

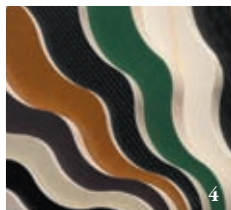
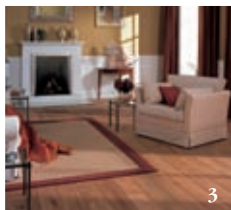
JAMES LATHAM PLC

INTERIM REPORT 2006



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Front cover:

- 1 Hardwood decking
- 2 LG HI-MACS[®] Natural Acrylic Stone™
- 3 Baüsen solid hardwood flooring
- 4 Smooth Phenol panels from Advanced Technical Panels

These are the first results since the disposal of Nevill Long Ltd on 31 March 2006. I am pleased to report an improvement in pre-tax profit of 5.3% for the first half year compared with the same period last year. The balance sheet remains strong and there has been a further reduction in the underfunding of the pension scheme since this time last year. The interim dividend has been increased by 25%.

Results

Sales from continuing activities for the 6 months to 30 September 2006 were £49,072,000 against £47,430,000 last year, a 3.5% increase.

The operating profit from continuing activities rose by 40.2% to £2,606,000 compared with £1,859,000 last year.

Pre-tax profit at £2,905,000 was up 5.3% on last year's £2,759,000 which included the profit contribution from Nevill Long Ltd.

Earnings per Ordinary Share are 9.6p (2005 9.6p).

Interim Dividend

The Board has declared an interim dividend of 2.0p per Ordinary Share (2005 1.6p) which is covered 4.8 times (2005 6.0 times). It is payable on 24 January 2007 to Ordinary shareholders on the Company's Register at the close of business on 5 January 2007. The ex-dividend date is 3 January 2007.

Six Months Trading to 30 September 2006

After a disappointing first six months last year, Lathams Ltd has performed very satisfactorily in the six months to 30 September 2006. The Company, which distributes hardwoods, softwoods and panel products is, by design, becoming less dependant on commodity products where prices and margins are more prone to wide fluctuations.

Price increases in the first half of the financial year have had a beneficial effect on sales and particularly on margins and the increased profit at Lathams Ltd has replaced the shortfall in profit due to the sale of Nevill Long Ltd on 31 March 2006.

Current & Future Trading

Last year the Company experienced a difficult third quarter from October to December 2005. This year our management accounts show better trading in October and so far November is looking reasonably favourable.

Whilst we expect prices to remain generally firm and a continuation of some restrictions in supply, there are signs of weakness in some countries that are currently not major suppliers to the UK market. We are conscious that trading conditions in terms of supply, demand and prices can change rapidly so we are keeping a watchful eye on the situation to try to minimise any downside affects.

The Directors continue to attach great importance to the sourcing of legal and sustainable supplies of timber products for resale which we believe will stand the Company in good stead in the future.

Lathams Ltd is now the only trading company of James Latham plc after the disposal of subsidiaries. It is not the intention of the Board to downsize the Company but rather to develop our remaining core timber products distribution business as opportunities arise. We are in a strong position. Further cash of some £10 million is due to be received in the next 12 months from the deferred payments for the Clapton site and the sale of Nevill Long. This sum is currently shown under debtors in the balance sheet.

Pension Scheme

The funding position of the Company's final salary pension scheme is continually changing in line with the rise and fall of the liabilities and assets. After very substantial contributions in the recent past, the scheme actuary's estimate as at 30 June 2006 indicated that the funding position has improved significantly to about 90% on an ongoing basis. Since then an additional substantial contribution has been made which will have further improved the position.

Chairman

Next month I retire and Peter Latham takes over as Chairman. I would like to wish him every success in the role and also express my thanks to him, the other directors, the staff and shareholders for their support over the past few years.

Early in 2007 your Company celebrates 250 years of trading and we are proud of the fact that a family member has been at the helm every year since 1757.



