	**1,141**

Company Balance Sheet

Company number: 65619

At 31 March 2014

£'000s	Notes	2014		2013	
Fixed assets					
Tangible fixed assets	2		**23**		17
Investments	3		**14,613**		14,613
			14,636		14,630
Current assets					
Debtors: amounts falling due within one year	4	**3,819**		6,560	
Cash at bank and in hand		**9,137**		6,808	
		12,956		13,368	
Creditors: amounts falling due within one year	5	**(4,214)**		(2,816)	
Net current assets			**8,742**		10,552
Total assets less current liabilities			**23,378**		25,182
Creditors: amounts falling due after more than one year	6		**(1,305)**		(1,338)
Net assets			**22,073**		23,844
Represented by:					
Capital and reserves					
Called up share capital	8		**5,040**		5,040
Investment in own shares	9		**(175)**		(218)
Share-based payment reserve	10		**123**		91
Profit and loss account	10		**17,085**		18,931
Equity Shareholders Funds			**22,073**		23,844

These accounts were approved and authorised for issue by the Board of Directors on 25 June 2014 and signed on its behalf by:

N.C. Latham

} Directors

D.A. Dunmow

The notes on pages 60 to 65 form part of these 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 25.

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 2014, and of the amounts charged/credited to the group income statement and group equity are set out in note 18 to the group 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 defined contribution schemes 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 in note 1.17 to the group accounts. Details of the share-based payments are set out in note 22 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.

(i) 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 seperately and consolidated in the company 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.

2. Tangible fixed assets

	Plant, equipment and vehicles
	£'000
Cost:	
At 1 April 2013	343
Additions	10
At 31 March 2014	**353**
Depreciation:	
At 1 April 2013	326
Provision for the year	4
At 31 March 2014	**330**
Net book value	
At 31 March 2014	**23**
At 31 March 2013	17

3. Fixed asset investments

	Subsidiary undertakings
	£'000
Shares:	
At 1 April 2013 and 31 March 2014	9,613
Loans:	
At 1 April 2013 and 31 March 2014	5,000
Total at 31 March 2014 and 2013	**14,613**

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

	2014	2013
	£'000	£'000
Trade debtors	**23**	14
Amounts owed by subsidiary undertakings	**2,985**	5,464
Other debtors	**1**	-
Corporation tax	**785**	1,059
Deferred taxation (note 7)	**6**	8
Prepayments and accrued income	**19**	15
	3,819	6,560

5. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank overdraft	**3,390**	2,203
Trade creditors	**35**	32
Other taxation and social security	**466**	413
Other creditors	**236**	112
Accruals and deferred income	**87**	56
	4,214	2,816

6. Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Accruals and deferred income	**318**	351
8% Cumulative Preference Shares of £1 each (note 8)	**987**	987
	1,305	1,338

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

7. Deferred taxation

Included in debtors (note 4) is a deferred taxation asset of £6,000 (2013: £8,000)

	2014 £'000	2013 £'000
The deferred taxation provision comprises:		
Accelerated capital allowances	**(6)**	(8)
Timing differences on pension adjustments	**-**	-
Undiscounted provision for deferred tax	**(6)**	(8)
Discount	**-**	-
Discounted provision for deferred tax	**(6)**	(8)

Deferred taxation is provided at a rate of 20% (2013: 23%).
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 21 to the consolidated accounts.

9. Investment in own shares

	£'000
Shares:	
At 1 April 2013	218
Movements during the year	(43)
Total at 31 March 2014	**175**
Total at 31 March 2013	218

The investment in own shares represents 67,080 25p ordinary shares (2013: 104,409 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 2013	18,931	91	**19,022**
Profit for the year	214	-	**214**
Dividends	(2,031)	-	**(2,031)**
Exercise of options	48	(48)	**-**
Conversions of ESOP shares	(77)	-	**(77)**
Share-based payment expense	-	80	**80**
At 31 March 2014	**17,085**	**123**	**17,208**

At 31 March 2014 719,200 (2013: 719,200) 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.

