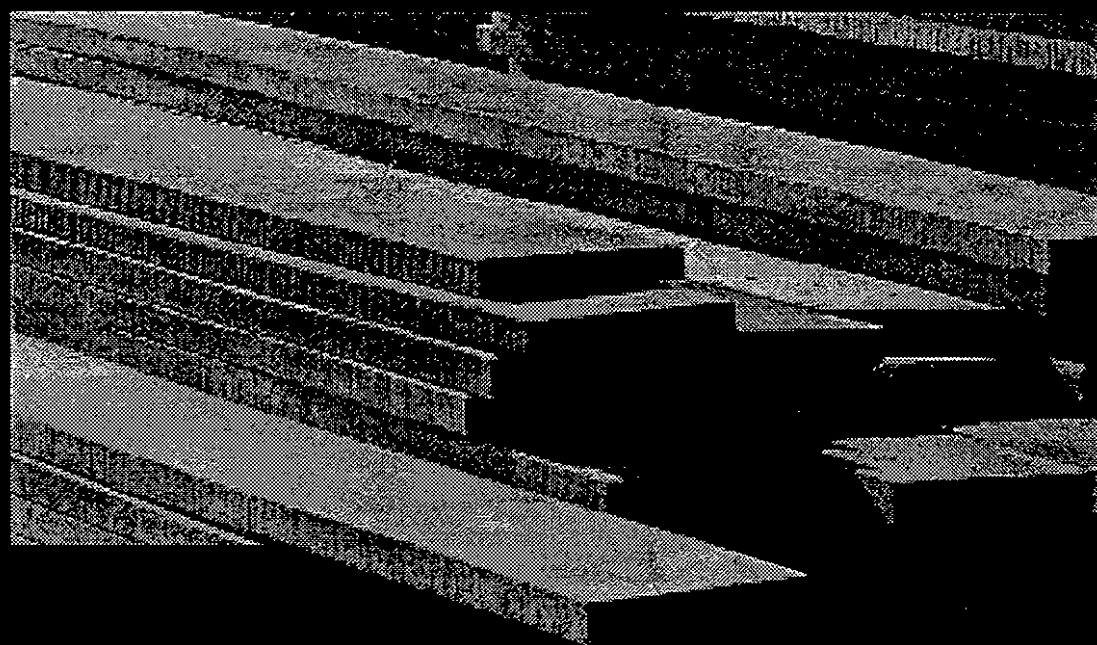


Company number: 65619

JAMES LATHAM PUBLIC LIMITED COMPANY
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1996

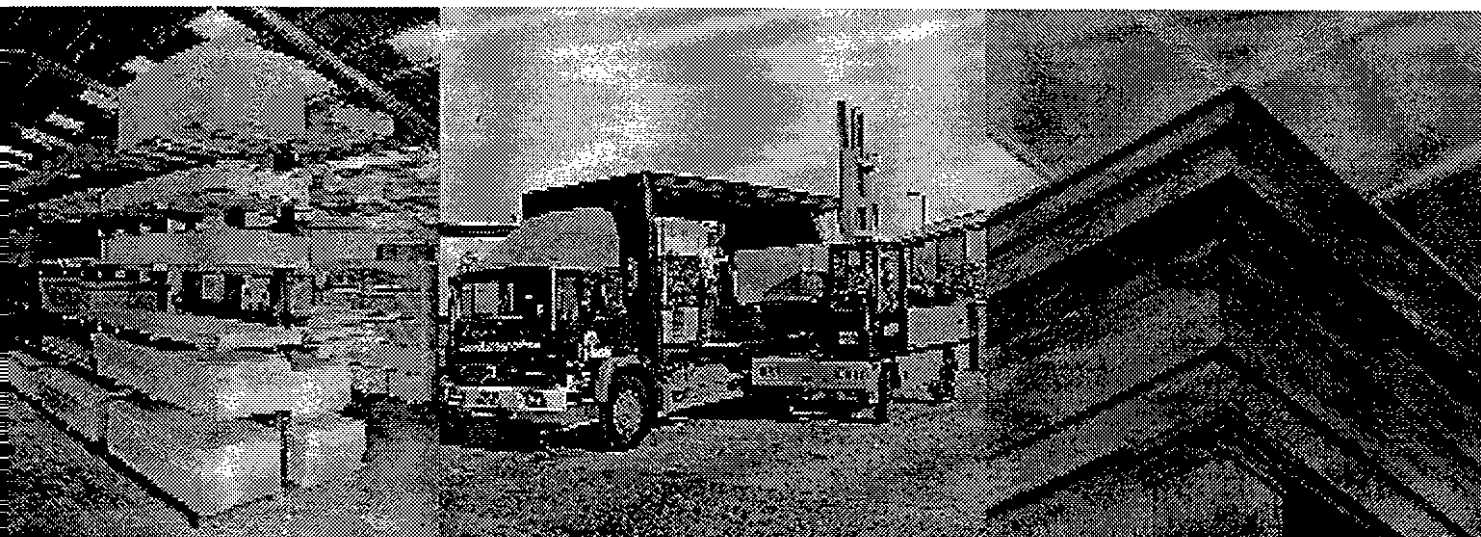


JAMES LATHAM PLC
ANNUAL REPORT AND ACCOUNTS 1996



CONTENTS

| | |
|----|--|
| 1 | <i>Chairman's Statement</i> |
| 3 | <i>Trading Review</i> |
| 5 | <i>Directors and Advisers</i> |
| 6 | <i>Directors' Report and Corporate Governance</i> |
| 9 | <i>Report of the Remuneration Committee</i> |
| 11 | <i>Statement of Directors' Responsibilities in respect of the Financial Statements</i> |
| 11 | <i>Auditors' Report</i> |



| | |
|----|---|
| 12 | <i>Consolidated Profit and Loss Account</i> |
| 13 | <i>Consolidated Balance Sheet</i> |
| 14 | <i>Company Balance Sheet</i> |
| 15 | <i>Consolidated Cash Flow Statement</i> |
| 16 | <i>Reconciliation of Movements in Shareholders' Funds</i> |
| 16 | <i>Note of Historical Cost Profits and Losses</i> |
| 16 | <i>Group Results - 5 year record</i> |
| 17 | <i>Notes to the Accounts</i> |
| 29 | <i>Notice of Annual General Meeting</i> |



David Latham, Chairman

The Trading Year

Difficult trading conditions persisted throughout the year. Demand was weak in the construction and housing sectors and we saw only modest growth from our wide range of industrial customers.

In spite of price falls, sales of both timber and panel products have been maintained. We are pleased to have achieved similar gross profit margins to last year, although they have been under extreme pressure in a highly competitive market. We are constantly seeking to improve our margins which is vital if we are to achieve a more adequate return on the capital invested in our business.

We have made great efforts to keep down our operating expenses and general overhead costs have been well controlled. An exception has been the substantial increase of £130,000 to the pension fund charge to meet higher funding requirements. We have also incurred the extra expense of start up costs at our new venture in Parkstone.

It is encouraging that all three of the Group's trading activities have contributed to our profit. Our Importing businesses have fallen below last year's good performance in spite of good panel product results. Our timber side has suffered from falling prices and low demand.

Nevill Long has traded at a modest profit, in spite of a number of exceptional costs. After a good start to the year Latham Timber and Building Supplies had a disappointing second half. In particular our major Milton Keynes depot was severely affected by a lengthy closure of our main access road by the local water authority.

Assisted by tighter control of working capital, the Group generated a positive net cash inflow from operating activities of £2.7 million. This has enabled us to reduce the Group's borrowings to £8.8 million so that our gearing ratio has shown further improvement and is now down to 49%.

Group Developments

This is the first year that our importing activities have operated as one company, Lathams Ltd. This has enabled us to identify and encourage a greater degree of co-ordination at our major trading depots in the North, the West, the Midlands and in London. We will also achieve cost savings by this common approach, but in the short term our access to management information has been hindered by delays in bringing forward our updated computer programmes which have a great potential to improve and simplify our financial controls.

Latham Timber and Building Supplies and Nevill Long have also benefited from the simplification of the management accounting procedures and the elimination of inter group interest charges has allowed these companies to be more focused towards making better trading profits.

During the year we successfully completed our building extension in Ossett which is enabling us to widen and develop our successful trading operation in the North. Sales from our new board materials operation, Latham Panels operating out of Parkstone, are continuing to make positive progress. This new operation has considerably widened our customer base on the South Coast.

*It is encouraging
that all three of the
Group's trading
activities have
contributed to
our profit.*

Property

We are still endeavouring to find buyers for our High Wycombe and Daventry freehold sites. We have had some limited success in letting our unoccupied leasehold properties. Our efforts to sub-let those that remain should be assisted by some early signs of greater activity in the property market. We have reviewed our provisions for these liabilities.

Directorship

Christopher Latham stepped down as Group Chairman at our Annual General Meeting last year and attended his last board meeting as a non executive director on 18 April. After many years as a Director and eight years as Chairman we will miss his wise counsel and effective leadership.

