JAMES LATHAM PLC

ANNUAL REPORT & ACCOUNTS 2016

Contents

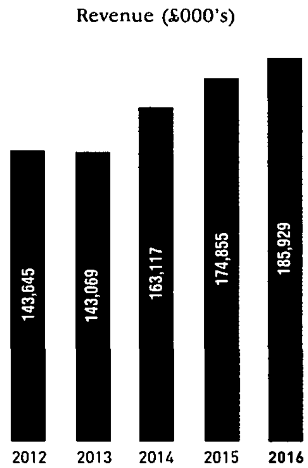
Financial Highlights and Calendar

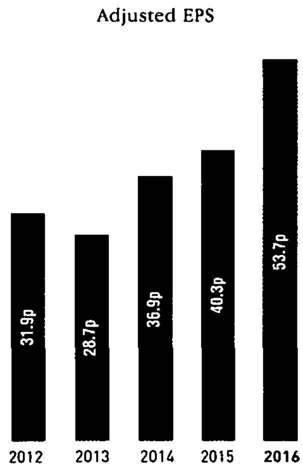
for the year ended 31 March 2016

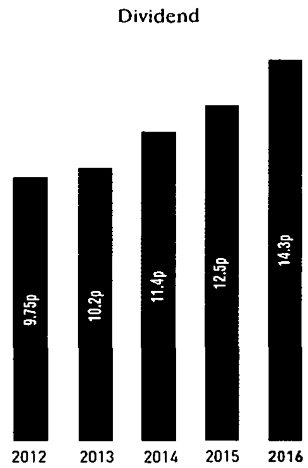
Financial Highlights

Year to 31 March	2016 £000	2015 £000	Increase	2014 £000
Revenue	185,929	174,855	6.3%	163,117
Operating profit*	13,241	10,564	25.3%	9,478
Operating margin*	7.1%	6.0%	18.3%	5.8%
Profit before taxation*	12,876	10,107	27.4%	8,682
Earnings per share*	53.7p	40.3p	33.3%	36.9p
Total ordinary dividend per share	14.3p	12.5p	14.4%	11.4p
Equity shareholders' funds	71,183	62,231	14.4%	58,108
Cash and cash equivalents	16,832	12,501	34.6%	11,234

** Adjusted for exceptional items*







Financial Calendar

Record date for final dividend 2016	5 August 2016
AGM	24 August 2016
Payment of final dividend	26 August 2016
Interim 2016/17 results announcement	24 November 2016
Interim dividend expected payment date	27 January 2017
Preliminary announcement of 2016/17 results	22 June 2017
AGM 2017	23 August 2017

Chairman's Statement

I am pleased to report very good trading results for the financial year to 31 March 2016.

Group revenue for the financial year to 31 March 2016 was £185.9m, 6.3% up on last year's £174.9m. The operating profit was £13.2m, up £2.6m from £10.6m.

Finance income was £56,000 against £46,000 last year. Finance costs, which are principally interest on the pension scheme deficit as calculated under IAS19 (revised), were £421,000 against £503,000 last year.

Pre-tax profit was £12.9m, up £2.8m from £10.1m last year. Post-tax profit for the year is £10.5m, up from last year's figure of £7.8m.

Earnings per share were 53.7p compared to last year's 40.3p.

Net assets (total equity) were £71.2m compared to £62.2m last year.

At the year end the group's cash reserves stood at £16.8m compared to £12.5m last year.

Final dividend

The directors recommend a final dividend of 10.3p per ordinary share (2015 8.8p). The final dividend will be paid on 26 August 2016 to shareholders on the register at the close of business on 5 August 2016. The shares will become ex-dividend on 4 August 2016.

The total dividend per ordinary share of 14.3p for the year is covered 3.8 times by earnings (2015: 3.2 times).

Financial year 2015/16

The group's results are based on the trading of Lathams Limited, a specialist panel and timber distributor. Revenue continued to grow during the year due to increased volumes both in ex-warehouse and direct business. Year on year growth slowed in the second half year. Both panels and timber grew revenues throughout the year. The gross margin, before warehouse costs, increased by 1.4 percentage points, due to the higher share taken by our specialist products; margins remained tight on commodity products.

Timber and panel prices fell slightly during the year, in spite of the weakness in sterling in the second half. Focus on panel products including melamine panels and door blanks, continued to show good growth. Our high quality, certified sustainable hardwood and WoodEx, our brand of engineered timber for the joinery sector, showed good growth.

Overheads have been controlled, but higher than last year's due to the extra volumes and longer warehouse hours introduced to meet customers' demands. Staff numbers have increased during the year, with more warehouse staff to meet shift patterns and sales staff recruited in areas of the business where we see opportunities. Bad debts were low overall for the year.

Pension Scheme

At 31 March 2016 the deficit of the defined benefit scheme under IAS19 (revised) was £9.7m down £0.7m compared with £10.4m last year. This reduction is the result of the increase in the corporate bond yield used to calculate the present value of the scheme's liabilities, offset by the reduction in the value of scheme assets and reflects the volatility of the accounting for this scheme.

Current financial year 2016/17

This year like for like revenues are 4% higher for April and May than the corresponding period last year, both in panels and timber. The gross margin is also higher. While this is a steady start to the year, there are some signs that this growth is slowing and the fluctuating value of sterling and the uncertain outlook for business activity caused by the EU referendum, make the immediate future difficult to predict.

We continue to see encouraging growth in the newer decorative products we have introduced.

Development strategy

The directors continue to identify opportunities for growth and to introduce and promote new products; we have increased our resource focused on obtaining specifications for these. The plans to upgrade our two older sites at Yate and Wigston have progressed with site purchase and build contracts approved, subject to planning, for a new site in Yate which should be completed by the end of the financial year, and negotiations proceeding for a site in Wigston.

The group is in a strong financial position to take advantage of opportunities for further business growth, as and when they arise.

Directors and staff

From 1 January 2016 I stood down as Executive Chairman but will continue on the Board for a period as Non-Executive Chairman. Nick Latham has been appointed Deputy Chairman and has taken on most of my executive functions. Nick was responsible for the start up of two of our very successful newer branches, Hemel Hempstead and Fareham and is responsible for the development of our timber products.

There is a clear division of responsibilities between the main board, which determines strategy and exercises corporate governance and the trading board of Lathams Limited, chaired by Chris Sutton, which sets and monitors operations policy. Both boards are well balanced in terms of skills and experience. Their support throughout the year has been invaluable.

While the business is organised to give as much local autonomy as possible and staff are targeted at depot level, groups of senior staff meet regularly to coordinate purchasing and sales strategy for the major product groups of timber and panels. Group product champions look after key product ranges backed by product champions at each depot.

The Company has been going through a period of change in terms of management structure, development of new products and warehouse operations, and I would like to thank fellow directors for their help and support during the year. Progress has been made in many areas and we continue to provide a high quality of customer service as measured by our record sixth consecutive TTJ award of Timber Trader of the year. I would like to thank everyone in the group for their individual contribution.

~~Peter Latham~~ Nick Latham

Deputy *Chairman, James Latham plc* *22 June 2016*

N Latham

Strategic Report

Introduction

Outline of the Strategic Report

The directors present their Strategic Report for the year ended 31 March 2016.
The Strategic Report encompasses the following information.

The Strategic Report was approved by the board of directors on 22nd June 2016 and signed on its behalf by:-

~~Peter Latham~~ Nick Latham N. LATHAM
David Dunmow David Dunmow

James Latham plc and Our Objectives

James Latham plc sets out to be the supplier of choice throughout the UK for joinery, door and kitchen manufacturers, shopfitters and other market sectors, offering a wide range of wood based panel products, natural acrylic stone, hardwoods, high grade softwoods, flooring, cladding, decking and plastics. We also supply commodity and specialist products to timber and builders' merchants. The company aims to increase the amount of legal and sustainable product supplied into its marketplace.

The company traces its history back to James Latham who traded in exotic hardwood in Liverpool in 1757. His son had established a business in London by 1799. It was taken public in 1965 and the shares are now quoted on the AIM market. The Latham family owns over half of the company shares and five members of the Latham family, now in the 9th generation, work in the business.

The company believes that to provide the service demanded, we need to be close to our customers. We offer national coverage from eleven locations, as shown in The Latham Group map on page 65. Having stock of product in the right place at the right time is important to provide this service. Commodity imports are held in ports including Tilbury, Liverpool and Grangemouth. This stock can be delivered directly to customers for multi-pack orders, or transferred to the depots for onward delivery. Around London we stock Panel Products and Timber Products in separate warehouses whereas a full range of products are held in our other locations around Great Britain. We also hold a range of specialist products in Leeds for national distribution and Leeds also offers an efficient next day delivery service to Ireland.

Our core values are Integrity, Shareholder Value, Empowerment, Sustainability and Customer Focus.

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

The company was voted UK Timber Trader of the Year in 2000, 2002, 2004, 2008, 2010, 2011,2012,2013, 2014 and 2015 in a vote of readers of the Timber Trades Journal.

The company's objectives are:

- To maximise shareholder value over the medium term;
- To grow the business profitably;
- To maintain its presence in timber based products but to extend the product range to the existing customer base from an extended distribution network.
- To increase sales of third party certified legal and sustainable timber products.
- To provide a safe working environment for our staff.
- To improve service levels by upgrading warehouse facilities to speed order picking and to cope with an extended product range; and
- To employ well-trained, knowledgeable and helpful staff.

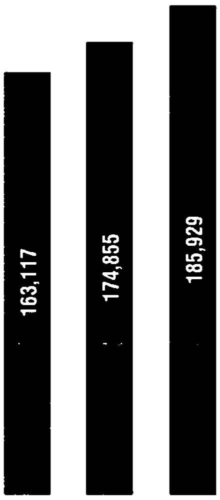
"Our mission is to continue to deliver improved returns by supplying quality sustainable products with excellent staff providing excellent service."

Strategic Report

Key Performance Indicators

The group monitors its performance against the following Key Performance Indicators that we believe best reflect our performance and progress. In addition to the KPI's disclosed below, we have set out on page 15 the non-financial KPI, monitoring the amount of timber certified as coming from sustainable and well-managed forests.

