



JAMES LATHAM PLC

Half Yearly Report 2008

HALF YEARLY RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2008

Chairman's statement

I am pleased to report satisfactory results for the six months to 30 September 2008 despite increasingly difficult trading conditions. It should be noted that this period's results are being compared with an exceptional equivalent period last year when margins in particular were very strong.

Results

Revenue for the six months to 30 September 2008 was £61,883,000 compared with £59,326,000 the same period last year, a 4.3% increase. The operating profit was £3,167,000, down from £4,209,000 last year. Profit before tax was £3,208,000, down from last year's £4,578,000. Earnings per ordinary share were 7.7p (2007: 16.0p). The IFRS treatment of Industrial Building Allowances for deferred taxation purposes, as explained in note 2, has contributed to the sharp fall in earnings per share. On a like for like basis with the equivalent period earnings per share would have been 11.8p.

As at 30 September 2008 shareholder funds were £39.9m (30.9.2007: £45.5m) with cash and cash equivalents of £4.6m (30.9.2007: £7.9m).

Interim dividend

The Board has declared an interim dividend of 2.0p per Ordinary Share (2007: 2.5p), which is covered 3.9 times (2007: 6.4 times). The dividend is payable on 22 January 2009 to ordinary shareholders on the Company's Register at close of business on 5 January 2009. The ex-dividend date is 31 December 2008.

Six months trading to 30 September 2008.

Group revenue held up well in the six months and represents an increase compared with the equivalent period last year even after the contribution from the new Scottish branch, which started trading in April 2008. This is in spite of big decreases in some market sectors, notably transport and the national merchants. During the period, the Group experienced a fall in revenue in panel products where prices were significantly lower for a major item, medium density fibreboard. However, the Group increased revenue for its solid timber products.

As expected, trading margins were weaker in all areas as a result of decreasing prices and increased competition. Margins for the period were similar to those achieved in the six months to 31 March 2008 although they are below the equivalent period last year, which was exceptionally strong. These figures include non-recurring costs of £300,000 in moving from the old sites at Eastleigh and Dudley and start up costs for Scotland.

Pension scheme

The triennial actuarial valuation of the pension scheme as at 31 March 2008 shows a deficit of £5.1m, in line with the IFRS19 deficit shown in the accounts to 31 March 2008. The Trustees and the Company have agreed a recovery plan of payments over seven years. In the period to 30 September 2008, there has been an increase in the deficit, net of deferred tax gain, of £1.7m.

Current & future trading

The management accounts show a small reduction in revenue for October when compared with last year and a further slowdown in November. Reduced levels of activity in many sectors and the climate of general uncertainty that pervades the UK economy are resulting in less business. Some sectors remain busy but customers are unwilling to commit forward and are placing smaller orders. The Scottish branch is making steady progress towards profitability and the moves to bigger premises at Fareham and Dudley will take time to repay the investment made in them. Based on current trading we would expect to meet market expectations for the year but with the rapidly changing state of the UK economy it is difficult to predict far ahead.

Peter Latham
Chairman
27 November 2008

JAMES LATHAM PLC**CONSOLIDATED INCOME STATEMENT***For the six months to 30 September 2008*

	Six months to 30 Sept 2008 unaudited £000	Six months to 30 Sept 2007 unaudited £000	Year to 31 March 2008 audited £000
Revenue	61,883	59,326	117,188
Cost of sales (including warehouse costs)	(51,634)	(48,323)	(96,635)
Gross profit	10,249	11,003	20,553
Selling and distribution costs	(4,870)	(4,423)	(9,160)
Administrative expenses	(2,256)	(2,390)	(5,013)
Other operating income	44	19	232
	(7,082)	(6,794)	(13,941)
Operating Profit	3,167	4,209	6,612
Finance income	191	424	642
Finance costs	(150)	(55)	(130)
Profit before tax	3,208	4,578	7,124
Tax expense	(1,728)	(1,388)	(2,068)
Profit after tax attributable to equity shareholders of the parent company	1,480	3,190	5,056
Earnings per ordinary share (basic)	7.7p	16.0p	25.7p
Earnings per ordinary share (diluted)	7.7p	15.9p	25.6p

