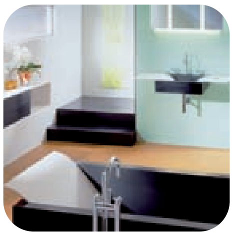
JAMES LATHAM PLC

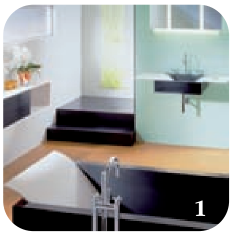
ANNUAL REPORT & ACCOUNTS 2008

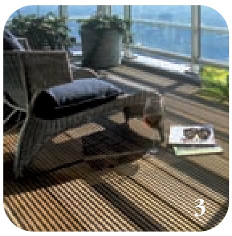


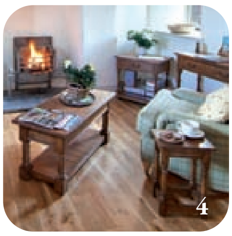
JAMES latham

THE NATURAL CHOICE

Contents







Front cover:

1 *LG HI-MACS®*
2 *Baüsen solid hardwood flooring*
3 *Hardwood decking*
4 *Baüsen solid hardwood flooring*

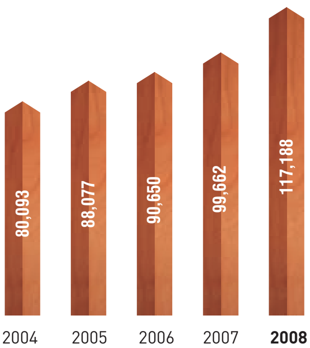
Financial Highlights for the year ended 31 March 2008

Financial Highlights

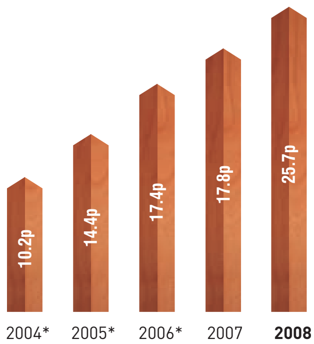
Year to 31 March	2008 £000	2007 £000	Increase
Turnover	117,188	99,662	18%
Operating profit	6,612	5,136	29%
Operating margin	5.6%	5.2%	8%
Profit before taxation	7,124	5,661	26%
Earnings per share	25.7p	17.8p	44%
Total ordinary dividend per share	8.6p	7.4p	16%
Equity shareholders' funds	42,121	41,094	2%

- Turnover up 18%
- Operating profit up 29%
- Adjusted EPS up 44%
- Dividend up 16%

Turnover (£000's)
(on continuing operations)

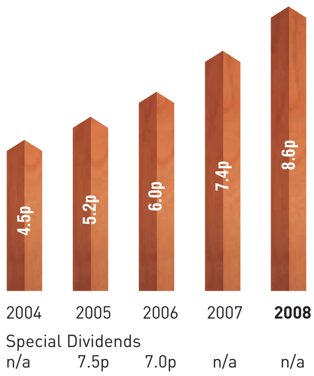


EPS
(excluding exceptional items)



* EPS shown under UK GAAP

Dividend
(excluding special dividends)



Financial Calendar

Record date for final dividend 2008	1 August 2008
AGM	21 August 2008
Payment of final dividend	29 August 2008
Interim 2008/9 results announcement	27 November 2008
Interim dividend expected payment date	22 January 2009
Preliminary announcement of 2008/9 results	25 June 2009

Chairman's Statement

Results

Group revenue in the financial year to 31 March 2008 was £117,188,000, 18% ahead of last year's £99,662,000.

These results are the first annual results prepared in accordance with International Financial Reporting Standards (as adopted in the EU) and previously reported figures have been re-presented. A full reconciliation is shown in note 32 to the Group accounts.

Operating profit increased by 29% to £6,612,000 from £5,136,000 last year.

Finance income was £642,000 against £752,000 last year and financial costs were £130,000 against £227,000.

Pre-tax profit is £7,124,000 and has increased 26% from last year's figure of £5,661,000.

Profit after tax is £5,056,000 compared with £3,541,000 last year.

Earnings per share is 25.7p, up 44% on last year's 17.8p.

Net assets (total equity) have risen to £42,121,000 from £41,094,000.

There was a net cash outflow of £247,000 after the purchase of the Hemel Hempstead site for £5,250,000. Cash was £8,625,000 at 31 March 2008.

Final dividend

The directors recommend a final dividend of 6.1p per ordinary share (2007 5.4p). The final dividend will be paid on 29 August 2008 to shareholders on the register at the close of business on 1 August 2008. The shares will become ex-dividend on 30 July 2008.

The total dividend per ordinary share of 8.6p for the year is covered 3 times by earnings.

Financial year 2007/08

The Group's results are based on the trading of Lathams Limited, a specialist panel and timber distributor and show a good improvement on last year.

Revenue was almost 18% higher and the gross profit percentage was similar to the previous year. As a result there has been a strong increase in the operating profit.

International demand for timber products remained strong for the first half of the year and with temporary shortages in some areas, prices increased. However, as predicted in the interim statement, gross margins weakened for the balance of the year, returning to more normal levels. Volume handled per working day peaked in the September quarter, and although the March quarter was lower, it was still ahead of March 2007.

At 31 March 2008 the pension deficit stood at £4,949,000. Changes to the mortality assumptions used to reflect improved longevity increased liabilities by about £2,600,000. The triennial actuarial valuation based on 31 March 2008 is under way and this will determine the level of future funding required. The scheme was closed to new entrants in 2003.

Current financial year 2008/09 – April and May trading

Trading conditions in April and May have been challenging. While revenue is ahead of last year, there is evidence of reduced demand from customers and increased competition for available business, resulting in margins coming under further pressure. While international demand for some products is keeping price levels stable, or rising, conditions in the UK market are resulting in weaker prices in a number of areas.

Development strategy

The Company started trading from a new depot in Motherwell in April, its first branch in Scotland. Sales from the new region for April and May have been encouraging. The Eastleigh depot was relocated to larger premises in Fareham in March and will handle hardwood, as well as panels, from July 2008. Plans are on schedule to relocate the Dudley depot to larger premises in August 2008. Costs of nearly £400,000 associated with these expansions and relocations have been included in these accounts. The Company will continue to focus on growing business in value added products such as veneered boards and acrylic stone products where unit value and margins are higher.

Directors and staff

On 31 August 2008 Malcolm Parkinson retires as a non-executive Director. He joined the Board in February 1993 and has been a valued member for many years; his searching questions and wise advice have guided the Company and four Chairmen through both good and bad times. He played an important role in a number of strategic changes including the decision to relocate from the Clapton site, geographic expansion and concentration on core activities.

I am delighted that Meryl Bushell will be joining the Board as a non-executive Director from 1 September 2008. Meryl has many years senior management experience with BT including several years as Chief Procurement Officer for the BT Group where she was responsible for all BT's procurement, supply chain and property activities. Her experience of supply chain management and overseas procurement, together with her special interest in corporate responsibility, will add a further dimension to the Board's policy making.

The Company will continue to have a well-balanced main Board in terms of range of experience and diversity. The key purpose of the main Board is to set the Company's strategy and exercise sound corporate governance.

Trading and operations policy will continue to be set and monitored by the Management Board of Lathams Limited whose members are the executive Directors and senior depot Directors. I thank both Boards for their hard work during the year and for constantly seeking to find better ways of doing things.

The results achieved this year are the best for a number of years and reflect the hard work and dedication of the talented staff that we employ throughout the business. This is a team effort, not only within depots, but also of depots working together in co-operation. 2008/09 will be more challenging for us all but I am confident we will continue to produce good results!

Peter Latham

Peter Latham
Chairman, James Latham plc *21 July 2008*

Company Objectives

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

The Company traces its history back to James Latham who traded in exotic hardwood in Liverpool in 1757. His son had established a business in London by 1799. It was taken public in 1965 and the shares are now quoted on the AIM Market. The Latham family owns over half of the Company shares and five members of the 7th and 8th generation of the Latham family work in the business.

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

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

The Company was voted UK Timber Trader of the Year in 2000, 2002 and 2004 and Panels Trader of the Year in 2007 (The Timber Trades Journal).

The Company's objectives are:

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

***'Global Cities'** – an installation at the Tate Modern showing population density in twelve cities, created with PEFC certified UPM kymmene spruce plywood donated by James Latham plc*

Results for the year to 31 March 2008

Lathams Limited is the trading subsidiary of James Latham plc and trades from ten depots in wood based sheet materials and joinery quality softwood and hardwood, hardwood flooring and decking. It does not offer products for lower value markets such as carcassing softwood, fencing and pallet wood, and does little business in particleboard.

Turnover for 2007/08 was £117,188,000, 17.6% higher than the previous year. Prices, as measured by the company's index of average stock value of largest selling items, increased during the June and September quarters, then fell back in December before increasing again in March to produce a year on year increase of about 7% overall. Trading volumes, measured by tonnage dispatched per working day, were higher for each quarter when compared to the same quarters last year, peaking in the September quarter. Overall volumes were up about 4% on the previous year.

Gross margin was 23.9%, which was almost identical to the previous year. The first six months benefited from faster rising prices and the profit made on the increased value of the company's stock. The gross margin was under pressure in the second half of the year, due to weaker prices in the December quarter and reduced demand in the March quarter. Operating profit for the year increased by 28% to £7,011,000.

Panel products (wood based sheet materials)

Panel sales at £85,262,000 were 18% higher than last year. The company's strategy has continued to target markets for decorative boards, door blanks and solid surface panels, which are higher in unit value and command higher margins.

Sales of hardwood plywood (representing 54% of the UK's total plywood imports) continued to be affected by the company's decision on environmental grounds not to trade in commodity plywood from China. Some serious questions were raised during the year relating to the robustness of the certification process for Chinese plywood, both in terms of CE marking (the performance standard) and certification of materials from well-managed forests. The company has now started trading with a reputable Chinese mill meeting our requirements. However prices are higher than those generally available on the Chinese market and we are selling this as a quality, sustainable product. In spite of the environmental push by politicians and the media, there is not yet an effective demand for certified products, which are inevitably supplied at higher prices. The company's policy is to work closely with its existing suppliers but also to find new products with environmental certification from new suppliers.

Although the company has few customers directly involved in the new housing market our business to timber and building merchants is to some extent affected by the downturn in activity in that market.

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

Timber sales at £31,926,000 were 12% higher than last year and, as with panels, most of this increase was the result of higher prices, notable in tropical hardwoods where prices continued to strengthen for the first half of the year. Prices on American hardwood, which make up 51% of our volume sold, were mixed. The cubic metre price of species in demand and short supply, such as black walnut and white oak, continued to increase while others remained weak. European hardwood sales and volumes also increased.

The company's strategy has been to develop the market for third party certified timber from well-managed forests. We now have good stocks of Forest Stewardship Scheme (FSC) certified sapele, the most popular hardwood for the UK market, as well as lesser known African species, which provide choice for specifiers and help maximise the value of the forest for the producers. Given the problems of operating in Africa, obtaining FSC certification is a tremendous achievement for our trading partner CIB, part of the DLH Goup. They have recently received confirmation of certification of a second concession area.

Sales of laminated timber sections continue to increase. These offer advantages of improved structural stability and specification to the customer and lower waste factors to producers.

Timber flooring continues to be an important product range. During the year we purchased the Baüsen brand and will continue to invest in this to maximise the advantage of an excellent product which is becoming well known in the market.

The timber gross margin was similar to the figure achieved last year. This resulted in a greatly improved operating profit in a part of the business where stock turn is inevitably lower due to longer lead times and lower stock turn ratios. Stock turn ratios have been tightened since the year-end, so that as this part of the business grows it does not absorb a disproportionate amount of working capital.

Operating Review

Market share

UK imports for 2007 include domestic production of MDF, OSB and Particleboard.

Product	UK Imports Cubic metres	UK Imports Change on year %	Lathams sales Cubic metres	Lathams share of UK imports % 2008	2007
Softwood	7,914,000	6.90%	12,000	0.15%	0.13%
Hardwood	459,000	-18.40%	39,500	8.61%	6.25%
Plywood	1,624,000	8.50%	82,500	5.08%	5.82%
Particleboard	2,470,000	-2.00%	25,000	1.01%	1.73%
OSB/MDF	1,770,000	2.00%	113,000	6.38%	7.65%

The table above demonstrates that even in the markets that Lathams is seen as a major player, our share of the total industry imports is small. Some large users buy direct from producers and the company's largest merchant customers serving the building industry import the bulk of their requirement themselves.