11. Reconciliation of movements in shareholders' funds

	2014 £'000
Profit for the financial year	**214**
Dividends	**(2,031)**
	(1,817)
Change in investment in ESOP shares	**(34)**
Movement in share based payment reserve	**80**
Reduction in shareholders' funds	**(1,771)**
Opening shareholders' funds	**23,844**
Closing shareholders' funds	**22,073**

12. Principal subsidiary undertakings

Name	Country of incorporation	Class of shares	Percentage of ownership	Principal activity
Lathams Limited	England and Wales	£1 Ordinary	100%	Importing and distribution of timber and panel products
James Latham Trustee Limited	England and Wales	£1 Ordinary	100%	Corporate Trustee Company
LDT Westerham Limited	England and Wales	£1 Ordinary	100%	Dormant
Baüsen Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Midland and Western) Limited*	England and Wales	£1 Ordinary	100%	Dormant
Advanced Technical Panels Limited*	England and Wales	£1 Ordinary	100%	Dormant
Latham Timber Centres (Bridgwater) Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Warehousing) Limited	England and Wales	£1 Ordinary	100%	Dormant

* 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.

	2014 £'000	2013 £'000
Vehicles and plant:		
Leases expiring within one year	**2**	3
Leases expiring within two to five years	**23**	26
	25	29
Property:		
Leases expiring after more than five years	**87**	87

14. Related party transactions

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

15. Financial instruments

Risk management disclosures as applicable to the group as a whole are set out in note 28 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 2014 were:

	£
Repayable on demand	2,000,000

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

16. Dividends

	2014		2013	
	£'000	**£'000**	£'000	£'000
Ordinary dividends:				
Final 7.1p per share paid 23 August 2013 (2012: 6.75p)	**1,372**		1,284	
Interim 3.4p per share paid 31 January 2014 (2013: 3.1p)	**659**		599	
		2,031		1,883

The Directors propose a final dividend for 2014 of 8.0p per share, that, subject to approval by the shareholders, will be paid on 22 August 2014 to shareholders on the register on 1 August 2014.

Based on the number of shares currently in issue, the final dividend for 2014 is expected to absorb £1,555,000.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of the Company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QU on Wednesday 20 August 2014 at 12.30pm. Resolutions 1 to 9 inclusive will be proposed as ordinary resolutions, and resolutions 10 and 11 will be proposed as special resolutions.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2014 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 Peter Latham as a director, who retires by rotation.
6. To re-elect Chris Sutton as a director, who retires by rotation.
7. To elect Piers Latham as a director, who was appointed during the year.
8. 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

9. 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."

10. Disapplication of pre-emption rights: To consider, and if thought fit, pass the following resolution: "THAT subject to the passing of the previous Resolution 9, 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 9:

(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."

11. 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

25 June 2014

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 18 August 2014 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 25th June 2014, 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.

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. 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 www-uk.computershare.com/investor. The fee for 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). No stamp duty is currently payable on share transfers.

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.