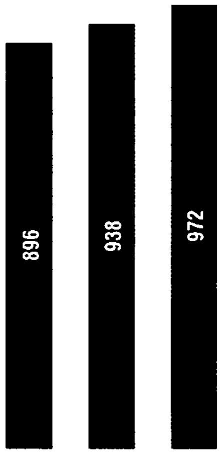
Revenue (£000's)



2014 2015 **2016**

Revenue up 6.3%

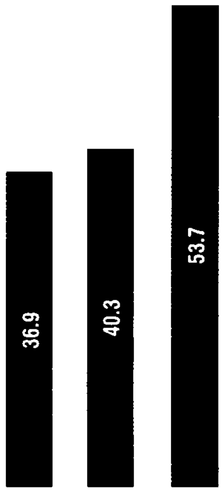
Weight of product sold per working day (tonnes)



2014 2015 **2016**

Tonnes per working day up 3.6%

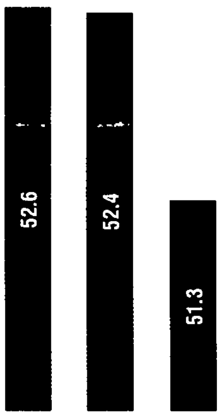
Adjusted earnings per share (pence)



2014 2015 **2016**

Adjusted earnings per share up 33.3%

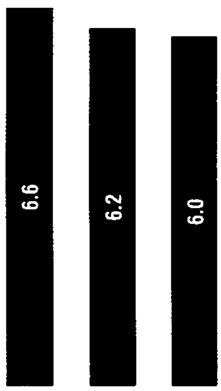
Debtors days average



2014 2015 **2016**

This figure is adjusted to take account of customer credit terms and is compared with our target of 53 days

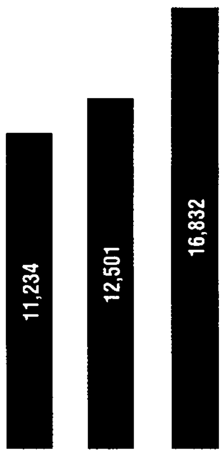
Stock turn (times)



2014 2015 **2016**

This figure is compared with our target of 6.0 times and excludes stock being processed in kilns. The stock turn target was revised this year following detailed analysis of anticipated lead times of each product group

Cash (£000's)



2014 2015 **2016**

Cash balances up £4,331,000

Results for the year to 31 March 2016

The UK economy has continued to show the steady growth started at the end of 2013 with demand remaining good throughout the year. Our customers and the timber trade in general remain optimistic for continued steady growth.

Revenue for 2015/16 was £185.9m, £11m higher than the previous year, reflecting improving volumes in both panels and timber despite product prices being on average 1% below last years level.

The gross margin, the difference between the sales values and the cost prices excluding warehouse costs, was 1.4 percentage points up on the previous year. Volume growth was achieved mainly in our specialised products which attract higher margins, although continuing competitive pressure in the commodity markets resulted in some lower margins being achieved in those products.

Staff numbers have increased this year, mainly in selling and warehouse staff. We invested in additional sales staff, with specific product knowledge and skills in key product areas, in order to develop the markets for our more specialised products, spending an increasing amount of time with architects and designers. We have also continued to extend the working day by introducing longer shifts, bringing along with it more warehouse staff. This enables us to efficiently pick our specialised products reducing damage and pick orders placed later in the day and allow our vehicles to be loaded overnight for prompt starts the next day. Increasingly next day delivery is expected by our customers and our operations have to adapt to deal with this. Overhead cost control though has remained important and we continually look to improve efficiency and productivity.

For management purposes, the group is organised into one trading division, importing and distribution of wood-based and related materials, carried out in each of the eleven locations trading mainly in the United Kingdom. Within this one segment performance in terms of revenue and trading margin of the main product types are considered below.

Panel Product sales at £132.1m were 5.8% higher than last year, with volumes up 2.3%. The group's strategy continues to be to target specific markets where decorative surfaces are required. Our extensive range of real wood veneered and melamine panels, laminates, Hi-Macs® natural acrylic stone and flexible panels have all shown sales growth. During the year we added Xylocleaf, a very high quality embossed melamine panel, and Kydex®, a thermoformable plastic to our range. These products have enabled us to develop sales into new customers and markets. We will continue to invest in a wider range of melamines and laminates.

Sales of hardwood and softwood plywood have come under pressure during the year, but our strategy continues to be to supply legal, certified and fit-for-purpose products. A campaign to raise the awareness of our plywood range began in January 2016. Birch Plywood sales have remained strong despite the weak currency in Russia.

In spite of aggressive pricing by competitors, we have seen marginal growth in sales of MDF with more positive increases in Tricoya Extreme Durable Fibreboard. The next generation of added value and higher performance Smartply® OSB entered the market during the year and early indications show a real interest from our customer base. An exclusive agreement to distribute a range of Fire Retardant materials from our Iberian supplier has helped to increase sales and margins in this area.

During the year extensive testing has been carried out on our high quality Moralt fire, thermal and acoustic door blanks, leading to specifications being won and higher sales values.

Architects, Designers and Specifiers have been inspired by our extensive range of added value and niche products, leading to many specifications and orders. The Surface Design Show generated over 500 leads resulting in orders being placed and specifications being gained. In March 2016 we signed a 3 year agreement with the Business Design Centre, Islington, for a suite where we will have a dedicated team and showroom aimed at our larger audience of Architects, Designers and Specifiers.

Strategic Report

Operating Review

A structured and focussed PR and marketing plan is in place, which includes a presence on Twitter, Facebook and Pinterest where we highlight our products and projects.

Our Hi-Macs® team continues to work on specifications and to offer to our fabricator customer network a prompt ex-stock service from our central distribution facility in Leeds, to the UK and Ireland.

The Advanced Technical Panels team, with their wealth of experience and knowledge, together with their extensive product range produced an excellent increase in turnover and margin this year. Buffalo Board® continues to be specified. The addition of Kydex® on an exclusive distributor basis, proved to be very beneficial with strong sales into new and existing customers.

We were joined by 17 of our key suppliers from all over the world at our Suppliers Day, where a rolling 3 year development plan was presented to them. This day was very beneficial and further strengthened mutual commitments.

Key suppliers from South East Asia, Scandinavia, Eastern and Western Europe plus UK and Ireland were visited during the year. This was to further develop personal and business relationships and to carry out product and environmental audits. Timber sales, at £53.9m were 7.7% higher than last year with volumes 6.7% higher.

Our timber strategy remains to target the joinery, kitchen and shopfitting sectors, all of which have provided us with sales and volume growth. We re-focussed our sales efforts on our traditional business, namely North American (especially Walnut and Oak), African and European hardwoods. We have been developing our relationships with key suppliers in these areas, and concentrating our sales efforts on premium grades. Volume growth in North American and European timbers have been encouraging, but achieving sales and margin growth in African timbers remain challenging.

We have managed to secure some high end specification contracts for both Lifecycle and Profi, our premium range of wood plastic composite decking. We believe the market for composite decking is one that could bring us future growth. Our success has been more with contractors than builders merchants at this stage, but we expect sales from both sectors to grow in the future.

Accoya Modified Wood sales have been steady this year, however we have seen some high profile specifications for our Latham Accoya-Clad. The success in the performance of this cladding solution is leading to a growing number of specifications and enquiries. We are also introducing other species into our Cladding range, in a market that we haven't previously been strong in.

Our largest growth area has been in WoodEx, our Forest Stewardship Council (FSC) certified brand of engineered hardwood and softwood, where we have continued to expand the range and sizes that are available to meet our customer needs. Our decision to focus on working with a small number of suppliers, and promote premium products is proving successful. Our Engineered Grandis 690 + has been tested and approved for use in FD60 door frames which will provide opportunities in the door market for us.

LDT have made a very useful contribution to group profits, despite extreme competition. We have made good progress in developing overseas markets in Europe and Asia and expect to see continued sales growth here. As part of their ongoing development, LDT will look to increase their product offering to the importer and merchant sectors, whilst maintaining their strict environmental policy.

We continue to develop our range of certified FSC and Programme for the Endorsement of Forest Certification (PEFC) products. Our supplier procurement strategy is largely based on the Timber Trade Federation (TTF) Responsible Purchasing Policy (RPP). Any supplier who does not meet this criteria will not be considered. Product of Verified Legal Origin (VLO) is also purchased.

Strategy for developing the business

The directors recognise that the strength of the group is as a distributor of fit-for-purpose, high quality timber and associated products sourced using the TTF RPP from legal and sustainable sources of supply to existing and new customer bases. Our supply base has strengthened during the course of the year as we are viewed as a good route to market by current and prospective suppliers.

Value added products continue to account for a significant proportion of our sales. Manufacturing and processing customers, along with our merchant and importer base, expect us to bring new products to them on a regular basis. Our extensive product range is a key differentiator for us in our chosen markets.

Our core commodity range of panels and timber are constantly reviewed with new lines being stocked if we believe they will meet our customer's requirements.

Our Leeds depot acts as the central distribution point for ATP, Hi-Macs®, Profi decking, engineered flooring, our large range of Egger and Kronospan laminates and other niche products. These are available on a national basis for next day delivery to our customer base.

We will continue to look to develop new markets, including Ireland and other export markets. We will also continue to invest in our depots, with relocation of our Yate and Wigston depots expected to be substantially complete during the course of the next year. Further investment in racking systems will be undertaken at Hemel Hempstead and Purfleet depots. We will also consider acquisitions where opportunities arise, to enhance our product range or geographical coverage.

Our staff are a major asset for the company, and we continue to invest in training to ensure that we have the best operations, sales, administrative and technical teams in the industry. Marketing of our products through brochures, direct advertising, public relations, social media and exhibitions is key to our success. The addition of our Architect and Design facility in Islington will make our products visible to a larger number of professional specifiers. Working with our staff and suppliers we aim to offer our existing and potential customer base a first class service of fit-for-purpose, legal and sustainable products.