Market place

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

Market sector	Customer group	Lathams sales value %
Construction/housing	Merchants	15
	Joiners	22
	Builders	6
	Kitchen manufacturers	6
Retail	Shopfitters	6
	Laminators/veneerers	5
	Furniture manufacturers	8
Transport	Vehicle builders	3
Exhibitions	Exhibition fitters	3
Cash sales		4
Other importers		8
Other sectors		14
	TOTAL	100

The company's business is largely undertaken in the United Kingdom. Results therefore depend on the performance of the UK economy. However the very wide spread of customers across different sectors helps protect against a downturn in any one sector.

Strategy for developing the business

The directors recognise that the strength of the company is as a distributor of specialist high quality timber and timber related products to existing and new customer bases. The decline in the UK in manufacturing generally has also been experienced in the wood using sectors. Furniture production moved firstly to Southern, then Eastern Europe and much is now taking place in China. To counter this the company is targeting a customer base making custom made products and where lead times are short.

In the case of panels, value added products, such as melamine and veneered faced panels, specialist birch panels and doors now account for the same value of sales as traditional commodity items such as hardwood and softwood plywood and standard MDF. This ratio of value added to standard items varies between depots and it is planned to increase sales of value added products at all depots. During the year storage facilities at our Ossett depot were upgraded with additional racking at a cost of about £250,000 to enable us to employ modern handling methods using narrow aisle sideloader trucks, which enable utilisation of the full volume of the building and cuts down on handling. This also speeds up picking and reduces damage to high value items.

The depot at Eastleigh was relocated to a modern warehouse at Fareham and started trading from 1 March. Hardwood was being introduced there from 1 July, which will enable the company to increase sales in the surrounding area and offer an improved service to customers. The Dudley branch, where sales have been constrained by lack of space, will move to larger premises during August 2008. The stock profile will include a greater range of value added products.

The company started trading from a new depot in Motherwell in April, its first branch in Scotland. This is a modern facility equipped with extensive racking allowing material to be stored to 8 metres high and employing narrow aisles. The company is trading in both panels and timber and early sales results have been encouraging.

Risks to the business

Cyclical nature of the timber trade

Product shortages can lead to high prices and over purchasing throughout the trade, resulting in excessive stock holding. Weaker prices lead to stock reduction throughout the supply chain, which magnifies the reduction demand and then leads to even sharper falls in price.

To mitigate this risk, the company has a strict policy of stock level targets by depot, which 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 company's exposure to rapidly changing price levels.

The Board has set strict guidelines relating to purchases where the specification is unique to a particular customer; and has policies in place to ensure that no individual can commit the company to a purchase greater than his/her authorised limit.

The company's move away from commodity items has reduced this risk of over exposure to low value, high volume and price sensitive items.

Political risks

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

Economic slowdown

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

Reputational risk

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

On the purchasing side the company has a risk based responsible purchasing policy to minimise possible damage to its reputation from dealing in illegal products.

Business disruption

The company has in place plans to cope with business disruption both on a depot-by-depot basis and in relation to the central administration. This is an area covered by insurance but the level of risk is reduced by the company's geographic coverage.

Financial Review

Introduction

This year has seen record revenues and profits for the timber importing business and the following report provides a commentary on how we have successfully achieved our financial objectives during this year.

Financial objectives

The Board of Directors remain committed to the long term improvement in shareholder value, which we believe we can achieve by;

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

Financial review

This is the first full year accounts to be prepared under International Financial Reporting Standards (IFRS). A full reconciliation of the differences between IFRS and UK GAAP is given in note 32 to the accounts.

Revenues increased by 17.6% to £117.2m, whilst gross margins remained above 17.5%. Operating profit increased 28.7% to £6.6m. Group net profit before taxation increased by 25.8% to £7.1m. A commentary on the Group's trading results is set out in the Operating Review on pages 5 to 7.

Capital investment

During the year, the Group purchased the freehold of the Hemel Hempstead site for £5.25m. Previously held on a 15 year lease, the purchase of the freehold secures the tenure of one of our most successful depots and Head Office. The site in total covers 43,500 square feet, of which 10,875 square feet is currently sublet on a short term lease, giving us adequate room for expansion into the foreseeable future.

At the beginning of March 2008, we completed the relocation of our Eastleigh depot to a new leased depot

David Dunmow
Group Finance Director and Company Secretary

in Fareham, giving us an additional 15,000 square feet to provide a more efficient working environment and allow us to expand the product range.

In April 2008, we opened a new leased depot at Motherwell and have recruited an excellent team to manage our expansion into Scotland.

We have purchased the rights to the use of the Baüsen brand for our hardwood flooring products in the UK. Securing the rights to this brand, will now give us the opportunity to further develop sales in the UK.

The growth this year has been organic through increasing sales at our existing branch locations. We have considered investment opportunities, looking at returns on capital over a three year period, the net profits achievable, Group synergies and cost savings. The investment opportunities looked at this year however did not meet all these requirements, and the Board continues to actively look for opportunities.

Taxation

The taxation charge of £2.1m represents an effective rate of 29.0%. The Group's profits arise wholly in the UK and the Group's tax charge will reflect the UK corporation tax rate. The headline rate of corporation tax will reduce to 28% from April 2008, but the benefit of this will be offset by the withdrawal of Industrial Buildings Allowances and other capital allowances changes. This reduction in rate has lead to a one-off credit of £200,000 relating to the reduction of the deferred taxation liabilities.

The majority of the capital investment referred to above will be available for roll over relief against the sale of the Clapton site, allowing us to recover some of the tax paid on the profit on sale of Clapton.

Treasury shares

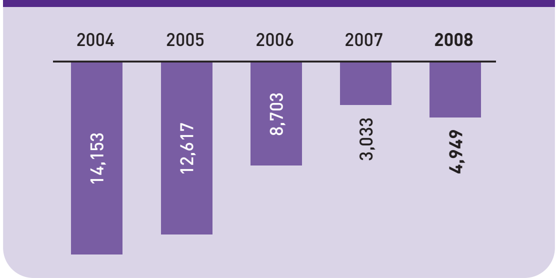
In March this year, our market capitalisation fell below net asset value, in common with a number of small cap companies. This has given us the opportunity to purchase 394,000 of our own shares, which are currently being held as treasury shares. These shares will either be used to meet existing employee share option plan requirements, or will be cancelled. Further purchases of shares have been made in April and July 2008.

Pension scheme

At 31 March 2008 the pension deficit stood at £4,949,000. Actuarial assumptions and short term market conditions can have a major effect on the amount of the pension scheme liability. In note 20 to the Group accounts, we have provided some sensitivity analysis to illustrate the volatility of the pension liability. This year we have made some alterations to the mortality assumptions in the light of increasing evidence that people are living longer. This increased the valuation of liabilities by £2.6m.

The Pension Scheme Trustees, with the Board's approval, completed their investment strategy review with the aim of maintaining the return on the assets whilst reducing the risk. The pension scheme's investments have altered so that there is some reduction in equity and bond investments, with new investment in other asset classes, such as long leasehold property and Fund of Hedge Fund investment. This should result in a more balanced portfolio and over the long term, a reduced risk of investment returns not matching the actuarial assumptions.

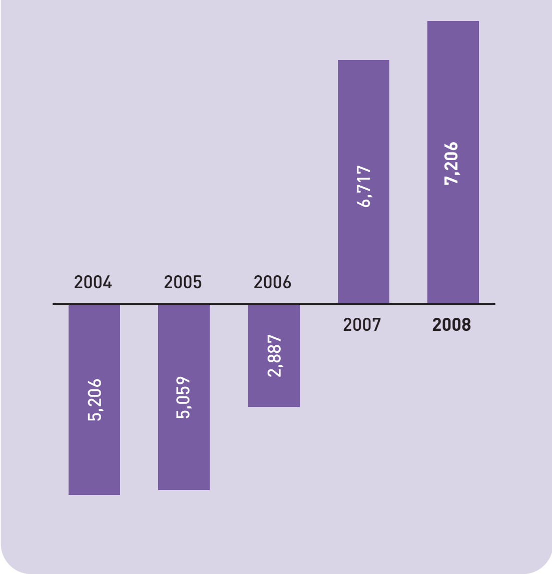
Gross IAS19 deficit £000's



Cash flow

At the end of the year cash balances of £8.6m were held. This 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. 78% of operating profits were converted into cash this year, against 65% last year.

Net funds/(debt) £000's



Working capital

The timber importing business requires considerable working capital investment in stock and debtors. Control of cash flow from debtors is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, reduced from 53 days to 52 days.

With the increases in sales this year, it became even more important to control stock levels. Stock turnover targets are set and monitored on a monthly basis. The strategic move into more specialised products has required active management and regular review of slow moving stocks. Stock turn improved from 6.4 times to 6.5 times, against a target of 6.1 times. For 2008/09 the stock turn targets have been tightened further.

We have also used our strong cash position to arrange cash settlement discounts with some of our suppliers.

Financial Review

Financial risk management

In the course of our business, the Group is exposed to currency risk, interest rate risk, liquidity risk and credit risk. The overall aim of the Group's financial risk management strategy is to mitigate any potential negative effects on the Group's assets and profitability. The Group manages these risks in accordance with Group policies, and does not take speculative positions.

Some of the currency risk is hedged by using derivative financial instruments which provide some protection should sterling weaken against the US dollar. However as the Group trades wholly in the UK, the market price of our products tend to fluctuate in line with currency spot prices. The cash deposits reduce our liquidity risk, and insurance products reduce our credit risk.

Further information is disclosed in note 31 to the Group accounts.

Information technology/business continuity

The operations of the Group depend to a large extent on the availability and reliability of our information technology systems. An IT steering committee reviews the performance of our IT systems and recommends development work to the Board. The IT systems are monitored 24 hours a day and maintenance work carried out on an ongoing basis.

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

David Dunmow
Group Finance Director

New Depots for 2008

Lathams Limited Scotland

Lathams Limited Scotland operation, the first north of the border and located at Eurocentral, just east of Glasgow, started trading in the middle of April. This brand new 40,000 sq ft purposely adapted operation will hold a very extensive range of panel products, door blanks, hardwood, hardwood flooring and decking. Under the leadership of David Landsburgh, a first class team has been assembled with many years' trading experience in Scotland.

Lathams Limited Fareham

Lathams Limited Fareham depot opened its doors at Matrix Park for the first time on 3 March 2008. It has been fitted out with narrow aisle high racking, enabling a wide range of timber and panels products to be held in stock.

Lathams Scotland *– Top: The new depot in Eurocentral, Scotland. Left: David Landsburgh.*

Lathams Fareham *– Above: The Matrix Park team at Fareham.*

At Lathams we are conscious of our corporate responsibilities, particularly in the spheres of health and safety and environmental matters and these are particularly relevant to the Group's business. A substantial amount of management time is devoted to CSR issues, environmental good practice and sustainable development. The Group seeks to minimise as far as is reasonably practicable the waste that it generates in areas such as product packaging. We have undertaken Carbon Trust funded reviews to minimise our use of electricity and fossil fuels.

Providing a safe working environment

The handling of timber and panel products, both manually and mechanically, and the stacking and storage of these products at height, can be dangerous activities. We are, therefore, very active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible. We spend an increasing amount of time and money on this activity. We employ a full-time Health and Safety Advisor who reports to the Board regularly and attends Board meetings twice a year. We have a 3-year action plan and all sites are subject to regular audits. Management and employees are actively involved in improving our safety record which is high on everyone's agenda.

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

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

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

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

How do we ensure that our timber comes from well managed forests?

Preference given to certified sustainable supplies

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

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

FSC

PEFC

Commitment to purchase from legal sources

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

The Company unreservedly condemns illegal logging practices, keeps informed and actively participates in processes to change national and international legislation.

We publish our commitment to the environment regularly in our literature and on our website, www.lathamtimber.co.uk

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

Corporate Responsibilty

2008 targets for panels and timber sourced from sustainable and well managed forests

The figures for the relevant calendar years are given below:

		Legal and sustainable	3rd party verified legal	Total
Panels	2006	62%	3%*	65%
	2007	66%	3%*	69%
	2008 target	70%	3%	73%
Timber	2006	22%	24%	46%
	2007	24%	28%	52%
	2008 target	29%	28%	57%

** these figures have been altered from last year's to reflect only internationally recognised schemes.*

As a member of the Timber Trades Federation (TTF) we have signed and agreed to abide by the TTF Responsible Purchasing Policy, the TTF Code of Conduct and to apply the Environmental Code of Practice to all wood procurement activities. We assess all high-risk areas of supply and ask suppliers for evidence for the source of supply of their logs.

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, the Olympics and many environmentally aware customers. This is done through our product guide, specific literature and company staff giving presentations to customer trade associations and at customer premises.

