

JAMES LATHAM PLC

ANNUAL REPORT & ACCOUNTS 2018



Contents

Summary and Highlights

- 1** Financial Highlights and Calendar
- 2** Chairman's Statement

Strategic Report

- 4** Outline of the Strategic Report
- 5** James Latham plc and Our Objectives and Strategy
- 8** Corporate Responsibility
- 12** Principal Risks and Uncertainties
- 14** Key Performance Indicators
- 15** Operating Review
- 18** Financial Review

Corporate Governance

- 22** Corporate Governance Report
- 25** Directors and Advisors
- 26** Directors' Remuneration Report
- 30** Directors' Report
- 33** Statement of Directors' Responsibilities
- 34** Independent Auditor's Report

Financial Statements

- 37** Consolidated Income Statement
- 37** Consolidated Statement of Comprehensive Income
- 38** Consolidated and Company Balance Sheet
- 39** Consolidated Statement of Changes in Equity
- 40** Company Statement of Changes in Equity
- 41** Consolidated and Company Cash Flow Statement
- 42** Notes forming part of the Group Accounts
- 67** Notice of the Annual General Meeting
- 69** The Latham Group

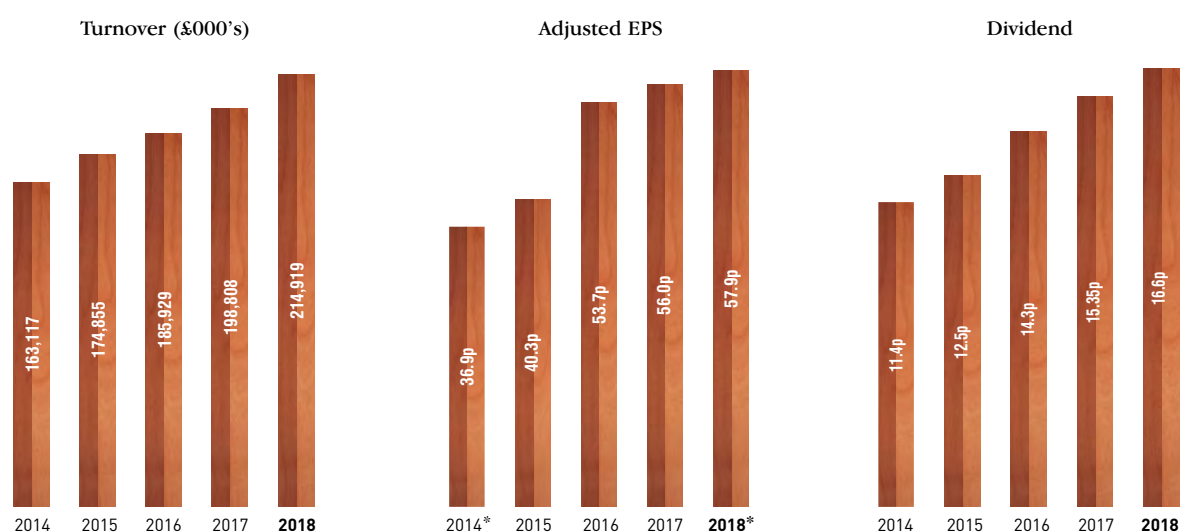
Financial Highlights and Calendar

for the year ended 31 March 2018

Financial Highlights

Year to 31 March	2018 £000	2017 £000	Increase (Decrease)	2016 £000
Turnover	214,919	198,808	8.1%	185,929
Operating profit	14,391	14,179	1.5%	13,241
Operating margin	6.7%	7.1%	-5.6%	7.1%
Profit before taxation	15,216	13,827	10.0%	12,876
Adjusted earnings per share*	57.9p	56.0p	3.4%	53.7p
Total ordinary dividend per share	16.6p	15.35p	8.1%	14.3p
Equity shareholders' funds	89,528	73,258	22.2%	71,183
Cash and cash equivalents	13,989	17,246	-18.9%	16,832

* Earnings per share have been adjusted to eliminate the profit on sale of property.



* Adjusted for an exceptional pension credit in 2014 and profit on sale of property in 2018.

Financial Calendar

Record date for final dividend 2018	3 August 2018
AGM	22 August 2018
Payment of final dividend	24 August 2018
Interim 2018/19 results announcement	29 November 2018
Interim dividend expected payment date	25 January 2019
Preliminary announcement of 2018/19 results	27 June 2019
AGM 2019	21 August 2019

Chairman's Statement



Nick Latham

Chairman, James Latham plc

I am pleased to report good trading results for the financial year to 31 March 2018.

Revenue for the financial year to 31 March 2018 was £214.9m, up 8.1% on last year's £198.8m. We have seen volumes continue to grow, especially through our own warehouses where they are up 4.5%. The cost price of our products have increased in comparison to the previous twelve months. This is in part down to the weakening of sterling against the Euro, but also we have seen manufacturers continuing to increase prices.

Gross margin for the financial year to 31 March 2018 was 17.6% compared with 18.2% in the previous financial year. It was particularly pleasing to see an improvement in the gross margin in the second half of the year, which was 17.9% compared with 17.3% in the first half of the year.

Selling and distribution costs were 5.3% higher than last year. Distribution costs rise in line with volumes, and we monitor costs per tonne which are up by 2.3%.

Overheads have been well controlled when we consider that we have relocated both Yate and Leicester (Wigston) sites during the year. We have tried to minimise the relocation costs and double costs of owning two empty sites, which have cost us less than £150,000. Both sites are performing extremely well since their relocation, particularly in melamine and added value timber products where the new racking systems have allowed us to increase our stock range.

Profit before tax is £15.2m, up £1.4m on last year's £13.8m. This includes a profit of £1.3m on the sale of our Wigston site.

Post tax profit for the year is £12.6m, up from last year's £11.0m.

Earnings per ordinary share were 64.4p (2017: 56.0p) an increase of 15.0%.

As at 31 March 2018 net assets have increased to £89.8m (2017: £73.3m). Non-current assets have increased by £6.1m from 31 March 2017, with the investment in the two new sites as well as continuing investment in our vehicle fleet and warehouse forklifts. Inventory levels have increased to £40.1m, partly due to the increase in unit cost of the stock as well as an increase in volume. Trade Receivables have continued to show good debtors day figures with there being another low bad debt charge of under 0.15% of revenue. Cash and cash equivalents of £14.0m (2017: £17.2m), remain strong with good cash flows from operating activities.

Pension Scheme

The company and the trustees of the James Latham plc Pension and Assurance Scheme have approved the triennial valuation dated 31 March 2017 with the scheme actuary. This valuation shows a shortfall of assets of £12.1m compared to a shortfall of £1.5m in the previous valuation dated 31 March 2014. The company has agreed a recovery plan with the trustees of £2.0m per annum until 31 March 2024.

At 31 March 2018 the deficit of the defined benefit scheme under IAS19 (revised) was £8.4m, down £8.2m compared with £16.6m last year. The calculation of the pension deficit remains very sensitive to changes in assumptions.

Final dividend

The Board has declared a final dividend of 12.1p per Ordinary Share (2017: 10.85p). The dividend is payable on 24 August 2018 to ordinary shareholders on the company's register at close of business on 3 August 2018. The ex-dividend date will be 2 August 2018.

The total dividend per ordinary share of 16.6p for the year (2017: 15.35p) is covered 3.9 times by earnings (2017: 3.6 times).

Current and future trading

This year has started well with sales per working day 9.8% higher for April and May than the corresponding period last year. Margins are very slightly lower than the second half of 2017/8. We are seeing growth in sales of added value timber and panel products from our decision to invest in specialist sales staff last year, although volume growth in our core products are proving more challenging. Despite the strong start to the year there is increasing uncertainty surrounding the economic outlook, but we remain confident that we are in a strong position to continue to grow the business.

Development strategy

The directors will continue to develop the business. This will be done by a combination of investing in our current warehouse facilities, with the emphasis this year on Purfleet, Thurrock and Gateshead, and further extending the working day. We are also looking at geographical growth, and focusing on developing sales of our key product areas. In addition to our showroom at the Business Design Centre in Islington, we are in the process of opening a design centre in Manchester as we continue to focus our efforts in the A&D specification sector.

Directors and staff

Peter Latham retired as chairman in August 2017, having been chairman for nearly 12 years. Peter worked in the business for 44 years and the board would like to record their enormous thanks for his skill in guiding the business through a period of significant growth.

I am delighted to welcome Paula Kerrigan, who joined as a non executive director in October 2017. Paula is currently transformation director at SuperGroup, and was formally chief strategy officer at the Co-operative group. Her experience in strategic planning and supply chain management will add a further dimension to the board.

On 31 August 2018 Meryl Bushell retires as a non executive director. Meryl joined the board in September 2008, and has been an extremely valued member of the board, with her challenging questions helping guide us through what has been an exciting period of the company's development.

In terms of corporate structure, there is a clear division of responsibilities between the main board, which determines strategy and exercises corporate governance and the trading board of Lathams Ltd, chaired by Chris Sutton, which sets and monitors trading and operations policy. Both boards are well balanced in terms of both experience and skills.

The business is organised to give as much local autonomy to our site directors to implement our sales and purchasing strategy, with our senior timber and panel staff meeting regularly to review and evaluate our key products groups.

I would like to personally thank all the directors and everyone in the group for their support and individual contributions during the course of this successful year. This has been a real team performance in challenging market conditions, demonstrated by a fantastic second half of the year, for which I am enormously grateful to everyone.

Nick Latham

Chairman, James Latham plc

27 June 2018

Strategic Report

Introduction

Outline of the Strategic Report

The directors present their Strategic Report for the year ended 31 March 2018. Included within these sections are the four Principles for delivering growth as contained within the Quoted Companies Alliance Corporate Governance Code 2018, demonstrating how we comply with these principles.

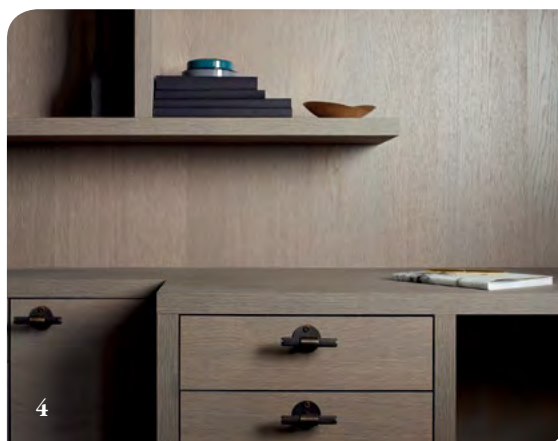
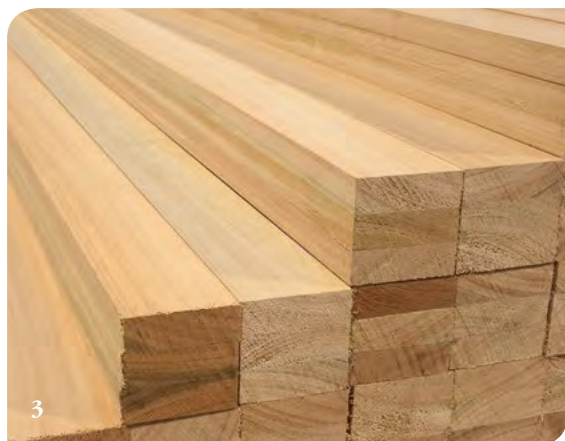
Page

5	James Latham plc and Our Objectives and Strategy
8	Corporate Responsibility
12	Principal Risks and Uncertainties
14	Key Performance Indicators
15	Operating Review
18	Financial Review

The Strategic Report was approved by the board of directors on 27 June 2018 and signed on its behalf by:-

Nick Latham

David Dunmow



1 Melamine Faced Chipboard from the Kronodesign Global Collection Trends 18/19 Industrial range.

2 Accoya Cladding. **3** Red Grandis WoodEx®. **4** Shinokki Manbattan Oak.

DELIVER GROWTH

Principle 1 – Establish a strategy and business model which promote long term value for shareholders.

Objectives

James Latham plc sets out to be the supplier of choice throughout the UK for joinery, door and kitchen manufacturers, shopfitters and other market sectors, offering a wide range of wood based panel products, natural acrylic stone, hardwoods, high grade softwoods, cladding, decking and plastics. 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 three 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 ten locations, as shown in The Latham Group map on page 69, as well as from various port and storage locations around the UK. 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.

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

The company's objectives are:

- To maximise shareholder value over the medium term;
- To 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 legal and sustainable timber products.
- To provide a safe working environment for our staff.
- 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

James Latham plc and Our Objectives and Strategy

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of high quality timber and associated products, purchased using the TTF RPP from legal and sustainable sources of supply, to meet existing and new customer demands on product and service.

Working with existing and potentially new suppliers, we identify products to add to our extensive range of products. Non timber products where they fit into the requirements of our customer base, are increasingly stocked. Andrew Wright is responsible for identifying these opportunities and our aim is to provide a true one stop shop to our key target markets.

Advanced Technical Panels, our speciality panels division, continues to evaluate and develop its product range and target markets. During the year an additional range of thermoformable plastic was added to the offering.

Commodity product remains very important to the group and more emphasis will be placed on marketing and developing the sales of MDF, OSB, Plywood and North American, European and African hardwoods.

Laminate forms a part of our strategic panels development with significant additions to our product range during the year, including a new range of Compact Grade Laminate. Our aim is to provide our customer base with an ex-stock service covering over 700 combinations of brands and decors.



Egger laminate design wall.



Matrix Xylocleaf.