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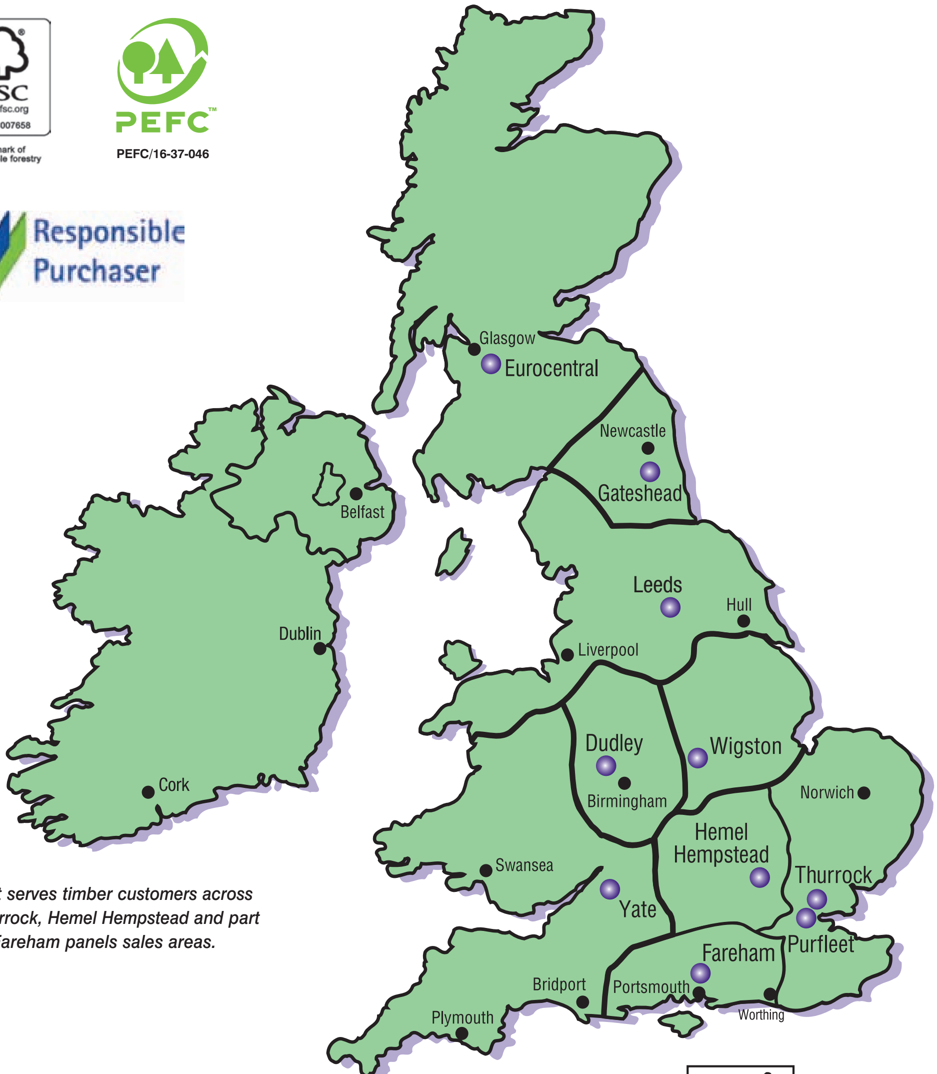

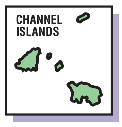

Purfleet serves timber customers across the Thurrock, Hemel Hempstead and part of the Fareham panels sales areas.

Panel and Timber Products

Dudley, West Midlands
Unit 3, Yorks Park
Blowers Green Road, Dudley
West Midlands DY2 8UL
Tel 01384 234444
Fax 01384 233121
Email: panels.dudley@lathams.co.uk
Email: timber.dudley@lathams.co.uk

Fareham, Hants
Unit 6, Matrix Park
Talbot Road, Fareham
Hants PO15 5AP
Tel 01329 854800
Fax 01329 849585
Email: panels.fareham@lathams.co.uk
Email: timber.fareham@lathams.co.uk

Gateshead, Tyne & Wear
Nest Road
Felling Industrial Estate
Gateshead
Tyne & Wear NE10 OLU
Tel 0191 469 4211
Fax 0191 469 2615
Email: panels.gateshead@lathams.co.uk

Leeds, West Yorkshire
Topcliffe Close, Off Topcliffe Lane
Capitol Park East
Tingley, Leeds
West Yorkshire WF3 1DR
Tel 0113 387 0830
Fax 0113 387 0855
Email: panels.leeds@lathams.co.uk
Email: timber.leeds@lathams.co.uk

Wigston, Leicester
Chartwell Drive, Off West Avenue
Wigston, Leicester LE18 2FN
Tel 0116 288 9161
Fax 0116 281 3806
Email: panels.wigston@lathams.co.uk
Email: timber.wigston@lathams.co.uk

Yate, Bristol
Badminton Road Trading Estate
Yate, Bristol BS37 5JX
Tel 01454 315421
Fax 01454 323488
Email: panels.yate@lathams.co.uk
Email: timber.yate@lathams.co.uk

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Pharos, Brittain Way
Eurocentral, Motherwell
Lanarkshire ML1 4XJ
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Unit 2 Swallow Park Finway Road
Hemel Hempstead Herts HP2 7QU
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Flooring Products

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Essex RM19 1NZ
Tel 01708 681700
Fax 01708 252381
Email: flooring@lathams.co.uk

Timber Products

Purfleet, Essex
Units 22/24 Purfleet Industrial Park
Juliette Way Aveley South Ockendon
Essex RM15 4YD
Tel 01708 864477
Fax 01708 862727
Email: timber.purfleet@lathams.co.uk

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Fax 01708 860900
Email: panels.thurrock@lathams.co.uk

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Tel 01442 849100 Fax 01442 267241

Marketing Tel 0116 257 3415
Email marketing@lathams.co.uk

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