Informing suppliers and supporting certification

Senior company 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, China, Indonesia, Malaysia, the United States, Uruguay and Argentina giving the same message. We have also hosted delegations from Ghana and Gabon.

The Company has supported and funded suppliers working under the EU funded Timber Trade Action Plan which is a step-by-step approach towards certification. The Company's chairman contributes a considerable amount of his own time to chairing PEFC UK, the timber trades federation environmental committee and to promoting PEFC and FSC certified product and promotion of chain of custody certification.

Backing UK Government Initiatives

Company directors have worked with DEFRA and DFID ministers to support the Government's policy and initiatives to halt illegal timber entering the UK supply chain.

The e-Tree Initiative

James Latham plc has signed up to the e-Tree initiative organised by our registrars, Computershare. eTree™ 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 buy a sapling which will be used in the Tree for All campaign. So we are doing our bit, while you are making your life easier.

By opting in to receive eCommunications and providing your email address, you are asking us to stop sending you your Annual Reports and other statutory documents by post. Instead, we will send you an email when information is available online. These are not bulky emails to your inbox, just a link to a site where you can pick up your information.

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

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

Directors and Advisers

Directors' biographies

Peter Latham

Peter Latham BA FIWSc *Chairman*
Peter Latham, age 57, has worked in the Company for 34 years and was appointed to the Board in 1983. He is a director of Lathams Limited. He is Hon Treasurer of the Institute of Wood Science and Chairman of the Programme for the Endorsement of Forest Certification schemes (PEFC) UK Board, an independent non-governmental organisation, which has certified the largest area of world forests.

David Dunmow

David Dunmow BSc FCA *Finance Director and Company Secretary*
David Dunmow, age 44, is a Fellow of the Institute of Chartered Accountants in England and Wales. He joined the Company in 1994 and was appointed to the Board as Finance Director in 2000. He is a director of Lathams Limited, and Company Secretary of James Latham plc. He is the treasurer of the Timber Trade Federation and serves on its Governing Board.

Chris Sutton

Chris Sutton *Executive Director*
Chris Sutton, age 49, has worked for James Latham plc for 28 years. He is Panel Products Sales Director for Lathams Limited and was appointed to the Board on 1 January 2005. He serves on the Board of the National Panel Products Division of the Timber Trade Federation.

Malcolm Parkinson

Malcolm Parkinson Non-*Executive Director*
Malcolm Parkinson has been a Non-Executive Director of the Company since 1993. He was previously Chief Executive of Woolworths Holdings plc and a director of B&Q Limited. He is a director of Malross Management Limited.

Pippa Latham

Pippa Latham MA MBA ACIS FCMA *Non-Executive Director*
Pippa Latham, age 47, joined the Company in 1990 from a previous career in investment banking and management consulting. She was Company Secretary from 1994 to 2005 and was appointed to the Board as a Non-Executive Director on 1 September 2005. She is an investment manager for the Timber Trades Benevolent Society and principal of Pippa Latham Associates.

Nick Latham

Nick Latham BSc *Executive Director*
Nick Latham, aged 40, has worked for the Company for 17 years and was appointed to the Board on 5 April 2007. He is a director of Lathams Limited.

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Services plc
The Pavilions
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Bristol BS13 8FB

Bankers
Royal Bank of Scotland plc
Financial Institutions Group
Major Corporate Banking
280 Bishopsgate
London EC2M 4RB

Handelsbanken
Trinity Tower
9 Thomas More Street
London E1 9WY

Stockbrokers and Nominated Adviser
Blue Oar plc
Colstone Tower
Colstone Street
Bristol BS1 4RD

Independent Auditors
Baker Tilly UK Audit LLP
2 Bloomsbury Street
London WC1B 3ST

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

Registered Number 65619
Registered in England and Wales

Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2008.

Principal activities

The Group's principal activity is the importation and distribution of panel products, of sawn and further-processed quality hardwoods and softwoods, and quality hardwood flooring, offering national coverage from ten depots.

Performance and prospects

A review of the Group's performance and prospects is given in the Chairman's Statement on pages 2 and 3, in the Operating Review on pages 5 to 7, and in the Financial Review on pages 8 to 10 which includes a review of the risks and uncertainties impacting on the Group's long term performance. Details of the Group's key performance indicators – revenue, margins, earnings per share and cash are given in the Results section of the Chairman's statement on page 2.

Results and dividends

Group results for the year ended 31 March 2008 are set out on page 22. The directors recommend the following dividends:

Ordinary dividends	**£000**
Interim dividend paid, 2.5 pence per ordinary share	496
Final dividend proposed, 6.1 pence per ordinary share	1,197
Total ordinary dividends, 8.6 pence per ordinary share	1,693

The directors recommend payment of the final dividend on 29 August 2008 to shareholders on the register of members at the close of business on 1 August 2008.

Directors

The directors of the Company, who are shown on page 13, were directors throughout the year, with the exception of Nick Latham who was appointed on 5 April 2007.

In compliance with the Articles of Association, Peter Latham, Chris Sutton and Pippa Latham will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

Other than their service contracts, no director has a material interest in any contract with the Company. Malcolm Parkinson and Pippa Latham, as non-executive directors, do not have a service contract with the Company. Details of directors' emoluments, pension rights, service contracts and the directors' interests in the ordinary shares of the Company are included in the Directors' Remuneration Report on pages 18 to 20.

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 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.

During the year the Company purchased 394,000 25p shares making in total 534,000 shares held as treasury shares with a view to being used for employee share schemes or cancelled. Movements in the treasury shares are shown in note 26 to the Group accounts.

Savings related share option scheme ("SAYE")

On 29 August 2007, the shareholders approved by ordinary resolution the extension of the SAYE scheme for a further 10 years. A 3 year scheme commenced on 1 September 2005.

Substantial shareholdings

At 30 June 2008, the Company had received notification under the Disclosure Transparency Rules that the only shareholding exceeding 3% of the issued ordinary share capital, apart from those of the directors, was that of Sir Robert McAlpine Enterprises Limited, a holding of 1,352,000 shares, representing 6.91% of the voting rights of the ordinary share capital.

Shareholdings of other members of the Latham family, not included under the Latham directors' shareholdings, total 7,944,646, representing 39%.

Employees

The Group's ability to achieve its commercial objectives and to service the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The Group regularly keeps employees up to date with financial and other information. To encourage the involvement of employees in the Group's performance, a savings related share option scheme is operated together with a profit sharing scheme linked to performance.

Risks and uncertainties

The principal risks and uncertainties affecting the business are set out in the Risks to the business section of the Operating Review on page 7.

The Group's employment policies do not discriminate between employees, or potential employees, on the grounds of age, gender, disability, sexual orientation, colour, ethnic origin or religious belief. The sole criteria for selection or promotion is the suitability of any applicant for the job.

It is the policy of the Group to train and develop employees to ensure they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff.

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

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 creditor days at 31 March 2008 were 43 (2007: 45 days).

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Political and charitable donations

During the year, the Group made no political contributions but made direct donations to various charitable organisations amounting to £2,845 (2007: £1,430). The Group also made small donations of our products to a number of good causes.

Capital gains tax

To allow shareholders to calculate their liability to capital gains tax from gains realised in the 2007-2008 tax year, the 31 March 1982 price of the ordinary shares was 13.6p and of the 8% cumulative preference shares 15.1p. The prices have been adjusted for scrip issues since April 1982 and the share division in 2005.

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 31 to the Group accounts and in the Financial Review on page 10.

Provision of information to the auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

Annual General Meeting special business

The Annual General Meeting of the Company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QU on 21 August 2008 at 12.30pm. The following items are to be proposed as special business, and the Board recommends that the shareholders vote in favour of all resolutions put before the meeting.

Resolution 7. Directors authority to allot shares. This gives the Board the power to allot ordinary shares or other securities, up to an aggregate nominal amount of £1,680,000 (or one third of the current ordinary shares).

Resolution 8. Dis-application of pre-emption rights. The Companies Act 1985 provides that when ordinary shares are being issued for cash, these shares must first be offered to existing shareholders on a pro rata basis. This resolution empowers the Board to allot shares not exceeding 5% of the issued share capital, without offering to existing shareholders. The Board only anticipates using this power in conjunction with the employee share schemes.

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

Resolution 10. Approval of the Rules of the James Latham plc Approved Company Share Option Scheme 2008. The Board is proposing to introduce a new HM Revenue & Customs approved share option plan, to be called the James Latham plc Approved Company Share Option Plan 2008 ("the Plan"), in order to allow selected key employees to share in the success of the group and promote motivation and retention. The options can only be exercised after a period of at least 3 years from the grant date, and a maximum of £6,000 per person of options will be granted in any one year. No more than 5% of the fully diluted ordinary share capital of the company may be allocated under this Plan or any other employee share plan.

Resolution 11. Adopting new Articles of Association to reflect changes in the Companies Act 2006. The Board is proposing to adopt these new Articles with effect from 1 October 2008, and the following amendments are being made. A copy of the new Articles, marked up to show the changes, will be made available at the Annual General Meeting. The main changes are

- Convening Extraordinary and Annual General Meetings. The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006.
- Votes of Members (Proxies). Provisions of the Companies Act 2006 which came into force in October 2007 entitle proxies to vote on a show of hands whereas the current articles assume (in line with the previous position under the Companies Act 1985) that proxies are only entitled to vote on a poll.

  Multiple proxies may also be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. In addition, multiple corporate representatives may be appointed.

  The new articles reflect all of these new provisions. However there is currently some uncertainty as regards votes cast by multiple corporate representatives appointed by the same corporate shareholder. Therefore the articles have not yet been amended to reflect the provisions on corporate representatives contained in section 323 of the Companies Act 2006.
- Conflicts of Interest. The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under section 175 of the Companies Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new articles give the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company accounts for each financial year. Under that law the directors are required to prepare Group accounts in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group accounts are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such accounts that references in the relevant part of that Act to accounts giving a true and fair view are references to their achieving a fair presentation.

The Company accounts are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the Group and Company accounts, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. for the Group accounts, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the Company accounts state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company accounts;

d. prepare the accounts 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group 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 financial information contained on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

On behalf of the Board of Directors
Peter Latham
Chairman *21 July 2008*

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

The Board of Directors

The Board meets at least six times a year and has a formal schedule of matters referred to it for decision. All directors have access to independent professional advice, if required, at the Company's expense. The Board currently consists of the Chairman, three other executive directors and two non-executive directors. Each director has a vote and no individual or small group of individuals dominates the Board's decision making. Directors of the Company are in contact from time to time with representatives of the institutional shareholders to discuss matters of mutual interest relating to the Company.

The Board has decided that the directors will retire by rotation and the executive directors will be re-elected over the coming few years. The manner in which the Company has applied the principles of corporate governance is set out below.

The Audit Committee

The Audit Committee is currently chaired by Malcolm Parkinson and includes Pippa Latham and Nick Latham. As Finance Director, David Dunmow also attends the meetings of the Committee. The Committee meets at least three times a year to review, inter alia, in conjunction with the external auditors, internal controls within the Group. The duties of the audit committee include, on behalf of the Board, a review of effectiveness of the Group's financial reporting and internal control policies, and procedures for the identification, assessment and reporting of risk. It also keeps under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including recommending their re-appointment to the Board.

The Audit Committee continues to review the work of the Group's internal auditor.

Once a year the auditors meet with the non-executive directors only.

Financial reporting

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

Internal controls

The Board has established systems of internal control as appropriate for the size of the Group.

Risk assessment

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Procedures for identifying, quantifying and managing the risks faced by the Group have been in place throughout the year under review. The processes for identifying and managing the key risks to the business are communicated regularly to all staff who are made aware of the areas for which they are responsible. Such processes include strategic planning, the appointment of appropriately qualified staff, regular reporting and monitoring of performance against budgets and other performance targets, and effective control over capital expenditure. Any system of internal control can however only provide reasonable, but not absolute, assurance against material misstatement and loss.

Whistleblowing

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

Review of effectiveness of financial controls

The directors confirm that they have reviewed the effectiveness of the system of internal control for the year under review and to the date of approval of the Annual Report and Accounts through the monitoring process described above. In addition, the directors confirm that they have conducted a specific annual review of the effectiveness of the Group's internal audit function.

Relations with shareholders

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

Directors' Remuneration Report

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

Remuneration Committee

During the year ended 31 March 2008, the Remuneration Committee comprised the two non-executive directors, Malcolm Parkinson and Pippa Latham, and was attended by Peter Latham.

The main function of the Remuneration Committee is to make recommendations to the Board regarding the Group's policy on the remuneration and conditions of employment of the executive directors of the Group and, where appropriate, senior management, and includes nominations to the Board.