The Staff

The quality of our staff and their morale is a vital part of our business and, in what has not been an easy year for us, I would like to record my thanks to those at all levels who have made such a major contribution to our results.

Training

The Group continued to involve Group managers and staff in leadership and team building training at Middle Aston in Oxfordshire. At Group Directors' and Managers' conferences, staff participated in analysing the Group's financial and trading strengths, in business planning and new product identification. Ongoing human resource training included supervisory skills, with specific skills training given to those representatives selling to specifiers and to distribution staff for transport routing and scheduling.

Health and Safety

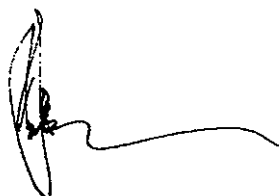
The Group Board continues to receive regular reports from the Group Health and Safety Officer. These give us a detailed view of current health and safety issues and how we tackle these on a site by site basis.

Future Trading

Our sales in April and May have shown only a marginal increase on the same period last year. Across a wide range of our customers the market situation remains subdued. Although it is still difficult to achieve adequate margins, our reduced cost structure should enable us to benefit if the anticipated market improvement later in the year takes place.

A report on the first quarter's trading will be presented to the Annual General Meeting and circulated to the Shareholders.

David R. Latham
Chairman



Our reduced cost structure should enable us to benefit if the anticipated market improvement later in the year takes place.



Lathams Limited - Timber Importing Activities**Turnover: £56,495,000****Profit before interest and taxation: £1,837,000**

In spite of difficult trading conditions we have maintained our turnover at around

the same level as last year, even though there have been marked reductions in the price of certain items of panel products, hardwood and softwood. This fall in the value of our commodity has placed additional pressures on overheads and creditable effort has been employed in containing costs.

We have maintained our margins at a time of extreme competition in our trade. Margins were often under pressure due to price weakness in a number of products which led to some competitors making extreme efforts to maintain their turnover and reduce stocks. Fair margins are essential if industry is to be



The new sheds at our Northern branch - giving us 50% extra storage

properly served and stock shortages avoided.

Panel products saw a small increase in sales and were successful at finding new business at times when some of our traditional users were less busy. Our specialised softwood businesses, contrary to industry trends, saw increases in both sales and margins. Hardwood trading was severely affected by a difficult market place and our sales fell by 10%, although retaining most of the volume growth achieved over the last three years.

Our confidence in the future was demonstrated by the completion and opening of the new sheds at our Northern Branch and a successful first year of sales at our Panel products business in Parkstone.

Advanced Technical Panels had a good year. We are widening our sales coverage so that their specialist products which are well received in the market place are promoted more thoroughly.

The need to maintain our reputation for reliable and prompt deliveries has led us to increase the number of our distinctive purple and green vehicles. They will service our customers' requirements for more frequent deliveries and in due course additional volume.

Despite overall trading conditions we managed a good solid performance. There is an optimism amongst our staff that we can build on this at the first signs of any upturn.

Fair margins are essential if industry is to be properly served and stock shortages avoided.

Latham Timber and Building Supplies**Turnover: £12,058,000****Profit before interest and taxation: £102,000**

It is encouraging to report a significant turnaround. In spite of difficult trading conditions in the housing market, our sales increased by 6% and gross margin (before warehouse costs) by 10%; although sales slowed up in the second half year, particularly at Milton Keynes due to the road closure. This is a positive result after our problems of recent years. Margins showed a useful increase on the previous year but they are still below our budgeted objective. Our focus on sales has produced useful growth in spite of a weak market place and lower timber prices.

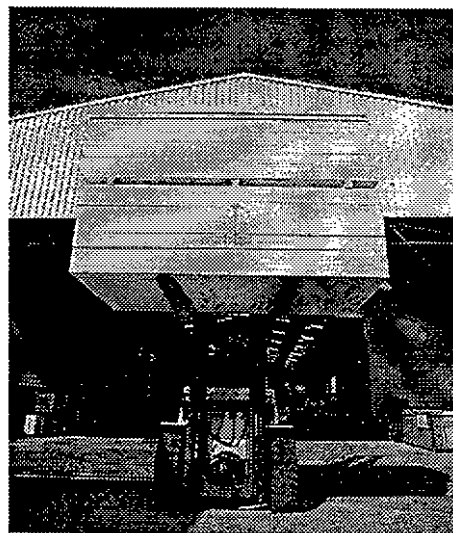
The Company has benefited from our Group restructuring. We are all encouraged by the much improved results and the uplift in staff morale will help us to make further progress in the current year.

Our focus on sales has produced useful growth.

Nevill Long**Turnover: £11,056,000****Profit before interest and taxation: £78,000**

During the year the market for ceiling tiles and dry lining was fiercely competitive. It is however encouraging that our sales of partitioning systems in only our second year of trading in these products now represent 10% of total sales. This helps to reduce our dependence on ceilings and enhances our gross profit. Although total sales were slightly down on the previous year, gross margin (before warehouse costs) increased by 6%. A tight regime of overhead control was maintained. Greater job flexibility has enabled staff numbers to be reduced.

A small number of major overhead areas increased exceptionally; our Northern depot was relocated, staff were invited to join the Latham Group Pension Fund and our major depot at Heston is now paying rent at a full commercial rate. Although the results at Nevill Long for 1995/96 fell short of our original target we believe we have built a platform from which the Company can now go forward.



Bringing our brand name 'Mahtal' to the fore

Associated Undertakings**Profit attributable to the Group: £15,000****G.A. Day Timber Centres**

Portsmouth has had another successful year. Losses at Parkstone continued in the difficult trading conditions. It is hoped that recent management changes will produce improved results in the coming year. Overall there was a small loss.

Singer Plywood

Profits at Singer Plywood were reduced. Market conditions have been difficult in both D.I.Y. and house maintenance. Successful trading has allowed gross margins to be maintained in spite of fierce competition. It is encouraging to note that the current year has started brightly.

DIRECTORS AND ADVISERS

Directors **David R. Latham**
Group Executive Chairman
 Former Chairman Hardwood and Importers' sections of the Timber Trade Federation
 Member of the Policy Unit and Advisory Council of Forests Forever

James M. Latham
Executive Director
 Chairman and Managing Director of Lathams Limited
 Chief Executive of James Latham Southern and James Latham Panels
 Former Chairman of the Panel Products' Section of the Timber Trade Federation

Roger J. Latham
Executive Director
 Chairman and Managing Director of Nevill Long Limited
 Director of Lathams Limited

Peter D.L. Latham BA
Executive Director
 Managing Director of Latham Timber Centres (Holdings) Limited
 Vice President of the Institute of Wood Science

Terence G. Kemp FCA
Group Financial Director
 Director of Lathams Limited
 Director of Latham Timber Centres (Holdings) Limited

Roderick S. Martin
Executive Director
 Director of Lathams Limited
 Managing Director of James Latham Northern, Midland & Western

Malcolm Parkinson
Non-Executive Director
 Non-Executive Chairman of Latham Timber Centres (Holdings) Limited
 Director of Powerbreaker plc
 Director of Siegel and Gale Limited

Company Secretary **Philippa A.J. Latham MA MBA ACIS**

Auditors Moores Rowland
 Clifford's Inn
 Fetter Lane
 London EC4A 1AS

Registrars The Royal Bank of Scotland plc
 Caxton House
 Redcliffe Way
 Bristol BS99 7YA

Merchant Bankers Hambros Bank Limited
 41 Tower Hill
 London EC3N 4HA

Stockbrokers Credit Lyonnais Laing
 Broadwalk House, 5 Appold Street
 London EC2A 2DA

The directors have pleasure in submitting their report together with the audited accounts of the Company and of the Group for the year ended 31 March 1996.

Principal activities

The principal activities of the Group are as follows:

Lathams Limited is a specialist importer and distributor of panel products, and of sawn and further-processed, quality hardwoods and softwoods, offering national coverage from 5 depots; Latham Timber and Building Supplies are the merchandising arm of the Group, supplying sawn and planed softwood, panel products, doors, joinery and general building materials, from 5 depots located across the south east and central England; and Nevill Long is a specialist distributor of suspended ceiling components, partitioning and dry lining, acoustic and decorative panels, washroom and cubicle systems throughout the UK.

Business review

The Chairman's Statement and the Trading Review, on pages 1 to 4 inclusive, report on the Group's activities and the future development of the Group.

Group Results for the year

The profit on ordinary activities before interest, associated undertakings and taxation amounts to £2,017,000. After deducting net interest costs of £629,000 and after adding a contribution from associated undertakings of £15,000, the Group earned a profit before taxation of £1,403,000. After taxation and dividends, £766,000 retained profits are transferred to reserves.

Dividends

The directors recommended that an increased final dividend be paid of 4.0p per Ordinary share. An interim dividend of 2.25p net per Ordinary share was paid in February 1996, making a total dividend for the year of 6.25p which is covered 3.4 times by earnings.