Market place

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

Market sector	Customer group	Lathams sales value %	
		2016	2015
Construction/housing	Merchants	17	17
	Joiners	23	22
	Builders	4	5
	Kitchen manufacturers	5	4
	Door manufacturers	4	3
Retail	Shopfitters	5	5
	Laminators/Veneerers	5	5
	Furniture manufacturers	7	8
Transport	Vehicle builders	2	2
Exhibitions	Exhibition fitters	2	3
Cash sales		7	7
Other importers		9	10
Other sectors		10	9
	TOTAL	100	100

End products are used in both the public and private sectors. Our top ten customers account for 10% of sales and our top 25 customers represent 16% of sales.

Strategic Report

Financial Review

Introduction

This report provides a commentary on how the group has performed against the financial objectives during this year, together with a review of its financial risks. I believe we out-performed our financial objectives for this year, enhancing our position in the market and maintaining a strong balance sheet.

Financial objectives

The board of directors remain committed to the long term improvement in shareholder value, which we believe we can achieve by:

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

Financial review

A commentary on the group's trading results is set out in the Operating Review on pages 7-9, and the key figures are considered below, with emphasis on the financial figures.

Operating profit

Revenues increased by 6.3% to £185.9m. A key focus of the board throughout this year has been managing margins to enable us to remain competitive in commodity products but grow margins in our focus products. Gross profit improved to 19.1% from 17.7%, through a mixture of management of margins, product mix and some currency assistance earlier in the year. In addition warehouse costs, which are included in the calculation of gross profit, have remained under control, with warehouse cost per tonne of product delivered, little changed on last year. This is despite further investment in manpower to extend the working day to meet customer demands. Most depots have increased the number of hours in their working day, with two operating a 24 hour system.

Selling and distribution costs increased by 7.4%. These costs include the direct cost of transport. We monitor transport costs by reviewing costs per tonne of product delivered, and during this year the cost per tonne fell by 1.6% over last year. This efficiency is due to a combination of increasing our lorry fleet and reducing hauliers, extended warehouse working day meaning more lorries can leave fully freighted early in the morning, and cost savings by reduced fuel prices. Sales staff were taken on with responsibility for the new product launches this year and to develop existing niche product areas.

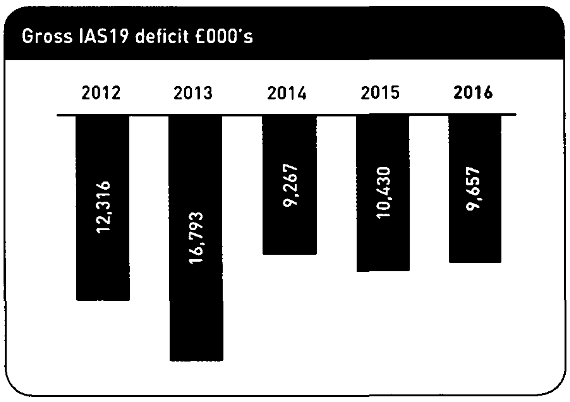
Administration costs decreased by 1.0%, mainly due to a reduction in bad debt and pension costs. Costs in each location are monitored closely by the board through the quarterly meetings at each depot.

Operating profit increased 25.3% to £13.2m. Group net profit before taxation increased to £12.9m from £10.1m last year.

The taxation charge of £2.4m represents an effective rate of 18.7%, compared with 22.6% last year, benefitting from the reduction in corporate tax rates. The group's profits arise wholly in the UK and the group's tax charge will reflect the UK corporation tax rate.

Pension scheme

At 31 March 2016 the deficit of the defined benefit scheme under International Financial Reporting Standards was £9.7m compared with £10.4m last year. Discount rates, represented by yields on corporate bonds, showed a small increase to 3.5% from 3.2% last year. The reduction in liabilities that this produces has been offset to a degree by a fall in asset values caused by a reduction in equity valuations and some disinvestments needed to pay pension benefits.



In note 17.2 to the accounts, we have provided some sensitivity analysis around the various assumptions used to illustrate this volatility. Under the recovery plan agreed following the triennial valuation at 31 March 2014 there will be no deficit recovery payments made in the year to 31 March 2017.

The group is constantly assessing the risks in the pension scheme, and this year has maintained a cap on pensionable salary increases to a maximum of 1% over CPI.

Cash flow and working capital

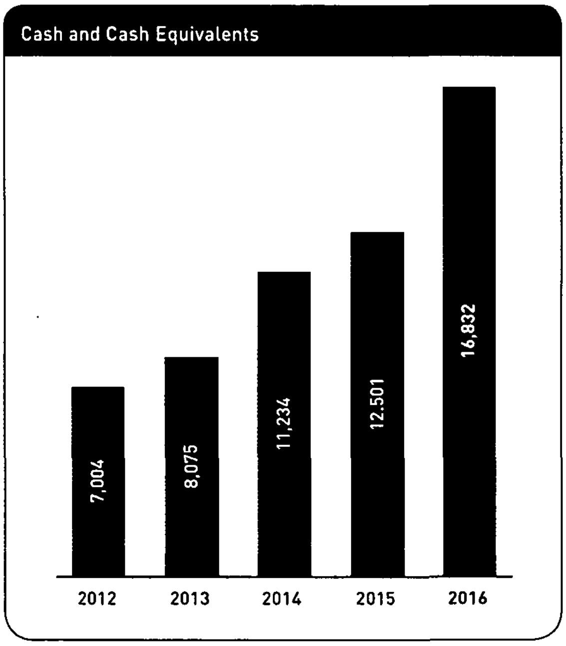
At the end of the year cash balances of £16.8m were held, up from £12.5m last year. The cash is being held as short term deposits providing funds for short term working capital fluctuations and allowing us to make capital investments when opportunities arise. The lowest amount of cash held during the year was £9.3m. This cash is being held to finance the relocations of Yate and Wigston. There have been more planning delays for Yate than originally anticipated but this relocation is expected to be substantially completed by March 2017. We do not foresee any planning issues with the Wigston relocation and this may be substantially completed by June 2017. It is anticipated that each site will cost over £7m with sale proceeds for the existing two sites being received the year after. Interest rates have remained at record lows throughout the year so we have continued to use our cash to obtain cash settlement terms with most of our major suppliers allowing us to earn £940,000 of discounts received compared with £864,000 last year. I am particularly grateful to my bought ledger team for their hard and efficient work in processing suppliers invoices so that these discounts are not missed.

The timber importing and distribution business requires considerable working capital investment in stock and debtors.

Control of cash flow from customers is closely monitored. The key performance indicator of debtors days, taking into account our credit terms, has moved from 52.4 days to 51.3 days. Bad debts this year ended up at 0.11% of turnover against a budget of 0.4%, and last year of 0.15%. I am very grateful for the work my credit control team have done this year in getting right the difficult balance of dealing with our customers, dealing with our depots and collecting our debts. They also work very closely with our credit insurers to ensure that as many of our major accounts as possible are covered. At the year end we had 97% of accounts owing over £40,000 covered by credit insurance. In addition, the amount of outstanding debt being dealt with by our solicitors has remained low all year.

Stock turnover targets are set and monitored on a monthly basis, and senior management has access to real time stock levels. We have undertaken a review of stock turn targets this year to more accurately measure anticipated lead times. At 31 March 2016 stock turn is 6.0 times compared with our target of 6.0 times, and there were no areas of our stock profile that were significantly overstocked. We also increased our focus on slow moving stock lines, better identifying slow moving ranges that were important in the stock portfolio and needed to be retained, and those that needed to be disposed of. This produced a 20% reduction in these lines.

Good stock and debtor control has allowed 91% of profit before tax to be available as free cash for investment and distribution.



Strategic Report

Financial Review

Capital investment

As expected, the levels of capital expenditure returned to normal levels during the year. The £2.0m invested in fixed assets included £825,000 in new and replacement lorries where we have increased our lorry fleet by 7 to 69 vehicles. £695,000 was invested in warehousing lifting equipment and £200,000 in warehouse racking.

We also undertook a major project to replace our complete IT infrastructure to move to state of the art servers, hosted away from our depots, and improving back up and disaster recovery systems. I am extremely grateful for the hard work of my IT team in planning and preparing for the change over of systems with no disruption to business activities.

Net assets at the year end were £71.1m (2015 £62.2m). The group's adjusted pre-tax return on capital for the year was 19.7% (2015 16.6%), which continues to be above our weighted average cost of capital.

Financial risk management

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

As the group trades predominantly in the UK, the market price of our products tends to fluctuate in line with currency spot prices. Speculative positions on currencies are not entered into. Comparing against spot prices, we had a tracking error of less than 0.1% during this year. Our LDT division can have stock tied up in kilns for six to nine months, and we enter into currency swaps to ensure that this stock is costed at spot price when it becomes available for sale. The European Union Referendum on 23rd June could cause some short term volatility in exchange rates and so some short term forward exchange contracts were entered into to smooth out any volatility that could arise.

The cash deposits and available bank facilities reduce our liquidity risk. Cash flow forecasts are monitored against actual cash flows to ensure that adequate facilities are maintained to meet the future needs of the business. The board reviews re-forecasted profits and cash flows on a quarterly basis.

Insurance products and external credit reference agencies help reduce our credit risk.

The Audit Committee reviews the group's risk register as part of its regular monitoring process.

David Dunmow Finance Director David Dunmow

Principal Risks and Uncertainties

The group operates in a market and an industry which by their nature are subject to a number of inherent risks. We attempt to control these risks by adopting appropriate strategies and maintaining strong systems of internal control. These strategies however do not attempt to eliminate risk, but control the risks that we believe are appropriate to take to generate acceptable shareholder returns. Details of the group's risk management processes are given in the Corporate Governance report on page 17.

We have considered below the current risk factors that are considered by the board to be material. However in a changing world, new risks may appear or immaterial risks may become more important, and the directors will develop appropriate strategies as these risks appear.