Roger Latham

Executive Chairman

24 November 2006

Consolidated Profit and Loss Account

For the six months to 30 September 2006

	Six months to 30 Sept 2006 unaudited £000	Six months to 30 Sept 2005 unaudited (as restated) £000	Year to 31 March 2006 audited (as restated) £000
Turnover			
Continuing activities	49,072	47,430	90,650
Discontinued activities	-	12,833	24,217
	49,072	60,263	114,867
Cost of sales (including warehouse costs)	(40,281)	(49,799)	(94,937)
Gross profit			
	8,791	10,464	19,930
Selling and distribution costs	(4,049)	(4,678)	(9,272)
Administrative expenses	(2,233)	(3,280)	(5,892)
Other operating income	97	100	202
Operating profit			
Continuing activities	2,606	1,859	3,419
Discontinued activities	-	747	1,549
	2,606	2,606	4,968
Profit on disposal of subsidiary company	53	-	6,229
Loss on disposal of fixed asset	-	-	(8)
Net interest receivable	246	153	439
Profit on ordinary activities before taxation			
	2,905	2,759	11,628
Tax on profit on ordinary activities	(985)	(810)	(1,916)
Profit on ordinary activities after taxation			
	1,920	1,949	9,712
Dividend paid – ordinary	(880)	(731)	(2,449)
Retained profit			
	1,040	1,218	7,263
Earnings per ordinary share (basic)	9.6p	9.6p	48.3p
Earnings per ordinary share (diluted)	9.6p	9.6p	48.2p

Consolidated Balance Sheet

As at 30 September 2006

	As at 30 Sept 2006 unaudited £000	As at 30 Sept 2005 unaudited (as restated) £000	As at 31 March 2006 audited (as restated) £000
Fixed assets			
Intangible fixed assets	352	717	362
Tangible fixed assets	11,296	11,826	11,438
	11,648	12,543	11,800
Current assets			
Stocks – goods for resale	16,956	16,924	13,746
Debtors: amounts falling due within one year	28,309	30,163	32,073
Debtors: amounts falling due after more than one year	4,419	7,753	5,919
Cash at bank and in hand	1,251	35	1,399
	50,935	54,875	53,137
Creditors: amounts falling due within one year	(16,760)	(20,087)	(17,623)
Net current assets	34,175	34,788	35,514
Total assets less current liabilities	45,823	47,331	47,314
Creditors: amounts falling due after more than one year	(1,841)	(4,123)	(2,208)
Provisions for liabilities and charges			
Deferred taxation	-	(62)	-
Other provisions	(249)	(191)	(277)
Net assets excluding pension liability	43,733	42,955	44,829
Net pension liability	(3,406)	(9,115)	(4,927)
Total net assets	40,327	33,840	39,902
Represented by:			
Capital and reserves			
Called up share capital	5,040	5,040	5,040
less Investment in own shares	(385)	(213)	(251)
Share-based payment reserve	43	3	23
Capital reserve	3	3	3
Revaluation reserve	758	758	758
Profit and loss account	34,868	28,249	34,329
Equity shareholders' funds	40,327	33,840	39,902

Consolidated Cash Flow Statement

For the six months to 30 September 2006

	Six months to 30 Sept 2006 unaudited £000	Six months to 30 Sept 2005 unaudited £000	Year to 31 March 2006 audited £000
Cash flow from operating activities	(1,341)	(27)	5,489
Special contribution to pension fund	(4,500)	-	(4,000)
	(5,841)	(27)	1,489
Returns on investments and servicing of finance			
Interest received and similar income	142	254	1,488
Interest paid	(135)	(152)	(380)
Preference dividend paid	(39)	(39)	(79)
Net cash inflow from returns on investments and servicing of finance	(32)	63	1,029
Taxation	(598)	(2,120)	(2,345)
Capital expenditure			
Purchase of tangible fixed assets	(76)	(266)	(417)
Purchase of intangible fixed assets	-	-	-
Proceeds of sale of tangible fixed assets and property	9,281	1,500	4,809
Net cash flow from capital expenditure	9,205	1,234	4,392
Equity dividends paid	(880)	(731)	(2,449)
Cash inflow before financing	1,854	(1,581)	2,116
Financing			
Bank loans repaid during the period	(1,857)	(357)	(714)
Finance leases repaid during the period	(6)	(8)	(25)
Purchase of own shares	(168)	(10)	(36)
Proceeds of sale of own shares	29	104	92
Net cash outflow from financing	(2,002)	(271)	(683)
(Decrease) increase in cash for the period	(148)	(1,852)	1,433
(Decrease) increase in cash for the period	(148)	(1,852)	1,433
Movement in borrowings	1,863	271	739
Movement in net debt for the year	1,715	(1,581)	2,172
Net debt at 1 April 2006	(2,887)	(5,059)	(5,059)
Net debt at 30 September 2006	(1,172)	(6,640)	(2,887)