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

Remuneration policy

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

The remuneration package consists of basic salary, benefits (comprising car and medical provision), pensions, annual bonus schemes and share options available through the Group Savings Related Share Option Scheme and Share Incentive Plan.

Performance related bonuses

Annual bonuses can be earned by executive directors for the achievement of specific financial performance targets set by the Board of Directors for the Group as a whole and agreed by the remuneration committee. The criterion which the executive directors' bonuses were based in 2008 was the achievement of £5,000,000 operating profit. Maximum bonuses are paid on achieving 135% of the target operating profit. The criterion for the year ending 31 March 2009 will be based on a similar formula.

Service contracts

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

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

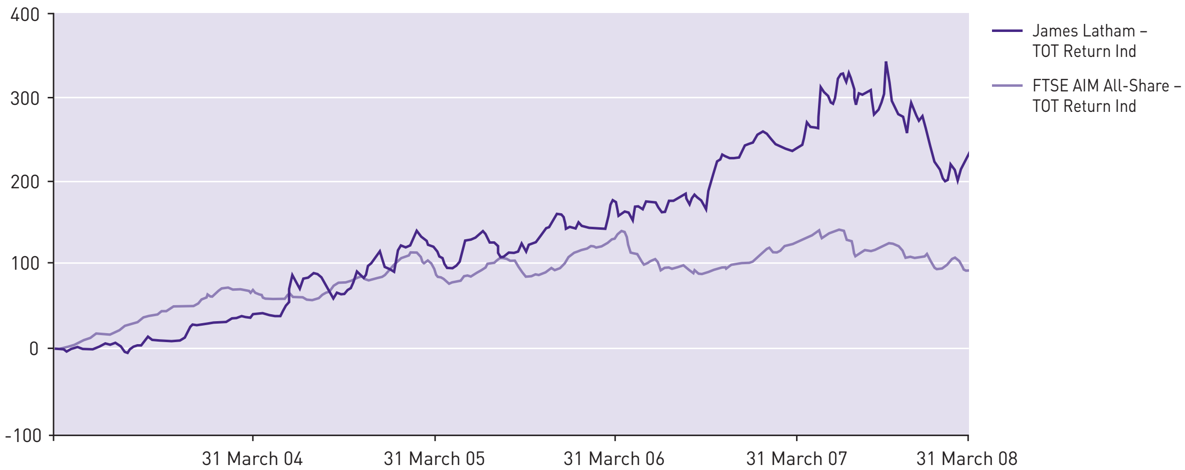
Remuneration of the non-executive directors

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

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 2008.

James Latham plc total shareholder return



The Remuneration Committee consider this to be the most appropriate graph against which to compare the Company's performance.

Directors' emoluments

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

	Salary and fees	Benefits	Bonus	Total emoluments excluding pensions		Increase in accrued pension during the year	Total accrued annual pension at 31.03.08	Transfer value of increase in accrued benefit
				2008	2007			
	£000	£000	£000	**£000**	£000	£000	£000	£000
Executive								
P.D.L. Latham	153	11	36	**200**	182	12	108	92
D.A. Dunmow	114	10	26	**150**	143	3	29	9
C.D. Sutton	98	8	23	**129**	120	6	56	32
N.C. Latham	83	-	19	**102**	-	5	24	22
(appointed 5 April 2007)								
R.J. Latham	-	-	-	**-**	116	-	-	-
(retired 15 December 2006)								
Non-executive								
P.A.J. Latham	21	-	-	**21**	18	-	-	-
M.R Parkinson	24	-	-	**24**	23	-	-	-
Total	493	29	104	**626**	602			
2007	492	32	78	**602**				

Pensions paid to widows of former directors amounted to £15,000 (2007: £14,000).

Directors' interests

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' interests, including close family interests, in the share capital at the end of the financial year were as follows:

		31 March 2008			31 March 2007 (or date of appointment if later)		
Directors		Ordinary shares	Savings related share options	Preference shares	Ordinary shares	Savings related share options	Preference shares
P.D.L. Latham	Beneficial owner	**1,054,060**	**6,274**	**Nil**	1,052,274	6,274	Nil
	Trustee	**234,000**	**Nil**	**Nil**	234,000	Nil	Nil
D.A. Dunmow	Beneficial owner	**51,118**	**6,274**	**Nil**	49,180	6,274	Nil
	Trustee	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil
C.D. Sutton	Beneficial owner	**8,305**	**1,882**	**Nil**	8,199	1,882	Nil
	Trustee	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil
N.C. Latham	Beneficial owner	**556,282**	**6,274**	**Nil**	497,606	6,274	Nil
	Trustee	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil
P.A.J. Latham	Beneficial owner	**629,125**	**5,019**	**Nil**	629,019	5,019	Nil
	Trustee	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil
M.R. Parkinson	Beneficial owner	**31,500**	**Nil**	**Nil**	24,000	Nil	Nil
	Trustee	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil

M.R. Parkinson
Chairman of the Remuneration Committee

Independent Auditors' Report

To the members of James Latham plc

We have audited the Group and parent Company accounts on pages 22 to 61.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent Company accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view, and whether the accounts have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Operating Review that is cross referenced from the Performance and Prospects section and Risks and Uncertainties section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, Chairman's Statement, Operating Review, Financial Review, Corporate Governance Statement and Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the Group accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the parent Company accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2008;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

21 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

£'000s	Notes	2008	2007
Revenue		**117,188**	99,662
Cost of sales (including warehouse costs)		**(96,635)**	(81,922)
Gross profit		**20,553**	17,740
Selling and distribution costs		**(9,160)**	(8,231)
Administrative expenses		**(5,013)**	(4,581)
Other income	5	**232**	208
		(13,941)	(12,604)
Operating profit		**6,612**	5,136
Finance income	6	**642**	752
Finance costs	7	**(130)**	(227)
Profit before tax	3	**7,124**	5,661
Tax expense	8	**(2,068)**	(2,120)
Profit after tax attributable to equity shareholders of the parent company		**5,056**	3,541
Earnings per ordinary share (basic)	10	**25.7p**	17.8p
Earnings per ordinary share (diluted)	10	**25.6p**	17.7p

All results relate to continuing operations.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 March 2008

£'000s		2008		2007
Profit after tax		**5,056**		3,541
Actuarial (losses)/gains on pension scheme	**(2,024)**		558	
Deferred tax effect of actuarial (losses)/gains on pension scheme	**567**		(167)	
Deferred tax on share-based payment	**12**		-	
Net income and expense recognised in equity		**(1,445)**		391
Total income and expense, attributable to equity shareholders of the parent company		**3,611**		3,932

Consolidated Balance Sheet

At 31 March 2008

£'000s	Notes	2008	2007
Assets			
Non-current assets			
Goodwill	13	**237**	237
Intangible assets	11	**149**	-
Property, plant and equipment	12	**17,515**	11,226
Other receivables	14	**333**	500
Total non-current assets		**18,234**	11,963
Current assets			
Inventories	15	**18,181**	16,405
Trade and other receivables	16	**24,826**	27,440
Cash and cash equivalents		**8,625**	8,872
Total current assets		**51,632**	52,717
Total assets		**69,866**	64,680
Current liabilities			
Trade and other payables	18	**18,681**	17,407
Current portion of interest bearing loans and borrowings	19	**378**	737
Current tax payable		**-**	205
Total current liabilities		**19,059**	18,349
Non-current liabilities			
Interest bearing loans and borrowings	19	**1,041**	1,419
Retirement and other benefit obligation	20	**5,108**	3,033
Other payables	21	**644**	245
Provisions	22	**-**	108
Deferred tax liabilities	23	**1,893**	432
Total non-current liabilities		**8,686**	5,237
Total liabilities		**27,745**	23,586
Net assets		**42,121**	41,094
Capital and reserves			
Issued capital	24	**5,040**	5,040
Share-based payment reserve	25	**95**	56
Own shares	26	**(429)**	(170)
Capital reserve	27	**3**	3
Retained earnings	27	**37,412**	36,165
Total equity attributable to equity shareholders of the parent company		**42,121**	41,094

These accounts were approved and authorised for issue by the Board of Directors on 21 July 2008 and signed on its behalf by:

P.D.L. Latham } Directors
D.A. Dunmow

The notes on pages 26 to 54 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

£'000s	Notes	2008	2007
Net cash flow from operating activities			
Cash generated from operations	28	**5,163**	3,349
Special contribution to pension fund		**-**	(5,000)
Interest paid		**(70)**	(163)
Income tax paid		**(1,237)**	(757)
Net cash inflow/(outflow) from operating activities		**3,856**	(2,571)
Cash flows from investing activities			
Interest received and similar income		**792**	780
Purchase of property, plant and equipment		**(6,792)**	(186)
Purchase of intangible asset		**(150)**	-
Proceeds from sale of property, plant and equipment		**48**	3,946
Proceeds from prior year sale of property and investment in subsidiary undertaking		**5,438**	9,228
Net cash (outflow)/inflow from investing activities		**(664)**	13,768
Cash flows from financing activities			
Bank loans repaid during the year		**(714)**	(2,214)
Finance leases repaid during the year		**(23)**	(23)
Equity dividends paid		**(1,572)**	(1,278)
Preference dividend paid		**(79)**	(79)
Purchase of own shares		**(259)**	(130)
Purchase of treasury shares		**(792)**	-
Net cash outflow from financing activities		**(3,439)**	(3,724)
(Decrease)/increase in cash and cash equivalents for the year		**(247)**	7,473
Cash and cash equivalents at beginning of year		**8,872**	1,399
Cash and cash equivalents at end of year		**8,625**	8,872

General information

James Latham plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 1985. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The address of the registered office is Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU.

1. Summary of Significant accounting policies

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

(a) Basis of preparation

The Group previously prepared its financial statements in accordance with United Kingdom Accounting Standards (UK GAAP). These consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company has elected to prepare its parent company accounts in accordance with UK Generally Accepted Accounting Practice (GAAP). These are presented on pages 55 to 61.

The accounts have been prepared under the historic cost convention. A summary of the more important group accounting policies, which have been applied consistently across the Group, is set out below, together with an explanation of where changes have been made to previous policies on the adoption of IFRS in the year.

During the period, the Group adopted the following accounting pronouncements that are relevant to its operations, none of which had any impact on its results or financial position:

- IFRS 7 Financial Instruments: Disclosures and the related amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures"
- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 IFRS2 - Group and treasury share transactions

At the date of issue of this statement the following standards and interpretations which have not been applied in these accounts were in issue but not yet effective: -

- IFRS 1 (Amendment) First time adoption of International Financial Reporting Standards
- IFRS2 (Amendment) IFRS2 Share-based payment vesting conditions and cancellations
- IFRS 3 (Revised) Business combinations
- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Revised) Borrowing costs
- IAS 27 (Revised) Consolidated and separate financial statements
- IAS 32 (Amendment) Financial instruments: presentation and disclosure
- IFRIC 12 Service concession arrangements
- IFRIS 13 Customer loyalty programmes
- IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- Annual Improvements Project

The directors anticipate that the adoption of these standards and interpretations as appropriate in future periods will have no material impact on the financial statements of the Group.

(b) First-time adoption of IFRS

The Group's transition date for IFRS is 1 April 2006. Comparative data for 2007 has been re-presented to conform to the new accounting policies set out below. The new policies reflect exemptions from restating certain financial information as permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The exemptions taken by the group are stated below:

- under IAS 16 'Property, Plant and Equipment' the Group has elected to treat the revalued amount of land and buildings revalued prior to 1 April 2006 as deemed cost;
- IFRS 3 'Business Combinations' has been applied prospectively from 1 April 2006 and consequently acquisitions prior to the date of transition to IFRS have not been restated.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group, and reconciliation of total equity and profit for the comparative period reported under UK GAAP to those reported under IFRS is given in note 32.

(c) 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 purchase 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, plus costs directly attributable to the acquisition.

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

For reporting purposes, the Group is considered to have one business segment and one geographical segment.

1.3 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 agreed settlement rate or 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 hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see note 31 for details). Gains and losses on forward contracts are recognised at fair value through the income statement.

1.4 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 and machinery	- over 5 to 20 years

Freehold land is not depreciated.

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

1.5 Impairment of non-current assets

The carrying amounts of the Group's goodwill 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.

1.6 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 IFRS3 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.

1.7 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.

1.8 Inventories

Inventories are stated at the lower of cost (including an appropriate proportion of attributable overheads, 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.

1.9 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.

1.9.1 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.

1.9.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the group with maturities of less than six months. The carrying amount of these assets approximates their fair value.

1.9.3 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.

1.9.4 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.

1.9.5 Trade payables

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

1.9.6 Equity instruments

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

1.9.7 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 to hedge 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 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.

1.10 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 sheets 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 sheets 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 substantially enacted at the balance sheet date.