The final dividend, if approved at the Annual General Meeting, will be paid on 13 August 1996 to Ordinary Shareholders on the register on 9 July 1996. The dividends on the 8% Cumulative Preference Shares were paid on their due dates and absorbed £79,000.

Directors and their interests

The present directors are listed on page 5.

Mr C.G.A. Latham resigned as Group Executive Chairman on 4 August 1995 and was made a non-executive director of the Group on 1 October 1995, a role which he held until his retirement from the company at the end of June 1996.

Mr M.R. Parkinson was appointed as a non-executive director on 16 March 1993. He is a former chairman of Imatronic Limited and is currently a director of Powerbreaker plc, Applied Chemicals Limited, Catalina Marketing UK Limited and Siegel and Gale Limited.

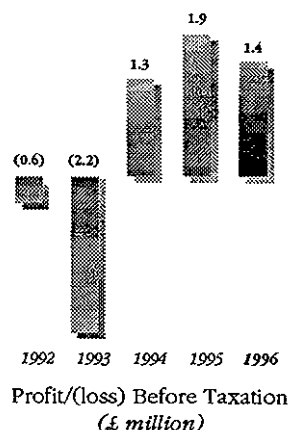
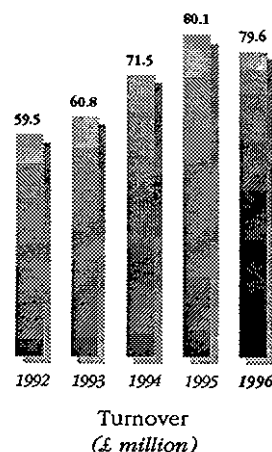
Other than their service contracts, no director has a material interest in a contract with the company. Mr M.R. Parkinson, as a non-executive director, does not have a service contract with the company. The disclosable interests of the directors in the share capital of the company, including those of their wives and infant children, are detailed in the Report of the Remuneration Committee on page 10.

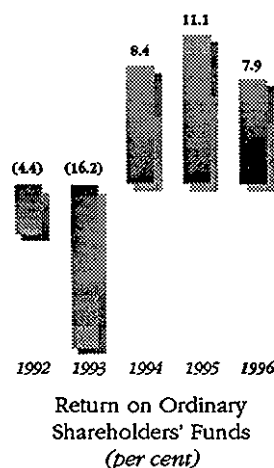
Share capital

At General meetings of the Ordinary and 8% Cumulative Preference Shareholders held on 6 December 1988, resolutions were passed authorising the issue of up to 5,000,000 Cumulative Redeemable Preference Shares 2013 of £1 each. The directors have power to issue these shares at such times and on such terms as they think fit up to 8 August 2001.

On the same date, shareholders approved an alteration to the company's Articles of Association, giving the company permission to buy its own shares as and when the directors consider it appropriate.

A special resolution will be proposed as special business at the Annual General Meeting seeking authority from the shareholders to make purchases in certain circumstances. The Directors will only make use of the authority when satisfied that it is in the interests of the Company so to do. The





resolution specifies the maximum number of shares which may be acquired and the maximum and minimum prices at which they may be bought.

In order to enable the directors to continue to exercise their power under the Articles of Association to allot unissued shares in the capital of the company, an ordinary resolution giving the necessary authority for five years will be proposed as special business at the Annual General Meeting. No issue of shares is contemplated at the present time and none will be made which would effectively alter control of the company without prior approval of Ordinary shareholders in general meeting.

A special resolution will also be proposed as special business to give the Directors authority to disapply to a limited extent the statutory "pre-emption right" of shareholders. The resolution gives the Directors power to allot shares for cash other than proportionately to existing shareholders, up to a limit of 5% of the Company's issued ordinary share capital and the power to allot shares for cash in connection with a rights issue.

Savings Related Share Option Scheme

On 4 August 1995, by ordinary resolution, shareholders approved the amendment of the permitted discount under this scheme to comply with the current limit for Savings Related Share Option Schemes set out in the Income & Corporation Taxes Act 1988. During the year no Ordinary shares were issued under the company's employee share option schemes. From 1 April 1996 to 30 September 1996, employees with share options under this scheme are able to exercise them if they should so wish.

Substantial shareholdings

At 16 June 1996, the reported shareholdings of more than 3% of the issued Ordinary share capital, apart from those of the directors, were the following:

| | |
|------------------------------|---------|
| Rock Nominees Limited | 209,500 |
| Ninegrade Limited | 358,000 |
| Imperial Group Pension Trust | 250,000 |
| Clare College, Cambridge | 165,000 |

Shareholdings of other members of the Latham family, not included under the directors' shareholdings, total 1,810,109 Ordinary shares.

Crest

Crest is the new electronic settlement system developed by the Bank of England. It is a voluntary system which allows investors to hold and transfer their holdings in electronic form rather than paper if they so wish; those who wish to retain their share certificates will be able to do so.

The directors resolved on 19 June 1996 that the company's Ordinary shares of £1 each and 8% Cumulative Preference shares of £1 each may be transferred by means of a "relevant system" (i.e. a computer based system such as Crest).

Notification of these resolutions and an explanatory leaflet are included with this Report.

Employee involvement

The Group's ability to achieve its commercial objectives and the needs of its customers in a profitable and competitive manner depends on the contribution of 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 Company's performance, a savings-related share option scheme is operated. In addition, an Inland Revenue Profit Related Pay Scheme is operated together with a profit sharing scheme linked to performance.

Terms of employment

The Group does not discriminate against anyone on any grounds. The sole criteria for selection or promotion is the suitability of any applicant for the job. Training and development is provided and is available to all levels and categories of staff.

Employees are encouraged to develop their contribution to the business wherever they happen to work.

The Group has continued to recognise its social and statutory obligations towards disabled persons, and to give full and fair consideration both to the applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and to the needs of disabled employees.

Quality Assurance ISO9002

The Group's main operating companies are registered under ISO9002 which reflects the quality of their systems.

Fixed assets

Changes in tangible fixed assets during the year are set out in note 10 on page 20.

The directors have reviewed the carrying value at 31 March 1996 of the Group freehold and long leasehold properties and have made provisions for permanent diminution of value where these were considered necessary.

Corporate Governance

The Company has complied with all provisions of the Code of Best Practice of the Cadbury Committee on Financial Aspects of Corporate Governance save that the Board only contains one independent non executive director, Mr M.R. Parkinson. Taking account of the size of the Company and the composition of the Board, the directors consider that the interests of shareholders would not be materially improved by the appointment of further non executive directors at this time. Mr M.R. Parkinson chairs the Audit Committee and also sits on the Remuneration Committee which is chaired by the Group Chairman.

Payments to suppliers

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

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.

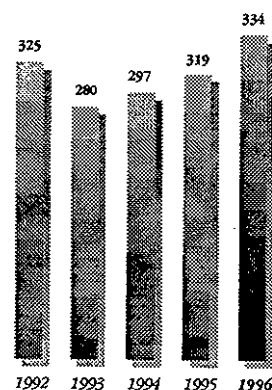
Internal Financial Control

The Company and the Group have established, and maintain, comprehensive systems of internal control including systems of financial control.

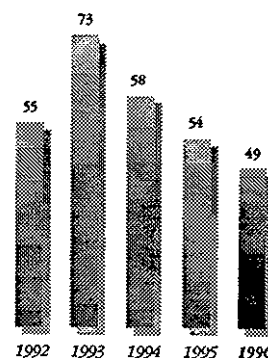
These controls are designed to provide the Board with reasonable assurance that it can rely on the accuracy and reliability of the accounting records and other sources of financial information used both within the business and for publication. The operation of the controls is independently reviewed, where relevant, by the external auditors.

The Board has reviewed the effectiveness of the system of internal financial control operated by the Company and the Group for the period covered by these accounts.

The auditors have confirmed that in their opinion: with respect to the directors' statements on internal financial control and going concern above, the directors have provided the disclosure required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' other statements above appropriately reflect the Company's and the Group's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Group to continue in operational existence.



Net Assets per Share
(pence)



Gearing Ratio
(per cent)

*It is considered that
with best practices
observed, timber
and wood products
are the ultimate
sustainable and
recyclable
materials.*

Environmental policy

The directors recognise the importance of environmental considerations. As a responsible organisation, the Group seeks to follow, in all areas of its activities, policies which recognise this. It is considered that with best practices observed, timber and wood products are the ultimate sustainable and recyclable materials, requiring low energy consumption to process and being thermally efficient in use. The Group is an involved supporter of the policies adopted by Forests Forever and a signatory to its recommended policies.

Forests Forever is a campaign by Britain's timber industry to help safeguard the forests of the world by encouraging improved forest management, responsible trading and promoting the positive environmental aspects of using timber.

The Group aims to adopt environmental standards at least equal to legal requirements and to integrate environmental considerations into its decision making in such areas as transport, energy usage, treatment plants, waste disposal and health and safety requirements.

Charitable donations

During the year, the Group made direct donations to charitable organisations of £3,000.