Principal Risks and Uncertainties

Inherent risk	Risk Description	Risk Mitigation
Market Conditions	The group's sales are predominantly UK based so it is exposed to any slowdown in the UK economy. Negative or uncertain economic conditions could affect our customers business resulting in them reducing purchases from our group.	The distribution of our customers across the UK economic sectors helps reduce the impact of slowdown in any one sector. Regular financial information helps the board assess current trends.
Competition from new and existing businesses	Competitive pressures from existing businesses and new entrants to the market could reduce prices, margins and profitability.	An assessment of the market and competitor activity is discussed at each depot's quarterly board meeting. This includes an assessment of our routes to market as challenges to our depot structure and operations emerge and assessment of our pricing strategies.
Inventory levels move out of line with sales requirements and market prices	Product shortages can lead to high prices and over purchasing throughout the trade, resulting in excessive stock holding. Weaker prices lead to stock reduction throughout the supply chain, which magnifies the reduction in demand and then leads to even sharper falls in price. Erratic shipments can result in stock excess and shortages in specific special products. The market for certain product lines changes, resulting in them becoming overvalued and slow moving.	To mitigate this risk, the group has a strict policy of stock level targets by product group and depot. These are monitored monthly by the board which centrally controls the purchase of stocks and takes a group view on the action to be taken to limit the group's exposure to rapidly changing price levels. Live stock level reports and predictive tools are available for our managers to monitor current and future levels. The group's reduced reliance on commodity items has reduced this risk of over exposure to low value, high volume and price sensitive items, although as an important area for us, this risk cannot be completely removed. The board has set strict guidelines relating to purchases where the specification is unique to a particular customer, and has policies in place to ensure that no individual can commit the group to a purchase greater than his/her authorised limit. Slow moving stocks are monitored regularly and action taken to mitigate the risk.
Supplier political risks or failure could result in shortages of product	Although far more of the group's purchases now come from Europe and North America, it has significant dealings with countries where the political climate is less stable, resulting in a strategic threat to the supply of product to the group. The group is reliant on certain suppliers for certain product ranges and their inability to meet our demand due to financial or production difficulties could result in stock shortages.	To mitigate the risk from these pressures, the groups dealings are spread across a large number of countries of supply. The group keeps informed of developments in higher risk producer countries through involvement in work by the Royal Institute of International Affairs (Chatham House). We maintain close relationships with our suppliers to ensure that we are pre-warned of difficulties of supply. We maintain relationships with suppliers of alternative products.
Reputational Risk	Over many years the group has built up a reputation for integrity and responsible trading and is aware that this can be easily damaged with the consequential cost to the Latham brand.	Policies are in place which cover standards of behaviour and good governance. On the purchasing side the group has a strong risk based responsible purchasing policy managed by our Environmental Manager to minimise possible damage to its reputation and legal risk from dealing in illegal products.
Defined Benefit pension scheme funding could increase	The group is required by law to maintain a minimum funding level in relation to its obligations to provide pensions to members of the pension scheme. This level of funding is dependent on a series of external factors, such as investment performance, life expectancy and gilt yields. Significant changes in these areas can also have a significant effect on the funding levels. The sensitivity of the funding level to these factors is disclosed in note 17.2 in the notes to the accounts.	The scheme has been closed to new entrants for many years. The board regularly reviews the investment strategy and performance of the pension scheme investments, and has set a cap on pensionable salaries of 1% above CPI.
Information technology failures impact our ability to trade	The operations of the group depend to a large extent on the availability and reliability of our information technology systems. A failure of systems, either of hardware, software or communications, for an extended period of time could impact our ability to trade.	Our main computer servers are located in a secure site away from the trading operations, hosted in an external data centre. The systems are monitored 24 hours a day and maintenance work carried out on an ongoing basis. Back ups are held offsite in a separate data centre to provide extra resilience. Should there be any failure in the systems in the main datacentre, then the back ups held in the secondary data centre can be made operational. Software maintenance contracts ensure that our business critical software is up to date, allowing software problems to be resolved quickly.
Inability to trade from a depot	Inability to trade from a depot due to an incident, internally or externally, could cause loss of revenue and profits.	Disaster recovery plans are in place at group and depot levels. These are reviewed by the Audit Committee and the board, as well as discussed at depot level. Insurance policies are in place to cover increased cost of working. Our distribution network, as well as our inventories held at various ports, allow us to manage customers requirements from a different location.

Strategic Report

Corporate Responsibility

At James Latham plc, we are conscious of our corporate responsibilities to all our stakeholders and to society as a whole. Health and safety, environmental matters, staff training and equal opportunities are key areas relevant to the group's business. We also maintain contact with and support both the local and the wider community. A substantial amount of management time is devoted to Corporate Social Responsibility issues, as we believe that these enhance our standing with customers and suppliers to the benefit of all stakeholders.

Health and Safety – Providing a safe working environment

The handling of timber and panel products, both manually and mechanically, and the stacking and storage of these products at height, can be dangerous activities. We are very active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible for all people that come into contact with James Latham plc. We spend an increasing amount of time and money on this activity. We employ a full-time Health and Safety Advisor who reports to the board regularly, attends board meetings twice a year and chairs regular health and safety meetings at all depots. We have a 3-year action plan and all sites are subject to regular audits, with their audit scores and trends being monitored at management meetings. Management and employees are actively involved in improving our safety record, which is high on everyone's agenda. All employees take a personal responsibility for making sure their actions and behaviour maintain safety for all.

In addition, we recognise that safety extends beyond our warehouses. We regularly monitor vehicle accidents in our lorries and company cars to assess whether further training is required. We operate a programme of lorry driver mentoring and have introduced the FORS (Fleet Operator Recognition Scheme), achieving Bronze status and aim to improve this in the future. Our lorries all have tracking devices fitted which provide alerts and information on speed as well as the route taken. We have started introducing a system of cameras installed in each lorry to not only provide retrospective footage for training and insurance purposes, but also to provide improved rear and side visibility to our drivers.

Environmental

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

With best practices observed, timber products are the ultimate sustainable and recyclable materials, requiring low energy to process and being thermally efficient in use. Timber from well-managed forests absorbs carbon in growing and locks in carbon in use. It is sustainable, producing a regular crop and puts value into growing forests so helping to reduce land clearance for other uses.

A lifecycle assessment study published by Wood for Good, showed that timber has the lowest embodied carbon impact of any mainstream building material. It shows that all timber products are in fact carbon negative at the point of delivery, i.e. the amount of carbon dioxide absorbed by the tree by photosynthesis during growth, is greater than all the emissions associated with harvesting, processing, manufacture, transport and installation.

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

It is therefore essential that we ensure our timber is legally harvested and comes from well managed forests. The group recognises that the independent certification of forests and of the supply chain is the best means of providing assurances of this. Where possible it purchases material certified by the Programme for the Endorsement of Forest Certification schemes (PEFC) or the Forest Stewardship Council (FSC). As well as providing assurances on the timber itself, these schemes also provide checks on the welfare of the forest workers and indigenous population.

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

The group has signed up to the WWF UK 'Forest Campaign' committing to purchasing only certified legal and sustainable timber products by 2020 and to publically showing progress towards this target. We jointly sponsored WWF's Forest Reception to promote this scheme at the House of Commons in March 2015. WWF award up to three "trees" to show companies progress towards this goal, and during the year we achieved the top score.

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

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

The figures for the relevant calendar years are given below.

		FSC	PEFC	3rd party verified legal	TOTAL
Panels	2014	69%	20%	4%	93%
	2015	71%	20%	6%	97%
	2016 Target	72%	20%	6%	98%
Timber	2014	40%	16%	33%	89%
	2015	39%	17%	33%	89%
	2016 Target	40%	18%	34%	92%

The European Timber Regulation (EUTR), which came into force in March 2013, places an obligation on the first placer of timber on the European market to ensure that the timber has been legally sourced and traded, to operate a risk assessment process and to take mitigating measures to minimise the risk of illegality. We have a rigorous system for assessing our supply chains and are committed to only purchasing product with negligible risk status. We will not trade in timber species prohibited under Appendix 1 of CITES legislation and obtain the appropriate documents for the very limited trade we do in all other CITES listed timber species.

For a number of years the company has had risk assessment tools in place to monitor suppliers through the Timber Trade Federation Responsible Purchasing Policy and Code of Conduct. The risk assessment seeks to provide the clearest practicable information regarding the sources of raw material used in the manufacture of wood products. We have supported the National Measurement Office, the UK competent authority charged with enforcement of the EUTR, in staff training by giving them access to our due diligence system and having meetings with representatives of other European agencies to share our experiences.

We publish our commitment to the environment regularly in our product guide, specific literature and on our website, www.lathamtimber.co.uk. We give clear guidance to our customers about the importance of buying timber that can be demonstrated to be legal and from well-managed forests. This is condition of contract to supply the UK Government and many environmentally aware customers. Company staff give presentations to customer trade associations and at customer premises.

Informing suppliers and supporting certification

Our senior staff have spoken about the importance of independent certification of forests and supply chains at EU and UK conferences for groups of suppliers in Ghana, Cameroon, Congo Brazzaville, Gabon, Peninsular Malaysia, Sarawak, Sabah and China. Company buyers have visited individual suppliers in Europe, Russia, Congo Brazzaville, China, Indonesia, Malaysia, the United States, Uruguay, Brazil and Argentina giving the same message. Group buyers have visited individual suppliers auditing the source of logs. The group has been helping promote the EU Forest Law Enforcement, Governance and Trade Initiative (FLEGT) prevent illegal logging by giving press and film interviews and speaking at the FLEGT review meeting in Brussels.

The group has supported and funded suppliers in Africa and China working under the EU funded Timber Trade Action Plan which is a step-by-step approach towards certification. Our Chairman contributes a considerable amount of his own time too as a director of the PEFC International Board, the Timber Trade Federation environmental committee and to promoting PEFC and FSC certified products with chain of custody certification.

Strategic Report

Corporate Responsibility

Supply chain transparency – Modern Slavery Act 2015

We are dedicated to promoting ethical values and integrity in our business behavior by implementing controls through ISO management and due diligence systems. We aim to ensure that trading and operational purchases are free from human trafficking and slavery. We are committed to transparency within our supply chains and are alert to the potential risks. Where risks are identified, adequate mitigation measures will be implemented and monitored.