1.11 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. Provision has been made for future rent on unoccupied properties, at an appropriate discount rate.

1.12 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.

1.13 Retirement benefit costs

Retirement benefit costs are accounted for in accordance with IAS 19 Employee benefits. Full details of the basis of calculation of the net pension liability disclosed in the balance sheet at 31 March 2008, and of the amounts charged/credited to the income statement and equity, are set out in note 20 to the accounts. The Group has recognised all actuarial gains and losses outside of the income statement, as permitted by paragraph 93a of IAS19.

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

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

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

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

1.14 Finance leases

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over the useful lives of the assets concerned or the anticipated lease term if shorter. The corresponding liability is recognised in the balance sheet. The interest element is charged to the profit and loss account at a constant rate over the term of the agreement.

1.15 Share-based payment

The Group has applied the requirements of IFRS2 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 expensed to the income statement over the appropriate vesting period.

1.16 Treasury shares

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

1.17 Employee Share Ownership Trust (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 scheme. Own shares are deducted at cost in arriving at equity and gains and losses on their sale or transfer are recognised directly in equity.

1.18 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 Impairment of non-current assets

For post-employment benefits, the directors take advice from a qualified actuary. For the impairment of non-current assets, the directors have taken guidance from the standard IAS 36 Impairment of assets.

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. 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 operates one business and geographical segment. No further segmental information is therefore provided.

3. Profit before tax

	2008		2007	
	£'000	£'000	£'000	£'000
Profit for the year has been arrived at after taking into account the following:				
Net foreign exchange losses/(gains)		**113**		(242)
Cost of inventories recognised as an expense and included in 'cost of sales' in the Consolidated income statement		**91,595**		77,229
Depreciation of property, plant and equipment – owned		**430**		462
Depreciation of property, plant and equipment – leased		**23**		22
Loss on disposal of property, plant and equipment		**2**		15
Impairment of goodwill		**-**		125
Operating lease rentals - vehicles and plant	**1,054**		1,002	
- property	**433**		543	
		1,487		1,545
Fees payable to the Company's auditor for the audit of these annual accounts:				
Baker Tilly UK Audit LLP		**5**		1
Baker Tilly		**-**		5
Fees payable to the Company's auditor and its associates for other services:				
The audit of the Company's subsidiaries pursuant to legislation		**48**		45
Tax services		**40**		46
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		**5**		5
Other services		**15**		10

4. Information regarding employees

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

	2008 Number	2007 Number
Management and administration	**50**	50
Warehousing	**85**	81
Selling	**100**	93
Distribution	**56**	52
	291	276

The aggregate payroll costs of these employees were as follows:	£'000	£'000
Wages and salaries	**8,225**	7,559
Social security costs	**775**	722
Pension costs	**719**	615
Share-based payment	**39**	40
	9,758	8,936

Of the above payroll costs, £2,067,000 (2007: £1,953,000) is included in cost of sales, £4,904,000 (2007: £4,403,000) is included in selling and distribution costs, and £2,787,000 (2007: £2,580,000) is included in administrative expenses in the income statement.

5. Other income

	2008 £'000	2007 £'000
Rent receivable	**232**	208

6. Finance income

	2008 £'000	2007 £'000
Interest receivable	**642**	752

The interest received is on bank deposits with a maturity analysis of less than 6 months at the balance sheet date.

7. Finance costs

	2008 £'000	2007 £'000
On bank loans and overdrafts	**65**	107
On pension liability	**(18)**	15
On 8% Cumulative Preference shares	**79**	79
On finance leases agreements	**4**	4
Unwinding discount on provisions	**-**	22
	130	227

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. Interest payable on finance leases has a maturity analysis of between one and five years at the balance sheet date and all other interest payments are based on balances with a maturity analysis of over five years at the balance sheet date. All finance costs are payable in respect of liabilities classified in the balance sheet under IAS39 Financial instruments: recognition and measurement as loans and receivables.

8. Tax expense

	2008 £'000	2007 £'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 30% (2007: 30%)	**1,787**	378
Adjustment in respect of prior year	**67**	(39)
Rollover relief	**(1,826)**	-
Deferred taxation - pension	**42**	1,041
- on rolled over gains	**1,641**	39
- other	**357**	701
	2,068	2,120
Profit before taxation	**7,124**	5,661
Tax at 30%	**2,137**	1,698
Disallowable items	**81**	49
Effect of tax rate change on deferred tax opening balance	**(79)**	-
Effect of tax rate change on current year deferred tax	**(121)**	-
IBAs de-recognised in year	**12**	437
Non-taxable items	**(29)**	-
Non-taxable gain on disposal of subsidiary	**-**	(25)
Adjustment in respect of prior year	**67**	(39)
Total tax charge	**2,068**	2,120

During the year, as a result of the change in the UK Corporation Tax rate from 30% to 28% that will be effective from 1 April 2008, deferred tax balances have been recalculated. Deferred tax expected to reverse in the year to 31 March 2009 and beyond has been calculated using the estimated effective rate for the period (28%).

During 2007 proposed amendments to the Industrial Buildings Allowances regime were announced. Due to the fact that these amendments were not substantively enacted as at 31 March 2008, their effects have not been reflected within the Group's results.

Substantive enactment took place on 2 July 2008. The directors have estimated that at 31 March 2009, the deferred tax liability in the consolidated balance sheet will increase by £803,000, with a corresponding charge to the consolidated income statement.

9. Dividends

	2008		2007	
	£'000	**£'000**	£'000	£'000
Ordinary dividends:				
Final 5.4p per share paid 31 August 2007 (2007: 4.4p)	**1,076**		879	
Interim 2.5p per share paid 24 January 2008 (2007: 2.0p)	**496**		399	
		1,572		1,278
		1,572		1,278

The Directors propose a final dividend for 2008 of 6.1p per share, that, subject to approval by the shareholders, will be paid on 29 August 2008 to shareholders on the register on 1 August 2008.

Based on the number of shares currently in issue, the final dividend for 2008 is expected to absorb £1,197,000.

10. Earnings per ordinary share

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

	2008 £'000	2007 £'000
Net profit attributable to ordinary shareholders	**5,056**	3,541

	Number '000	Number '000
Issued ordinary share capital	**20,160**	20,160
Less: average number of own shares held in treasury investment	**(369)**	(140)
Less: average number of own shares held in ESOP Trust	**(93)**	(90)
Weighted average share capital	**19,698**	19,930
Add: dilutive effects of share options issued	**81**	58
Weighted average share capital for diluted earnings per ordinary share calculation	**19,779**	19,988

11. Intangible assets

	Trademark £'000
Cost:	
At 1 April 2006	-
Additions	-
1 April 2007	**-**
Additions	150
At 31 March 2008	**150**
Amortisation	
At 1 April 2006	-
Charge for the year	-
1 April 2007	**-**
Charge for the year	1
At 31 March 2008	**1**
Net book value	
At 31 March 2008	**149**
At 31 March 2007	-
At 31 March 2006	-

12. Property, plant and equipment

	Freehold property £'000	Short leasehold property improvements £'000	Long leasehold property improvements £'000	Plant, equipment and vehicles £'000	**Total £'000**
Cost:					
At 1 April 2006	9,383	330	687	3,339	**13,739**
Additions	74	-	-	218	**292**
Reclassification	687	-	(687)	-	**-**
Disposals	-	-	-	(401)	**(401)**
1 April 2007	**10,144**	**330**	**-**	**3,156**	**13,630**
Additions	5,520	318	-	954	**6,792**
Reclassification	290	(290)	-	-	**-**
Disposals	-	(4)	-	(97)	**(101)**
At 31 March 2008	**15,954**	**354**	**-**	**4,013**	**20,321**
Depreciation:					
At 1 April 2006	509	127	23	1,642	**2,301**
Reclassification	37	-	(37)	-	**-**
Disposals	-	-	-	(381)	**(381)**
Charge for the year	112	22	14	336	**484**
1 April 2007	**658**	**149**	**-**	**1,597**	**2,404**
Disposals	-	(4)	-	(47)	**(51)**
Reclassification	129	(129)	-	-	**-**
Charge for the year	162	21	-	270	**453**
At 31 March 2008	**949**	**37**	**-**	**1,820**	**2,806**
Net book value					
At 31 March 2008	**15,005**	**317**	**-**	**2,193**	**17,515**
At 31 March 2007	9,486	181	-	1,559	11,226
At 31 March 2006	8,874	203	664	1,697	11,438

Included in freehold property is land with a book value of £5,671,000 (2007: £3,870,000) which is not depreciated.

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

	2008 £'000	2007 £'000
Cost of sales	**290**	290
Selling and distribution costs	**1**	13
Administrative expenses	**162**	181
	453	484

13. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2007 and 31 March 2008	**362**
Impairment	
At 1 April 2006	-
Charge for impairment during the year	125
At 1 April 2007	125
Charge for impairment during the year	-
At 31 March 2008	**125**
Net book value	
At 31 March 2008	**237**
At 31 March 2007	237
At 1 April 2006	362

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 is the Group's estimated weighted average cost of capital which is currently 6%. The impairment charge for the year ended 31 March 2007 was included in administrative expenses in the income statement.

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

14. Other receivables

	2008 £'000	2007 £'000
Other receivables (due after one to two years)	**333**	500

Other receivables represent the remaining balance due from the sale of a subsidiary company in the year ended 31 March 2006.

15. Inventories

	2008 £'000	2007 £'000
Finished goods and goods for resale	**18,553**	16,626
Less: provisions for slow moving and obsolete stock	**(372)**	(221)
	18,181	16,405

The inventories impairment charge for the year ended 31 March 2008 was £285,000 (2007: £221,000). Impairment charges reversed during the year were £134,000 (2007: £nil).

16. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	**22,049**	20,707
Other receivables:		
Proceeds due on property and subsidiary	**167**	5,588
Other receivables	**278**	523
Corporation tax	**1,004**	-
Derivative financial instruments (note 17)	**37**	-
Prepayments and accrued income	**1,291**	622
	2,777	6,733
	24,826	27,440

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

Trade receivables amounted to £22,049,000 (2007: £20,707,000), net of a provision of £428,000 (2007: £235,000) for impairment. Movements on the group provisions for impairment were as follows:

	2008 £'000	2007 £'000
At 1 April 2007	**235**	150
Provisions for receivables impairment	**354**	373
Receivables written off during the year as uncollectible	**(226)**	(397)
Unused amounts reversed	**65**	109
At 31 March 2008	**428**	235

The average credit period on sale of goods is 52 days (2007: 53 days).

The following table provides analysis of trade and other receivables that were past due at 31 March 2008 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.

	2008 £'000	2007 £'000
Up to 3 months	**23,966**	20,956
3 to 6 months	**860**	6,484
	24,826	27,440

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

At 31 March 2008, £112,000 (2007: £56,000) were denominated in Euros; the balance of receivables were denominated in sterling.

17. Derivative financial instruments

	2008 £'000	2007 £'000
Forward foreign exchange contracts		
Current assets	37	-
Current liabilities	-	42

The full fair value of a derivative is classified as a non-current asset or liability if the remaining life of the instrument is greater than 12 months, and as a current asset or liability if the maturity of the hedge is less than 12 months. Net income of £37,000 (2007: expense of £42,000) relating to forward foreign exchange contracts is included in administrative expenses in the income statement.

18. Trade and other payables

	2008 £'000	2007 £'000
Trade payables	14,574	13,779
Other taxation and social security	1,863	1,857
Other payables	765	684
Derivative financial instruments (note 17)	-	42
Accruals and deferred income	1,479	1,045
	18,681	17,407

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days (2007: 45 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2008, £16,812,000 (2007: £15,387,000) of payables were denominated in sterling, £1,174,000 (2007: £1,371,000) in dollars and £695,000 (2007: £649,000) in Euros.

Based on the balance sheet value of payables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £187,000 (2007: £202,000).

19. Interest bearing loans and borrowings

	2008 £'000	2007 £'000
Current liabilities		
Bank loans	357	714
Obligations due under finance leases	21	23
	378	737
Non-current liabilities		
Bank loans	-	357
Obligations due under finance leases	54	75
Cumulative preference Shares of £1 each (note 24)	987	987
	1,041	1,419
Total	1,419	2,156

The loans and borrowings were all denominated in sterling.

Bank loans, overdrafts and acceptance credits are secured by fixed and floating charges over the assets of the Group. The bank loan bears interest at 1.25% over LIBOR. Overdrafts of subsidiary companies amounting to £3,175,000 (2007: £4,343,000) are also secured on the assets of the Group. Obligations under finance leases are secured on the assets concerned, with a net book value of £77,000 (2007: £100,000).