Income and Corporation Taxes Act 1988

The close company provisions of this Act do not apply to the Company.

Capital Gains Tax.

To allow shareholders to calculate their liability to capital gains tax from gains realised in the 1995-96 tax year, the 31 March 1982 price of the Ordinary shares was 54.5p and of the 8% Cumulative Preference shares 60.5p. The prices have been adjusted for scrip issues since April 1982.

Auditors

A resolution proposing the re-appointment of Moores Rowland as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the Board
David R. Latham, Chairman
11 July 1996

REPORT OF THE REMUNERATION COMMITTEE

The Board has established a Remuneration Committee which has overall responsibility for remuneration policy and specific responsibility for determining the remuneration of the Group executive directors. All non-executive directors are members of the Remuneration Committee which is chaired by the Group Executive Chairman. The Remuneration Committee has access to professional advice from inside and outside the Group.

Policy on executive directors' remuneration

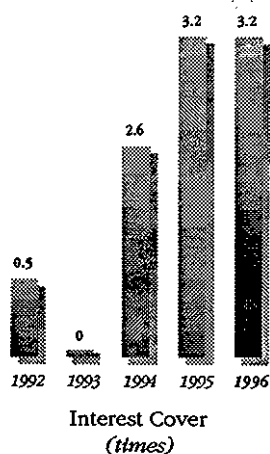
Remuneration packages are designed to attract, retain and motivate directors and their performance determines their annual remuneration package. No executive director plays any part in a decision on his own remuneration. There are three main elements of the remuneration package, namely: basic salary, annual bonus schemes including an Inland Revenue Profit Related Pay Scheme, and share options through the Group savings related share option scheme. These elements are also available to all staff. There are no other share option schemes available to directors.

Service Contracts

Until recently, all executive directors had 5 year service contracts. Following a Board review, these were amended to incorporate a rolling 2 year notice period. This was considered by the Board to be a significant but reasonable reduction in their service agreements.

Non executive directors

The remuneration of non executive directors is determined by the Board. Non-executive directors cannot participate in the Group savings related share option scheme.



REPORT OF THE REMUNERATION COMMITTEE

Directors' emoluments

| | Basic salary | Fees | Benefits | Annual Bonus | Total emoluments excluding pensions | Pensions 1996 | Pensions 1995 |
|------------------------------|--------------|-----------|-----------|--------------|-------------------------------------|---------------|---------------|
| | £000 | £000 | £000 | £000 | 1996 £000 | 1995 £000 | £000 |
| Executive | | | | | | | |
| D.R. Latham | 88 | - | 6 | - | 94 | 104 | 7 |
| C.G.A. Latham (to 30.9.95) | 48 | - | 3 | - | 51 | 106 | 7 |
| J.M. Latham | 89 | - | 8 | - | 97 | 102 | 7 |
| R.J. Latham | 87 | - | 3 | - | 90 | 97 | 7 |
| P.D.L. Latham | 84 | - | 4 | - | 88 | 84 | 6 |
| T.G. Kemp | 71 | - | 7 | - | 78 | 78 | 5 |
| R.S. Martin | 70 | - | 4 | - | 74 | 76 | 5 |
| Non-executive | | | | | | | |
| M.R. Parkinson | - | 18 | - | - | 18 | 15 | - |
| C.G.A. Latham (from 30.9.95) | - | 15 | - | - | 15 | - | - |
| Total | 537 | 33 | 35 | - | 605 | 662 | 44 |
| 1995 | 524 | 15 | 28 | 95 | 662 | 44 | |

The figures for pensions shown above are contributions paid by the company.

Pensions paid to widows of former directors £19,000 (1995: £18,000).

Payments of £20,852 (1995: £16,262) were made to a company of which Mr M.R. Parkinson is a director.

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 family interests in the share capital at the end of the financial year were as follows:

| | | 31 March 1996 | | | 31 March 1995 | | |
|------------------|------------------|-----------------|-------------------------------|-------------------|-----------------|-------------------------------|-------------------|
| | | Ordinary Shares | Savings Related Share Options | Preference Shares | Ordinary Shares | Savings Related Share Options | Preference Shares |
| Directors | | | | | | | |
| C.G.A. Latham | Beneficial owner | 190,348 | Nil | Nil | 193,848 | Nil | Nil |
| | Trustee | 20,000 | Nil | Nil | 203,548 | Nil | Nil |
| D.R. Latham | Beneficial owner | 150,264 | 6,696 | 625 | 137,922 | 6,696 | Nil |
| | Trustee | 104,014 | Nil | 7,670 | 181,250 | Nil | Nil |
| J.M. Latham | Beneficial owner | 150,313 | 6,696 | Nil | 150,313 | 6,696 | Nil |
| | Trustee | Nil | Nil | Nil | Nil | Nil | Nil |
| P.D.L. Latham | Beneficial owner | 324,166 | 6,696 | Nil | 315,076 | 6,696 | Nil |
| | Trustee | 58,500 | Nil | Nil | 58,500 | Nil | Nil |
| R.J. Latham | Beneficial owner | 124,300 | 6,696 | Nil | 157,800 | 6,696 | Nil |
| | Trustee | Nil | Nil | Nil | Nil | Nil | Nil |
| T.G. Kemp | Beneficial owner | 3,000 | 6,696 | Nil | 3,000 | 6,696 | Nil |
| | Trustee | Nil | Nil | Nil | Nil | Nil | Nil |
| R.S. Martin | Beneficial owner | 450 | 4,464 | 75 | 450 | 4,464 | 75 |
| | Trustee | Nil | Nil | Nil | Nil | Nil | Nil |
| M.R. Parkinson | Beneficial owner | 5,000 | Nil | Nil | 5,000 | Nil | Nil |
| | Trustee | Nil | Nil | Nil | Nil | Nil | Nil |

The directors' shareholdings at 31 March 1996 include duplications in respect of 41,500 Ordinary shares.

Between 31 March 1996 and 11 June 1996, the only change was the transfer of 16,000 Ordinary shares from Mr D.R. Latham as trustee to his children. The Savings Related Share Options are exercisable between April 1996 and September 1996 at \$1.68 per share. None of the options have currently been exercised.

D.R. Latham

Chairman of the Remuneration Committee

11 July 1996



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and of the profit or loss of the Group for that period. The directors consider that appropriate accounting policies have been used and applied consistently, reasonable and prudent judgments have been made, applicable accounting standards have been followed and that the going concern basis has been appropriately used. The directors are responsible for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Group, in accordance with the Companies Act 1985, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and prevent and detect fraud and other irregularities.

AUDITORS' REPORT

To the shareholders of James Latham public limited company

We have audited the financial statements on pages 12 to 28 which have been prepared under the accounting policies set out on page 17 and the additional disclosures on pages 9 and 10 relating to the remuneration of the executive directors specified for our review by the London Stock Exchange.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moores Rowland
Chartered Accountants
Registered Auditors
Clifford's Inn
Fetter Lane
London EC4A 1AS



11 July 1996



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1996

| £'000s | Notes | 1996 | 1995 |
|--|---------|----------|----------|
| Turnover | 2 | 79,609 | 80,079 |
| Cost of sales | | (67,305) | (67,342) |
| Gross Profit | | 12,304 | 12,737 |
| Distribution costs | (5,137) | (4,884) | |
| Administrative expenses | (5,383) | (5,490) | |
| Other operating income | 233 | 234 | |
| | | (10,287) | (10,140) |
| Operating profit | | 2,017 | 2,597 |
| Profit on sale of properties | | - | 26 |
| Profit on ordinary activities before interest | | 2,017 | 2,623 |
| Share of profits of associated undertakings | | 15 | 82 |
| Interest receivable and similar income | 5 | 187 | 89 |
| Interest payable | 6 | (816) | (932) |
| Profit on ordinary activities before taxation | | 1,403 | 1,862 |
| Tax on profit on ordinary activities | 7 | (243) | (404) |
| Profit on ordinary activities after taxation | | 1,160 | 1,458 |
| Dividends | 8 | (394) | (381) |
| Retained profit | | 766 | 1,077 |
| Earnings per ordinary share | 9 | 21.5p | 27.4p |

The notes on pages 17 to 28 form part of these accounts. Movements on reserves are shown in note 20.

All disclosures relate to continuing operations. Comparative figures for cost of sales, distribution costs and administrative expenses have been amended to reflect the re-categorisation of certain employees' costs.

The Group has no recognised gains or losses other than the results shown above. Therefore a statement of total recognised gains and losses is not required.

