

James Latham plc

Announcement of Preliminary Results for the year ended 31 March 2008 and 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 and previously reported figures have been restated. A full reconciliation is shown in the notes accompanying this statement.

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 the 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 increased 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. Plans are on schedule to relocate the Dudley depot to larger premises in August. 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.

Peter Latham
Chairman
25 June 2008

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JAMES LATHAM PLC
CONSOLIDATED BALANCE SHEET
As at 31 March 2008

	As at 31 March 2008 £000	As at 31 March 2007 £000
Assets		
Non-current assets		
Goodwill	237	237
Intangible assets	149	-
Property, plant and equipment	17,515	11,226
Other receivables	333	500
Total non-current assets	<u>18,234</u>	<u>11,963</u>
Current assets		
Inventories	18,181	16,405
Trade and other receivables	24,826	27,440
Cash and cash equivalents	8,625	8,872
Total current assets	<u>51,632</u>	<u>52,717</u>
Total assets	<u>69,866</u>	<u>64,680</u>
Current liabilities		
Trade and other payables	18,681	17,407
Current portion of interest bearing loans and borrowings	378	737
Current tax payable	-	205
Total current liabilities	<u>19,059</u>	<u>18,349</u>
Non-current liabilities		
Interest bearing loans and borrowings	1,041	1,419
Retirement benefit obligation	5,108	3,033
Other payables	644	245
Provisions	-	108
Deferred tax liabilities	1,893	432
Total non-current liabilities	<u>8,686</u>	<u>5,237</u>
Total liabilities	<u>27,745</u>	<u>23,586</u>
Net assets	<u>42,121</u>	<u>41,094</u>
Capital and reserves		
Issued capital	5,040	5,040
Share-based payment reserve	95	56
Capital reserve	3	3
Own shares	(429)	(170)
Retained earnings	37,412	36,165
Total equity attributable to equity shareholders of the parent company	<u>42,121</u>	<u>41,094</u>

JAMES LATHAM PLC
CONSOLIDATED INCOME STATEMENT
For the year to 31 March 2008

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Revenue	117,188	99,662
Cost of sales (including warehouse costs)	<u>(96,635)</u>	<u>(81,922)</u>
Gross profit	20,553	17,740
Selling and distribution costs	(9,160)	(8,231)
Administration expenses	(5,013)	(4,581)
Other operating income	232	208
	<u>(13,941)</u>	<u>(12,604)</u>
Operating Profit	6,612	5,136
Finance income	642	752
Finance costs	<u>(130)</u>	<u>(227)</u>
Profit before tax	7,124	5,661
Tax expense	<u>(2,068)</u>	<u>(2,120)</u>
Profit after tax	<u>5,056</u>	<u>3,541</u>
Earnings per ordinary share (basic)	<u>25.7p</u>	<u>17.8p</u>
Earnings per ordinary share (diluted)	<u>25.6p</u>	<u>17.7p</u>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED
INCOME AND EXPENSE**
For the year to 31 March 2008

	Year to 31 March 2008		Year to 31 March 2007	
	£000	£000	£000	£000
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 directly in equity		<u>(1,445)</u>		<u>391</u>
Total income and expense, attributable to equity shareholders of the parent company		<u>3,611</u>		<u>3,932</u>

JAMES LATHAM PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year to 31 March 2008

	Year to 31 March 2008 £000	Year to 31 March 2007 £000
Net cash flow from operating activities		
Cash generated from operations	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	<u>3,856</u>	<u>(2,571)</u>
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 from investing activities	<u>(664)</u>	<u>13,768</u>
Cash flows before financing activities		
Bank loans repaid during the period	(714)	(2,214)
Finance leases repaid during the period	(23)	(23)
Equity dividends paid	(1,572)	(1,278)
Preference dividend paid	(79)	(79)
Purchase of own shares	(260)	(130)
Purchase of treasury shares	(792)	-
Proceeds of sale of own shares	1	-
Net cash outflow from financing activities	<u>(3,439)</u>	<u>(3,724)</u>
(Decrease)/increase in cash and cash equivalents for the year	<u>(247)</u>	<u>7,473</u>
Cash and cash equivalents at the beginning of the year	<u>8,872</u>	<u>1,399</u>
Cash and cash equivalents at the end of the year	<u>8,625</u>	<u>8,872</u>

Notes to the preliminary financial information

1) The financial information presented in this report is unaudited. James Latham Plc has adopted International Financial Reporting Standards for use in the European Union ("IFRS") this year, having previously applied UK accounting standards (UK GAAP). This information has been prepared using accounting principles consistent with IFRS. The comparative information for the year ended 31 March 2007 has been re-presented accordingly. Reconciliations from the previously stated UK GAAP financial information together with explanations and the revised accounting policies are set out in note 5.