Local environmental issues

We also recognize that alongside our timber environmental policy, we have a responsibility to minimise our local environmental footprint. We have developed an environmental management system which is accredited under ISO14001. This commits us to considering energy efficient options for lighting, heating and ventilation before making purchasing decisions. Vehicle procurement considerations include reduction of emissions and improved fuel efficiency.

The company seeks to minimise the use of packaging material and to recycle discarded packaging material and paper where it is practicable to do so, to avoid these materials entering landfill.

We give support, both in staff time and financially, to community projects local to our depots through schools, sports teams and charities. We also have extended our agreement to give financial support to the National Forest project. This started with the planting of 250 trees to celebrate the company's 250 year anniversary in 2007, and we will be organising further tree planting and woodland management activities for customers, suppliers and staff.

We have this year provided office space and support at our Thurrock depot to Sports Quest, who provide high quality coaching in a range of sports for all children in schools, and providing personal coaching to children with special educational needs and disabilities.

Our employees

The group's ability to achieve its commercial objectives and to serve the needs of its customers in a profitable and competitive manner depends on the contribution of its employees. Employees are encouraged to develop their contribution to the business wherever they happen to work. The group regularly keeps employees up to date with financial and other information. Quarterly meetings are held in each location, chaired by a board member, where employees' views concerning the performance of their profit centre are considered. To encourage the involvement of employees in the group's performance, share option schemes are operated together with bonuses linked to performance.

The group's employment policies do not discriminate between employees, or potential employees, on the grounds of age, gender, disability, sexual orientation, colour, ethnic origin or religious belief. The sole criterion for selection or promotion is the suitability of any applicant for the job. The group's pay policy is to ensure that every employee, other than trainees, are at or above the Living Wage.

It is the policy of the group to train and develop employees to ensure that they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff. Internal courses are run on the technical aspects of our products, along side general management, sales and presentation skills courses.

We have a successful program of introducing trainees from school or college. All depots have trainees and we have plans to recruit more during the year. Trainees are put through external courses obtaining qualifications, including NVQs in Sales and Warehousing and the Wood Society exams covering the properties and uses of timber and panel products. This year Dominic Manfredini won the coveted Timber Trades Journal Career Development Award, open to trainees under 25 throughout the timber trade. Thomas Jones from our Leeds branch, was also shortlisted for the award. This is the fifth year in a row that our trainees have been nominated for this award.

In the current financial year we are planning again to sponsor a James Latham Timber Engineering Scholar through an MSc Timber Engineering program at Edinburgh Napier University.

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

The e-Tree Initiative

James Latham plc has signed up to the e-Tree initiative organised by our registrars Computershare. e-Tree™ is a programme designed to help companies promote eCommunications to their shareholders, whilst also allowing them to make a valuable contribution to the environment.

As a shareholder in James Latham plc, whenever you opt in to receive your designated communications online, eTree will make a donation to the Woodland Trust. So we are doing our bit, while you are making your life easier.

To register please visit **www.investorcentre.co.uk/etreeuk/jameslatham**. You will need your shareholder number, which is contained either on your share certificate or on your latest dividend voucher. Please help us to reduce costs and support a very worthwhile cause.

Corporate Governance

The directors believe that good corporate governance, involving risk appraisal and management, prudent decision making, open communication and business efficiency, is important for the long term benefit of the stakeholders in our group. We have agreed to comply with the 12 principles contained within the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2013, and will show below how we have applied this code.

The Board of Directors

The company is governed by a board of directors consisting of the Chairman, Peter Latham, five other executive directors and two non-executive directors. Peter Latham became non-executive Chairman on 1 January 2016. Each director has a vote and no individual or small group of individuals dominates the board's decision making.

The board has a formal schedule of matters referred to it for decision, with at least one specific strategy meeting being held each year. Agendas and board packs are discussed and circulated in advance of the meetings to ensure that all directors have adequate time to research and take part in discussions on the key issues, as well as giving the non-executive directors time to add matters of their particular interest to the agenda. In the year to 31 March 2016, the board met six times, with all directors attending each meeting other than Piers Latham, who missed one meeting due to other business commitments. In addition conference calls are held where matters which cannot wait for the next board meeting can be discussed.

The board is responsible for group strategy, corporate responsibility including health and safety and environmental issues, acquisition policy, bribery policy, approval of major capital expenditure and monitoring the key operational and financial risks. It also reviews the strategy and budgets for the trading subsidiaries and monitors the progress towards their long term objectives. All directors have access to the company secretary or to independent professional advice, if required, at the company's expense. New directors receive training from the company NOMAD on their responsibilities under the AIM rules.

In addition to the scheduled meetings, the non-executives attended the group annual operational budget and strategy meeting, as well as making individual visits to operational sites. Key financial information is circulated to directors on a monthly basis outside of the board meetings.

Corporate Governance

Corporate Governance Report

The board has decided that the directors will retire by rotation and the executive directors will be re-elected at least every three years. The board regularly reviews the skills and experience of the directors and assesses the effectiveness of individual directors and the board as a whole.

The Audit Committee

The Audit Committee was chaired by Pippa Latham until 30 September 2015 and then by Fabian French, and includes Meryl Bushell and Nick Latham. David Dunmow also attends the meetings of the committee. The committee meets at least three times a year to review internal controls within the group, and receive reports from the auditors. The duties of the audit committee include, on behalf of the board, a review of effectiveness of the group's financial reporting and internal control policies, and procedures for the identification, assessment and reporting of risk.

It also keeps under review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor, including recommending their re-appointment to the board. This includes a review of the non-audit work performed to ensure that such work would not impair their independence or objectivity in carrying out the audit.

The audit committee receives a report from the external auditor following the annual audit which provides details of the significant financial reporting estimates and judgements made during the preparation of the group's annual accounts. No matters of material significance were identified by the external auditors during the course of the audit.

Once a year the auditor meets with the non-executive directors only.

The Remuneration and Nominations Committee report is contained on page 20.

Financial reporting

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

Internal controls

The board has established systems of internal control as appropriate for the size of the group. The day to day operation of the system of internal control is under the control of executive directors and senior management. The system is designed to manage rather than eliminate risk. Any system of internal control can however only provide reasonable, but not absolute, assurance against material misstatement and loss. No material breaches of internal controls were reported during the year.

Risk assessment

Procedures for identifying, quantifying and managing the risks, financial or otherwise, faced by the group have been in place throughout the year under review. The processes for identifying and managing the key risks to the business are communicated regularly to all staff, who are made aware of the areas for which they are responsible. Such processes include strategic planning, maintenance and review of a risk register, the appointment of appropriately qualified staff, regular reporting and monitoring of performance against budgets and other performance targets, and effective control over capital expenditure.

Whistleblowing

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

Review of effectiveness of financial controls

The directors confirm that they have reviewed the effectiveness of the system of internal control for the year under review and to the date of approval of the Annual Report and Accounts through the monitoring process described above.

Relations with shareholders

The company is committed to maintaining good communications with shareholders with any published financial statements and Stock Exchange announcements also posted on to our Investors website, www.lathams.co.uk.

Directors' biographies

Peter Latham OBE BA FIMMM
Non-executive Chairman
Peter Latham, age 65, has worked in the company for 43 years and was appointed to the board in 1983, and became a non-executive on 1 January 2016. He is a former director of Lathams Limited, and provides advice to the Remuneration and Nominations Committees. He is a director of the Programme for the Endorsement of Forest Certification schemes (PEFC) International board, an independent non-governmental organisation, which has certified the largest area of world forests. He is past chairman of the industry's environment committee, Forests Forever and a Trustee of the Commonwealth Forestry Association. He is a past president of the Institute of Wood Science and of the High Wycombe Furniture Manufacturers' Society.

David Dunmow BSc FCA
Finance Director and Company Secretary
David Dunmow, age 52, has worked in the company for 22 years and was appointed to the board as Finance Director in 2000. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is a director of Lathams Limited, and provides advice to the Audit and Remuneration Committees. He is a former treasurer of the Timber Trade Federation. He is a Trustee of the James Latham plc Pension and Assurance Scheme and of the Timber Trade Federation Pension Scheme.

Chris Sutton *Executive Director*
Chris Sutton, age 57, has worked in the company for 38 years and was appointed to the board in 2005. He is Chairman of Lathams Limited. He is a director of the Timber Trade Federation.

Nick Latham BSc *Executive Director*
Nick Latham, age 48 has worked in the company for 25 years and was appointed to the board in 2007. He is a director of Lathams Limited, and member of the Audit Committee. He sits on the main board of the Timber Research and Development Association.

Piers Latham BSc *Executive Director*
Piers Latham, age 45 has worked in the company for 23 years and was appointed to the board in 2014. He is a director of Lathams Limited, and Chairman of the Trustees of the James Latham plc Pension and Assurance Scheme.

Andrew Wright *Executive Director*
Andrew Wright, age 51, has worked in the company for 15 years and was appointed to the board in 2015. He is a director of Lathams Limited and is a board member of the North West Timber Trade Association.

Meryl Bushell PhD FCIPS
Non-Executive Director
Meryl Bushell, age 61, was appointed a non-executive director in 2008. She has many years senior management experience with BT including several years as Chief Procurement Officer for the BT Group. She chairs the Remuneration and Nomination Committees and is a member of the Audit Committee. She is a previous member of the Board of Management of the Chartered Institute of Purchasing and Supply and a previous director of Invest in Gateway London Limited, South London Healthcare NHS Trust and of SupplierForce.

Fabian French MA *Non-Executive Director*
Fabian French, age 57, was appointed a non-executive director in 2015. He is a qualified solicitor and worked in corporate finance for major investment banks. He is currently Chief Executive of UK Community Foundations and is a director of CRGH Investment LLP, Goodenough College Charity, The Royal Yacht Squadron Isle of Wight Foundation, Trebartha Hydro Ltd, and is a previous director of Inspiration in Sport and Mithras Investment Trust plc, and was previously Head of International Corporate Finance at Dresdner Kleinwort.