CONSOLIDATED BALANCE SHEET

As at 31 March 1996

| £'000s | Notes | 1996 | 1995 |
|--|-------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | 7,573 | 7,397 |
| Investments | 12 | 575 | 585 |
| | | 8,148 | 7,982 |
| Current assets | | | |
| Stocks - goods for resale | | 12,506 | 12,999 |
| Debtors | 13 | 16,874 | 17,067 |
| Investments | 14 | 872 | 781 |
| Cash at bank and in hand | | 191 | 134 |
| | | 30,443 | 30,981 |
| Creditors: amounts falling due within one year | 15 | (18,466) | (17,483) |
| Net current assets | | 11,977 | 13,498 |
| Total assets less current liabilities | | 20,125 | 21,480 |
| Creditors: amounts falling due after more than one year | 16 | (1,503) | (3,794) |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 17 | - | (3) |
| Other provisions | 18 | (804) | (631) |
| Total net assets | | 17,818 | 17,052 |
| Represented by: | | | |
| Capital and reserves | | | |
| Called up share capital | 19 | 6,027 | 6,027 |
| Capital reserve | 20 | 3 | 11 |
| Revaluation reserve | 20 | 353 | 353 |
| Profit and loss account | 20 | 11,435 | 10,661 |
| Shareholders' funds | | 17,818 | 17,052 |
| Attributable to equity shareholders | | 16,831 | 16,065 |
| Attributable to non-equity shareholders | | 987 | 987 |

These financial statements were approved by the Board of Directors on 11 July 1996 and signed on its behalf by:

D.R. Latham

Directors

J. M. Latham

The notes on pages 17 to 28 form part of these accounts.

COMPANY BALANCE SHEET

As at 31 March 1996

| £'000s | Notes | 1996 | 1995 |
|--|-------|---------|----------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | 1,117 | 4,039 |
| Investments | 12 | 19,322 | 10,326 |
| | | 20,439 | 14,365 |
| Current assets | | | |
| Stocks - goods for resale | | - | 5,571 |
| Debtors | 13 | 1,790 | 6,221 |
| Cash at bank and in hand | | 4 | 30 |
| | | 1,794 | 11,822 |
| Creditors: amounts falling due within one year | 15 | (9,939) | (10,845) |
| Net current (liabilities) assets | | (8,145) | 977 |
| Total assets less current liabilities | | 12,294 | 15,342 |
| Creditors: amounts falling due after more than one year | 16 | (1,500) | (4,425) |
| Provisions for liabilities and charges | 18 | (251) | (291) |
| Total net assets | | 10,543 | 10,626 |
| Represented by: | | | |
| Capital and reserves | | | |
| Called up share capital | 19 | 6,027 | 6,027 |
| Profit and loss account | 20 | 4,516 | 4,599 |
| Shareholders' funds | | 10,543 | 10,626 |
| Attributable to equity shareholders | | 9,556 | 9,639 |
| Attributable to non-equity shareholders | | 987 | 987 |

These financial statements were approved by the Board of Directors on 11 July 1996 and signed on its behalf by:

D.R. Latham

Directors

J. M. Latham

The notes on pages 17 to 28 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1996

| £'000s | Notes | 1996 | 1995 |
|--|-------|---------|---------|
| Net cash inflow from operating activities | 21 | 2,676 | 1,613 |
| Return on investments and servicing of finance | | | |
| Interest received and similar income | 168 | 111 | |
| Interest paid | (815) | (910) | |
| Interest element of finance lease rentals | (3) | (20) | |
| Dividends received from associated undertakings | 19 | 24 | |
| Dividends paid | (381) | (318) | |
| Net cash outflow from returns on investments and servicing of finance | | (1,012) | (1,113) |
| Taxation | | | |
| Advance corporation tax paid | (91) | (35) | |
| UK corporation tax paid | (346) | (56) | |
| Tax paid | | (437) | (91) |
| Investing activities | | | |
| Purchase of tangible fixed assets | (668) | (581) | |
| Purchase of own shares for Savings Related Share Option Scheme purposes | - | (95) | |
| Proceeds from sale of shares in associated undertaking | - | 145 | |
| Proceeds from sale of tangible fixed assets | 90 | 126 | |
| Net cash outflow from investing activities | | (578) | (405) |
| Net cash inflow before financing | | 649 | 4 |
| Financing | | | |
| Bank loans repaid during year | 22 | 1,000 | 500 |
| Capital element of finance lease rental payments | 22 | 73 | 131 |
| Net cash outflow from financing | | 1,073 | 631 |
| Decrease in cash and cash equivalents | 23 | (424) | (627) |
| | | 649 | 4 |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March 1996

| £'000s | 1996 | 1995 |
|-------------------------------------|--------|--------|
| Profit for the financial year | 1,160 | 1,458 |
| Dividends | (394) | (381) |
| Net addition to shareholders' funds | 766 | 1,077 |
| Opening shareholders' funds | 17,052 | 15,975 |
| Closing shareholders' funds | 17,818 | 17,052 |

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 1996

| £'000s | 1996 | 1995 |
|--|-------|-------|
| Profit on ordinary activities before taxation | 1,403 | 1,862 |
| Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 13 | (2) |
| Historical cost profit on ordinary activities before taxation | 1,416 | 1,860 |
| Historical cost profit for the year after taxation and dividends | 779 | 1,075 |

GROUP RESULTS - 5 YEAR RECORD

| | Turnover £'000 | Profit/(loss) before taxation £'000 | Ordinary dividend* £'000 | Ordinary shareholders funds £'000 | Earnings (loss) per share pence | Dividend (net) per share pence |
|-----------------|-------------------|--|--------------------------------|--|--|---|
| 31st March 1996 | 79,609 | 1,403 | 394 | 16,831 | 21.5 | 6.25 |
| 31st March 1995 | 80,079 | 1,862 | 377 | 16,065 | 27.4 | 6.0 |
| 31st March 1994 | 71,516 | 1,340 | 252 | 14,988 | 21.4 | 4.0 |
| 31st March 1993 | 60,802 | (2,212) | 101 | 14,113 | (43.9) | 1.5 |
| 31st March 1992 | 59,592 | (612) | 252 | 16,401 | (8.7) | 3.75 |

*Ordinary dividend shown is the amount payable to shareholders plus the related tax credit.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain freehold and leasehold property.

(b) Basis of consolidation

The consolidated accounts include the Company and all its subsidiary undertakings (from the date of acquisition or to the date of sale where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 31 March. The year end of the associated undertakings is 28 February. Goodwill on consolidation, being the excess of the purchase price over the value of the net assets of subsidiary undertakings at the date of acquisition, is written off to reserves in the year of acquisition.

The Company does not present its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

(c) Fixed assets

Depreciation is provided to write off the cost or valuation over the estimated useful lives of the assets on a straight line basis, being 5 - 12 years, except for freehold buildings and long leasehold property which are written off over 50 - 100 years. No depreciation is provided on freehold land.

(d) Stock

Stock is valued at the lower of cost and estimated net realisable value.

(e) Deferred taxation

Provision is made at the appropriate rate for taxation deferred by capital allowances and short term timing differences where it is probable that a material liability could arise in the foreseeable future. No provision is made in respect of deferred taxation arising from property revaluations as it is not anticipated that a material liability will arise in the foreseeable future.

(f) Foreign currencies

Transactions in foreign currencies are translated at the agreed settlement rate or at the rate ruling at the date of the transaction. 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 profit and loss account.

(g) 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 has been recorded as a creditor. The interest element is charged to the profit and loss account at a constant rate over the term of the agreement.

(h) Operating leases

Operating lease rentals are charged to the profit and loss account in the period in which they fall due.

(i) Turnover

Turnover is based on net invoiced sales to external customers exclusive of value added tax.

(j) Pension scheme costs and permanent health costs

Pension scheme contributions in respect of the James Latham public limited company pension scheme are charged to the profit and loss account so as to spread the charge for pensions evenly over the employees' working lives with the Company.

The accounts do not include the obligations to provide future benefits under the self-insured permanent health scheme.



NOTES TO THE ACCOUNTS

2. Turnover and profit/(loss) on ordinary activities

(a) Turnover, profit/(loss) and net assets by class of business are analysed below:

| | Turnover | | Profit/(loss) on ordinary activities before taxation | | Net assets | |
|---|---------------|---------------|--|---------------|---------------|---------------|
| | 1996 £'000 | 1995 £'000 | 1996 £'000 | 1995 £'000 | 1996 £'000 | 1995 £'000 |
| Importing | 56,495 | 57,528 | 1,837 | 2,691 | 18,750 | 19,213 |
| Timber centres | 12,058 | 11,323 | 102 | (214) | 4,171 | 3,529 |
| Suspended ceilings | 11,056 | 11,228 | 78 | 146 | 4,188 | 4,226 |
| | 79,609 | 80,079 | 2,017 | 2,623 | 27,109 | 26,968 |
| Net interest | - | - | (629) | (843) | - | - |
| Group share of profit and net assets of associated undertakings | - | - | 15 | 82 | 491 | 501 |
| Net borrowings | - | - | - | - | (8,601) | (9,177) |
| Unallocated liabilities (net) | - | - | - | - | (1,181) | (1,240) |
| | 79,609 | 80,079 | 1,403 | 1,862 | 17,818 | 17,052 |

The unallocated liabilities consist of taxation, dividends and provisions.