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 committed undrawn bank facilities of £5,750,000 (2007: £5,750,000) which can be accessed as considered necessary. The facilities bear interest at 1.00% over 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.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2008			2007		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	25	4	21	27	4	23
Between one and five years	64	10	54	89	14	75
	89	14	75	116	18	98

20. Retirement and other benefit obligations

	2008 £'000	2007 £'000
Retirement benefit obligations (note 20.2)	4,949	3,033
Salary security scheme (note 20.4)	159	-
	5,108	3,033

20.1. Group pension schemes

James Latham plc operates a Group contributory defined benefit pension scheme. The scheme is closed to new entrants. 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. 58% of the assets are invested in equities, with 11% managed actively by Liontrust, 28% under passive management by Barclays Global Investors, 4% in a GTAA fund managed by Mellon and 15% in a Fund of Hedge funds managed by Mesirow. 32% are held in bonds and gilts, managed by Aegon Asset Management UK plc. The remaining 10% in a HLV Property Fund managed by Mosley.

For those employees not able to join the Group contributory pension scheme, the Group has established a defined contribution Group Stakeholder Scheme.

The pension charge for the year for both schemes was £719,000 (2007: £615,000). Of the charge, £104,000 (2007: £101,000) is included in cost of sales, £321,000 (2007: £294,000) is included in selling and distribution costs, and £295,000 (2007: £220,000) 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 2005. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment return would be 6.7% per annum pre-retirement and 5.2% per annum post-retirement, that the salary increases would average 4.5% 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 2.75% in the future.

20.2. Group defined benefit pension scheme

The Company operates a defined benefit pension scheme for its employees. 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 recognised income and expense.

	2008 £'000	2007 £'000
Change in benefit obligation		
Benefit obligation at beginning of year	**41,244**	41,047
Service cost	**488**	562
Interest cost	**2,145**	2,040
Scheme members' contribution	**144**	158
Actuarial loss	**(1,963)**	(672)
Benefits paid	**(1,437)**	(1,846)
Premiums paid	**(42)**	(45)
Benefit obligation at end of year	**40,579**	41,244
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	**40,579**	41,244
Change in Scheme assets		
Fair value of Scheme assets at beginning of year	**38,123**	32,344
Expected return on scheme assets	**2,170**	2,025
Actuarial loss	**(3,987)**	(114)
Employers contributions (incl. employer direct benefit payments)	**659**	5,689
Member contributions	**144**	158
Benefits paid from scheme	**(1,437)**	(1,846)
Premiums paid	**(42)**	(45)
Fair value of scheme assets at end of year	**35,630**	38,211
Amounts recognised in the balance sheet		
Present value of funded obligations	**40,579**	41,244
Fair value of scheme assets	**35,630**	38,211
Net liability	**4,949**	3,033

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

	2008 £'000	2007 £'000
Amounts in the balance sheet		
Net liability	**4,949**	3,033
Components of pension expense		
Current service cost	**488**	562
Interest cost	**2,145**	2,040
Expected return on scheme assets	**(2,170)**	(2,025)
Expected return on reimbursement assets	**-**	-
Total pension expense recognised in the income statement	**463**	577
Actuarial loss/(gain) immediately recognised	**2,024**	(558)
Total recognised in the SORIE	**2,024**	(558)
Cumulative amount of actuarial loss/(gain) immediately recognised	**1,554**	(470)

	2008	2007
Scheme assets		
The weighted-average asset allocations at the year end were as follows:		
Equities	**57.5%**	59.4%
Bonds	**31.5%**	29.5%
Property	**10.7%**	0.0%
Cash	**0.3%**	11.1%
	100.0%	100.0%

	2008 £'000	2007 £'000
Amounts included in the fair value of assets for		
Equity instruments	**20,491**	22,632
Debt instruments	**11,234**	11,344
High lease value property	**3,800**	-
Cash	**105**	4,235
	35,630	38,211

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.74% assumption.

	2008 £'000	2007 £'000
Actual return on scheme assets	**(1,817)**	1,911

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

	2008	2007
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**5.85%**	5.20%
Rate of compensation increase	**5.10%**	4.85%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	**21.5**	20.4
Female member age 65 (current life expectancy)	**24.7**	23.3
Male member age 45 (life expectancy at age 65)	**23.4**	21.5
Female member age 45 (life expectancy at age 65)	**26.6**	24.3

	2008	2007
Weighted average assumptions used to determine pension expense:		
Discount rate	**5.20%**	5.00%
Expected long-term return on scheme assets	**5.74%**	5.71%
Rate of compensation increase	**4.85%**	4.65%

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 rates increases by 0.25%	**(2,167)**
Salary growth increases by 0.25%	**712**
Life expectancy increases by one year	**1,587**

History of plan assets and defined benefit obligation

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of defined benefit obligation	**40,579**	41,244	41,047	35,592	33,359
Fair value of plan assets	**35,630**	38,211	32,344	22,975	19,206
Net liability	**4,949**	3,033	8,703	12,617	14,153

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between expected and actual return on scheme assets:					
amount	**(3,987)**	202	3,950	439	1,891
percentage of scheme assets	**(11.2%)**	0.5%	12.0%	2.0%	10.0%
Experience gains and losses on scheme liabilities:					
amount	**(23)**	1	1,028	75	(188)
percentage of scheme assets	**(0.0%)**	0.0%	3.0%	0.0%	(1.0%)

Contributions
The Group expects to contribute £660,000 to the pension scheme for the year ending 31 March 2009.

20.3. Stakeholder and other pension payments

The Group operates a defined contribution Stakeholder scheme managed by Royal and Sun Alliance. The Group has agreed to match contributions by employees up to a maximum of 5%.

Pension contributions paid to the stakeholder scheme for the year totalled £60,000 (2007: £52,000).

20.4. Salary security scheme

		£'000
At 1 April 2006		-
Charge to income statement		-
Provisions utilised		-
At 1 April 2007		-
Charge to income statement		159
Provisions utilised		-
At 31 March 2008		**159**
Totals	**2008:**	**159**
	2007:	-

The salary security scheme provision is expected to be realised over a period of 10 years.

21. Other payables (non-current liabilities)

	2008 £'000	2007 £'000
Accruals and deferred income	**513**	132
Other payables	**131**	113
	644	245

22. Provisions

		Future rents £'000
At 1 April 2006		157
Charge to income statement		14
Provisions utilised		(63)
At 1 April 2007		108
Charge to income statement		-
Provisions utilised		(108)
At 31 March 2008		-
Totals	**2008:**	**-**
	2007:	108

Discounting of the liability for future rents has been undertaken using appropriate discount rates, on a basis consistent with the previous year.

23. Deferred tax

	2008 £'000	2007 £'000
The net deferred tax at the end of the year is analysed as follows:		
Deferred tax assets	**1,764**	1,539
Deferred tax liabilities	**(3,657)**	(1,971)
Net deferred tax liability	**(1,893)**	(432)

The net deferred tax liability is made up of the following elements:

	Post-employment benefits	Revalued properties	Rolled over gains on assets	Prepayments	Other (*)	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 31 March 2006	2,147	(227)	(919)	900	(384)	1,517
Charge to the income statement	(1,041)	-	(39)	(300)	(402)	(1,782)
Charge directly to equity	(167)	-	-	-	-	(167)
As at 31 March 2007	939	(227)	(958)	600	(786)	(432)
(Charge)/credit to the income statement	(42)	15	(1,641)	(300)	(72)	(2,040)
Credit directly to equity	567	-	-	-	12	579
As at 31 March 2008	1,464	(212)	(2,599)	300	(846)	(1,893)

* *Includes accelerated capital allowances and share-based payments.*

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. Some or all of the deferred tax is expected to be realised after more than one year.

24. Share capital

Ordinary shares	**2007 and 2008**			
	Authorised		**Issued**	
	Number	**£'000**	**Number**	**£'000**
Ordinary shares of 25 pence each	**28,000**	**7,000**	**20,160**	**5,040**

Preference shares	**2007 and 2008**			
	Authorised		**Issued**	
	Number	**£'000**	**Number**	**£'000**
8% Cumulative Preference Shares of £1 each	**1,500**	**1,500**	**987**	**987**

Preference shares are included in non-current liabilities (as interest bearing loans and borrowings) see note 19.
There were no movements in the share capital of the company in either the year ended 31 March 2008 or 2007.

25. Share-based payment

Equity-settled share option scheme

The Company has a share option save as you earn scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of three and a half years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest. The Company uses a Black-Scholes model to estimate the fair value of options.

25. Share-based payment *(continued)*

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

	2008 Number of share options	2008 Weighted average exercise price (£)	2007 Number of share options	2007 Weighted average exercise price (£)
Outstanding at beginning of the year	**229,452**	**1.51**	277,144	1.51
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**(10,398)**	**1.51**	(33,876)	1.51
Exercised during the year	**(4,655)**	**1.51**	(13,816)	1.51
Outstanding at the end of the year	**214,399**	**1.51**	229,452	1.51

The options outstanding at 31 March 2008 had a weighted average exercise price of £1.51 and a weighted average remaining contractual life of 5 months. There were no options granted in the year ended 31 March 2008 or the year ended 31 March 2007. The options are exercisable at 1 September 2008.

The inputs into the Black-Scholes model are as follows:	2008	2007
Weighted average share price	**£1.75**	£1.75
Weighted average exercise price	**£1.51**	£1.51
Expected volatility	**24%**	24%
Expected life	**3 years**	3 years
Risk free rate	**4.8%**	4.8%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

No share options were issued from the scheme in the years ended 31 March 2008 and 31 March 2007.

The Group recognised total expenses of £39,000 and £33,000 related to equity settled share-based payment transactions for the year ended 31 March 2008 and 31 March 2007 respectively.

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, and forfeit cash remuneration to the same value. The shares can be purchased in July and August and are placed in the employee share savings plan for a 5-year period. Amounts are charged to the consolidated income statement as they are earned by the employees concerned. The number of shares held in trust in respect of this plan at 31 March 2008 was 79,005 (2007: 67,579).

26. Own shares

	£'000
At 1 April 2006	
Cost	40
Additions	130
At 1 April 2007	170
Additions	259
At 31 March 2008	**429**
Total at 31 March 2008	**429**
Total at 31 March 2007	170
Total at 31 March 2006	40

The investment in own shares represents 264,546 25p Ordinary shares (2007: 155,410 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. Dividends have been waived and all income and expenditure of the trust has been dealt with through the Group's income statement. None of these shares have been allocated to employees.

At 31 March 2008 534,000 (2007: 140,000) 25p Ordinary shares were held by the Company as Treasury Shares. Some of these shares will be transferred to the James Latham plc Employee Benefits Trust in order to provide shares for the 2008 Savings Related Share Option Scheme. Any shares that are surplus to requirement will be cancelled. Movements in the cost of treasury shares were as follows:

	2008 £'000	2007 £'000
At 1 April	**204**	204
Purchases	**792**	-
At 31 March	**996**	204

27. Equity

	Issued capital	Share-based payment reserve	Own shares	Capital reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2006	5,040	16	(40)	3	33,511	38,530
Total income and expense	-	-	-	-	3,932	3,932
Dividends	-	-	-	-	(1,278)	(1,278)
Own shares purchased	-	-	(130)	-	-	(130)
Share-based payment expense	-	40	-	-	-	40
At 31 March 2007	5,040	56	(170)	3	36,165	41,094
Total income and expense	-	-	-	-	3,611	3,611
Dividends	-	-	-	-	(1,572)	(1,572)
Purchase of treasury shares	-	-	-	-	(792)	(792)
Own shares purchased	-	-	(259)	-	-	(259)
Share-based payment expense	-	39	-	-	-	39
At 31 March 2008	**5,040**	**95**	**(429)**	**3**	**37,412**	**42,121**

28. Cash generated from operations

	2008 £'000	2007 £'000
Profit before tax	**7,124**	5,661
Adjustment for finance income and expense	**(512)**	(525)
Depreciation and impairment	**454**	576
Loss/(profit) on disposal of property, plant and equipment	**2**	(68)
Increase in inventories	**(1,776)**	(2,659)
Increase in receivables	**(1,766)**	(2,090)
Increase in payables	**1,317**	2,574
Retirement benefits non cash amounts	**(90)**	(111)
Share-based payments non cash amounts	**39**	40
Increase in currency financial derivative	**(79)**	-
Increase/(decrease) in provisions	**450**	(49)
Cash generated from operations	**5,163**	3,349

29. Leasing commitments

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

	2008 £'000	2007 £'000
Plant and machinery		
No later than one year	**980**	831
Later than one year but no later than five years	**2,065**	1,132
Later than five years	**-**	-
	3,045	1,963
Property:		
No later than one year	**543**	741
Later than one year but no later than five years	**1,683**	1,359
Later than five years	**4,412**	1,286
	6,638	3,386

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

30. Related party transactions

The Company 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.