All Latham depots will continue to offer an enhanced range of melamine products ex-stock, including decors from Egger, Kronospan and CLEAF.

Sales of technical timber are a key part of our strategic sales development for timber. An enhanced range of products are stocked, including Accoya, WoodEx®, decking and cladding.

Our Leeds depot acts as the central distribution point for ATP, HI-Macs®, Composite Decking, Kydex®, Laminates, Valchromat and other niche products. These are available on a national basis for prompt delivery to our customer base. We have and will continue to improve our delivery service and will consider additions to our centrally held stocks during the year.

All depots have a three year rolling business plan to ensure that they monitor opportunities and threats throughout the year, and review their practices to continually improve service levels to our customers. Investment in our facilities and ongoing review of our modus operandi is important to the continuing development of our business.

We will continue to look to develop new markets, including Ireland and other export markets, including the Middle East, where we have had some success during the year for some of our products. We will also consider acquisitions where opportunities arise, to enhance our product range or geographical coverage.



Business Design Centre showroom in Islington.

Our staff are a major asset for the company, and we continue to invest in training to ensure that we have the best operations, sales and technical teams in the industry. Marketing of our products through brochures, direct advertising, public relations, social media and exhibitions is key to our success, and we will use multiple channels to communicate clearly with our existing and potential customers, fully complying with our responsibilities under the General Data Protection Regulation.

Our Architect and Design showroom at the Business Design Centre in Islington has opened up our product offering to a large number of professional specifiers. This has already proved to be beneficial, gaining orders and specifications for a wide range of products on display from our key strategic suppliers. We have put in

place a programme of presentations to architects for their Continual Professional Development. Visitor numbers continue to increase and we expect to gain more specifications for our products through this facility.

Based on the success of the Islington facility we are opening an office in the Northern Quarter of Manchester to target architects and designers in the North West. We may consider other locations during the course of the year.

We value the personal relationships developed with our suppliers, staff and customers. Working with our staff and suppliers we aim to offer our existing and potential customer base a first class service of fit for purpose, legal and sustainable products, delivered in a timely manner.

Principle 2 – Seek to understand and meet shareholder needs and expectations.

Nick Latham and David Dunmow are responsible for maintaining good communications with shareholders. This includes our published financial statements and Stock Exchange announcements, which are also posted on to our Investors website, www.lathams.co.uk. We allocate at

least three days a year for Investor Roadshows organised by our broker, Northland Capital Partners, where investors have the opportunity to discuss our strategy and their own expectations. In addition we occasionally host shareholder visits to our depots.

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

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

Health and Safety – Providing a safe working environment

The handling of timber and panel products, both manually and mechanically, and the stacking and storage of these products at height, can be dangerous activities. We are very active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible for all people that come into contact with James Latham plc. We employ a full-time Health and Safety Manager who reports to the board regularly, attends board meetings twice a year and chairs regular health and safety meetings at all depots. We have a 3-year action plan and all sites are subject to regular audits, with their audit scores and trends being monitored at management meetings. Management and employees are actively involved in improving our safety record, which is high on everyone's agenda. All employees take a personal responsibility for making sure their actions and behaviour maintain safety for all and we encourage reporting of "near misses" to enable us to constantly improve our safety systems.

In addition, we recognise that safety extends beyond our warehouses. We regularly monitor vehicle accidents in our lorries and company cars to assess whether further training is required. We operate a programme of lorry driver mentoring and have introduced the FORS (Fleet Operator Recognition Scheme), achieving Bronze status and aim to improve this to Silver status in the near future. Our lorries all have tracking devices fitted which provide alerts and information on speed and the route taken, as well as cameras and side scanners to not only provide retrospective footage for training and insurance purposes, but also to provide improved rear and side visibility to our drivers, minimising blind spots. We undertake driving licence verification checks on a regular basis for all our drivers.

Environmental

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

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

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, i.e. 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.

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

It is therefore essential that we ensure our timber is legally harvested and comes from well managed forests. The group recognises that the independent certification of forests and of the supply chain is the best means of providing assurances of this. Where possible it purchases material certified by the Programme for the Endorsement of Forest Certification schemes (PEFC) or the Forest Stewardship Council (FSC). As well as providing assurances on the timber itself, these schemes also provide checks on the welfare of the forest workers and indigenous population.



Chris Sutton and some of our key customers and suppliers helping at the National Forest.

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

The group signed up to the WWF UK 'Forest Campaign' committing to purchasing only certified legal and sustainable timber products by 2020 and to publically show progress towards this target. WWF awarded us the top score of three "trees", before closing this campaign. We are actively looking for new initiatives in the future.



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

The 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.

		FSC	PEFC	3rd party verified legal	TOTAL
Panels	2016	69%	23%	6%	98%
	2017	74%	19%	5%	98%
	2018 Target	74%	20%	5%	99%
Timber	2016	43%	17%	32%	92%
	2017	46%	17.5%	30%	93.5%
	2018 Target	45%	18%	32%	95%

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 have a rigorous system for assessing our supply chains and are committed to only purchasing product with negligible risk status. We will not trade in timber species prohibited under Appendix 1 of CITES legislation and obtain the appropriate documents for the very limited trade we do in all other CITES listed timber species.

Part of the EUTR process to ensure that only legal timber enters the EU is the signing of bilateral agreements with producer countries. This involves the issuing of FLEGT (Forest Law Enforcement, Governance and Trade) licences for all timber traded for that source.

For a number of years the company has had risk assessment tools in place to monitor suppliers through the Timber Trade Federation Responsible Purchasing Policy and Code of Conduct. The risk assessment seeks to provide the clearest practicable information regarding the sources of raw material used in the manufacture of wood products. We 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 having 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. Company staff give presentations to customer trade associations and at customer premises.

Informing suppliers and supporting certification

Our senior staff have spoken about the importance of independent certification of forests and supply chains at EU and UK conferences for groups of suppliers in Ghana, Cameroon, Congo Brazzaville, Gabon, Peninsular Malaysia, Sarawak, Sabah and China. Company buyers have visited individual suppliers in Europe, Russia, Congo Brazzaville, China, Indonesia, Malaysia, the United States, Uruguay, Brazil and Argentina giving the same message. Group buyers have visited individual suppliers auditing the source of logs. The group has been helping promote the FLEGT Initiative to prevent illegal logging by giving press and film interviews and speaking at the FLEGT review meeting in Brussels, with Indonesia having now achieved FLEGT status.

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.

Supply chain transparency – Modern Slavery Act 2015

We are dedicated to promoting ethical values and integrity in our business behavior by implementing controls through ISO management and due diligence systems. We aim to ensure that trading and operational purchases are free from human trafficking and slavery. We are committed to transparency within our supply chains and are alert to the potential risks. Where risks are identified, adequate mitigation measures will be implemented and monitored.

Local environmental issues

We also recognize 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. Two depots have upgraded their warehouse lighting during the year to new energy efficient LED lighting, which have already shown savings in power bills. The two new depots constructed during the year, have been built with energy efficiency as one of the key objectives. Vehicle procurement considerations include reduction of emissions, with an upper limit on CO2 emissions set, 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 practicable to do so, to avoid these materials entering landfill.

We awarded our first inter depot Environmental and Health and Safety Awards to the Hemel depot. The award is to encourage best practice around the group but also to encourage each depot to come up with initiatives for reducing our carbon footprint. Hemel won due to a new initiative in the training of new Combi Lift truck drivers. Other depots were close runners up with initiatives in further waste recycling and supplying customers with bird boxes to help increase the number of UK nesting birds.



We give support, both in staff time and financially, to community projects local to our depots through schools, sports teams and charities. We support the National Forest project in Central England, which started with the planting of 250 trees to celebrate the company's 250 year anniversary



Combi Lift fork truck in operation at our Scotland depot.

in 2007 and continues with further plantings and woodland management activities for customers, suppliers and staff.

We sponsor the Innovative Timber Engineering prize at Brighton School of Architecture and Design. Piers Latham presented the prize to Briony Manning for her creative and thoughtful design intervention into an existing building in Stanmer Park, Brighton. Her project was praised in particular for its use of local timber species and the integration of new architectural elements into the fabric of an existing historic oak framed structure.

Our employees

The group's ability to achieve its commercial objectives and to serve the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The group regularly keeps employees up to date with financial and other information. Quarterly meetings are held in each location, chaired by a board member, where employees' views concerning the performance of their profit centre are considered. To encourage the involvement of employees in the group's performance, share option schemes are operated together with bonuses linked to performance.

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

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

We have a successful program of introducing trainees from school or college. All depots have trainees and we have plans to recruit more during the year. Trainees are put through external courses obtaining qualifications, including NVQs in Sales and Warehousing and the Wood Society exams covering the properties and uses of timber and panel products. Nine members of staff passed with one gaining distinction in the Examination for the TFT Woodexperts Ltd Level 4 Certificate in Wood Science and Timber Technology.

Our Timber Academy is currently training 8 of our timber trainees, who will have work placements with our key suppliers around the globe in order to expand their knowledge of timber. Knowledge gained from this will help our future sales and product development. Another 8 applicants are being considered for this year.

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 visit www.investorcentre.co.uk/etreeuk/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.

Strategic Report

Principal Risks and Uncertainties

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.

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 22.

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.

Inherent risk	Risk Description	Risk Mitigation
Market Conditions	The group's sales are predominantly UK based so it is exposed to any slowdown in the UK economy. Negative or uncertain economic conditions could affect our customers' business resulting in them reducing purchases from our group.	The distribution of our customers across the UK economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the board assess current trends.
Competition from new and existing businesses	Competitive pressures from existing businesses and new entrants to the market could reduce prices, margins and profitability.	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.
Inventory levels move out of line with sales requirements and market prices	<p>Product shortages can lead to high prices and over purchasing throughout the trade, resulting in excessive stock holding. Weaker prices lead to stock reduction throughout the supply chain, which magnifies the reduction in demand and then leads to even sharper falls in price. Erratic shipments can result in stock excess and shortages in specific special products.</p> <p>The market for certain product lines changes, resulting in them becoming overvalued and slow moving.</p>	<p>To mitigate this risk, the group has a strict policy of stock level targets by product group and depot. These are monitored monthly by the board which centrally controls the purchase of stocks and takes a group view on the action to be taken to limit the group's exposure to rapidly changing price levels. Live stock level reports and predictive tools are available for our managers to monitor current and future levels.</p> <p>The group's reduced reliance on commodity items has reduced this risk of over exposure to low value, high volume and price sensitive items, although as an important area for us, this risk cannot be completely removed.</p> <p>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.</p> <p>Slow moving stocks are monitored regularly and action taken to mitigate the risk.</p>

Principal Risks and Uncertainties

Inherent risk	Risk Description	Risk Mitigation
Reputational Risk	Over many years the group has built up a reputation for integrity and responsible trading and is aware that this can be easily damaged with the consequential cost to the Latham brand.	Policies are in place which cover standards of behaviour and good governance. On the purchasing side the group has a strong responsible purchasing policy managed by our Environmental Manager to minimise possible damage to its reputation and legal risk from dealing in illegal products.
Supplier political risks or failure could result in shortages of product	<p>Although far more of the group's purchases now come from Europe and North America, it has significant dealings with countries where the political climate is less stable, resulting in a strategic threat to the supply of product to the group.</p> <p>The group is reliant on certain suppliers for certain product ranges and their inability to meet our demand due to financial or production difficulties could result in stock shortages.</p> <p>The uncertainty over Brexit is adding risk over supplies from mainland Europe.</p>	<p>To mitigate the risk from these pressures, the groups dealings are spread across a large number of countries of supply. The group keeps informed of developments in higher risk producer countries through involvement in work by the Royal Institute of International Affairs (Chatham House).</p> <p>We maintain close relationships with our suppliers to ensure that we are pre-warned of difficulties of supply. We maintain relationships with suppliers of alternative products.</p> <p>Whilst the details of Brexit are not yet know, we are putting plans in place with our European suppliers to ensure continuity of supply, and are considering the routes of supply to the Irish market.</p>
Defined Benefit pension scheme funding could increase	The group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors is disclosed in note 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 failures impact our ability to trade	<p>The operations of the group depend to a large extent on the availability and reliability of our information technology systems. A failure of systems, either of hardware, software or communications, for an extended period of time could impact our ability to trade.</p> <p>This includes the risks of Cyber attack.</p>	<p>Our main computer servers are located in a secure site away from the trading operations, hosted in an external data centre. The systems are monitored 24 hours a day and maintenance work carried out on an ongoing basis.</p> <p>Back ups are held offsite in a separate data centre to provide extra resilience. Should there be any failure in the systems in the main datacentre, then the back ups held in the secondary data centre can be made operational.</p> <p>Software maintenance contracts ensure that our business critical software is up to date, allowing software problems to be resolved quickly. Cyber training, simulating phishing attacks and an overall review by external consultants have been carried out this year.</p>
Inability to trade from a depot	Inability to trade from a depot due to an incident, internally or externally, could cause loss of revenue and profits.	<p>Disaster recovery plans are in place at group and depot levels. These are reviewed by the Audit Committee and the board, as well as discussed at depot level. Insurance policies are in place to cover increased cost of working.</p> <p>Our distribution network, as well as our inventories held at various ports, allow us to manage customers requirements from a different location.</p>

Strategic Report

Key Performance Indicators

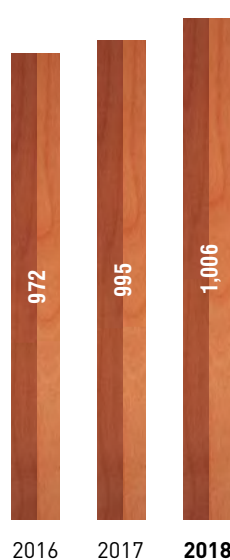
The group monitors its performance against the following Key Performance Indicators that we believe best reflect our performance and progress. In addition to the KPI's disclosed below, we have set out on page 9 the non-financial KPI, monitoring the amount of timber certified as coming from sustainable and well-managed forests.