Consolidated Statement of Total Recognised Gains and Losses

For the six months to 30 September 2006

	Six months to 30 Sept 2006 unaudited	Six months to 30 Sept 2005 unaudited (as restated)	Year to 31 March 2006 audited (as restated)
	£000	£000	£000
Profit for the period	1,920	1,949	9,712
Actual return less expected return on pension scheme assets	(1,029)	2,030	3,950
Experience gains and losses arising from pension scheme liabilities	-	-	1,028
Changes in assumptions underlying the present value of pension scheme liabilities	313	(2,349)	(5,242)
Movement in deferred tax relating to actuarial loss on pension scheme	215	96	79
<i>Total recognised gains and losses relating to the period</i>	1,419	1,726	9,527

Reconciliation of Movement in Equity Shareholders' Funds

For the six months to 30 September 2006

	Six months to 30 Sept 2006 unaudited	Six months to 30 Sept 2005 unaudited (as restated)	Year to 31 March 2006 audited (as restated)
	£000	£000	£000
Profit attributable to shareholders	1,920	1,949	9,712
Dividends	(880)	(731)	(2,449)
	1,040	1,218	7,263
Other recognised gains and losses relating to the period	(501)	(223)	(185)
Change in investment in own shares	(134)	90	49
Movement in share based payment reserve	20	3	23
<i>Movement in the equity shareholders' funds</i>	425	1,088	7,150
Opening equity shareholders' funds	39,902	32,752	32,752
<i>Closing equity shareholders' funds</i>	40,327	33,840	39,902

Notes to the Interim Financial Statements

- The results for the six months ended 30 September 2006 are unaudited and prepared on the basis of the accounting policies set out in the Group statutory accounts for the year ended 31 March 2006, except as modified for the introduction of newly adopted accounting standard FRS 20 : *Share-based payment* as set out in note 5. The results for the year ended 31 March 2006 (prior to adjustment for adoption of FRS 20) are extracted from the statutory accounts, and which have been filed with the Registrar of Companies.
- The directors propose an interim dividend of 2.0p per ordinary share which will absorb £403,000 (2005: 1.6p absorbing £322,000), payable on 24 January 2007 to shareholders on the Register at the close of business on 5 January 2007. The ex-dividend date is 3 January 2007.
- This statement does not comprise full accounts within the meaning of Section 240 of the Companies Act 1985.

Notes to the Interim Financial Statements

- For the year ended 31 March 2006 the earnings per ordinary share excluding the sale of Nevill Long was 17.1p (restated).
- The accounts have been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2006 except for the implementation of FRS 20 *Share-based payment*, which has been applied to all grants of equity instruments after 7 November 2002 that were invested at 1 April 2006. Equity settled share based payments (share options) are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period based on the directors' estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model.

All comparative figures have been reinstated to reflect this standard.

The effect of adopting this accounting standard has been as follows:

	Six months to 30 Sept 2006 unaudited	Six months to 30 Sept 2005 unaudited	Year to 31 March 2006 audited
<i>Profit and loss account</i>			
	£000	£000	£000
Profit after tax before adoption of new accounting standards	1,940	1,952	9,728
FRS 20 adjustment	(20)	(3)	(16)
<i>Restated profit after tax after adoption of new accounting standards</i>	1,920	1,949	9,712

Balance sheet

There is no impact on equity shareholders' funds at 30 September 2006, 30 September 2005 and 31 March 2006.

- Copies of this statement will be sent to all shareholders and will also be available on written application to the Company Secretary, James Latham plc, Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU.

The Latham Group



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