	2008 £'000	2007 £'000
Salaries and other short-term employee benefits	**626**	602
Social security costs	**80**	77
Share-based payments	**3**	3
	709	682

Emoluments for the highest paid director totalled £200,000 (2007: £182,055).

4 directors (2007: 3) are accruing pensions in a defined benefit scheme. The total accrued pension for the highest paid director was £108,000 per annum (2007: £96,000) and the transfer value of this fund was £1,560,100 (2007: £96,000). Further details are given in the Directors' remuneration report.

31. Financial instruments

The Group's activities expose the Group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme. Further details are set out in the Financial Review on page 10.

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

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
2008				
Bank loans	357	-	-	357
Finance leases	11	10	54	75
Trade payables	14,574	-	-	14,574
Accruals	1,447	-	-	1,447
Other payables	665	-	100	765
Total	17,054	10	154	17,218
2007				
Bank loans	357	357	357	1,071
Finance leases	13	10	75	98
Trade payables	13,779	-	-	13,779
Accruals	1,029	-	-	1,029
Other payables	584	-	100	684
Total	15,762	367	532	16,661

Foreign currency risk
Approximately 35% 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 hedge our short term exposure on a weakening sterling. However, no more than 25 percent of the currency requirements will be covered by forward contracts or other currency derivatives. Note 17 gives details of the forward contract.

Whilst purchases in foreign currencies are a significant figure, fluctuations in currency exchange rates do not have a major impact on the results. As the Group trades wholly in the UK, the market price of our products tends to fluctuate in line with spot prices.

Included in Group cash and cash equivalents at 31 March 2008 was £221,000 in US Dollars (2007: £209,000), £333 in Canadian Dollars (2007: £76) and £19,000 in Euros (2007: £13,000), 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 £24,000 (2007: £22,000).

Interest rate risk
The Group's interest rate exposure arises mainly from its interest bearing deposits. Deposits held at floating rates expose the entity to cash flow risk whilst deposits held at fixed rate expose the entity to fair value risk. Surplus cash is invested for no longer than three month fixed rate deposit.

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

31. Financial instruments *(continued)*

Financial assets

2008	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	4,948	3,677	-	8,625
Trade and other receivables	-	-	22,049	22,049
	4,948	3,677	22,049	30,674

2007	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	4,053	4,819	-	8,872
Trade and other receivables	-	-	20,707	20,707
	4,053	4,819	20,707	29,579

Financial liabilities

2008	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	-	-	14,574	14,574
Accruals	-	-	1,447	1,447
Other payables	-	-	765	765
Bank loans	-	357	-	357
Obligations under finance lease	75	-	-	75
	75	357	16,786	17,218

2007	Fixed rate	Floating rate	Non-interest bearing	Total
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	-	-	13,779	13,779
Accruals	-	-	1,029	1,029
Other payables	-	-	684	684
Bank loans	-	1,071	-	1,071
Obligations under finance lease	98	-	-	98
	98	1,071	15,492	16,661

Interest rate risk is limited to the cash and cash equivalents. Loans payable, at a value of £357,000 (note 19) (2007: £1,071,000), will not be materially affected by changes in interest rates.

Based on the balance sheet value of cash and cash equivalents, as shown above, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £86,250 (2007: £88,720).

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 £50,000. Bad debts have remained under our target of 0.5% of sales. The carrying amount of financial assets recorded in the accounts, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

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

Capital management

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

Finance income

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

Finance costs

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

Financial instruments recognised in the balance sheet

2008	Loans and receivables	Fair value through profit or loss	Total
	£'000	**£'000**	**£'000**
Non-current assets			
Other receivables	333	-	333
Total non-current assets	**333**	**-**	**333**
Current assets			
Trade receivables	22,049	-	22,049
Other receivables	278	-	278
Derivative financial instruments	-	37	37
Cash and cash equivalents	8,625	-	8,625
Total current assets	**30,952**	**37**	**30,989**

	Other financial liabilities	Fair value through profit or loss	Total
	£'000	**£'000**	**£'000**
Current liabilities			
Trade payables	14,574	-	14,574
Other payables	765	-	765
Accruals	1,447	-	1,447
Bank loans	357	-	357
Obligations due under finance lease	21	-	21
Total current liabilities	**17,164**	**-**	**17,164**
Non-current liabilities			
Obligations due under finance lease	54	-	54
Other payables	131	-	131
Total non-current liabilities	**185**	**-**	**185**

31. Financial instruments *(continued)*

Financial instruments recognised in the balance sheet

2007	Loans and receivables	Fair value through profit or loss	Total
	£'000	**£'000**	**£'000**
Non-current assets			
Other receivables	500	-	500
Total non-current assets	**500**	**-**	**500**
Current assets			
Trade receivables	20,707	-	20,707
Other receivables	523	-	523
Cash and cash equivalents	8,872	-	8,872
Total current assets	**30,102**	**-**	**30,102**

	Other financial liabilities	Fair value through profit or loss	Total
	£'000	**£'000**	**£'000**
Current liabilities			
Trade payables	13,779	-	13,779
Other payables	684	-	684
Accruals	1,029	-	1,029
Derivative financial instruments	-	42	42
Bank loans	714	-	714
Obligations due under finance lease	23	-	23
Total current liabilities	**16,229**	**42**	**16,271**
Non-current liabilities			
Bank loans	357	-	357
Obligations due under finance lease	75	-	75
Other payables	113	-	113
Total non-current liabilities	**545**	**-**	**545**

32. Explanation of transition to IFRS

The reconciliations of equity at 1 April 2006 (date of transition to IFRS), and at 31 March 2007 (date of last UK GAAP accounts) have been included below to enable a comparison of the 2007 published consolidated figures with those published in the corresponding period of the previous financial year. In addition there is also a reconciliation of the UK GAAP profit for the year ended 31 March 2007 to the profit restated under IFRS. Other than causing a restatement of the format, the introduction of IFRS has not significantly impacted the consolidated cash flow statement or the numbers contained therein.

The significant changes as a result of the transition to IFRS and of adopting the IFRS group accounting policies are described below.

32.1. IFRS 3 *Business combinations*

IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost less impairment. Goodwill has been stated at "deemed cost" at the UK GAAP net book value at 1 April 2006. As permitted by IFRS1, business combinations prior to 1 April 2006 have not been restated.

32.2. IAS 12 *Income taxes*

IAS 12 requires entities to calculate deferred taxation based on temporary differences, which are defined as the difference between the carrying amount of assets/liabilities and their tax base. The increase in deferred tax liabilities as a result of the transition to IFRS is from the potential gain on the revaluation of fixed assets, the potential gain on the roll-over relief claimed on certain fixed assets, the removal of the discount applied to the deferred tax liability under UK GAAP and applying IAS12 accounting principles to the proposed phasing out of Industrial Buildings Allowances.

32.3. IAS 16 *Property, plant and equipment*

In accordance with IFRS 1, the Group has elected, where appropriate, to take the revalued carrying amount of certain properties as the "deemed cost" on transition to IFRS.

32.4. IAS 19 *Employee benefits*

(i) As the Group has an obligation to its employees to pay accrued holiday entitlement, IAS 19 requires it to accrue for holidays earned by its employees, but not taken, by the balance sheet date.

(ii) Under UK GAAP, the defined benefit pension scheme was presented in the balance sheet net of deferred tax. IAS 19 requires the defined pension scheme to be shown gross with the deferred tax asset relating to the pension scheme liability being presented as part of the deferred tax asset or liability.

32.5. IAS 39 *Financial instruments: recognition and measurement*

IAS 39 requires the Group to recognise the fair value of currency forward contracts at the year end.

Reconciliations

The following tables reconcile the previously reported UK GAAP numbers with those now presented under IFRS.

Reconciliation of UK GAAP profit to IFRS profit for the year ended 31 March 2007

	As at 31 March 2007	IAS 19 Employee benefits - holiday pay	IAS 39 Financial instruments - forward currency contracts	IAS 12 Income taxes - deferred tax	IFRS
	£'000	£'000	£'000	£'000	£'000
Revenue	99,662				99,662
Cost of sales (including warehouse costs)	(81,922)				(81,922)
Gross profit	17,740				17,740
Selling and distribution costs	(8,231)				(8,231)
Administrative expenses	(4,536)	(3)	(42)		(4,581)
Other operating income	208				208
	(12,559)	(3)	(42)		(12,604)
Operating profit	5,181	(3)	(42)		5,136
Finance income	752				752
Finance costs	(227)				(227)
Profit before tax	5,706	(3)	(42)		5,661
Tax expense	(1,635)			(485)	(2,120)
Profit after tax attributable to equity shareholders of the parent company	4,071	(3)	(42)	(485)	3,541
Earnings per ordinary share (basic)	20.5p				17.8p
Earnings per ordinary share (diluted)	20.4p				17.8p

Reconciliation of UK GAAP equity shareholders' funds to IFRS equity

At 1 April 2006	UK GAAP	IAS 19 Employee benefits - holiday pay	IFRS 3 Business combinations - goodwill	IAS 12 Income taxes - deferred tax	IAS 19 Employees benefits - pension scheme	IAS 16 Property plant and equipment	IFRS
Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets							
Goodwill	362						362
Property, plant and equipment	11,438						11,438
Other receivables	5,919						5,919
Deferred tax assets	693			(1,287)	2,111		1,517
Total non-current assets	18,412			(1,287)	2,111		19,236
Current assets							
Inventories	13,746						13,746
Trade and other receivables	31,380						31,380
Cash and cash equivalents	1,399						1,399
Total current assets	46,525						46,525
Total assets	64,937			(1,287)	2,111		65,761
Current liabilities							
Trade and other payables	14,773	85					14,858
Current portion of interest bearing loans and borrowings	2,227						2,227
Current tax payable	623						623
Total current liabilities	17,623	85					17,708
Non-current liabilities							
Interest bearing loans and borrowings	2,060						2,060
Retirement benefit obligation	4,927				2,111		7,038
Other payables	268						268
Provisions	157						157
Total non-current liabilities	7,412				2,111		9,523
Total liabilities	25,035	85			2,111		27,231
Net assets	39,902	(85)		(1,287)	-		38,530
Capital and reserves							
Issued capital	5,040						5,040
Share-based payment reserve	16						16
Capital reserve	3						3
Revaluation reserve	758			(227)		(531)	-
Own shares	(40)						(40)
Accumulated profits	34,125	(85)		(1,060)		531	33,511
Total equity attributable to equity shareholders of the parent company	39,902	(85)		(1,287)		-	38,530

Reconciliation of UK GAAP equity shareholders' funds to IFRS equity

At 31 March 2007	UK GAAP	IAS 19 Employee benefits - holiday pay	IFRS 3 Business combinations - goodwill	IAS 12 Income taxes - deferred tax	IAS 19 Employees benefits - pension scheme	IAS 16 Property plant and equipment	IFRS
Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets							
Goodwill	237						237
Property plant and equipment	11,226						11,226
Other receivables	500						500
Total non-current assets	11,963						11,963
Current assets							
Inventories	16,405						16,405
Trade and other receivables	27,440						27,440
Cash and cash equivalents	8,872						8,872
Total current assets	52,717						52,717
Total assets	64,680						64,680
Current liabilities							
Trade and other payables	17,277	88	42				17,407
Current portion of interest bearing loans and borrowings	737						737
Current tax payable	205						205
Total current liabilities	18,219	88	42				18,349
Non-current liabilities							
Interest bearing loans and borrowings	1,419						1,419
Retirement benefit obligation	2,123				910		3,033
Other payables	245						245
Provisions	108						108
Deferred tax liabilities	(430)			1,772	(910)		432
Total non-current liabilities	3,465			1,772	-		5,237
Total liabilities	21,684	88	42	1,772			23,586
Net assets	42,996	(88)	(42)	(1,772)			41,094
Capital and reserves							
Issued capital	5,040						5,040
Share-based payment reserve	56						56
Capital reserve	3						3
Revaluation reserve	758			(227)		(531)	-
Own shares	(170)						(170)
Accumulated profits	37,309	(88)	(42)	(1,545)		531	36,165
Total equity attributable to equity shareholders of the parent company	42,996	(88)	(42)	(1,772)		-	41,094

Company Balance Sheet

At 31 March 2008

£'000s	Notes	2008	2008	2007	2007
Fixed assets					
Tangible fixed assets	2		**156**		189
Investments	3		**18,182**		13,182
			18,338		13,371
Current assets					
Debtors: amounts falling due within one year	4.1	**3,379**		7,124	
Debtors: amounts falling due after more than one year	4.2	**333**		500	
Cash at bank and in hand		**11,558**		12,992	
		15,270		20,616	
Creditors: amounts falling due within one year	5	**(1,253)**		(1,406)	
Net current liabilities			**14,017**		19,210
Total assets less current liabilities			**32,355**		32,581
Creditors: amounts falling due after more than one year	6		**(1,631)**		(1,457)
Provisions for liabilities	8		**(159)**		(108)
Total net assets			**30,565**		31,016
Represented by:					
Capital and reserves					
Called up share capital	9		**5,040**		5,040
Investment in own shares	10		**(429)**		(170)
Share-based payment reserve	11		**95**		56
Profit and loss account	11		**25,859**		26,090
Total equity attributable to equity shareholders of the company	12		**30,565**		31,016

These accounts were approved and authorised for issue by the Board of Directors on 21 July 2008 and signed on its behalf by:

P.D.L. Latham

} Directors

D.A. Dunmow

The notes on pages 56 to 61 form part of these accounts.