Turnover (£000's)



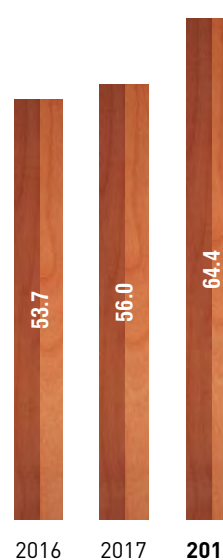
Showing turnover up 8.1%

Weight of product sold per working day (tonnes)



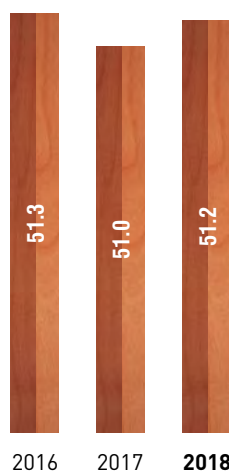
Tonnes per working day up 1.1%

Earnings per share (pence)



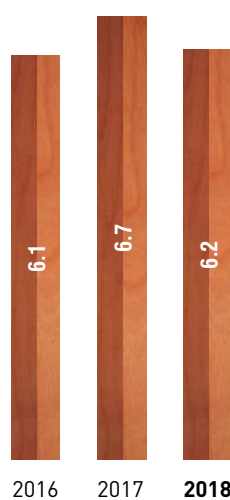
Earnings per share up 15.0%

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 has been revised to be based on volumes passing through our warehouses and is compared with our target of 6.5 times

Cash (£000's)



Cash balances reduced by £3,257,000

Results for the year to 31 March 2018

Revenue for 2017/18 was £214.9m, £16.1m higher than the previous year, reflecting improving volumes in panels. Core timber product volumes came under pressure but growth was achieved in added value lines. Suppliers prices increased throughout the year, in particular in the second half of the year. Most of our customers and markets remain busy and were optimistic about their prospects throughout the year.

The gross margin, the difference between the sales values and the cost prices excluding warehouse costs, was 0.9 percentage points down on the previous year (2017: 0.3 percentage points). Continuing competitive pressure in the commodity markets as well as the impact on cost prices resulted in some lower margins being achieved, as we could not pass on all of the price rises.

Staff numbers have increased this year, mainly warehouse and some key speciality sales staff. In addition we continue to invest in trainees, which are important to ensure that we have new talent coming through the business. We have also continued to extend the working day by introducing longer shifts, bringing along with it more warehouse staff. This enables us to efficiently pick orders placed later in the day and allow our vehicles to be loaded overnight for prompt starts the next day. Increasingly next day delivery is expected by our customers and our operations have to adapt to deal with this. Overhead cost control though has remained important and we continually look to improve efficiency and productivity.

For management purposes, the group is organised into one trading division, importing and distribution of wood based and related materials, carried out in each of the ten 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.

The group's strategy continues to be to target specific market sectors on both added value, core and premium grade products.

Our extensive stock holding of melamine, laminates and veneered panels has enabled us to show good sales growth in these areas. We will continue to invest in these ranges.



This year we sponsored the Plywood: Material of the Modern World exhibition at the Victoria and Albert Museum.

Plywood sales were very encouraging with merchants, contractors and specifiers continuing to support our policy of sourcing and stocking legal, certified and fit for purpose brands. We have committed to our strategic plywood suppliers in Malaysia, Indonesia, Uruguay, Finland and the Baltic States by purchasing from them on a rolling agreement basis. Garnica high quality poplar plywood was added to our range towards the end of last year and sales to date have been very encouraging.



Panoramic view of the new Yate depot.

Strategic Report

Operating Review

The supply of MDF was difficult throughout the year with some product shortages, extended lead times and significant price increases whilst our competitors remained aggressive in the market.

The demand for OSB continued to increase during the year. OSB is a certified and fit for purpose product that is able to be used in structural and non-structural applications. The next generation of OSB to include fire retardant and passivhaus, which helps reduce a building's ecological footprint is now stocked across the group.

Door blank sales for our Flamebreak, Moralt and Halspan brands have all grown. We offer a solution for applications such as fire, thermal and acoustic blanks. On going testing by our suppliers is carried out to ensure compliance with legal and performance requirements.



Moralt door.

The Advanced Technical Panels team, with their wealth of experience and knowledge, together with their extensive product range had a more difficult year with some larger accounts not being as busy. Branded products include Buffalo Board®, which continues to be specified. Kydex® has been successful, being sold into new markets in the commercial sector. Tests on our range of doors

encapsulated with Kydex® were carried out during the year and we can now offer this solution for a range of applications. Positive growth has been achieved with some of the WISA range of coated Birch Plywood.

The market for HI-Macs® natural acrylic stone has been extremely competitive leading to static values and margins being under pressure. We continue to work on gaining specifications with contractors, architects and designers, which proved to be successful in the second half of the year.

Strong sales continue to be achieved in Florian Prime European Oak. This product is of a consistently high quality which has proved successful in the joinery sector. African volumes are similar to last year but margins in particular on Sapele, remained under pressure. Our policy remains to source certified products although they are more expensive.

Demand for Accoya modified wood continues to grow despite supply being more difficult this year. Investment in manufacturing capacity by our supplier has been made but additional volumes will not be available until later in the year. Demand for bespoke cladding in Accoya Cedar and Larch was good throughout the year, with us winning specifications by working with architects and designers.

During the year we looked at different sources for our supplies of WoodEx®, our brand of Engineered Hardwood and Softwood. This has led to strong sales growth and ongoing repeat business.

We have worked very hard with our supply base in North America to secure high quality Tulipwood, White Oak and Black Walnut.

Our policy remains to visit strategic and potential new supplies across the globe to strengthen and develop personal relationships whilst looking to source new product. Every supplier is subject to a robust audit by our environmental manager.

LDT, our bulk timber pack operation, have made a very useful contribution to group profits, despite finding the importer and merchant market for hardwoods very competitive. We have though achieved some sales into Europe and the Middle East. As part of their ongoing development, LDT continue to look to increase their product offering to the importer and merchant sectors, whilst maintaining their strict environmental policy.





Products on display at the Building Design Centre.

We continue to develop our range of certified Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) products. Product of Verified Legal Origin (VLO) is also purchased. Our supplier procurement strategy is largely based on the Timber Trade Federation (TTF) Responsible Purchasing Policy (RPP). Any supplier who does not meet this criteria will not be considered.

The Surface Design Show generated in excess of 600 leads with the link to our Business Design Centre showroom proving to be very beneficial. New ranges of decorative products were launched at this years show. As well as this show, we undertake extensive marketing of our products, and through various publications and on-line advertising, has seen our name reach over 5.5 million people. We continue to develop our on line marketing, social media and direct product campaigns. During the year we refurbished the Business Design Centre with some new suppliers added. Activity levels have been high and supplier presentation days and CPD's were held regularly.

Market place

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

Market sector	Customer group	Lathams sales value %	
		2018	2017
Construction/housing	Merchants	16	17
	Joiners	24	23
	Builders	4	5
	Kitchen manufacturers	6	5
	Door manufacturers	4	4
Retail	Shopfitters	5	5
	Laminators/Veneerers	5	5
	Furniture manufacturers	7	7
Transport	Vehicle builders/Van liners	3	1
Exhibitions	Exhibition fitters	2	2
Cash sales		7	7
Other importers		6	8
Other sectors		11	11
	TOTAL	100	100

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

Strategic Report

Financial Review

Introduction

This report provides a commentary on how the group has performed against the financial objectives during this year, together with a review of its financial risks.

Financial objectives

The board of directors remain committed to the long term improvement in shareholder value and have set ourselves these financial objectives to help achieve this.

- **Improving profitability by maximising gross margins, whilst remaining competitive;**

This year has seen prices rise in most of our product ranges making the balance between maximising margins and remaining competitive more difficult than in previous years. With the gradual improvement in margin throughout the year I believe we have achieved this objective.

- **Increasing group market share through improving facilities at our existing depots;**

This year we relocated two of our older depots at Yate and Wigston, to new sites in Yate and Leicester, providing opportunities to increase market share in those areas.

- **Identifying expansion and acquisition opportunities, where the return on capital is at least equal to that of the existing group.**

The focus this year was on the moves of the two depots. Strategic meetings of the directors are held twice a year where opportunities are discussed and prioritised.

- **Controlling cashflows to maximise cash available for the business and shareholders.**

This year the focus was on controlling the cashflows connected with the new depots without affecting the normal activities, which was successfully achieved with good cash returns from operating activities.

- **Identifying and managing risks, with particular emphasis on the pension scheme liability.**

Risks are considered at the Audit Committee meeting and at board meetings at all levels throughout the group. The risk register is a dynamic document where we monitor new risks and changes in risk. Discussions this year have concentrated on Cyber Security and potential supply issues caused by Brexit.

- **Maintaining dividend cover at between 2.5 times and 4 times earnings.**

Dividend cover this year is 3.9 times (2017: 3.6 times).



David Dunmow

Finance Director and Company Secretary

Financial review

A commentary on the group's trading results is set out in the Operating Review on pages 15 to 17, and the key figures are considered below, with emphasis on the financial results.

Operating profit

Revenues increased by 8.1% to £214.9m. The majority of this increase is down to prices and product mix. Volumes through our warehouses have increased by 4.5% but direct business, which is always more volatile, has dropped by a similar amount. 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 in which we can provide a value added service. This has continued to be difficult this year with the increases in costs in most of our products. Gross profit reduced to 17.6% from 18.2%. At the half year stage we were achieving margins of 17.3%, illustrating a recovery in the margin earned in the second half of the year. In addition warehouse costs, which are included in the calculation of gross profit, have remained under control, with warehouse cost per tonne of product delivered reducing by 0.7%. This is despite continued investment in manpower to extend the working day to meet customer demands, and the increased costs of operating the two new sites. Most depots have two or more shifts in their working day, with two depots operating a 24 hour system in order to provide the service that our customers demand.

Selling and distribution costs increased by 5.3%. 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 increased only slightly by 2.3% over last year. This is mainly down to increased costs of using external hauliers and so during the year we have increased our lorry fleet by 3 lorries. We have also employed an extra 7 sales staff this year, either in specialist areas or as trainees for the future benefit of the company.

Costs in each location are monitored closely by the board through the quarterly meetings at each depot.

Operating profit increased 1.5% to £14.4m. A profit of £1.3m was achieved on the sale of the Wigston site following its relocation. Group net profit before taxation increased to £15.2m from £13.8m last year.

Taxation

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

The taxation charge of £2.6m represents an effective rate of 16.9%, compared with 20.6% last year. No capital gains tax arises on the sale of Wigston. The group's profits arise wholly in the UK and the group's tax charge will reflect the UK corporation tax rate.

Pension scheme

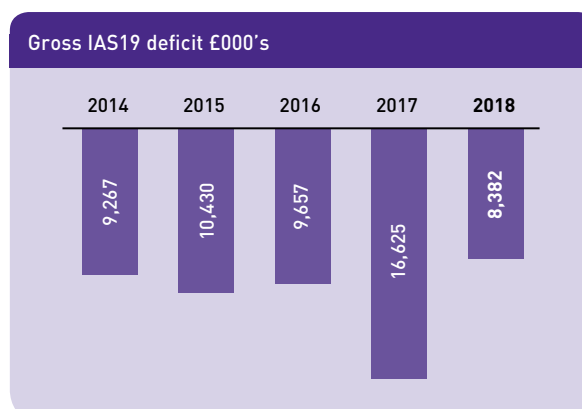
At 31 March 2018 the deficit of the defined benefit scheme under International Financial Reporting Standards was £8.4m compared with £16.6m last year. Discount rates, represented by yields on corporate bonds, increased slightly to 2.6% from 2.5% last year, still at historically low levels. Changes to some assumptions such as inflation and mortality rates have also reduced the liabilities. Assets under management have shown a return of 4.5% in line with the benchmarks for these asset classes. In note 18.2 to the accounts on page 55, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility.

We completed the triennial valuation at 31 March 2017 during the year, and as anticipated there is an increased deficit of £12.1m. As noted last year we made a special contribution to the scheme of £1m in the year to 31 March 2018. From then there will be deficit recovery payments of £2m per annum until 31 March 2024.



*Gothic Pavilion constructed from Garnica Plywood.
Photo courtesy of Philip Panting.*

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.