2) The directors propose a final dividend of 6.1p per ordinary share which will absorb £1,197,186 (2007: 5.4p absorbing £1,081,080), payable on 29 August 2008 to shareholders on the Register at the close of business on 1 August 2008. The ex-dividend date is 30 July 2008.

3) The financial information in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the previous financial year ended 31 March 2007 (prepared in accordance with UK GAAP) have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The auditors have indicated that they intend to give an unqualified report, which will not contain any statement under section 237(2) or (3) of the Companies Act 1985, on the statutory accounts for the year ended 31 March 2008. Copies of the Company's Report and Accounts will be sent to shareholders shortly and will be available at the registered office of the company: Unit 3, Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU.

4) Equity

	Issued capital £000	Share-based payment reserve £000	Own shares £000	Capital reserve £000	Accumulated profits £000	Total equity £000
At 1 April 2006	5,040	16	(40)	3	33,511	38,530
Total recognised 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 recognised 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

5) As explained in note 1, this financial information has been prepared using accounting principles consistent with IFRS for the first time. Set out below is a summary of the accounting policies that differ from the full (UK GAAP) financial statements prepared at 31 March 2007 that management have applied in the 31 March 2008 IFRS-compliant full year financial statements.

Intangible assets – 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.

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.

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 has been recorded as a payable. The interest element is charged to the income statement at a constant rate over the term of the agreement.

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.

Taxation

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax expected to be payable or recoverable on differences at the balance 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 rates of taxation enacted or substantively enacted at the balance sheet date.

6) Explanation of transition to IFRS

Reconciliations of equity at 1 April 2006 (date of transition to IFRS), and at 31 March 2007 (date of last UK GAAP financial statements) have been included below to enable a comparison of these figures with those published in the previous 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.

The significant changes as a result of the transition to IFRS are described below.

a. 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 restated at the UK GAAP carrying value at 1 April 2006. As permitted by IFRS1, business combinations prior to 1 April 2006 have not been restated.

b. 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 the deferred tax liability 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.

c. IAS 16 Property, plant and equipment

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

d. IAS 19 Employee benefits

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.

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.

e. IAS 39 Financial instruments: recognition and measurement

IAS 39 requires the group to fair value account for forward currency contracts that mature after the year end.

Reconciliations

The following tables reconcile the previously reported UK GAAP financial information with that now presented under IFRS.

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

	As at 31 March 2007 £000	IAS 19 Employee benefits – holiday pay £000	IAS 39 Financial instruments – forward currency contracts £000	IAS 12 Income taxes – deferred tax £000	IFRS £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)
Administration 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	4,071	(3)	(42)	(485)	3,541
Earnings per ordinary share (basic)	20.5p				17.8p
Earnings per ordinary share (diluted)	20.4p				17.7p

Reconciliation of UK GAAP equity shareholders' funds to IFRS equity at 1 April 2006

	UK GAAP £000	IAS 19 Employee benefits – holiday pay £000	IAS 12 Income taxes – deferred tax £000	IAS19 Employee benefits – pension scheme £000	IAS 16 Property, plant and equipment £000	IFRS £000
Assets						
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)
Retained earnings	34,125	(85)	(1,060)		531	33,511
Total equity	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	IAS 39 Financial instruments – forward currency contracts	IAS 12 Income taxes – deferred tax	IAS19 Employee benefits – pension scheme	IAS 16 Property, plant and equipment	IFRS
	£000	£000	£000	£000	£000	£000	£000
Assets							
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)
Retained earnings	37,309	(88)	(42)	(1,545)		531	36,165
Total equity	42,996	(88)	(42)	(1,772)		-	41,094

7. Annual General Meeting

The Annual General Meeting of James Latham plc will be held at Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts, HP2 7QU on 21 August 2008 at 12.30pm.

The Annual Report and Accounts for the year ended 31 March 2008 will be sent by post to all shareholders in due course. The Annual Report and Accounts may also be viewed in due course on James Latham plc's website at www.lathams.co.uk