Notes to the Company Accounts

1. Principal accounting policies

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

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

The Company does not present its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The Company profit is disclosed in note 12 to the Company accounts.

(b) Fixed assets

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

Plant and machinery	4 to 20 years

(c) Deferred taxation

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

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

(d) Operating leases

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

(e) Pension scheme costs

The James Latham Plc defined benefit pension scheme is a multi-employer scheme and thus no separate actuarial information is available in respect of the employees of the parent Company. Full details of the basis of calculation of the net pension liability disclosed in the Group balance sheet at 31 March 2008, and of the amounts charged/credited to the Group income statement and Group equity are set out in note 20 to the IFRS accounts. In the Company accounts, contributions to the defined benefit scheme have been charged to the profit and loss account as incurred.

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

(f) Share-based payments

The accounting for share-based payments mirrors that of the Group's accounting policy under IFRS2 as detailed on page 29. Details of the share-based payments are set out in note 25 to the Group accounts.

(g) Investments

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

(i) Treasury shares

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

(j) Employee Share Ownership Trust (ESOP)

Own shares represent the Company's shares that are held by the Company sponsored ESOP trust in relation to the Group's employees share scheme. Own shares are deducted at cost in arriving at shareholders' equity and gains and losses on their sale or transfer are recognised directly in equity.

(k) Financial liabilities and equity

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

(l) Bank borrowings

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

2. Tangible fixed assets

	Plant, equipment and vehicles
	£'000
Cost:	
At 1 April 2007	364
Additions	13
Disposals	(1)
At 31 March 2008	**376**
Depreciation:	
At 1 April 2007	175
Provision for the year	45
At 31 March 2008	**220**
Net book value	
At 31 March 2008	**156**
At 31 March 2007	**189**

3. Fixed asset investments

	Subsidiary undertakings
	£'000
Shares:	
At 1 April 2007 and 31 March 2008	9,613
Loans:	
At 1 April 2007	3,569
Additions	5,000
At 31 March 2008	8,569
Total at 31 March 2008	**18,182**
At 31 March 2007	13,182

The loan to Lathams Limited is repayable on demand and interest is charged at a rate of 1.25% above base rate per annum. Details of subsidiary companies are given in note 13 to the Company accounts.

4.1. Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade debtors	**1**	21
Amounts owed by subsidiary undertakings	**449**	1,309
Other debtors	**169**	5,589
Corporation tax	**2,643**	112
Deferred taxation (note 7)	**28**	13
Prepayments and accrued income	**89**	80
	3,379	7,124

The substantial increase in the corporation tax debtor arises mainly as a result of a rollover relief claim made in respect of the year ended 31 March 2008.

4.2. Debtors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Other debtors (due after one to two years)	**333**	500

Other debtors represent the remaining balance due from the sale of a subsidiary company in the year ended 31 March 2006.

5. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans	**357**	714
Trade creditors	**129**	72
Other taxation and social security	**382**	235
Other creditors	**140**	134
Accruals and deferred income	**245**	251
	1,253	1,406

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

	2008 £'000	2007 £'000 (restated)
Bank loans	**-**	357
Other creditors	**131**	113
Accruals and deferred income	**513**	-
8% Cumulative Preference Shares of £1 each (note 9)	**987**	987
	1,631	1,457
Bank loans are analysed as follows:		
Due within one year (note 5)	**357**	714
Due after one to two years	**-**	357
	357	1,071

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the Company and its subsidiaries. Overdrafts of subsidiary companies amounting to £3,175,000 (2007: £4,343,000) are also secured on the assets of the company. The interest rate applicable to the loan due after more than one year is 1.125% above the LIBOR rate applicable at the beginning of each quarter.

7. Deferred taxation

Included in debtors (note 4.1) is a deferred taxation asset of £28,000 (2007: £13,000)

	2008 £'000	2007 £'000
The deferred taxation provision comprises:		
Accelerated capital allowances	**11**	11
Timing differences on pension adjustments	**(39)**	(24)
Undiscounted provision for deferred tax	**(28)**	(13)
Discount	**-**	-
Discounted provision for deferred tax	**(28)**	(13)

Deferred taxation is provided at a rate of 28% (2007: 30%).
Some or all of the deferred taxation debtor may be recoverable after more than one year.

8. Provisions for liabilities

		Salary security scheme £'000	Future rents £'000	Total £'000
At 1 April 2007		-	108	108
Charge to profit and loss		159	-	159
Provisions utilised		-	(108)	(108)
At 31 March 2008		**159**	**-**	**159**
Totals	**2008**	**159**	**-**	**159**
	2007	-	108	108

Discounting of the liability for future rents has been undertaken using appropriate discount rates, on a basis consistent with the previous year. The salary security scheme provision is expected to be realised over a period of 10 years.

9. Share capital

Details of the share capital of the Company are set out in note 24 to the consolidated accounts.

10. Investment in own shares

	£'000
Shares:	
At 1 April 2007	170
Movements during the year:	
Additions	259
Total at 31 March 2008	**429**
Total at 31 March 2007	170

The investment in own shares represents 264,546 25p Ordinary shares (2007: 155,410 25p Ordinary shares) held by the James Latham plc Employee Benefits Trust, a discretionary trust. Dividends have been waived and all income and expenditure of the trust has been dealt with through the Company's profit and loss account. None of these shares have been allocated to employees.

11. Reserves

	Profit and loss account £'000	Share-based payment reserve £'000	Total £'000
At 1 April 2007	26,090	56	26,146
Purchase of treasury shares	(791)	-	(791)
Profit for the year	2,132	-	2,132
Dividends	(1,572)	-	(1,572)
Share-based payment expense	-	39	39
At 31 March 2008	**25,859**	**95**	**25,954**

At 31 March 2008 534,000 (2007: 140,000) 25p Ordinary shares were held by the Company as Treasury Shares. Some of these shares will be transferred to the James Latham plc Employee Benefits Trust in order to provide shares for the 2008 Savings Related Share Option Scheme. Any shares that are surplus to requirement will be cancelled.

12. Reconciliation of movements in shareholders' funds

	2008 £'000
Profit for the financial year	2,132
Dividends	(1,572)
	560
Purchase of treasury shares	(791)
Change in investment in own shares	(259)
Movement in share based payment reserve	39
Reduction in shareholders' funds	(451)
Opening shareholders' funds	31,016
Closing shareholders' funds	30,565

13. Principal subsidiary undertakings

Name	Country of incorporation and operation	Class of shares	Percentage of ownership	Principal activity
Lathams Limited	England	£1 Ordinary	100%	Importing and distribution of timber and panel products
James Latham Trustee Limited	England	£1 Ordinary	100%	Dormant
Project Tweed Limited	England	£1 Ordinary	100%	Dormant
James Latham (Midland and Western) Limited	England	£1 Ordinary	100%	Dormant
Advanced Technical Panels Limited	England	£1 Ordinary	100%	Dormant
Latham Timber Centres (Bridgwater) Limited	England	£1 Ordinary	100%	Dormant
James Latham (Warehousing) Limited	England	£1 Ordinary	100%	Dormant

14. Leasing commitments

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

	2008 £'000	2007 £'000
Vehicles and plant:		
Leases expiring within one year	20	1
Leases expiring within two to five years	17	36
	37	37
Property:		
Leases expiring after more than five years	87	87
	87	87

15. Related party transactions

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

16. Financial instruments

Risk management disclosures as applicable to the Group as a whole are set out in note 31 to the consolidated financial statements.

The Company's financial instruments comprise cash, bank loans, other creditors and various items arising directly from its operations, such as trade debtors and trade creditors. Trade debtors, trade creditors and other items arising directly from operations have been excluded from the following disclosures. Details of the repayment profile of bank loans and other creditors, together with applicable interest rates, are given in note 6. The main purpose of these financial instruments is to provide working capital and to assist with the purchase of capital assets for the Company.

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

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

The total borrowing facilities available to the Company (including undrawn borrowings) at 31 March 2008 were:-

	£
Repayable on demand	5,750,000
Repayable by July 2008 in quarterly installments	357,000

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

17. Dividends

	2008		2007	
	£'000	**£'000**	£'000	£'000
Ordinary dividends:				
Final 5.4p per share paid 31 August 2007 (2007: 4.4p)	**1,076**		879	
Interim 2.5p per share paid 24 January 2008 (2007: 2.0p)	**496**		399	
		1,572		1,278
		1,572		1,278

The Directors propose a final dividend for 2008 of 6.1p per share, that, subject to approval by the shareholders, will be paid on 29 August 2008 to shareholders on the register on 1 August 2008.

Based on the number of shares currently in issue, the final dividend for 2008 is expected to absorb £1,197,186.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and ninth Annual General Meeting of the Company will be held at Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Hertfordshire, HP2 7QU on Thursday 21 August 2008 at 12.30pm for the following purposes:

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2008 together with the Independent Auditors' report thereon.

2. To declare the final dividend recommended by the directors on the ordinary shares of the Company.

3. To re-elect Pippa Latham as a director, who retires by rotation

4. To re-elect Peter Latham as a director, who retires by rotation

5. To re-elect Chris Sutton as a director, who retires by rotation

6. To re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors.

Special business

7. Directors authority to allot shares: To consider, and if thought fit, pass the following resolution as an Ordinary 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 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the section) up to 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 an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred has expired."

8. Disapplication of pre-emption rights: To consider, and if thought fit, pass the following resolution as a Special Resolution: "THAT subject to the passing of the previous resolution, the Directors be and are hereby empowered under Section 95 Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) for cash pursuant to the authority conferred by the previous Resolution to allot shares as if Section 89(1) of that Act did not apply to any such allotment, provided that:

(a) this power shall be limited to:

(i) in connection or the subject of 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).

(ii) other 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."

9. Authority of the Company to purchase its own shares: To consider and, if thought fit, pass the following resolution as a Special Resolution: "THAT (a) the Company be and is generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (within the meaning of sub-section 163 (3) of that Act) of its Ordinary Shares of 25p each provided that the maximum aggregate number of Ordinary Shares which may be purchased is 2,016,000, (b) the price at which Ordinary Shares may be purchased shall not be more than 105% of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the ten 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."

10. Approval of the Rules of the James Latham plc Approved Company Share Option Scheme 2008: To consider and, if thought fit, pass the following resolution as a Special Resolution: "THAT the James Latham plc Approved Company Share Option Scheme 2008 comprising the rules and ancillary documents produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and is hereby approved and adopted (subject to such modification, if any, as may be necessary to obtain the approval of HM Revenue & Customs thereto within the terms of the Income Tax (Earnings and Pensions) Act 2003) and the directors are hereby authorised to do all other acts and things which they may consider necessary or expedient to carry the same into effect."

11. Adopting new Articles of Association to reflect changes brought in by the Companies act 2006: To consider and, if thought fit, pass the following resolution as a Special Resolution: "THAT the regulations contained in the printed document produced to the meeting (and for the purposes of identification initialled by the chairman of the meeting) be hereby approved and adopted with effect on and from 1 October 2008 as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association."

By Order of the Board
D.A. Dunmow
Company Secretary

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

21 July 2008

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 instrument appointing a proxy, to be valid, must be lodged with the Company's Registrars at Computershare Investor Services plc, Registrars Department, PO Box 1075, The Pavilions, Bridgwater, Bristol BS99 3ZZ, 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 (as proposed to be amended pursuant to the Resolution 9), the articles of association proposed to be adopted by Resolution 11 and the Rules of the James Latham plc Approved Company Share Option Scheme 2008 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 Tuesday 19 August 2008 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 meeting.

Telephone 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 just 1%, subject to a minimum charge of £15. In addition stamp duty, currently 0.5% is payable on purchases. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays on telephone number 0870 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. Detailed terms and conditions are available on request, please phone 0870 702 0000.

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

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

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

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