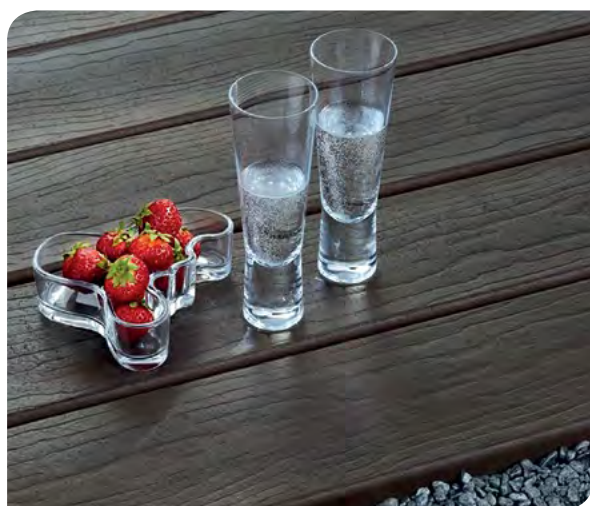


Cash flow and working capital

At the end of the year cash balances of £14.0m were held, down from £17.2m last year. The cash is being held as short term deposits providing funds for short term working capital fluctuations and allowing us to make capital investments when opportunities arise. Interest rates have remained at record lows throughout the year so we have continued to use our cash to obtain cash settlement terms with most of our major suppliers allowing us to earn £1,113,000 of discounts received compared with £1,002,000 last year. I am particularly grateful to my bought ledger team for their hard and efficient work in processing suppliers invoices so that these discounts are not missed.

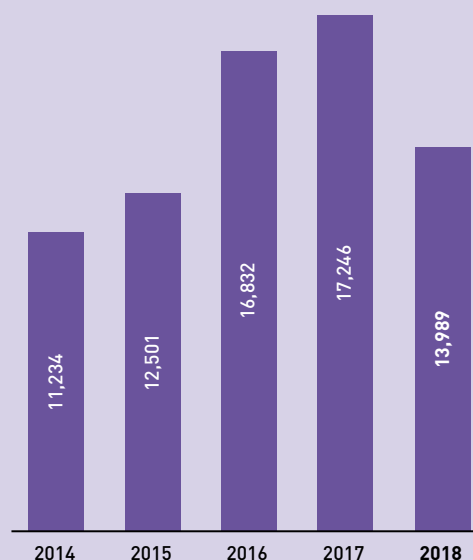
The timber importing and distribution business requires considerable working capital investment in stock and debtors.

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 51.0 days to 51.2 days. Bad debts this year ended up at 0.13% of turnover against a budget of 0.4%, and last year of 0.04%. My credit control team have done exceptionally well this year in getting right the difficult balance of dealing with our customers, dealing with our depots and collecting our debts. They also work very closely with our credit insurers to ensure that as many of our major accounts as possible are covered. At the year end we had 96% of accounts owing over £40,000 covered by credit insurance. In addition, the amount of outstanding debt being dealt with by our solicitors has remained low all year.



Decking from our Profits Deck range.

Cash and Cash Equivalents



Stock turnover targets are set and monitored on a monthly basis. Senior management and all staff responsible for product areas have access to real time inventory levels and targets. At 31 March 2018 stock turn is 6.2 times compared with our target of 6.5 times. The calculation has been amended to look at volumes rather than prices to take out the effect of price rises, and volume targets are also set. There were no significant overstocked areas giving any concern to us at the year end.

Good stock and debtor control has allowed 74% (2017: 86%) of profit before tax to be available as free cash for investment and distribution.

Capital investment

During the year we spent £8.6m on completing the new Yate and Leicester sites, including the racking. The cost of these sites were below our budgeted costs. We sold the old site at Wigston in March and the old site at Yate was sold in April following the year end. In addition we invested £0.3m in new racking at Hemel. Included in the cost of the Yate and Leicester sites is the investment in wi-fi at these sites. We are working on an IT project to use mobile devices in our warehouses to make the picking process more efficient and to reduce the possibility of mis-picks. The majority of the rest of the capital expenditure this year was due to the asset replacement policy on our lorries and mobile plant.



Construction of the new Leicester depot.

Net assets at the year end were £89.8m (2017: £73.3m). The group's pre-tax return on capital for the year was 16.6% (2017: 19.0%), which continues to be above our weighted average cost of capital. The reduction this year is due to the investment in our new sites, where improvement in returns will be over the medium term.

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. Our LDT division can have stock tied up in kilns for six to nine months, and we enter into

currency swaps to ensure that this stock is costed at spot price when it becomes available for sale. We will also enter into forward currency agreements to cover where customers are quoted a particular exchange rate.

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

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

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

David Dunmow
Finance Director

I believe that good corporate governance, involving risk appraisal and management, prudent decision making, communication with shareholders and other stakeholders and business efficiency, is important for the long term benefit of the stakeholders in our group. As a board we have considered the 10 Principles of Corporate Governance contained within the Quoted Companies Alliance Corporate Governance Code 2018 and show below how we have applied these principles. I am responsible for ensuring that the group conducts its business paying due regard to each of the 10 principles. These principles have been communicated to the rest of the board through training and discussion at board meetings, and each board member is responsible for ensuring that the message passes down to all our employees.

The 10 Principles are split into three areas, **Deliver Growth, Maintain a Dynamic Management Framework and Build Trust**. I can confirm that we have complied with all the Principles throughout the year.

The four Principles on Delivering Growth are considered within the Strategic Report starting on page 4.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5 – Maintain the board as a well-functioning, balanced team led by the chair.

The Board of Directors

I succeeded Peter Latham as Chairman on 24th August 2017. I am extremely grateful to Peter for his 44 years service to the company, which included 34 years on the board and nearly 12 years as chairman. The company is governed by a board of directors consisting of the Chairman, four executive directors and three non-executive directors. Each director has a vote and no individual or small group of individuals dominates the board's decision making.

In the year to 31 March 2018, the board met six times, with all directors attending each meeting. In addition conference calls are held where matters which cannot wait for the next board meeting can be discussed.

The non-executive directors are Meryl Bushell, Fabian French and Paula Kerrigan. I consider that all non-executives are independent. Meryl Bushell, in her tenth year of service as a non executive, will stand down at the AGM, as her length of service could start to impact on her independence. Paula Kerrigan was appointed in October 2017 so that there is a period of hand over

with Meryl Bushell. When appointing Paula Kerrigan, the role was widely advertised and we had over 400 applicants. The ten best candidates were interviewed by Meryl Bushell and Fabian French. They then recommended 2 people who came for interview with myself and David Dunmow. Paula Kerrigan was selected as best fitting our criteria of a person with experience of operations, logistics, strategic planning and procurement in a related industry. In addition to the scheduled meetings, the non-executives attended the group annual operational budget and strategy meeting, as well as making individual visits to operational sites.

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The directors' biographies are shown on page 25. Each director has many years experience within the Latham organisation at all levels. Each director has agreed responsibilities on the board, covering all aspects of the business including sales, procurement, operations, finance and IT. As well as responsibilities to the plc board, each director is actively involved in the running of the Lathams Limited business, the company's trading subsidiary, and keep their skill sets up to date by training, discussions on market trends with customers and suppliers and involvement with trade and environmental organisations. I believe the board works well together, challenging each other to constantly improve and move forward.

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

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

As a board we periodically review the running of the board, led by the non executive directors, to consider the effectiveness of the board and whether there are any gaps in skills on the board. Succession planning is key so that no member of the board becomes indispensable.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.

Our core values are Integrity, Shareholder Value, Empowerment, Sustainability and Customer Focus. The company and the Latham brand is well respected in its industry and amongst its customers and suppliers for its principled trading policies and its integrity. As such it is important for us to have a corporate culture based on these ethical values and behaviours. The annual report contains reports on corporate responsibility including health and safety, audit and remuneration committee reports and reports on our attitudes to risk.



Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The board has a formal schedule of matters referred to it for decision, with at least one specific strategy meeting being held each year. Agendas and board packs are discussed and circulated in advance of the meetings to ensure that all directors have adequate time to research and take part in discussions on the key issues, as well as giving the non-executive directors time to add matters of their particular interest to the agenda.

The board is responsible for group strategy, corporate responsibility including health and safety and environmental issues, acquisition policy, bribery policy, approval of major capital expenditure and monitoring the key operational and financial risks. It also reviews the strategy and budgets for the trading subsidiaries and monitors the progress towards their long term objectives. All directors have access to the company secretary or to independent professional advice, if required, at the company's expense.

New directors receive training from the company NOMAD on their responsibilities under the AIM rules. Key financial information is circulated to directors on a monthly basis outside of the board meetings.

The board has decided that the directors will retire by rotation and the executive directors will be re-elected at least every three years.

The Audit Committee

The Audit Committee is chaired by Fabian French, and includes Meryl Bushell, Paula Kerrigan and Andrew Wright. David Dunmow also attends the meetings of the committee. The committee meets at least three times a year to review internal controls within the group, and receive reports from the auditors. The duties of the audit committee include, on behalf of the board, a review of effectiveness of the group's financial reporting and internal control policies, and procedures for the identification, assessment and reporting of risk.

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

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

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



Corporate Governance

Corporate Governance Report



Remuneration and Nominations Committee

During the year ended 31 March 2018, the Remuneration and Nominations Committee comprised three non-executive directors, Meryl Bushell as Chairman and Fabian French, who both served throughout the year, and Paula Kerrigan who served from the date of her appointment to the board. The meetings were attended by Peter Latham, until his retirement, Nick Latham and David Dunmow who provide information to the Committee when required.

The main function of the Committee is to make recommendations to the board regarding the group's policy on the remuneration and conditions of employment of the executive directors of the group, and, where appropriate, senior management, and includes considering nominations to the board. Over the course of the year the committee also considered group diversity including the gender pay gap and succession planning.

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

The Remuneration and Nominations Committee report is contained on page 26.

BUILD TRUST

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

The directors have a commitment to best practice in the group's external financial reporting in order to present a balanced and comprehensive assessment of the group's financial position and prospects to its shareholders, employees, customers, suppliers and other third parties. This commitment encompasses all published information including but not limited to the year end and half yearly accounts, regulatory news announcements and other public information.

The published accounts contain reports of the Audit and Remuneration and Nomination Committees.

The published information is held on our investor website at www.latham.co.uk as well as historical financial and meeting information.

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

The board has established systems of internal control as appropriate for the size of the group. The day to day operation of the system of internal control is under the control of executive directors and senior management. The system is designed to manage rather than eliminate risk. Any system of internal control can however only provide reasonable, but not absolute, assurance against material misstatement and loss. No material breaches of internal controls were reported during the year.

The directors confirm that they have reviewed the effectiveness of the system of internal control for the year under review and to the date of approval of the Annual Report and Accounts through the monitoring process described above.

Nick Latham
Chairman

27 June 2018

Directors' biographies

Nick Latham BSc *Chairman*

Nick Latham, age 50 has worked in the company for 26 years and was appointed to the board in 2007. He is a director of Lathams Limited, and member of the Audit Committee, and provides advice to the Remuneration Committee. He sits on the main board of the Timber Research and Development Association.

David Dunmow BSc FCA

Finance Director and Company Secretary

David Dunmow, age 54, has worked in the company for 24 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, and provides advice to the Audit and Remuneration Committees. He is a former treasurer of the Timber Trade Federation. He is a Trustee of the James Latham plc Pension and Assurance Scheme.

Chris Sutton *Managing Director*

Chris Sutton, age 59, has worked in the company for 40 years and was appointed to the board in 2005. He is Managing Director, chairing the Lathams Limited board. He is a director of the Timber Trade Federation.

Piers Latham BSc *Executive Director*

Piers Latham, age 47 has worked in the company for 25 years and was appointed to the board in 2014. He is a director of Lathams Limited, and Chairman of the Trustees of the James Latham plc Pension and Assurance Scheme.

Andrew Wright *Executive Director*

Andrew Wright, age 53, has worked in the company for 17 years and was appointed to the board in 2015. He is a director of Lathams Limited and is a board member of the North West Timber Trade Association.

Fabian French MA *Non-Executive Director*

Fabian French, age 59, was appointed a non-executive director in 2015. He chairs the Audit Committee. He is a qualified solicitor and worked in corporate finance for major investment banks. He is currently Chief Executive of UK Community Foundations and is a director of CRGH Investment LLP, Goodenough College Charity, Trebartha Hydro Ltd, and is a previous director of Inspiration in Sport and Mithras Investment Trust Plc.

Meryl Bushell PhD FCIPS *Non-Executive Director*

Meryl Bushell, age 63, 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 currently a Crown Representative for HMG Cabinet Office where she manages cross departmental relationships with three of Government's strategic suppliers. She chairs the Remuneration and Nomination Committees and is a member of the Audit Committee. 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.

Paula Kerrigan *Non-Executive Director*

Paula Kerrigan, age 46, was appointed a non executive director in October 2017. She has a wide variety of public company experience and is currently Transformation Director (non-Board) at SuperGroup plc, where she is responsible for sourcing, design, corporate social responsibility and implementing the transformation agenda as SuperGroup expands its global brand presence. She sits on the Audit Committee and the Remuneration and Nominations Committee. She was previously Chief Strategy Officer at the Co-operative Group where she was responsible for developing the strategic direction of the Group and delivering these objectives, and prior to that she spent 15 years at Kingfisher plc where she held a variety of roles including Finance and Strategy Director for B&Q in Asia and Delivering Value Director for B&Q in the UK.

Registrars

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

Bankers

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

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

Stockbrokers and Nominated Adviser

Northland Capital Partners
40 Gracechurch Street,
London EC3V 0BT

Pension Advisor

Mercer
Tower Place West
London EC3R 5BU

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Registered Office

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

Registered Number 65619
Registered in England and Wales



Nick Latham



David Dunmow



Chris Sutton



Piers Latham



Andrew Wright



Fabian French



Meryl Bushell



Paula Kerrigan

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

Remuneration Policy

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

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

Pay rises 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 2018 was the achievement of £12,825,000 operating profit, as measured in the depots management accounts, an increase of 11.7% over the previous year's targets. Maximum bonuses of 19.5% of basic salary are paid on achieving 120% of the target operating profit. The minimum bonus level is 1.3% paid on achieving 90% of target operating profit. This year 124.2% of the target operating profit was achieved earning 19.5% of basic salary. The criterion for the year ended 31 March 2019 will be based on a similar formula applying to target profits. In addition a Group Bonus scheme pays out a bonus to all eligible members of staff, subject to achieving a minimum level of group profits. This year the scheme is paying 4.84% of basic salary to 378 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.