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Registered Number 65619
Registered in England and Wales

Corporate Governance

Directors' Remuneration Report

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

Remuneration and Nominations Committee

During the year ended 31 March 2016, the Remuneration and Nominations Committee comprised two non-executive directors, Meryl Bushell as Chairman, who served throughout the year, and Pippa Latham until 30 September 2015 and Fabian French after 1 October 2015. The meetings were attended by Peter Latham and David Dunmow to provide information to the Committee when required.

The main function of the Committee is to make recommendations to the board regarding the group's policy on the remuneration and conditions of employment of the executive directors of the group, and, where appropriate, senior management, and includes considering nominations to the board. Over the course of the year the committee has also taken an active interest in talent development, succession planning and group diversity.

During the year Pippa Latham retired from the board after 10 years as a non executive director. Following interviews Fabian French was recommended as her replacement which was accepted by the board. Fabian has skills and listed company experience which enhance the overall skills of the board. I would like to thank Pippa for all her hard work over this period.

The Committee has access to professional remuneration advice from outside of the company.

Remuneration Policy

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

The remuneration package consists of basic salary, benefits (comprising car and private medical provision), pensions, annual bonus schemes, share option schemes and life assurance cover of 4 times gross salary.

Pay rises are considered once a year, to apply from 1 December. Pay rises are based on cost of living increases plus awards for promotion where relevant. The executive directors have their pay rises based on the same criteria as all other employees.

Performance related bonuses

Annual bonuses can be earned by executive directors for the achievement of specific financial performance targets set by the group's board of directors and agreed by the remuneration committee. The criterion on which the executive directors' bonuses were based in 2016 was the achievement of £10,523,000 operating profit, as measured in the depots management accounts, an increase of 21.5% over the previous year's targets. Maximum bonuses of 19.5% of basic salary are paid on achieving 120% of the target operating profit. The minimum bonus level is 1.3% paid on achieving 90% of target operating profit. This year 138.7% of the target operating profit was achieved earning 19.5% of basic salary. The criterion for the year ended 31 March 2017 will be based on a similar formula applying to target profits. In addition a Group Bonus scheme pays out a bonus to all eligible members of staff, subject to achieving a minimum level of group profits. This year the scheme is paying 4.92% of basic salary to 334 eligible employees.

Service Contracts

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

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

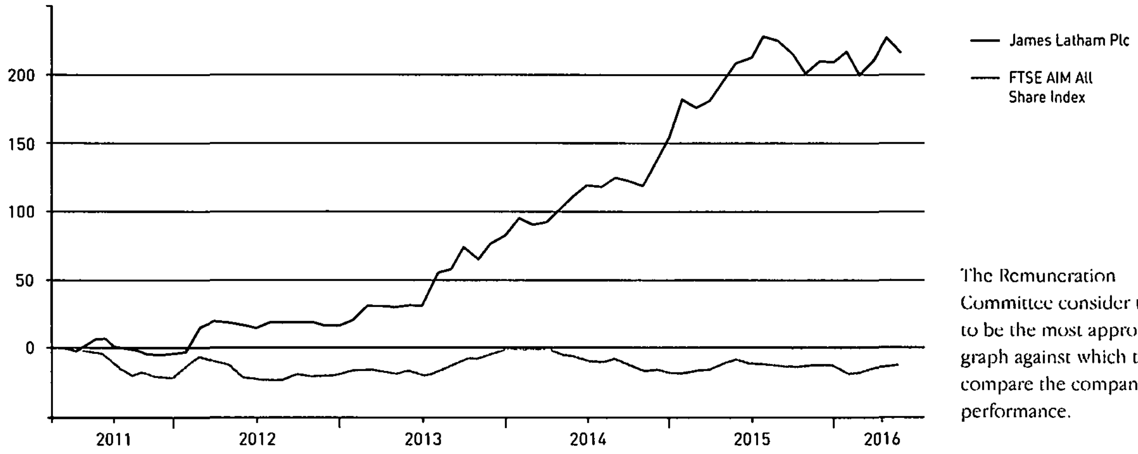
Remuneration of the non-executive directors

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

Review of past performance

The graph below shows the company's total shareholder return performance against the total shareholder return performance of the AIM All Share Index for the five years ended 31 March 2016.

James Latham plc total shareholder return



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

Directors' emoluments

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

		Salary and fees	Benefits	Bonus	Total emoluments excluding pensions	Share based payments	Pension contributions	TOTAL
		£000	£000	£000	£000	£000	£000	£000
Executive								
P.D.L. Latham	**2016**	**162**	**4**	**-**	**166**	**1**	**-**	**167**
(non executive from 1 January 2016)	2015	207	6	47	260	1	-	261
D.A. Dunmow	**2016**	**152**	**13**	**38**	**203**	**5**	**31**	**239**
	2015	145	10	35	190	10	30	230
C.D. Sutton	**2016**	**148**	**10**	**38**	**196**	**4**	**29**	**229**
	2015	140	9	34	183	9	28	220
N.C. Latham	**2016**	**131**	**1**	**39**	**171**	**2**	**22**	**195**
	2015	109	-	27	136	2	22	160
P.F. Latham	**2016**	**95**	**10**	**24**	**129**	**2**	**19**	**150**
	2015	88	10	22	120	2	19	141
A.G. Wright	**2016**	**100**	**9**	**26**	**135**	**1**	**21**	**157**
(appointed 1 April 2015)	2015	-	-	-	-	-	-	-
Non-executive								
P.D.L. Latham	**2016**	**17**	**-**	**-**	**17**	**-**	**-**	**17**
(appointed 1 January 2016)	2015	-	-	-	-	-	-	-
M.A. Bushell	**2016**	**31**	**-**	**-**	**31**	**-**	**-**	**31**
	2015	35	-	-	35	-	-	35
P.A.J. Latham	**2016**	**15**	**-**	**-**	**15**	**-**	**-**	**15**
(resigned 30 September 2015)	2015	30	-	-	30	-	-	30
P.L.F. French	**2016**	**15**	**-**	**-**	**15**	**-**	**-**	**15**
(appointed 1 October 2015)	2015	-	-	-	-	-	-	-
Total		**866**	**47**	**165**	**1,078**	**15**	**122**	**1,215**
2015		754	35	165	954	24	99	1,077

Directors' Remuneration Report

Directors' shareholdings

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' holdings of the share capital at the end of the financial year were as follows:

		31 March 2016		31 March 2015	
Directors		**Ordinary shares**	**Preference shares**	Ordinary shares	Preference shares
P.D.L. Latham	Beneficial owner	**1,132,372**	**Nil**	1,124,937	Nil
D.A. Dunmow	Beneficial owner	**120,236**	**Nil**	110,778	Nil
C.D. Sutton	Beneficial owner	**48,540**	**Nil**	42,959	Nil
N.C. Latham	Beneficial owner	**624,231**	**Nil**	616,782	Nil
P.F. Latham	Beneficial owner	**621,757**	**567**	614,370	567
A.G. Wright	Beneficial owner	**20,114**	**Nil**	-	-
M.A. Bushell	Beneficial owner	**9,400**	**Nil**	9,400	Nil
P.L.F. French	Beneficial owner	**370,052**	**Nil**	-	-

Directors' share option schemes

Save as You Earn Scheme

Participation by the directors in the James Latham plc Save as You Earn Scheme is as follows:

	31 March 2016	31 March 2015
P.D.L. Latham	-	3,658
D.A. Dunmow	-	3,658
N.C. Latham	-	3,658
P.F. Latham	-	3,658
A.G. Wright	-	1,463

On 29th February 2016, each of the directors listed above exercised their options at £2.46 a share. Mr A.G. Wright made a gain of £6,349 and the other directors a gain of £15,876 on the exercise of these options.

Company Share Option Scheme

Participation by the directors in the James Latham plc Approved Company Share Option Scheme 2008 is as follows:

	Outstanding 1 April 2015	Granted during the year	Exercised	Outstanding 31 March 2016	Exercise price	Exercise period
P.D.L. Latham	2,532	-	(2,532)	-	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
D.A. Dunmow	2,532	-	-	2,532	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
	1,262	-	-	1,262	£3.96	16.12.18 to 15.12.23
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	-	586	-	586	£6.825	18.12.20 to 17.12.25

Continued on page 23

Company Share Option Scheme *(continued)*

Participation by the directors in the James Latham plc Approved Company Share Option Scheme 2008 is as follows:

	Outstanding 1 April 2015	Granted during the year	Exercised	Outstanding 31 March 2016	Exercise price	Exercise period
C.D. Sutton	4,242	-	(2,424)	1,818	£1.65	26.11.14 to 25.11.19
	2,532	-	-	2,532	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
	1,262	-	-	1,262	£3.96	16.12.18 to 15.12.23
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	-	586	-	586	£6.825	18.12.20 to 17.12.25
N.C. Latham	2,532	-	(2,532)	-	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
	1,262	-	-	1,262	£3.96	16.12.18 to 15.12.23
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	-	586	-	586	£6.825	18.12.20 to 17.12.25
P.F. Latham	2,532	-	(2,532)	-	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
	1,262	-	-	1,262	£3.96	16.12.18 to 15.12.23
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	-	586	-	586	£6.825	18.12.20 to 17.12.25
A.G. Wright	2,025	-	-	2,025	£1.975	15.12.15 to 14.12.20
	1,742	-	-	1,742	£2.295	29.11.16 to 28.11.21
	1,834	-	-	1,834	£2.725	05.12.17 to 04.12.22
	1,262	-	-	1,262	£3.96	16.12.18 to 15.12.23
	707	-	-	707	£5.65	05.01.20 to 04.01.25
	-	586	-	586	£6.825	18.12.20 to 17.12.25

No performance conditions attach to these options. Mr P.D.L. Latham, Mr N.C. Latham and Mr P.F. Latham made a gain of £12,217 and Mr C.D. Sutton made a gain of £12,423 on options exercised during the year.