All results relate to continuing operations

JAMES LATHAM PLC
CONSOLIDATED BALANCE SHEET
As at 30 September 2008

	As at 30 Sept 2008 unaudited £000	As at 30 Sept 2007 unaudited £000	As at 31 March 2008 audited £000
Assets			
Non-current assets			
Goodwill	237	237	237
Intangible assets	150	-	149
Property, plant and equipment	18,290	11,323	17,515
Other receivables	-	500	333
Total non-current assets	18,677	12,060	18,234
Current assets			
Inventories	19,744	18,178	18,181
Trade and other receivables	26,659	31,010	24,826
Cash and cash equivalents	4,606	7,906	8,625
Total current assets	51,009	57,094	51,632
Total assets	69,686	69,154	69,866
Current liabilities			
Trade and other payables	18,591	19,563	18,681
Current portion of interest bearing loans and borrowings	21	735	378
Current tax payable	-	1,199	-
Total current liabilities	18,612	21,497	19,059
Non-current liabilities			
Interest bearing loans and borrowings	1,030	1,052	1,041
Retirement and other benefit obligation	7,447	240	5,108
Other payables	639	227	644
Deferred tax liabilities	2,035	683	1,893
Total non-current liabilities	11,151	2,202	8,686
Total liabilities	29,763	23,699	27,745
Net assets	39,923	45,455	42,121
Capital and reserves			
Issued capital	5,040	5,040	5,040
Share-based payment reserve	-	75	95
Own shares	(107)	(349)	(429)
Capital reserve	3	3	3
Retained earnings	34,987	40,686	37,412
Total equity	39,923	45,455	42,121

JAMES LATHAM PLC
CONSOLIDATED CASH FLOW STATEMENT
For the six months to 30 September 2008

	Six months to 30 Sept 2008 unaudited	Six months to 30 Sept 2007 unaudited	Year to 31 March 2008 audited
	£000	£000	£000
Net cash flow from operating activities			
Cash generated from operations	(515)	64	5,163
Interest paid	(92)	(19)	(70)
Income tax paid	(799)	(336)	(1,237)
Net cash (outflow)/inflow from operating activities	(1,406)	(291)	3,856
Cash flows from investing activities			
Interest received and similar income	175	276	792
Purchase of property, plant and equipment	(1,058)	(313)	(6,792)
Purchase of intangible asset	(5)	-	(150)
Proceeds from sale of property, plant and equipment	-	7	48
Proceeds from prior year sale of property and investment in subsidiary undertaking	500	1,019	5,438
Net cash (outflow)/inflow from investing activities	(388)	989	(664)
Cash flows before financing activities			
Bank loans repaid during the period	(357)	(357)	(714)
Finance leases repaid during the period	(11)	(13)	(23)
Equity dividends paid	(1,179)	(1,076)	(1,572)
Preference dividend paid	(39)	(39)	(79)
Purchase of own shares	(150)	(188)	(259)
Sale of own shares	310	9	-
Purchase of treasury shares	(799)	-	(792)
Net cash outflow from financing activities	(2,225)	(1,664)	(3,439)
Decrease in cash and cash equivalents for the period	(4,019)	(966)	(247)
Cash and cash equivalents at beginning of the period	8,625	8,872	8,872
Cash and cash equivalents at end of the period	4,606	7,906	8,625

JAMES LATHAM PLC
CONSOLIDATED STATEMENT OF RECOGNISED
INCOME AND EXPENSE

For the six months to 30 September 2008

	Six months to 30 Sept 2008 unaudited £000	Six months to 30 Sept 2007 unaudited £000	Year to 31 March 2008 audited £000
Profit after tax	1,480	3,190	5,056
Actuarial (losses)/gains on pension scheme	(2,677)	2,631	(2,024)
Deferred tax effect of actuarial (losses)/gains on pension scheme	750	(811)	567
Deferred tax on share-based payment	-	-	12
Total income and expense, attributable to equity shareholders of the parent company	(447)	5,010	3,611

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to 30 September 2008

	Six months to 30 Sept 2008 unaudited £000	Six months to 30 Sept 2007 unaudited £000	Year to 31 March 2008 audited £000
Profit attributable to shareholders	(447)	5,010	3,611
Dividends	(1,179)	(1,076)	(1,572)
	(1,626)	3,934	2,039
Purchase of treasury shares	(799)	-	(792)
Change in investment in own shares	322	(179)	(259)
Change in Share-based payment reserve	(95)	19	39
Movement in the period	(2,198)	3,774	1,027
Opening shareholders' funds	42,121	41,681	41,094
Closing shareholders' funds	39,923	45,455	42,121

Notes to the preliminary financial information

1. The results presented in this report are unaudited and they have been prepared in accordance with the IFRS accounting policies set out in the Group accounts for the year ended 31 March 2008 and those expected to apply in the year ended 31 March 2009.
2. During 2007 proposed amendments to the Industrial Buildings Allowances regime were announced. Substantive enactment took place on 2 July 2008. The effect of this enactment has increased the deferred tax liability in the consolidated balance sheet of these half yearly accounts by £803,000, with a corresponding charge to the consolidated income statement.
3. The directors propose a final dividend of 2.0p per ordinary share which will absorb £385,000 (2007: 2.5p absorbing £504,000), payable on 23 January 2009 to shareholders on the Register at the close of business on 5 January 2009. The ex-dividend date is 31 December 2008.
4. This half yearly report does not constitute financial statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 were prepared and filed with the Registrar of Companies and received an unqualified audit report and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985.
5. Copies of this statement will be sent to 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, and on the company's website, www.lathams.co.uk.