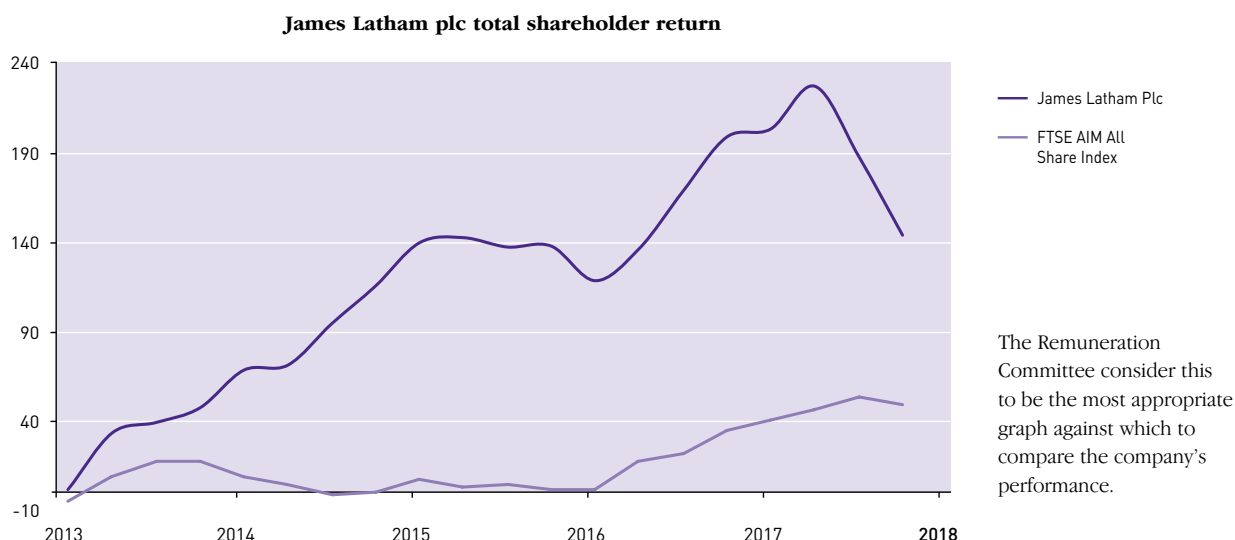
Executive director's contracts have no provisions for pre-determined compensation on termination that exceeds two years salary and benefits in kind.

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 2018.



Directors' emoluments

Details of the individual directors' emoluments for the year were as follows:

		Salary and fees	Benefits	Bonus	Total emoluments excluding pensions	Share based payments	Pension contributions	TOTAL
		£000	£000	£000	£000	£000	£000	£000
Executive								
N.C. Latham	2018	174	-	44	218	2	23	243
	2017	165	1	41	207	2	23	232
D.A. Dunmow	2018	167	12	42	221	2	32	255
	2017	159	13	40	212	2	31	245
C.D. Sutton	2018	165	13	42	220	2	30	252
	2017	158	12	40	210	2	29	241
P.F. Latham	2018	121	12	30	163	2	20	185
	2017	105	11	29	145	2	19	166
A.G. Wright	2018	125	13	34	172	1	22	195
	2017	108	10	29	147	1	21	169
Non-executive								
P.D.L. Latham	2018	29	-	-	29	-	-	29
(retired 24 August 2017)	2017	71	-	-	71	-	-	71
M.A. Bushell	2018	33	-	-	33	-	-	33
	2017	32	-	-	32	-	-	32
P.L.F. French	2018	33	-	-	33	-	-	33
	2017	32	-	-	32	-	-	32
P. Kerrigan	2018	14	-	-	14	-	-	14
(appointed 18 October 2017)	2017	-	-	-	-	-	-	-
Total		861	50	192	1,103	9	127	1,239
2017		830	47	179	1,056	9	123	1,188

Corporate Governance

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 2018		31 March 2017	
Directors		Ordinary shares	Preference shares	Ordinary shares	Preference shares
N.C. Latham	Beneficial owner	630,296	-	627,352	-
D.A. Dunmow	Beneficial owner	128,701	-	125,819	-
C.D. Sutton	Beneficial owner	55,064	-	51,300	-
P.F. Latham	Beneficial owner	627,621	567	624,743	567
A.G. Wright	Beneficial owner	24,312	-	22,366	-
M.A. Bushell	Beneficial owner	9,394	-	9,394	-
P.L.F. French	Beneficial owner	370,052	-	370,052	-
P. Kerrigan	Beneficial owner	-	-	-	-

Directors' share option schemes

Save as You Earn Scheme

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

	31 March 2018	31 March 2017
N.C. Latham	3,185	3,185
D.A. Dunmow	3,185	3,185
C.D. Sutton	3,185	3,185
P.F. Latham	3,185	3,185
A.G. Wright	1,592	1,592

Options were granted on 1 September 2016 at 565p per share, and the options are exercisable on 31 August 2019.

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 2017	Granted during the year	Exercised	Outstanding 31 March 2018	Exercise price	Exercise period
N.C. Latham	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
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	-	560	-	560	£8.025	14.12.22 to 13.12.27
D.A. Dunmow	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
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
	-	560	-	560	£8.025	14.12.22 to 13.12.27
C.D. Sutton	1,818	-	(1,818)	-	£1.65	26.11.14 to 25.11.19
	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
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
P.F. Latham	-	560	-	560	£8.025	14.12.22 to 13.12.27
	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
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26
A.G. Wright	-	560	-	560	£8.025	14.12.22 to 13.12.27
	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
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	586	-	-	586	£6.825	18.12.20 to 17.12.25
	636	-	-	636	£7.075	06.12.21 to 05.12.26

No performance conditions attach to these options. Mr N.C. Latham, Mr D.A. Dunmow and Mr P.F. Latham made a gain of £10,454, Mr C.D. Sutton made a gain of £35,094 and Mr A.G. Wright made a gain of £10,678 on options exercised during the year.

M.A. Bushell,

Chairman of the Remuneration Committee

27 June 2018

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2018. In accordance with section 414c(11) of the Companies Act 2006, included in the Strategic Review is the review of financial risk management and employee policies. This information would have been required by section 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors Report.

Results and dividends

Group results for the year ended 31 March 2018 are set out on page 37. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 4.5 pence per ordinary share	885
Final dividend proposed, 12.1 pence per ordinary share	2,379
Total ordinary dividends, 16.6 pence per ordinary share	3,264

The directors recommend payment of the final dividend on 24 August 2018 to shareholders on the register of members at the close of business on 3 August 2018.

Balance sheet and post balance sheet events

The balance sheet on page 38 shows the group's financial position. Since the year end we have completed the sale of the old Yate site which realised net proceeds of £1.72m. See note 13 on page 51.

Directors

Peter Latham retired as Chairman on 24th August 2017, and Paula Kerrigan was appointed as non executive director on 18th October 2017. The remaining directors of the company were directors throughout the year. Each director's biographical details are shown on page 25.

In compliance with the Articles of Association, Fabian French, Paula Kerrigan, David Dunmow and Andrew Wright will retire by rotation and, being eligible, offer themselves for re-election. Meryl Bushell will retire at the Annual General Meeting and so does not offer herself for re-election.

Other than their service contracts, no director has a material interest in any contract with the company. Meryl Bushell, Fabian French and Paula Kerrigan, as non-executive directors, do not have a service contract with the company, but each has received a letter of appointment for a two year period. Details of directors' emoluments, pension rights, service contracts and the directors' interests in the ordinary shares of the company are included in the Directors' Remuneration Report on pages 26 to 29.

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

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

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

Share capital

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

The investment in own shares is detailed in note 24 on page 61. During the year, 50,000 shares were transferred to James Latham Trustee Limited to be made available for expiring employee share schemes. The company holds 469,200 ordinary shares as treasury shares, with a view to being used for future employee share schemes. The company also holds 733 preference shares in treasury, which will be cancelled at the appropriate time. In addition the Trustees of the James Latham Employee Benefits Trust holds 31,993 shares with a view to being used for employee share schemes.

Share option schemes

On 23 August 2017, the shareholders approved by ordinary resolution the extension of the Save as You Earn scheme for a further 10 years. A 3 year scheme commenced on 1 September 2016 with 183,484 options being issued at an option price of £5.65.

On 21 August 2008, the shareholders approved by special resolution the establishment of the Company Share Option Scheme. During the year 13,820 options were issued at an option price of £8.025. In addition 27,661 options were exercised after being held for five years, 1,818 at an option price of £1.65, 4,573 at an option price of £2.295 and 21,270 at an option price of £2.725.

Employees

The strategic report on page 11 sets out the group's communication policies with their employees and its policy towards disability.

Substantial shareholdings

At 27 June 2018, the company had received notification under the Disclosure Transparency Rules that the holdings and voting rights exceeding the 3% notification threshold were as follows:

	Number	%
Peter Latham	1,212,955	6.16
Close Asset Management Ltd	1,015,112	5.16
Robert Latham	680,787	3.47
Nick Latham	630,296	3.20
Piers Latham	627,621	3.19

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 2018 were 32 days (2017: 34 days). Payment practices and performance data for Lathams Limited is required to be published on the Companies House website starting 1 April 2018.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with the Guidance on the Going Concern Basis of Accounting and Reporting On Solvency and Liquidity Risks published by the Financial Reporting Council in April 2016.

In arriving at their opinion, the directors considered:-

- The group's cash flow forecasts and revenue projections
- Cash and borrowing facilities available to the group
- Consideration of the principal risks and uncertainties outlined on pages 12 to 13.

Political and charitable donations

During the year the group made no political contributions but made direct donations to various charitable organisations amounting to £2,535 (2017: £3,758). The group also made small donations of our products to a number of good causes and was involved in fund raising activities for the Timber Trades Benevolent Society.

Close company status

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

Financial instruments

A summary of the group financial instruments and related disclosures are set out in note 29 to the group accounts and in the Financial Review on pages 18 to 21.

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

Annual General Meeting special business

Shareholders receive more than 20 working days notice of the Annual General Meeting, where directors will be available for questions and a trading update. The Annual General Meeting will be held at Unit 1, Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on 22 August 2018 at 12.30pm. Last year all resolutions were passed with over 95% in favour.

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

Resolution 8. 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 9. 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 10. Authority for the company to purchase its own shares. This gives the board the power to purchase up to 10% of the company's shares at a price not more than 105% of the average of the mid market price for the ten business days preceding the date of the purchase.

On behalf of the Board of Directors

Nick Latham
Chairman

27 June 2018

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

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

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS's adopted by the EU, subject to any material departures disclosed and explained in the company financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

On behalf of the Board of Directors

Nick Latham

Chairman

27 June 2018

Opinion

We have audited the financial statements of James Latham plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories – stock level and valuation

Risk

The group carried inventory amounting to £40.1m at 31 March 2018. As disclosed in the accounting policies, inventories are held at the lower of cost and net realisable value. The determination of whether inventory will be realised for value less than cost requires management to exercise judgement and apply assumptions. A change in the valuation of inventory could have a material impact on the financial statements.

Our response

Our audit procedures included attending a sample of the group's year end stock takes and performing procedures to test the robustness of the count process. Testing was then performed to confirm that, for a sample of items, the quantities counted had been correctly reflected within the year end inventory figures and, by tracing to original purchase documentation, that the carrying value reflected the cost of purchase.