Deferred Share Bonus Plan

Participation by the directors in the James Latham plc Deferred Share Bonus Plan is as follows:

	Outstanding 1 April 2015	Awarded during the year	Excercised during the year	Outstanding 31 March 2016	Exercise price	Award price	Vesting date
D.A. Dunmow	5,308	68	(5,376)	-	nil	£2.74	06.12.15
C.D. Sutton	5,308	68	(5,376)	-	nil	£2.74	06.12.15

No performance conditions or voting rights apply to these shares, but dividends will be reinvested into additional shares in the plan. Mr D.A. Dunmow and Mr C.D. Sutton each made a gain of £36,557 on options exercised during the year.

MA Bushell, *Chairman of the Remuneration Committee* *22 June 2016*

Corporate Governance

Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 31 March 2016. In accordance with section 414c(11) of the Companies Act 2006, included in the Strategic Review is the review of business, principal risks and uncertainties and key performance indicators. This information would have been required by section 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors Report.

Results and dividends

Group results for the year ended 31 March 2016 are set out on page 29. The directors recommend the following dividends:-

Ordinary dividends	£000
Interim dividend paid, 4.0 pence per ordinary share	777
Final dividend proposed, 10.3 pence per ordinary share	2,019
Total ordinary dividends, 14.3 pence per ordinary share	2,796

The directors recommend payment of the final dividend on 26 August 2016 to shareholders on the register of members at the close of business on 5 August 2016.

Balance sheet and post balance sheet events

The balance sheet on page 30 shows the group's financial position. No significant events have occurred since the balance sheet date.

Directors

The directors of the company, whose biographical details are shown on page 19, were directors throughout the year, other than Fabian French who was appointed on 1 October.

In compliance with the Articles of Association, Peter Latham, Meryl Bushell and Nick Latham will retire by rotation and, being eligible, offer themselves for re-election. Fabian French, who was appointed during the year, will be proposed for election at the Annual General Meeting.

Other than their service contracts, no director has a material interest in any contract with the company. Meryl Bushell and Fabian French, as non-executive directors, do not have a service contract with the company, but each has received a letter of appointment for a two year period. Details of directors' emoluments, pension rights, service contracts and the directors' interests in the ordinary shares of the company are included in the Directors' Remuneration Report on pages 20 to 23.

Article 168 of the company's Articles of Association gives the directors and officers of the company a right to be indemnified out of the assets of the company in respect of any liability incurred in relation to the affairs of the group to the extent the law allows.

The company has undertaken to comply with best practice on approval of directors' conflicts of interest. Under the Companies Act 2006 a director must avoid a situation where there is, or can be, an interest that may conflict with the company's interests. None of the directors had an interest in any contract to which the group was a party during the year.

The company maintained directors' and officers' liability insurance cover throughout the year.

Share capital

Resolutions concerning the ability of the board to purchase the company's own shares and to allot shares and to dis-apply pre-emption rights are again being proposed at the Annual General Meeting.

The company holds 519,200 ordinary shares as treasury shares, with a view to being used for employee share schemes. The company also holds 150 preference shares in treasury. In addition the Trustees of the James Latham Employee Benefits Trust holds 59,247 shares with a view to being used for employee share schemes.

Share option schemes

On 29 August 2007, the shareholders approved by ordinary resolution the extension of the Save as You Earn scheme for a further 10 years. A 3 year scheme commenced on 1 March 2013 with 188,284 options being issued at an option price of £2.46. This scheme matured on 29 February 2016 and 160,799 options were exercised.

On 21 August 2008, the shareholders approved by special resolution the establishment of the Company Share Option Scheme. During the year 14,349 options were issued at an option price of £6.825. In addition 27,531 options were exercised after being held for five years, 4,242 at an option price of £1.65 and 23,289 at an option price of £1.975.

Substantial shareholdings

At 22 June 2016, the company had received notification under the Disclosure Transparency Rules that the holdings and voting rights exceeding the 3% notification threshold were as follows:

	Number	%
Peter Latham	1,132,372	5.77
Robert Latham	680,787	3.47
Nick Latham	624,231	3.18
Piers Latham	621,757	3.17

Payments to suppliers

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. The group's policy is to pay suppliers in accordance with these terms. The group's creditor days at 31 March 2016 were 34 days (2015: 35 days).

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The directors confirm that the business is a going concern and that their assessment of the going concern position has been prepared in accordance with Guidance on Risk Management and Internal Control and Related Financial and Business Reporting, published by the Financial Reporting Council in 2014.

Political and charitable donations

During the year the group made no political contributions but made direct donations to various charitable organisations amounting to £4,940 (2015: £7,040). The group also made small donations of our products to a number of good causes and was involved in fund raising activities for the Timber Trades Benevolent Society.

Close company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Financial instruments

A summary of the group financial instruments and related disclosures are set out in note 28 to the group accounts and in the Financial Review on pages 10 to 12.

Corporate Governance

Directors' Report

Provision of information to the auditor

In the case of each of the directors who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

Annual General Meeting special business

The Annual General Meeting of the company will be held at Gallery Level, Business Design Centre, 52 Upper Street, London, N1 0QH on 24 August 2016 at 12.30pm. The following items are to be proposed as special business, and the board recommends that the shareholders vote in favour of all resolutions put before the meeting.

Resolution 8. Directors authority to allot shares. This gives the board the power to allot ordinary shares or other securities, up to an aggregate nominal amount of £1,680,000 (or one third of the current ordinary shares).

Resolution 9. Dis-application of pre-emption rights. The Companies Act 2006 provides that when ordinary shares are being issued for cash, these shares must first be offered to existing shareholders on a pro rata basis. This resolution empowers the board to allot shares not exceeding 5% of the issued share capital, without offering to existing shareholders. The board only anticipates using this power in conjunction with the employee share schemes.

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

N. LATHAM

On behalf of the Board of Directors
~~Peter Latham~~ Nick Latham
Chairman *22 June 2016*

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union "EU" and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

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

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

c. state whether they have been prepared in accordance with IFRS's adopted by the EU, subject to any material departures disclosed and explained in the company financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the James Latham plc Investors website, www.lathams.co.uk.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

N. LATHAM

On behalf of the Board of Directors
~~Peter Latham~~ Nick Latham
Chairman *22 June 2016*

Corporate Governance

Independent Auditor's Report

To the members of James Latham plc

We have audited the group and parent company financial statements ("the financial statements") on pages 29 to 58. The financial reporting framework that has been applied in the preparation of the parent company and group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards to the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement (set out on page 27), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006: and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RSM UK Audit LLP

Paul Watts
Senior Statutory Auditor

For and on behalf of
RSM UK Audit LLP
(formerly Baker Tilly UK Audit LLP)
Statutory Auditor, Chartered Accountants
25 Farringdon Street
London EC4A 4AB

22 June 2016

Consolidated Income Statement

For the year ended 31 March 2016

£'000s	Notes	2016	2015
Continuing operations			
Revenue		**185,929**	174,855
Cost of sales (including warehouse costs)	3, 4, 11	**(151,389)**	(143,978)
Gross profit		**35,540**	30,877
Selling and distribution costs	4, 11	**(15,129)**	(14,082)
Administrative expenses	4, 11	**(6,170)**	(6,231)
Operating profit		**13,241**	10,564
Finance income	5	**56**	46
Finance costs	6	**(421)**	(503)
Profit before tax	3	**12,876**	10,107
Tax expense	7	**(2,410)**	(2,285)
Profit after tax attributable to owners of the parent company		**10,466**	7,822
Earnings per ordinary share (basic)	9	**53.7p**	40.3p
Earnings per ordinary share (diluted)	9	**53.5p**	40.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

£'000s	2016		2015	
Profit after tax		**10,466**		7,822
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	**825**		(1,849)	
Deferred tax relating to components of other comprehensive income	**(219)**		434	
Other comprehensive income for the year, net of tax		**606**		(1,415)
Total comprehensive income attributable to the owners of the parent company		**11,072**		6,407

Financial Statements

Consolidated and Company Balance Sheet

At 31 March 2016		Group		Company		
£'000s	Notes	**2016**	2015	**2016**	2015	2014
Assets						
Non-current assets						
Investments	22	**-**	-	**9,613**	14,613	14,613
Goodwill	12	**237**	237	**-**	-	-
Other intangible assets	10	**93**	101	**-**	-	-
Property, plant and equipment	11	**22,111**	21,601	**24**	22	23
Deferred tax asset	19	**1,802**	2,259	**65**	170	99
Total non-current assets		**24,243**	24,198	**9,702**	14,805	14,735
Current assets						
Inventories	13	**33,403**	31,906	**-**	-	-
Trade and other receivables	14	**35,288**	34,213	**3,322**	3,328	3,813
Cash and cash equivalents		**16,832**	12,501	**14,924**	11,041	9,137
Total current assets		**85,523**	78,620	**18,246**	14,369	12,950
Total assets		**109,766**	102,818	**27,948**	29,174	27,685
Current liabilities						
Trade and other payables	15	**23,471**	23,893	**852**	864	845
Interest bearing loans and borrowings	16	**-**	907	**9,132**	7,563	3,390
Tax payable		**1,376**	947	**-**	-	-
Total current liabilities		**24,847**	25,747	**9,984**	8,427	4,235
Non-current liabilities						
Interest bearing loans and borrowings	16	**987**	987	**987**	987	987
Retirement and other benefit obligation	17	**9,657**	10,430	**-**	-	-
Other payables	18	**406**	464	**254**	286	318
Deferred tax liabilities	19	**2,686**	2,959	**-**	-	-
Total non-current liabilities		**13,736**	14,840	**1,241**	1,273	1,305
Total liabilities		**38,583**	40,587	**11,225**	9,700	5,540
Net assets		**71,183**	62,231	**16,723**	19,474	22,145
Capital and reserves						
Issued capital	20	**5,040**	5,040	**5,040**	5,040	5,040
Share-based payment reserve	21	**56**	143	**56**	143	123
Own shares	23	**(441)**	(177)	**(441)**	(177)	(175)
Capital reserve		**3**	3	**-**	-	-
Retained earnings		**66,525**	57,222	**12,068**	14,468	17,157
Total equity attributable to shareholders of the parent company		**71,183**	62,231	**16,723**	19,474	22,145

These accounts were approved and authorised for issue by the Board of Directors on 22 June 2016 and signed on its behalf by:

N.C. Latham
~~*P.D.L. Latham*~~ } Directors N LATHAM
D.A. Dunmow David Dunmow

The consolidated notes on pages 34 to 58 form part of these accounts.