The turnover figure disclosed above is net of inter-segment sales for Importing of £785,000 (1995: £975,000), for Timber Centres of £15,000 (1995: £10,000) and for Suspended Ceilings of £36,000 (1995: £26,000).

All turnover originated in the United Kingdom.

| | 1996 | | 1995 | |
|---|------------|------------|------------|------------|
| | £'000 | £'000 | £'000 | £'000 |
| (b) Profit before interest is stated after taking into account the following: | | | | |
| Depreciation - on owned assets | | 385 | | 377 |
| - on leased assets | | 50 | | 123 |
| Profit on sale of fixed assets | | (33) | | (22) |
| Profit on sale of property | | - | | (26) |
| Operating lease rentals - vehicles and plant | 482 | | 335 | |
| - property | <u>356</u> | | <u>257</u> | |
| | | 838 | | 592 |
| Auditors' remuneration - as auditors | | 84 | | 92 |
| - other services | | 24 | | 21 |
| Provision for future rents on unoccupied properties | | <u>318</u> | | <u>130</u> |

3. Information regarding directors' emoluments

| | 1996 £'000 | 1995 £'000 |
|------------|---------------|---------------|
| Management | 677 | 691 |
| Fees | 33 | 15 |

More detailed information concerning directors' emoluments, shareholdings and options is shown in the Report of the Remuneration Committee on page 9.

NOTES TO THE ACCOUNTS

4. Information regarding employees

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

| | 1996 Number | 1995 Number |
|-------------------------------|----------------|----------------|
| Management and administration | 110 | 103 |
| Warehousing and production | 147 | 133 |
| Selling | 105 | 118 |
| Distribution | 54 | 49 |
| | <u>416</u> | <u>403</u> |

The aggregate payroll costs of these employees were as follows:

| | £'000 | £'000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 6,430 | 6,380 |
| Social security costs | 583 | 561 |
| Pension costs | 323 | 192 |
| | <u>7,336</u> | <u>7,133</u> |

5. Interest receivable and similar income

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Income from listed investments | 75 | 47 |
| Unrealised profit (loss) on valuation of listed investments | 19 | (22) |
| Other interest receivable and similar income | 93 | 64 |
| | <u>187</u> | <u>89</u> |

6. Interest payable

| | 1996 £'000 | 1995 £'000 |
|--------------------------------------|---------------|---------------|
| On bank loans and overdrafts | 733 | 820 |
| On other loans | 80 | 92 |
| Finance charges under finance leases | 3 | 20 |
| | <u>816</u> | <u>932</u> |

7. Tax on profit on ordinary activities

The charge (credit) for taxation on profit on ordinary activities comprises:

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Current year: | | |
| UK corporation tax at 33% (1995: 33%) | 250 | 390 |
| Deferred taxation | (3) | (5) |
| Associated undertakings - attributable to the Group | 6 | 19 |
| | <u>253</u> | <u>404</u> |
| Prior years | | |
| Overprovision for corporation tax | (10) | - |
| | <u>243</u> | <u>404</u> |

The total tax charge for the year was £220,000 (1995: £210,000) lower than the result of applying the UK corporation tax rate of 33% to the Group's profit on ordinary activities. This was primarily due to the utilisation of tax losses brought forward, and to the effect of timing differences between the accounts and the taxation computations.

Losses of approximately £75,000 (1995: £300,000) are available for relief against trading profits of Latham Timber and Building Supplies in future years.



NOTES TO THE ACCOUNTS

8. Dividends

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| Preference dividends: | | |
| 8% Cumulative Preference shares | 79 | 79 |
| Ordinary dividends: | | |
| Interim 2.25p per share paid 8 February 1996 (1995: 2.25p) | 113 | 113 |
| Final 4.0p per share proposed (1995: 3.75p) | 202 | 189 |
| | <u>315</u> | <u>302</u> |
| | <u>394</u> | <u>381</u> |

9. Earnings per Ordinary share

Earnings per Ordinary share are calculated on a net basis by dividing the profit on ordinary activities after taxation and after deducting Preference dividends being £1,081,000 (1995: £1,379,000) by 5,040,000 Ordinary shares being the average number of Ordinary shares in issue during the year.

10. Tangible fixed assets

| | Group | | | | Company | |
|--|-------------------------------|--|---|---|-------------------------------|---|
| | Freehold property £'000 | Long leasehold property £'000 | Short leasehold property £'000 | Plant equipment & vehicles £'000 | Freehold property £'000 | Plant equipment & vehicles £'000 |
| Cost or valuation: | | | | | | |
| At 1 April 1995 | 6,329 | 355 | 185 | 5,017 | 4,007 | 1,723 |
| Additions ¹ | 430 | - | 15 | 223 | 90 | 3 |
| Transfer to Group undertakings | - | - | - | - | (2,747) | (1,688) |
| Disposals ² | (6) | - | - | (409) | - | (17) |
| At 31 March 1996 | 6,753 | 355 | 200 | 4,831 | 1,350 | 21 |
| Total | | 12,139 (1995: 11,886) | | | 1,371 (1995: 5,730) | |
| At valuation, 8 March 1977 | 166 | - | - | - | - | - |
| At valuation, 4 October 1985 | 1,800 | - | - | - | - | - |
| At valuation, 31 March 1988 | 1,870 | - | - | - | - | - |
| At valuation, 31 January 1990 | 350 | - | - | - | - | - |
| At cost | 2,567 | 355 | 200 | 4,831 | 1,350 | 21 |
| Depreciation: | | | | | | |
| At 1 April 1995 | 514 | 39 | 100 | 3,836 | 376 | 1,315 |
| Transfer to Group undertakings | - | - | - | - | (153) | (1,287) |
| Disposals | - | - | - | (358) | - | (15) |
| Provision for the year | 52 | 5 | 17 | 361 | 13 | 5 |
| At 31 March 1996 | 566 | 44 | 117 | 3,839 | 236 | 18 |
| Total | | 4,566 (1995: 4,489) | | | 254 (1995: 1,691) | |
| Cost or valuation less depreciation and diminution in value | | | | | | |
| At 31 March 1996 | 6,187 | 311 | 83 | 992 | 1,114 | 3 |
| Total | | 7,573 | | | 1,117 | |
| At 31 March 1995 | 5,815 | 316 | 85 | 1,181 | 3,631 | 408 |
| Total | | 7,397 | | | 4,039 | |

Included in Group freehold property is land with a book value of £2,881,000 (1995: £2,881,000) and in Company freehold property of £725,000 (1995: £2,278,000) which is not depreciated.

NOTES TO THE ACCOUNTS

10. Tangible fixed assets - (cont)

The valuations were undertaken by professional valuers, on the basis of open market value for existing use.

The directors have reviewed where appropriate the carrying value at 31 March 1996 of the Group freehold and long leasehold property and provisions for permanent diminution in value. Further provisions were not considered necessary.

If the properties had not been revalued, the freehold and leasehold property would have been included as follows:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Cost | 5,414 | 4,975 | 1,123 | 2,027 |
| Accumulated depreciation and diminution in value | 836 | 773 | 35 | 215 |
| | <u>4,578</u> | <u>4,202</u> | <u>1,088</u> | <u>1,812</u> |

Net book value of plant and equipment acquired under finance leases is as follows:

| | | | | |
|--------------------------|------------|------------|----------|-----------|
| Cost | 1,225 | 1,454 | - | 542 |
| Accumulated depreciation | 1,122 | 1,285 | - | 513 |
| | <u>103</u> | <u>169</u> | <u>-</u> | <u>29</u> |

11. Intangible assets

| | Group |
|-----------------------------------|-----------------------------|
| | Consolidated goodwill £'000 |
| Cost: | |
| At 1 April 1995 and 31 March 1996 | <u>183</u> |
| Amounts written off: | |
| At 1 April 1995 and 31 March 1996 | <u>183</u> |
| Net book value: | |
| At 1 April 1995 and 31 March 1996 | <u>-</u> |

12. Fixed asset investments

| | Group | | Company | | |
|-------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|-------------------------------------|
| | Own shares £'000 | Associated undertakings £'000 | Own shares £'000 | Subsidiary undertakings £'000 | Associated undertakings £'000 |
| Shares: | | | | | |
| At 1 April 1995 | | | | | |
| Cost | 95 | 70 | 95 | 6,517 | 70 |
| Share of results retained | - | 528 | - | - | - |
| | 95 | 598 | 95 | 6,517 | 70 |
| Movements during the year: | | | | | |
| Additions | - | - | - | 12,680 | - |
| Disposals | - | - | - | (2,296) | - |
| Results for the year | - | (10) | - | - | - |
| | 95 | 588 | 95 | 16,901 | 70 |
| Less: diminution in value | (11) | (97) | (11) | (2,288) | - |
| At 31 March 1996 | 84 | 491 | 84 | 14,613 | 70 |
| Loans: | | | | | |
| At April 1995 | | - | | 8,265 | - |
| Repaid during the year | | - | | (3,710) | - |
| | | - | | 4,555 | - |
| Total at 31 March 1996 | | 575 | | 19,322 | |
| Total at 31 March 1995 | | 585 | | 10,326 | |

The directors have reviewed the carrying value at 31 March 1996 of the Group's interests in its associated undertakings and have made provisions for permanent diminution in value where these were considered necessary. The Company's interests in its subsidiary undertakings have been similarly reviewed.