We also reviewed a sample of post year end sales to test whether net realisable value was greater than cost. To audit the adequacy of the provision against inventory, we reviewed ageing of inventory balances at 31 March 2018 and challenged management's assessment of the provision required using information about the sales made in the year and post year end and our previous experience of sales of slow moving inventory. We also tested cut off of inventory by checking a sample of invoices around the year end to goods received records, and vice versa to determine whether items have been correctly recognised in the appropriate period.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £2.1m, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its control environment, including group-wide controls, and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis using group materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

David Clark

Senior Statutory Auditor

For and on behalf of

RSM UK Audit LLP

Statutory Auditor, Chartered Accountants

25 Farringdon Street

London EC4A 4AB

27 June 2018

Financial Statements

Consolidated Income Statement

For the year ended 31 March 2018

£'000s	Notes	2018	2017
Continuing operations			
Revenue		214,919	198,808
Cost of sales (including warehouse costs)	3, 4, 11	(177,145)	(162,709)
Gross profit		37,774	36,099
Selling and distribution costs	4, 11	(16,277)	(15,457)
Administrative expenses	4, 11	(7,106)	(6,463)
Operating profit		14,391	14,179
Profit on disposal of property		1,276	-
Finance income	5	37	56
Finance costs	6	(488)	(408)
Profit before tax	3	15,216	13,827
Tax expense	7	(2,570)	(2,846)
Profit after tax attributable to owners of the parent company		12,646	10,981
Earnings per ordinary share (basic)	9	64.4p	56.0p
Earnings per ordinary share (diluted)	9	64.1p	55.8p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

£'000s	Notes	2018	2017
Profit after tax		12,646	10,981
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit pension scheme		7,948	(7,543)
Deferred tax relating to components of other comprehensive income		(1,262)	1,358
Other comprehensive income for the year, net of tax		6,686	(6,185)
Total comprehensive income attributable to the owners of the parent company		19,332	4,796

Financial Statements

Consolidated and Company Balance Sheet

Company Registration Number 65619

As at 31 March 2018

As at 31 March 2018		Group		Company	
£'000s	Notes	2018	2017	2018	2017
Assets					
Non-current assets					
Investments	23	-	-	9,613	9,613
Goodwill	12	237	237	-	-
Other intangible assets	10	1	1	-	-
Property, plant and equipment	11	33,831	26,312	15	20
Deferred tax asset	20	1,491	2,904	51	79
Total non-current assets		35,560	29,454	9,679	9,712
Current assets					
Inventories	14	40,068	35,508	-	-
Trade and other receivables	15	41,508	40,076	1,351	1,585
Cash and cash equivalents		13,989	17,246	5,531	7,993
Assets held for sale	13	638	-	-	-
Total current assets		96,203	92,830	6,882	9,578
Total assets		131,763	122,284	16,561	19,290
Current liabilities					
Trade and other payables	16	28,648	27,063	1,437	1,036
Interest bearing loans and borrowings	17	-	-	-	1,778
Tax payable		1,292	1,517	-	-
Total current liabilities		29,940	28,580	1,437	2,814
Non-current liabilities					
Interest bearing loans and borrowings	17	987	987	987	987
Retirement and other benefit obligation	18	8,382	16,625	-	-
Other payables	19	291	349	189	221
Deferred tax liabilities	20	2,374	2,485	-	-
Total non-current liabilities		12,034	20,446	1,176	1,208
Total liabilities		41,974	49,026	2,613	4,022
Net assets		89,789	73,258	13,948	15,268
Capital and reserves					
Issued capital	21	5,040	5,040	5,040	5,040
Share-based payment reserve	22	184	108	184	108
Own shares	24	(529)	(291)	(529)	(291)
Capital reserve		3	3	-	-
Retained earnings		85,091	68,398	9,253	10,411
Total equity attributable to shareholders of the parent company		89,789	73,258	13,948	15,268

The Company's profit for the year and total comprehensive income for the year were £1,481,000 (2017: £1,266,000) and £1,481,000 (2017: £1,266,000) respectively.

These accounts were approved and authorised for issue by the Board of Directors on 27 June 2018 and signed on its behalf by:

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

The consolidated notes on pages 42 to 66 form part of these accounts.

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent company					
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	5,040	56	(441)	3	66,525	71,183
Profit for the year	-	-	-	-	10,981	10,981
Other comprehensive income:						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(7,543)	(7,543)
Deferred tax relating to components of other comprehensive income	-	-	-	-	1,358	1,358
Total comprehensive income for the year	-	-	-	-	4,796	4,796
Transactions with owners:						
Dividends	-	-	-	-	(2,894)	(2,894)
Write down on conversion of ESOP shares	-	-	52	-	(52)	-
Exercise of options	-	(19)	-	-	19	-
Deferred tax on share options	-	-	-	-	4	4
Change in investment in ESOP shares	-	-	98	-	-	98
Share-based payment expense	-	71	-	-	-	71
Total transactions with owners	-	52	150	-	(2,923)	(2,721)
Balance at 31 March 2017	5,040	108	(291)	3	68,398	73,258
Profit for the year	-	-	-	-	12,646	12,646
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	7,948	7,948
Deferred tax relating to components of other comprehensive income	-	-	-	-	(1,262)	(1,262)
Total comprehensive income for the year	-	-	-	-	19,332	19,332
Transactions with owners:						
Dividends	-	-	-	-	(3,014)	(3,014)
Exercise of options	-	(19)	-	-	19	-
Deferred tax on share options	-	-	-	-	(43)	(43)
Transfer of treasury shares	-	-	(414)	-	414	-
Write down on conversion of ESOP shares	-	-	15	-	(15)	-
Change in investment in ESOP shares	-	-	161	-	-	161
Share-based payment expense	-	95	-	-	-	95
Total transactions with owners	-	76	(238)	-	(2,639)	(2,801)
Balance at 31 March 2018	5,040	184	(529)	3	85,091	89,789

Financial Statements

Company Statement of Changes in Equity

	Attributable to owners of the parent company				
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	5,040	56	(441)	12,068	16,723
Profit for the year	-	-	-	1,266	1,266
Total comprehensive income for the year	-	-	-	1,266	1,266
Transactions with owners:					
Dividends	-	-	-	(2,894)	(2,894)
Write down on conversion of ESOP shares	-	-	52	(52)	-
Exercise of options	-	(19)	-	19	-
Deferred tax on share options	-	-	-	4	4
Change in investment in ESOP shares	-	-	98	-	98
Share-based payment expense	-	71	-	-	71
Total transactions with owners	-	52	150	(2,923)	(2,721)
Balance at 31 March 2017	5,040	108	(291)	10,411	15,268
Profit for the year	-	-	-	1,481	1,481
Total comprehensive income for the year	-	-	-	1,481	1,481
Transactions with owners:					
Dividends	-	-	-	(3,014)	(3,014)
Exercise of options	-	(19)	-	19	-
Deferred tax on share options	-	-	-	(43)	(43)
Transfer of treasury shares	-	-	(414)	414	-
Write down on conversion of ESOP shares	-	-	15	(15)	-
Change in investment in ESOP shares	-	-	161	-	161
Share-based payment expense	-	95	-	-	95
Total transactions with owners	-	76	(238)	(2,639)	(2,801)
Balance at 31 March 2018	5,040	184	(529)	9,253	13,948

Financial Statements

Consolidated and Company Cash Flow Statement

For the year ended 31 March 2018

For the year ended 31 March 2018		Group		Company	
£'000s	Notes	2018	2017	2018	2017
Net cash flow from operating activities					
Cash generated from operations	25	11,251	11,902	(178)	1,010
Interest paid		(1)	(2)	-	(102)
Income tax paid		(2,797)	(2,646)	182	50
Net cash inflow from operating activities		8,453	9,254	4	958
Cash flows from investing activities					
Interest received and similar income		37	56	2	35
Purchase of property, plant and equipment		(10,840)	(6,045)	-	-
Proceeds from sale of property, plant and equipment		2,186	122	-	-
Net cash (outflow)/inflow from investing activities		(8,617)	(5,867)	2	35
Cash flows from financing activities					
Dividend received		-	-	2,403	2,403
Equity dividends paid		(3,014)	(2,894)	(3,014)	(2,894)
Preference dividend paid		(79)	(79)	(79)	(79)
Net cash outflow from financing activities		(3,093)	(2,973)	(690)	(570)
(Decrease)/increase in cash and cash equivalents for the year					
		(3,257)	414	(684)	423
Cash and cash equivalents at beginning of year					
		17,246	16,832	6,215	5,792
Cash and cash equivalents at end of year					
		13,989	17,246	5,531	6,215
Balance sheet cash and cash equivalents		13,989	17,246	5,531	7,993
Bank overdraft in current liabilities (note 17)		-	-	-	(1,778)
Cash and cash equivalents at end of year					
		13,989	17,246	5,531	6,215

General information

James Latham plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on the AIM market. The nature of the group's operations and its principal activities are set out in the Strategic Review. The address of the registered office is Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU.

1. Summary of significant accounting policies

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

(a) Basis of preparation

These consolidated and company accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounts have been prepared under the historic cost convention except for forward contract financial instruments measured at fair value. The directors have prepared the financial statements on the going concern basis for the reasons set out on page 32. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

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

- IFRS 9 'Financial Instruments'. This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and affects the accounting for financial assets – IFRS 9 is applicable for periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' provides guidance on the recognition, timing and measurement of revenue. IFRS 15 is applicable for periods beginning on or after 1 January 2018.
- IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases – IFRS 16 is applicable for periods beginning on or after 1 January 2019.

The directors anticipate that the adoption of IFRS 9 and IFRS 15 will have no material impact on the financial statements of the Company when the relevant standards and interpretations come into effect. The directors have not yet fully assessed

the effect the adoption of IFRS 16 will have on the financial statements in future periods; there is however expected to be a material impact. IFRS 16 will require the Group to recognise a lease liability and a right-of-use asset of most of those leases previously treated as operating leases. This will affect both non-current and current liabilities, fixed assets and the measurement and disclosure of expense associated with the leases which under the new standard will be treated as depreciation and financing expense which were previously recognised as operating expenses over the term of the lease. Certain other new accounting standards, amendments to existing accounting standards and interpretations which are in issue but not yet effective, either do not apply to the Group or are not expected to have any material impact on the Group's net results or net assets.

(b) Basis of consolidation

The consolidated accounts include the company and all its subsidiary undertakings (from the date of acquisition or to the date of disposal where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 31 March.

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed in the period in which they are incurred.

1.1 Revenue recognition

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

1.2 Segmental reporting

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

1.3 Operating profit

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

1.4 Exceptional items

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

1.5 Foreign currency translation

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 2018, and of the amounts charged/credited to the income statement and equity, are set out in note 18 to the accounts.

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

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

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

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

1.16 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

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 ten locations trading predominantly 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.

Financial Statements

Notes forming part of the Group Accounts

3. Profit before tax

	2018		2017	
	£'000	£'000	£'000	£'000
Profit for the year has been arrived at after taking account the following charges/(credits):				
Employee remuneration (note 4)		16,530		15,244
Net foreign exchange (gains)		(408)		(193)
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement		168,839		154,269
Depreciation of property, plant and equipment		1,941		1,817
Profit on disposal of property, plant and equipment		(168)		(95)
Amortisation		-		5
Loss on disposal of intangible asset		-		86
Operating lease rentals - vehicles and plant	583		570	
- property	539		539	
		1,122		1,109
Fees payable to the company's auditors for the audit of the consolidated and parent company accounts		10		9
Fees payable to the company's auditors and its associates for other services				
The audit of the company's subsidiary pursuant to legislation		67		63
Tax services		11		12
Other		11		-
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		8		7
Other expenses		12,565		12,308
Total cost of sales, distribution costs and administrative expenses		200,528		184,641

4. Information regarding employees

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

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Management and administration	59	57	25	26
Warehousing	122	117	-	1
Selling	134	127	-	-
Distribution	70	69	-	-
	385	370	25	27

The aggregate payroll costs of these employees were as follows:

	£'000	£'000	£'000	£'000
Wages and salaries	13,378	12,554	1,310	1,328
Social security costs	1,385	1,278	144	149
Apprenticeship levy	51	-	5	-
Pension costs	1,621	1,341	920	916
Share-based payment	95	71	95	71
	16,530	15,244	2,474	2,464

Of the above payroll costs, £3,734,000 (2017: £3,475,000) is included in cost of sales, £8,496,000 (2017: £8,028,000) is included in selling and distribution costs, and £4,300,000 (2017: £3,741,000) is included in administrative expenses in the income statement.

5. Finance income	2018	2017
	£'000	£'000
Interest receivable	<u>37</u>	<u>56</u>

The interest received is on bank deposits.

6. Finance costs	2018	2017
	£'000	£'000
On bank loans and overdrafts	1	2
On pension liability	408	327
On 8% Cumulative Preference shares	<u>79</u>	<u>79</u>
	<u>488</u>	<u>408</u>

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

7. Tax expense	2018	2017
	£'000	£'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 19% (2017: 20%)	2,572	2,787
Deferred taxation - pension	50	103
- IBAs derecognised in current year	(16)	(18)
- change in tax rates	-	44
- other	(36)	(70)
	<u>2,570</u>	<u>2,846</u>
Profit before taxation	<u>15,216</u>	<u>13,827</u>
Tax at 19% (2017: 20%)	<u>2,891</u>	<u>2,765</u>
Tax effect of expenses/credits that are not deductible/ taxable in determining taxable profit	(269)	125
IBAs derecognised in current year	(16)	(18)
Change in tax rates	-	44
Other	(36)	(70)
Total tax charge	<u>2,570</u>	<u>2,846</u>

8. Dividends	2018	2017
	£'000	£'000
Ordinary dividends:		
Final 10.85p per share paid 25 August 2017 (2016: 10.3p)	2,129	2,011
Interim 4.5p per share paid 26 January 2018 (2017: 4.5p)	<u>885</u>	<u>883</u>
	<u>3,014</u>	<u>2,894</u>

The Directors propose a final dividend for 2018 of 12.1p per share, that, subject to approval by the shareholders, will be paid on 24 August 2018 to shareholders on the register on 3 August 2018.

Based on the number of shares currently in issue, the final dividend for 2018 is expected to absorb £2,379,000.

Financial Statements

Notes forming part of the Group Accounts

9. Earnings per ordinary share

Earnings per ordinary share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2018 £'000	2017 £'000
Net profit attributable to ordinary shareholders	12,385	10,981
	Number '000	Number '000
Issued ordinary share capital	20,160	20,160
Less: weighted average number of own shares held in treasury investment	(494)	(519)
Less: weighted average number of own shares held in ESOP Trust	(26)	(40)
Weighted average share capital	19,640	19,601
Add: dilutive effects of share options issued	85	82
Weighted average share capital for diluted earnings per ordinary share calculation	19,725	19,683

10. Intangible assets – Group

	Trademark £'000
Cost:	
At 1 April 2016	155
Additions	-
Disposals	(154)
At 1 April 2017	1
Additions	-
At 31 March 2018	1
Amortisation	
At 1 April 2016	62
Charge for the year	5
Disposals	(67)
At 1 April 2017	-
Charge for the year	-
At 31 March 2018	-
Net book value	
At 31 March 2018	1
At 31 March 2017	1
At 31 March 2016	93

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

The registered trademarks of the company are Woodex®, Buffalo® Board and Bausen® Flooring. Due to a change in trading strategy, the board decided to write down the remaining value of the Bausen® Flooring trade Mark in the year ended 31 March 2017.

11. Property, plant and equipment

11.1 Group

	Group			
	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	Total £'000
Cost:				
At 1 April 2016	18,805	613	12,268	31,686
Additions	4,573	2	1,470	6,045
Disposals	(15)	-	(564)	(579)
At 1 April 2017	23,363	615	13,174	37,152
Additions	6,873	-	4,684	11,557
Reclassification as non-current asset held for sale	(765)	-	-	(765)
Disposals	(767)	-	(2,519)	(3,286)
At 31 March 2018	28,704	615	15,339	44,658
Depreciation:				
At 1 April 2016	2,662	288	6,625	9,575
Disposals	-	-	(552)	(552)
Charge for the year	262	37	1,518	1,817
At 1 April 2017	2,924	325	7,591	10,840
Reclassification as non-current asset held for sale	(127)	-	-	(127)
Disposals	(182)	-	(1,645)	(1,827)
Charge for the year	376	37	1,528	1,941
At 31 March 2018	2,991	362	7,474	10,827
Net book value				
At 31 March 2018	25,713	253	7,865	33,831
At 31 March 2017	20,439	290	5,583	26,312
At 31 March 2016	16,143	325	5,643	22,111

Included in freehold property is land with a book value of £8,519,000 (2017: £7,892,000) which is not depreciated.

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

	2018 £'000	2017 £'000
Cost of sales	1,216	1,113
Selling and distribution costs	627	610
Administrative expenses	98	94
	1,941	1,817

Financial Statements

Notes forming part of the Group Accounts

11.2 Company

	Plant, equipment and vehicles £'000
Cost:	
At 1 April 2016	361
Additions	-
At 1 April 2017	361
Additions	-
At 31 March 2018	361
Depreciation:	
At 1 April 2016	337
Charge for the year	4
At 1 April 2017	341
Charge for the year	5
At 31 March 2018	346
Net book value	
At 31 March 2018	15
At 31 March 2017	20
At 31 March 2016	24

12. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2016 and 31 March 2018	362
Impairment	
At 1 April 2016 and 31 March 2018	125
Net book value	
At 31 March 2018, 2017 and 2016	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.

13. Assets held for sale

	Freehold property £'000
Cost:	
At 1 April 2016 and 1 April 2017	-
Reclassification as non-current asset held for sale	765
At 31 March 2018	765
Depreciation:	
At 1 April 2016 and 1 April 2017	-
Reclassification as non-current asset held for sale	127
At 31 March 2018	127
Net book value	
At 31 March 2018	638
At 31 March 2017	-
At 31 March 2016	-

The asset held for sale related to the vacated Yate property, where the business has been relocated to the new Yate site. The sale was completed on 4 April 2018 realising net proceeds of £1,720,000 and a profit on sale of £1,059,000.

14. Inventories

	2018 £'000	2017 £'000
Finished goods and goods for resale	40,635	36,059
Less: provisions for slow moving and obsolete stock	(567)	(551)
	40,068	35,508

The inventories impairment charge for the year ended 31 March 2018 was £438,000 (2017: £340,000). Impairment charges reversed during the year were £422,000 (2017: £368,000). 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).

Financial Statements

Notes forming part of the Group Accounts

15. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade receivables	38,718	36,098	7	5
Other receivables:				
Other receivables	994	1,445	18	3
Amounts owed by subsidiaries	-	-	-	284
Tax receivable	-	-	1,280	1,270
Prepayments	1,796	2,533	46	23
	2,790	3,978	1,344	1,580
	41,508	40,076	1,351	1,585

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

Trade receivables amounted to £38,718,000 (2017: £36,098,000), net of a provision of £132,000 (2017: £59,000) for impairment. Movements on the group provisions for impairment were as follows:

	Group	
	2018	2017
	£'000	£'000
At 1 April 2017	59	106
Provisions for receivables impairment	294	81
Receivables written off during the year as uncollectible	(221)	(128)
At 31 March 2018	132	59

The average credit period on sale of goods is 51 days (2017: 51 days).

The following table provides analysis of trade and other receivables that were past due at 31 March 2018 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.

	Group	
	2018	2017
	£'000	£'000
0-30 days	898	588
31-60 days	46	39
61-90 days	36	6
	980	633

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

At 31 March 2018, £38,624,000 (2017: £36,875,000) of trade and other receivables were denominated in sterling, £771,000 (2017: £394,000) were denominated in Euros and £317,000 (2017: £274,000) were denominated in US dollars.

The Company balanced are all denominated in sterling.

16. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	20,120	19,516	78	26
Other taxation and social security	5,308	4,326	606	588
Amounts owed to subsidiaries	-	-	392	-
Other payables	1,469	1,473	276	276
Accruals and deferred income	1,751	1,748	85	146
	28,648	27,063	1,437	1,036

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2017: 34 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2018, £18,370,000 (2017: £19,226,000) of trade and other payables were denominated in sterling, £1,456,000 (2017: £969,000) in US dollars, £1,699,000 (2017: £717,000) in Euros and £64,000 (2017: £77,000) in Canadian dollars. The company balances are all denominated in sterling.

Based on the balance sheet value of trade and other payables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £322,000 (2017: £176,000).

17. Interest bearing loans and borrowings

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current liabilities				
Bank overdraft	-	-	-	1,778
	-	-	-	1,778
Non-current liabilities				
Cumulative preference shares of £1 each (note 21)	987	987	987	987
Total	987	987	987	2,765

The loans and borrowings were all denominated in sterling.

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as discussed above through effective cash management. In addition, the group maintains uncommitted undrawn bank facilities of £1,000,000 (2017: £1,000,000) 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.

Financial Statements

Notes forming part of the Group Accounts

18. Retirement and other benefit obligation

	Group	
	2018 £'000	2017 £'000
Retirement benefit obligations (note 18.2)	8,382	16,625

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. 59% of the assets are invested in equities, with 53% under passive management by Blackrock and 6% in a Fund of Hedge funds managed by Mesirow. 32% are held in bonds and gilts, with 18% in a Buy and Maintain Fund managed by Mercers, 5% in an Absolute Return Fund managed by Wellington and 9% in an Index Linked fund managed by Blackrock, with the remaining 9% in a HLV Property Fund managed by Aviva.

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

The pension charge for the year for all schemes was £1,621,000 (2017: £1,341,000). Of the charge, £206,000 (2017: £171,000) is included in cost of sales, £668,000 (2017: £596,000) is included in selling and distribution costs, and £747,000 (2017: £574,000) is included in administrative expenses in the income statement.

Contributions are determined by a qualified actuary on a basis of triennial valuations using the projected unit funding method. The most recent available valuation was at 31 March 2017. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

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

18.2. Group defined benefit pension scheme

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

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

	2018 £'000	2017 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	72,992	60,164
Service cost	723	521
Interest cost	1,796	2,069
Actuarial (gain)/loss	(6,767)	12,321
Benefits paid	(2,288)	(2,070)
Premiums paid	(17)	(13)
Benefit obligation at end of year	66,439	72,992
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	66,439	72,992
Change in scheme assets		
Fair value of scheme assets at beginning of year	56,367	50,507
Interest income	1,388	1,742
Return on plan assets (excluding interest income)	1,181	4,778
Employers contributions (incl. employer direct benefit payments)	1,433	1,423
Administrative expenses	(7)	-
Benefits paid from plan	(2,288)	(2,070)
Expenses paid	(17)	(13)
Fair value of scheme assets at end of year	58,057	56,367
Amounts recognised in the balance sheet		
Present value of funded obligations	66,439	72,992
Fair value of scheme assets	58,057	56,367
Net liability	8,382	16,625

Financial Statements

Notes forming part of the Group Accounts

18.2. Group defined benefit pension scheme (continued)

	2018 £'000	2017 £'000
Components of pension expense		
Current service cost	723	521
Interest cost	1,796	2,069
Income on plan assets	(1,388)	(1,742)
Total pension expense recognised in the income statement	1,131	848
Actuarial (gain)/loss immediately recognised	(7,948)	7,543
Total recognised in the statement of other Comprehensive income	(7,948)	7,543
Cumulative amount of actuarial loss immediately recognised	10,184	18,132

	2018	2017
Plan assets		
The asset allocations at the year end were as follows:		
Equities	58.1%	57.5%
Bonds	31.1%	32.1%
Property	9.0%	9.0%
Other	1.8%	1.4%
	100.0%	100.0%

	2018 £'000	2017 £'000
Amounts included in the fair value of assets for		
Equity instruments	33,712	32,406
Bond instruments	18,027	18,114
Property occupied	5,252	5,051
Other assets used	1,066	796
	58,057	56,367

18.2. Group defined benefit pension scheme (continued)

	2018	2017
Weighted average assumptions used to determine benefit obligations:		
Discount rate	2.60%	2.50%
Rate of compensation increase	3.05%	3.15%
Inflation (RPI)	3.05%	3.15%
Inflation (CPI)	2.05%	2.15%
Rate of pension increases (CPI capped at 5%)	2.10%	2.20%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	23.6	24.1
Female member age 65 (current life expectancy)	25.6	26.0
Male member age 45 (life expectancy at age 65)	25.1	25.6
Female member age 45 (life expectancy at age 65)	27.2	28.3
Weighted average assumptions used to determine pension expense:		
Discount rate	2.50%	3.50%
Rate of compensation increase	3.15%	2.90%

Sensitivity analysis of the key assumptions

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

	Impact on deficit (Decrease)/increase £'000
Discount rate increases by 0.25%	(2,752)
Inflation rate increases by 0.25%	1,938
Life expectancy increases by one year	2,655

History of plan assets and defined benefit obligation

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of defined benefit obligation	66,439	72,992	60,164	64,421	58,237
Fair value of plan assets	58,057	56,367	50,507	53,991	48,970
Net liability	8,382	16,625	9,657	10,430	9,267

Contributions

The group expects to contribute £2,582,000 to the pension scheme for the year ending 31 March 2019.

18.3. Defined contribution pension payments

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

Pension contributions paid to the defined contribution scheme for the year totalled £879,000 (2017: £809,000).

Financial Statements

Notes forming part of the Group Accounts

19. Other payables (non-current liabilities)

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Accruals and deferred income	291	349	189	221

20. Deferred tax

20.1 Group

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

	Post-employment benefits £'000	Revalued properties £'000	Roll over gains on assets £'000	Other (*) £'000	Total £'000
As at 1 April 2016 asset	1,802	-	-	-	1,802
As at 1 April 2016 liability	-	(81)	(1,670)	(935)	(2,686)
(Charge)/credit to the income statement	(260)	-	93	108	(59)
Credit direct to equity	1,362	-	-	-	1,362
At 31 March 2017 asset	2,904	-	-	-	2,904
At 31 March 2017 liability	-	(81)	(1,577)	(827)	(2,485)
(Charge)/credit to the income statement	(35)	-	-	37	2
(Charge)/credit direct to equity	(1,378)	24	-	50	(1,304)
At 31 March 2018 asset	1,491	-	-	-	1,491
At 31 March 2018 liability	-	(57)	(1,577)	(740)	(2,374)

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

20.2 Company

The deferred tax asset is made up as follows:

	Post-employment benefits £'000	Accelerated capital allowances £'000	Total £'000
As at 1 April 2016	63	2	65
Charge for the year	14	-	14
At 31 March 2017	77	2	79
Charge for the year	(28)	-	(28)
At 31 March 2018	49	2	51

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	2018, 2017 and 2016			
	Authorised		Issued	
	Number	£'000	Number	£'000
Ordinary shares of 25 pence each	28,000,000	7,000	20,160,000	5,040

Preference shares	2018, 2017 and 2016			
	Authorised		Issued and fully paid	
	Number	£'000	Number	£'000
8% Cumulative Preference Shares of £1 each	1,500,000	1,500	987,000	987

Preference shares are included in non-current liabilities (as interest bearing loans and borrowings) – see note 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 2018 or 2017.

22. Share-based payment

Equity-settled share option schemes

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

	2018		2017	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	291,842	5.21	132,863	3.52
Granted during the year	13,820	8.03	198,092	5.76
Forfeited during the year	(22,237)	5.31	(2,828)	3.78
Exercised during the year	(28,290)	2.59	(36,285)	2.14
Outstanding at the end of the year	255,135	5.64	291,842	5.21

The weighted average share price for options exercised during the year was £8.45 (2017: £7.23).

Financial Statements

Notes forming part of the Group Accounts

22. Share-based payment (continued)

Details of the options outstanding at 31 March 2018 are shown below. 11,000 (2017: 10,000) of these options were exercisable at the year end.

	2018		2017	
	CSOP	SAYE	CSOP	SAYE
Range of exercise prices	£1.65-£8.03	£5.65	£1.65-£7.08	£2.46-£5.65
Number of shares	89,261	165,874	107,920	183,922
Weighted average expected remaining life (years)	3.0	1.4	3.0	2.4

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

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

	2018		2017	
	CSOP	SAYE	CSOP	SAYE
Share price at grant date	£8.03	-	£7.08	£5.65
Option exercise price	£8.03	-	£7.08	£5.65
Expected volatility	20.5%	-	22.5%	14.3%
Option life	5 years	-	5 years	3 years
Risk free interest rate	1.3%	-	1.4%	0.7%
Fair value	£1.68	-	£1.61	£1.48

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

The group recognised total expenses of £95,000 (2017: £71,000) 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 2018 was 161,845 (2017: 180,925).