Disposals of Company shares in subsidiary undertakings reflect the cost of shares in dormant companies which have been struck off during the year.

The investment in own shares is held on behalf of the James Latham public limited company Savings Related Share Option Scheme. These shares have been written down to the option price of £1.68 per share. None of these shares have been allocated to employees.

NOTES TO THE ACCOUNTS

13. Debtors

| | Group | | Company | |
|---|---------------|---------------|--------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 15,663 | 15,944 | - | 4,862 |
| Amounts owed by subsidiary undertakings | - | - | 1,568 | 925 |
| Amounts owed by associated undertakings | 81 | 64 | 15 | 64 |
| Taxation recoverable | - | 34 | - | - |
| Other debtors | 410 | 345 | 64 | 143 |
| Prepayments and accrued income | 551 | 495 | 75 | 143 |
| | 16,705 | 16,882 | 1,722 | 6,137 |
| Amounts falling due after one year: | | | | |
| Other debtors | 119 | 138 | 18 | 37 |
| Advance corporation tax recoverable | 50 | 47 | 50 | 47 |
| | 16,874 | 17,067 | 1,790 | 6,221 |

Included in prepayments and accrued income for the Group is £269,000 (1995: £Nil) and for the Company is £56,000 (1995: £Nil) resulting from a difference between the amounts recognised as a pension cost and the amounts paid into the pension fund.

14. Current asset investments

| | Group | | Company | |
|--|-------|-------|---------|-------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| UK listed investments at market value (cost £860,000; 1995: £787,000) | 872 | 781 | - | - |

15. Creditors: amounts falling due within one year

| | Group | | Company | |
|--|---------------|---------------|--------------|---------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdrafts | 1,609 | 2,128 | 300 | 959 |
| Bank loans | 2,283 | 1,000 | 2,283 | 1,000 |
| Acceptance credits | 3,400 | 2,400 | 3,400 | 2,400 |
| Trade creditors | 7,725 | 7,572 | 11 | 2,617 |
| Bills payable | 264 | 885 | - | 189 |
| Obligations under finance leases and hire purchase contracts | 4 | 69 | - | 2 |
| Amounts owed to subsidiary undertakings | - | - | 2,504 | 1,896 |
| Amounts owed to associated undertakings | 3 | 6 | - | - |
| Corporation tax | 225 | 452 | 65 | 62 |
| Other taxation and social security | 1,441 | 1,280 | 288 | 577 |
| Other creditors | 906 | 495 | 807 | 427 |
| Accruals and deferred income | 404 | 1,007 | 79 | 527 |
| Proposed dividend | 202 | 189 | 202 | 189 |
| | 18,466 | 17,483 | 9,939 | 10,845 |

NOTES TO THE ACCOUNTS

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

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans | 1,500 | 3,783 | 1,500 | 3,783 |
| Obligations under finance leases and hire purchase contracts | 3 | 11 | - | - |
| Amounts owed to subsidiary undertakings | - | - | - | 642 |
| | 1,503 | 3,794 | 1,500 | 4,425 |

Obligations under finance leases and hire purchase contracts are analysed as follows:

| | | | | |
|---------------------------------------|----------|-----------|----------|----------|
| Obligations within one year (note 15) | 4 | 69 | - | 2 |
| Obligations within one to two years | 1 | 8 | - | - |
| Obligations within two to five years | 2 | 3 | - | - |
| | 7 | 80 | - | 2 |

Bank loans are analysed as follows:

| | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|
| Due within one year (note 15) | 2,283 | 1,000 | 2,283 | 1,000 |
| Due within one to two years | 1,000 | 2,283 | 1,000 | 2,283 |
| Due within two to five years | 500 | 1,500 | 500 | 1,500 |
| | 3,783 | 4,783 | 3,783 | 4,783 |

Bank loans, overdrafts and acceptance credits are secured by fixed and floating charges over the assets of the Company and its subsidiaries. Overdrafts of subsidiary companies amounting to £1,309,000 (1995: £1,170,000) are also secured on the assets of the Company.

17. Provision for deferred taxation at 33% (1995: 33%)

| | Group | | Company | |
|--|----------|----------|----------|----------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1st April 1995 | 3 | 8 | - | - |
| Released during the year | (3) | (5) | - | - |
| Balance at 31 March 1996 | - | 3 | - | - |
| The deferred taxation provision comprises: | | | | |
| Accelerated capital allowances | - | 2 | - | - |
| Other timing differences | - | 1 | - | - |
| | - | 3 | - | - |

If full provision had been made for deferred taxation the position would have been as follows:

| | | | | |
|--------------------------------|------------|------------|------------|------------|
| Accelerated capital allowances | 640 | 625 | 146 | 289 |
| Capital gains rolled over | - | - | - | - |
| Other timing differences | (69) | (249) | 5 | (108) |
| | 571 | 376 | 151 | 181 |

NOTES TO THE ACCOUNTS

18. Provisions for liabilities and charges

| | Group | | | Company |
|---------------------------------|----------------|--------------------------------|-------------------|-------------------|
| | General Claims | Closure costs and future rents | Unfunded pensions | Unfunded pensions |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 1995 | 100 | 240 | 291 | 291 |
| Provisions utilised | - | (105) | (40) | (40) |
| Provisions released | - | (35) | - | - |
| New provisions | - | 353 | - | - |
| Balance at 31 March 1996 | 100 | 453 | 251 | 251 |
| Totals | 1996: | 804 | | 251 |
| | 1995: | 631 | | 291 |

19. Share capital

| | 1996 | | 1995 | |
|---|---------------|--------------|---------------|--------------|
| | Authorised | Issued | Authorised | Issued |
| | £'000 | £'000 | £'000 | £'000 |
| 8% Cumulative Preference Shares of £1 each | 1,500 | 987 | 1,500 | 987 |
| Cumulative Redeemable Preference Shares 2013 of £1 each | 5,000 | - | 5,000 | - |
| Ordinary shares of £1 each | 7,000 | 5,040 | 7,000 | 5,040 |
| | 13,500 | 6,027 | 13,500 | 6,027 |

20. Reserves

| | Group | | | Company |
|-----------------------------------|-----------------|---------------------|-------------------------|-------------------------|
| | Capital reserve | Revaluation reserve | Profit and loss account | Profit and loss account |
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 1995 | 11 | 353 | 10,661 | 4,599 |
| Transfer on group re-organisation | (8) | - | 8 | - |
| Profit (loss) for the year | - | - | 766 | (83) |
| Balance at 31 March 1996 | 3 | 353 | 11,435 | 4,516 |

The Group profit and loss account at 31 March 1996 includes £518,000 (1995: £528,000) retained by associated undertakings less a provision of £97,000 (1995: £97,000) as detailed in note 12.

Included in reserves is an amount of £224,000 (1995: £194,000), for which assets are separately allocated in the Guernsey subsidiary under local regulations, and which is not available for distribution at this time.

NOTES TO THE ACCOUNTS

21. Reconciliation of operating profit to net cash inflow from operating activities

| | 1996 | 1995 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Operating profit on continuing activities | 2,017 | 2,597 |
| Depreciation | 435 | 500 |
| Profit on disposal of fixed assets | (33) | (22) |
| Diminution in value of own shares | - | 11 |
| (Increase) in investments | (73) | (285) |
| Decrease (increase) in stocks | 493 | (1,077) |
| Decrease (increase) in debtors | 162 | (1,361) |
| Increase in creditors | 123 | 1,235 |
| (Decrease) in bills payable | (621) | (18) |
| Increase in provisions | 173 | 33 |
| Net cash inflow from operating activities | <u>2,676</u> | <u>1,613</u> |

22. Analysis of changes in financing during the year

| | 1996 | 1995 |
|-----------------------------|---------------------------------------|---------------------------------------|
| | Finance lease Loans obligations | Finance lease Loans obligations |
| | £'000 | £'000 |
| Balance at 1 April 1995 | 4,783 | 80 |
| Cash outflow from financing | (1,000) | (73) |
| Balance at 31 March 1996 | <u>3,783</u> | <u>7</u> |
| | | 4,783 |
| | | 80 |

The capital value of new finance lease arrangements was £Nil (1995: £4,000)

23. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

| | 1996 | 1995 | Change in the year 1996 |
|--------------------------|----------------|----------------|-------------------------------|
| | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 191 | 134 | 57 |
| Bank overdrafts | (1,609) | (2,128) | 519 |
| Acceptance credits | (3,400) | (2,400) | (1,000) |
| | <u>(4,818)</u> | <u>(4,394)</u> | <u>(424)</u> |

24. Principal subsidiary undertakings

As from 1 April 1995 the Importing activities of the Group have been merged into one company, Lathams Limited. James Latham public limited company is now the Group holding company with the following principal subsidiary undertakings:

| Name | Country of incorporation and operation | Class of shares | Percentage of ownership | Principal activity |
|--|--|-----------------|-------------------------|----------------------------|
| Lathams Limited | England | £1 Ordinary | 100% | Importing |
| Latham Timber Centres (Holdings) Limited | England | £1 Ordinary | 100% | Timber centres |
| Nevill Long Limited | England | £1 Ordinary | 100% | Suspended ceilings |
| James Latham (Warehousing) Limited | England | £1 Ordinary | 100% | Group warehouse facilities |
| Leeside Services (Guernsey) Limited | Guernsey | £1 Ordinary | 100% | Group insurance facilities |

James Latham (Warehousing) Limited is owned through a subsidiary undertaking of James Latham public limited company.