23. Fixed asset investments – Company

	Subsidiary undertakings £'000
Shares:	
At 1 April 2016 and 31 March 2018	9,613

Details of subsidiary companies are given below:

Name	Country of incorporation	Class of shares	Percentage of ownership	Principal activity
Lathams Limited	England and Wales	£1 Ordinary	100%	Importing and distribution of timber and panel products
James Latham Trustee Limited	England and Wales	£1 Ordinary	100%	Corporate Trustee Company
LDT Westerham Limited	England and Wales	£1 Ordinary	100%	Dormant
Bäusen 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.

All companies operate within the United Kingdom and their registered office is at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU.

24. Own shares

	£'000
At 1 April 2016	
Cost	441
Transfer to employees	(150)
At 31 March 2017	291
Transfer of treasury shares	414
Transfer to employees	(176)
At 31 March 2018	529

The investment in own shares represents 31,993 25p Ordinary shares (2017: 19,741 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.16% (2017: 0.10%) of the issued share capital. The maximum number of shares held during the year was 31,993 (0.16%). Dividends have been waived and all income and expenditure of the trust has been dealt with through the group's income statement. None of these shares have been allocated to employees.

At 31 March 2018 469,200 (2017: 519,200) 25p Ordinary shares were held by the company as Treasury Shares. These shares are held with a view to being used for employee share schemes. During the year 50,000 shares were issued to the James Latham Employee Benefits Trust.

Financial Statements

Notes forming part of the Group Accounts

25. Cash generated from operations

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Profit before tax	15,216	13,827	(1,053)	(1,195)
Adjustment for finance income and expense	451	352	2	(67)
Depreciation and amortisation	1,941	1,822	5	4
Profit on disposal of property, plant and equipment	(1,444)	(95)	-	-
Loss on disposal of intangible asset	-	86	-	-
Increase in inventories	(4,560)	(2,105)	-	-
(Increase)/decrease in receivables	(1,432)	(4,788)	30	1,949
Increase in payables	1,526	3,536	582	150
Retirement benefits non cash amounts	(703)	(902)	-	-
Share-based payments non cash amounts	95	71	95	71
Own shares non cash amounts	161	98	161	98
Cash generated from operations	11,251	11,902	(178)	1,010

Analysis of net debt

	As at 1 April 2017 £'000	Cashflow £'000	Non cash movement £'000	As at 31 March 2018 £'000
Cash and cash equivalents	17,246	(3,257)	-	13,989

26. Leasing commitments

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Vehicles and Plant				
No later than one year	504	459	12	12
Later than one year but no later than five years	607	625	20	15
	1,111	1,084	32	27
Property:				
No later than one year	595	595	221	221
Later than one year but no later than five years	2,349	2,383	884	884
Later than five years	456	852	405	626
	3,400	3,830	1,510	1,731

27. Related party transactions

27.1 Group

The group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the key management of the group, who are the company's directors, is set out below and shown in the Directors' Remuneration Report on pages 26 to 29.

	2018	2017
	£'000	£'000
Salaries and other short-term employee benefits	1,103	1,056
Social security costs	139	134
Pension costs	127	123
Share-based payments	9	9
	1,378	1,322

There are 5 (2017: 5) directors to whom retirement benefits are accruing under defined benefit schemes, and 5 (2017: 6) directors that exercised share options during the year.

Emoluments for the highest paid director totalled £221,000 (2017: £212,000). The highest paid director also exercised 1,834 CSOP share options during the year at a gain of £10,000. The highest paid director had an accrued defined benefit pension of £66,000 (2017: £56,000) at the balance sheet date.

The company undertakes the following transactions with the active subsidiary company:

- Paying interest totalling £nil (2017: £101,000).
- Receiving an annual management charge to cover services provided of £2,056,000 (2017: £1,911,000).

Details of balances outstanding with subsidiary companies are shown in Notes 15 and 16.

Other than the payment of remuneration, there have been no related party transactions with the directors.

28. Capital commitments

At 31 March 2018, there were capital commitments contracted for but not provided in the accounts of £171,000 (2017: £6,495,000).

Financial Statements

Notes forming part of the Group Accounts

29. Financial instruments

The group and company's activities expose the group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are managed through an effective risk management programme. Further details are set out in the Financial Review on pages 18 to 21.

Maturity analysis

The table below analyses the financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on period outstanding at the balance sheet date up to the contractual maturity date.

GROUP	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2018					
Trade payables	20,120	-	-	-	20,120
Accruals	1,719	-	-	-	1,719
Other payables	1,469	-	-	-	1,469
Cumulative preference shares of £1 each	-	-	-	987	987
Total	23,308	-	-	987	24,295
2017					
Trade payables	19,516	-	-	-	19,516
Accruals	1,716	-	-	-	1,716
Other payables	1,473	-	-	-	1,473
Cumulative preference shares of £1 each	-	-	-	987	987
Total	22,705	-	-	987	23,692

COMPANY	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2018					
Trade payables	78	-	-	-	78
Accruals	53	-	-	-	53
Amounts owed to subsidiaries	392	-	-	-	392
Other payables	276	-	-	-	276
Cumulative preference shares of £1 each	-	-	-	987	987
Total	799	-	-	987	1,786
2017					
Trade payables	26	-	-	-	26
Accruals	114	-	-	-	114
Amounts owed to subsidiaries	-	-	-	-	-
Other payables	276	-	-	-	276
Cumulative preference shares of £1 each	-	-	-	987	987
Total	416	-	-	987	1,403

29. Financial instruments (continued)

Foreign currency risk

Approximately 41% 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 2018 was £201,000 in US Dollars (2017: £249,000), £78,000 in Euros (2017: £83,000) and £nil in Canadian dollars (2017: £84,000), 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 £28,000 (2017: £42,000).

There is no foreign currency held in the company accounts.

Interest rate risk

The interest rate exposure arises mainly from its interest bearing deposits. Deposits held at floating rates expose the entity to cash flow risk whilst deposits held at fixed rate expose the entity to fair value risk.

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed rate instruments				
Cumulative preference shares of £1 each	(987)	(987)	(987)	(987)
Variable rate instruments				
Cash and cash equivalents	13,989	17,246	5,531	7,993
Bank overdraft	-	-	-	(1,798)

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

Based on the balance sheet value of cash and cash equivalents, bank overdraft and bank loans, as shown above, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £140,000 (2017: £172,000) in the group and £55,000 (2017: £62,000) in the company.

Financial Statements

Notes forming part of the Group Accounts

29. Financial instruments (continued)

Credit risk exposure

Credit risk arises on our financial asset investments, trade receivables and cash and cash equivalents. Credit exposure is managed on a group basis and appropriate credit limits are set for each customer taking into account credit reports received from outside agencies, and previous credit history. Credit insurance is taken out to cover approved individual debtors with balances over £40,000. Where limits are required above £40,000 that cannot be backed by insurance, a sub-committee of the board will review reports on the customer, and agree additional limits if appropriate. Bad debts are 0.13% of sales this year, compared with our target of 0.4%. The carrying amount of financial assets recorded in the accounts, which is net of impairment losses, represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade receivables	38,718	36,098	7	5
Other receivables	994	1,445	-	-
Amounts owed by subsidiaries	-	-	-	284
Cash and cash equivalents	13,989	17,246	5,531	7,993
Total	53,701	54,789	5,538	8,282

Liquidity risk

The group closely monitors its cash position to ensure that it has sufficient funds to meet the obligations of the group as they fall due. Short term bank deposits are executed only with organisations with a long term rating of at least A- from the major rating agencies.

The following table shows the financial liabilities measured at amortised cost:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade payables	20,120	19,516	78	26
Other payables	1,469	1,473	276	276
Amounts owed by subsidiaries	-	-	392	-
Accruals	1,719	1,716	53	114
Bank overdraft	-	-	-	1,778
Total	23,308	22,705	799	2,194

Capital management

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

Finance income

An analysis of finance income is set out in note 5 to the consolidated accounts.

Finance costs

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

Notice of Annual General Meeting

Notice is hereby given that the one hundred and nineteenth Annual General Meeting of the Company will be held at Unit 1 Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on Wednesday 22nd August 2018 at 12.30pm. Resolutions 1 to 8 inclusive will be proposed as ordinary resolutions, and resolutions 9 and 10 will be proposed as special resolutions.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2018 together with the Independent Auditor's report thereon.
2. To declare the final dividend recommended by the directors on the ordinary shares of the Company.
3. To re-elect Fabian French as a director, who retires by rotation.
4. To elect Paula Kerrigan as a director, who was appointed during the year.
5. To re-elect David Dunmow as a director, who retires by rotation.
6. To re-elect Andrew Wright as a director, who retires by rotation.
7. To re-appoint RSM UK Audit LLP, Chartered Accountants, as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors.

Special business

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

(a) this power shall be limited to:

- (i) the allotment of equity securities in connection with or subject to an offer or invitation, open for acceptance for a period fixed by the Directors, to the holders of Ordinary Shares on the register on a fixed record date in proportion (as nearly as maybe) to their respective holdings or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with the fractional entitlements which would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise how so ever); and
- (ii) other than pursuant to paragraph (a)(i) of this Resolution, the allotments of equity securities for cash up to an aggregate nominal amount of £252,000; and

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

10. 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

27 June 2018

Notice of Annual General Meeting

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 20th August 2018 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 27th June 2018, the Company's issued share capital consisted of 20,160,000 shares of which 469,200 shares are held in Treasury. Each share not held in Treasury carries one vote. The total number of voting rights are therefore 19,690,800.

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 £35. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays on telephone number 0370 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. In addition an internet share dealing service is available by logging into your account on www-uk.computershare.com/investor. The fee for this service will be 1% of the value of each sale or purchase of shares, subject to a minimum of £30. There are no additional charges for limit orders (available for sales only). No stamp duty is currently payable on share transfers.

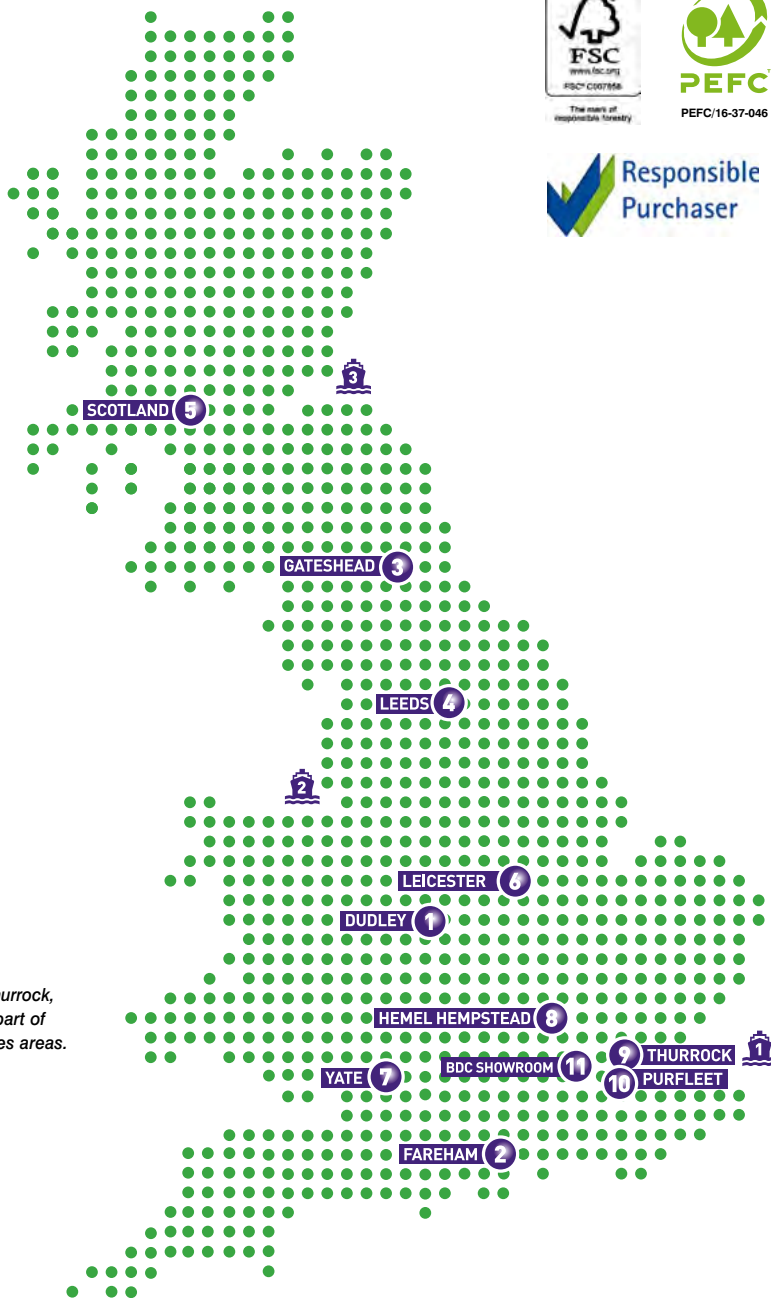
Detailed terms and conditions are available on request, please phone 0370 707 1093.

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

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

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

James Latham Distribution Sites



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



KEY: ● PANEL PRODUCTS ● TIMBER PRODUCTS

Distribution Facilities



1 Port Of Tilbury



2 Port of Liverpool



3 Port of Grangemouth

Accounts/Credit Control/Administration

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Tel 01442 849100 Fax 01442 267241

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