25. Associated undertakings

| Name | Country of incorporation and operation | Total issued capital | Class of shares | Percentage of ownership | Principal activity |
|---------------------------------|--|----------------------|-----------------|-------------------------|--------------------|
| G.A. Day Timber Centres Limited | England | 51 | £1 A Ordinary | Nil | Timber centres |
| | | 51 | £1 B Ordinary | 100% | |
| Singer Plywood Co Limited | England | 99,000 | £1 A Ordinary | Nil | Suppliers of doors |
| | | 81,000 | £1 B Ordinary | 86% | |

26. Future capital expenditure

| Group | | Company | |
|-------|-------|---------|-------|
| 1996 | 1995 | 1996 | 1995 |
| £'000 | £'000 | £'000 | £'000 |

Estimated amounts of capital expenditure approved by the directors but not provided for in these accounts are:

Contracts placed:

13 475

- -

27. Pension commitments

James Latham public limited company operates a Group contributory pension scheme which employees of the Company are eligible to join conditional upon their age and length of service. Benefits are provided based on earnings in the last twelve months before retirement. The assets of the scheme are held separately from those of the Company being invested in managed funds and cash deposits operated by Scottish Widows Fund and Life Assurance Society, and in a property occupied by a Group company.

The pension charge for the year was £323,000 (1995: £192,000). Contributions for the year were increased in line with advice from the actuaries.

Contributions are determined by a qualified actuary on a basis of triennial valuations using the projected unit valuation method. The most recent valuation was at 1 April 1993. 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 8.5% per annum, that the salary increases would average 6.5% per annum and that the present and future pensions would increase at the rate of 3% per annum in respect of service to 31 January 1991 and thereafter at 4% per annum.

The actuarial valuation at 1 April 1993 showed that the market value of the scheme's assets was £9,261,000 and that the actuarial value of these assets represented 108% of the benefits that had accrued to members after allowing for expected future increases in earnings. Such surplus is being taken into account in the annual pensions cost charge.

The cost of pensions to employees and the widows of former employees who retired before becoming eligible to be members of the Group pension scheme is being met out of the provision for unfunded pensions (note 18).



NOTES TO THE ACCOUNTS

28. Lease commitments

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

| | Group | | Company | |
|--|------------|------------|-----------|----------|
| | 1996 | 1995 | 1996 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Vehicles and plant: | | | | |
| Leases expiring within one year | 35 | 53 | 3 | - |
| Leases expiring within two to five years | 433 | 219 | 29 | - |
| | <u>468</u> | <u>272</u> | <u>32</u> | <u>-</u> |
| Property: | | | | |
| Leases expiring within two to five years | 23 | - | - | - |
| Leases expiring after five years | 485 | 469 | - | - |
| | <u>508</u> | <u>469</u> | <u>-</u> | <u>-</u> |

29. Savings Related Share Option Scheme

In accordance with the terms of the Savings Related Share Option Scheme, options have been granted for 111,756 (1995: £124,265) shares in the Company which are exercisable between April 1996 and September 1996 at £1.68 per share.

NOTICE OF ANNUAL GENERAL MEETING

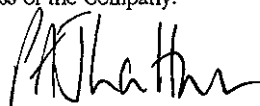
Notice is hereby given that the ninety-seventh Annual General Meeting of the Company will be held at the Registered Office of James Latham public limited company, Leaside Wharf, Clapton, London, E5 9NG on Friday 9 August 1996 at 12.30pm for the following purposes:

1. To receive and adopt the Director's Report and Accounts for the year ended 31 March 1996 together with the Auditors' report thereon.
2. To declare a dividend.
3. To re-elect Mr M.R. Parkinson as a director.
4. To re-appoint Moores Rowland, Chartered Accountants, as auditors and to authorise the directors to fix their remuneration.
5. Authority to allot shares: To consider and, if thought fit, pass as an Ordinary Resolution: "THAT the Directors be and are generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 during the period of five years expiring on 8 August 2001 to exercise all or any of the powers conferred upon them by the Articles of Association to allot relevant securities (as defined in the said Section) at any time or times during such period up to an amount of relevant securities equal to the amount of the authorised but unissued share capital of the Company and the foregoing authority shall allow the Company to make an offer or agreement before the expiry of such authority which would or might require relevant securities to be allotted after the expiry of such authority and such authority to be in addition to all existing authorities conferred upon the Directors to allot relevant securities."
6. Modification of pre-emption rights. To consider and, if thought fit, pass the following resolution as a Special Resolution: "THAT (a) subject to the passing of Resolution 5 above the Directors be and are hereby empowered under Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of sub-Section 94 (2) of that Act) for cash under the authority contained in Resolution 5 as if sub-Section 89 (1) of that Act did not apply, provided that this power shall be limited to (i) allotments in connection with a rights issue, (ii) grants of options pursuant to the James Latham public limited company employee share option schemes, and (iii) other allotments of equity securities for cash up to an aggregate nominal amount of £252,000 (b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the 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 the power expired."
7. Authority for 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 empowered to make market purchases (within the meaning of sub-Section 163 (3) of the Companies Act 1985) of its Ordinary Shares of £1 each provided that the maximum aggregate number of Ordinary Shares which may be purchased is 504,000, (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 £1 per Ordinary Share (in both cases exclusive of expenses), and (c) this power shall expire at the end of the next Annual General Meeting of the Company, except that the Company may thereafter complete or execute a contract of purchase entered into before the power expired."

8. To transact any other ordinary business of the Company.

By Order of the Board

P.A.J. Latham
Secretary



Registered Office: Leaside Wharf, Clapton, London E5 9NG

11 July 1996

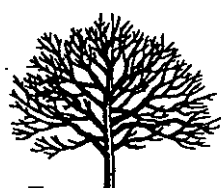
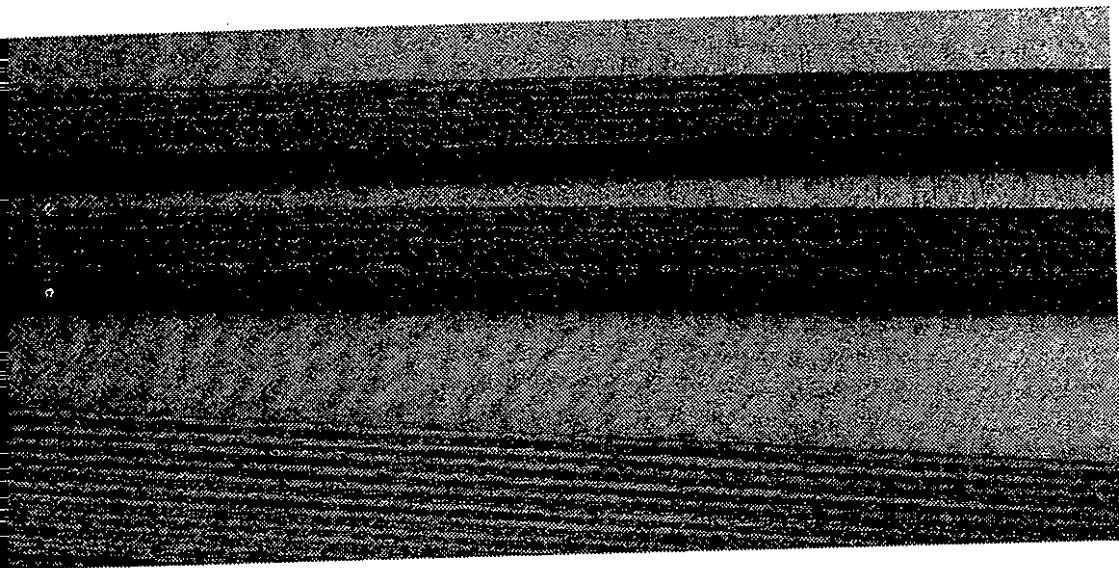
The report and accounts are sent to all members of the Company.

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 and, on a poll, to 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 The Royal Bank of Scotland plc, Registrars Department, PO Box 82, Caxton House, Redcliffe Way, Bristol, BS99 7YA, not later than forty eight hours before the fixed time for the Meeting.

Copies of directors' contracts of service 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.



JAMES
latham