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent company					
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	5,040	123	(175)	3	53,117	58,108
Profit for the year	-	-	-	-	7,822	7,822
Other comprehensive income:						
Actuarial loss on defined benefit pension scheme	-	-	-	-	(1,849)	(1,849)
Deferred tax relating to components of other comprehensive income	-	-	-	-	434	434
Total comprehensive income for the year	-	-	-	-	6,407	6,407
Transactions with owners:						
Dividends	-	-	-	-	(2,267)	(2,267)
Write down on conversion of ESOP shares	-	-	82	-	(82)	-
Exercise of options	-	(47)	-	-	47	-
Change in investment in ESOP shares	-	-	(84)	-	-	(84)
Share-based payment expense	-	67	-	-	-	67
Total transactions with owners	-	20	(2)	-	(2,302)	(2,284)
Balance at 31 March 2015	**5,040**	**143**	**(177)**	**3**	**57,222**	**62,231**
Profit for the year	-	-	-	-	10,466	10,466
Other comprehensive income:						
Actuarial gain on defined benefit pension scheme	-	-	-	-	825	825
Deferred tax relating to components of other comprehensive income	-	-	-	-	(219)	(219)
Total comprehensive income for the year	-	-	-	-	11,072	11,072
Transactions with owners:						
Dividends	-	-	-	-	(2,484)	(2,484)
Exercise of options	-	(149)	-	-	149	-
Transfer of treasury shares	-	-	(1,385)	-	1,385	-
Write down on conversion of ESOP shares	-	-	819	-	(819)	-
Conversions of ESOP shares	-	-	507	-	-	507
Change in investment in ESOP shares	-	-	(205)	-	-	(205)
Share-based payment expense	-	62	-	-	-	62
Total transactions with owners	-	(87)	(264)	-	(1,769)	(2,120)
Balance at 31 March 2016	**5,040**	**56**	**(441)**	**3**	**66,525**	**71,183**

Financial Statements

Company Statement of Changes in Equity

	Attributable to owners of the parent company				
	Issued capital £'000	Share-based payment reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	5,040	123	(175)	17,157	22,145
Profit for the year	-	-	-	(451)	(451)
Deferred tax relating to components of other comprehensive income	-	-	-	64	64
Total comprehensive income for the year	-	-	-	(387)	(387)
Transactions with owners:					
Dividends	-	-	-	(2,267)	(2,267)
Write down on conversion of ESOP shares	-	-	82	(82)	-
Exercise of options	-	(47)	-	47	-
Change in investment in ESOP shares	-	-	(84)	-	(84)
Share-based payment expense	-	67	-	-	67
Total transactions with owners	-	20	(2)	(2,302)	(2,284)
Balance at 31 March 2015	**5,040**	**143**	**(177)**	**14,468**	**19,474**
Profit for the year	-	-	-	(551)	(551)
Deferred tax relating to components of other comprehensive income	-	-	-	(80)	(80)
Total comprehensive income for the year	-	-	-	(631)	(631)
Transactions with owners:					
Dividends	-	-	-	(2,484)	(2,484)
Exercise of options	-	(149)	-	149	-
Transfer of treasury shares	-	-	(1,385)	1,385	-
Write down on conversion of ESOP shares	-	-	819	(819)	-
Conversions of ESOP shares	-	-	507	-	507
Change in investment in ESOP shares	-	-	(205)	-	(205)
Share-based payment expense	-	62	-	-	62
Total transactions with owners	-	(87)	(264)	(1,769)	(2,120)
Balance at 31 March 2016	**5,040**	**56**	**(441)**	**12,068**	**16,723**

Consolidated and Company Cash Flow Statement

For the year ended 31 March 2016		Group		Company	
£'000s	Notes	**2016**	2015	**2016**	2015
Net cash flow from operating activities					
Cash generated from operations	24	**11,704**	6,218	**(109)**	133
Interest paid		**(23)**	(44)	**(196)**	(132)
Income tax paid		**(2,016)**	(1,996)	**75**	(62)
Net cash inflow/(outflow) from operating activities		**9,665**	4,178	**(230)**	(61)
Cash flows from investing activities					
Interest received and similar income		**56**	46	**113**	140
Purchase of property, plant and equipment		**(2,056)**	(383)	**(6)**	(2)
Proceeds from sale of property, plant and equipment		**136**	6	**-**	-
Net cash (outflow)/inflow from investing activities		**(1,864)**	(331)	**107**	138
Cash flows from financing activities					
Borrowings repaid during the year		**(907)**	(234)	**-**	-
Group investments repaid in the year		**-**	-	**5,000**	-
Equity dividends paid		**(2,484)**	(2,267)	**(2,484)**	(2,267)
Preference dividend paid		**(79)**	(79)	**(79)**	(79)
Net cash (outflow)/inflow from financing activities		**(3,470)**	(2,580)	**2,437**	(2,346)
Increase/(decrease) in cash and cash equivalents for the year		**4,331**	1,267	**2,314**	(2,269)
Cash and cash equivalents at beginning of year		**12,501**	11,234	**3,478**	5,747
Cash and cash equivalents at end of year		**16,832**	12,501	**5,792**	3,478
Balance sheet cash and cash equivalents		**16,832**	12,501	**14,924**	11,041
Bank overdraft in current liabilities (note 16)		**-**	-	**(9,132)**	(7,563)
Cash and cash equivalents at end of year		**16,832**	12,501	**5,792**	3,478

General information
James Latham plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is listed on the AIM market. The nature of the group's operations and its principal activities are set out in the Strategic Review. The address of the registered office is Unit 3 Swallow Park, Finway Road, Hemel Hempstead, Herts HP2 7QU.

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

(a) Basis of preparation
These consolidated and company accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The company had previously prepared its parent company accounts in accordance with UK Generally Accepted Accounting Practice (GAAP). Comparative figures have been restated to reflect the adjustments made.

The only difference arising on transition to IFRS for the company is as follows:

IAS 12 Income taxes
IAS 12 requires entities to calculate deferred taxation based on temporary differences, which are defined as the difference between the carrying amount of assets/liabilities and their tax base. The increase in deferred tax liabilities as a result of the transition to IFRS is from the removal of the discount applied to the deferred tax liability under UK GAAP.

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.

The following changes arose as a result of the transition to IFRS:

	31 March 2015	31 March 2014
	£'000	*£'000*
Total equity under UK GAAP	19,334	22,073
Deferred tax adjustment	165	93
Holiday pay accrual adjustment	(25)	(21)
Total equity under IFRS	19,474	22,145

	2015
	£'000
Profit and total comprehensive income under GAAP	(2,757)
Deferred tax adjustment	72
Holiday pay accrual adjustment	(4)
Profit and total comprehensive income under IFRS	(2,689)

The accounts have been prepared under the historic cost convention except for forward contract financial instruments measured at fair value. The directors have prepared the financial statements on the going concern basis for the reasons set out on page 25. A summary of the more important group accounting policies, which have been applied consistently across the group, is set out below.

At the date of authorisation of these financial statements, the following standards and interpretations which are issued but not yet effective or endorsed (unless otherwise stated), have not been applied:

- IFRS 9 Financial instruments – Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 1 Presentation of Financial Statements (amendment)
- IAS 7 Statement of Cash Flows (amendment)
- IAS 12 Income Taxes (amendment)

The directors anticipate that the adoption of these standards and interpretations as appropriate in future periods will have no material impact on the financial statements of the group when the relevant standards come into effect for periods commencing after 1 April 2016.

(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 disposal where applicable). Intra group sales and profits are eliminated on consolidation. The accounts of all subsidiary undertakings are made up to 31 March.

A subsidiary is an entity controlled, either directly or indirectly, by the company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed in the period in which they are incurred.

1.1 Revenue recognition
Revenue comprises net sales to external customers exclusive of Value Added Tax. Revenue is recognised upon delivery to, or collection by, the customer. Revenue is shown net of returns and rebates and after eliminating sales within the group.

1.2 Segmental reporting

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reporting of components of the group that are regularly reviewed by the chief operating decision maker, which the group considers to be the Chairman, to allocate resources to the segments and to assess their performance. Further information is available in note 2.

1.3 Operating profit

Operating profit consists of revenues and other operating income less operating expenses. Operating profit excludes net finance costs.

1.4 Exceptional items

Exceptional items are those items of income and expenditure that by reference to the group are material in size and nature or incidence, that in the judgement of the directors, should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the group's financial performance and that there is comparability of financial performance between periods.

1.5 Foreign currency translation

The functional and presentational currency of the parent company and its subsidiaries is UK Pounds Sterling. Transactions in currencies other than the functional currency are translated at the rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gains or losses arising from the transactions are taken to the income statement.

In order to help manage its exposure to certain foreign exchange risks, the group enters into forward contracts. Gains and losses on forward contracts are recognised at fair value through the income statement.

1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation on property, plant and equipment is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected life. It is calculated at the following rates:

Freehold buildings	- over 50 years
Leasehold improvements	- over 5 to 15 years
Fixtures and fittings	- over 4 to 10 years
Plant, equipment and vehicles	- over 5 to 20 years

Freehold land is not depreciated.

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

1.7 Impairment of non-current assets

Goodwill is reviewed annually for impairment. The carrying amounts of the group's other intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value exceeds the recoverable amount, a provision for the impairment loss is established with a charge being made to the income statement.

1.8 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 IFRS 3 (revised) "Business combinations". Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in a subsequent period.

1.9 Intangible assets - trademark

Acquired trademarks are shown at historical cost. Trademarks are considered to have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of 20 years.

1.10 Inventories

Inventories are stated at the lower of cost (including an appropriate proportion of attributable supplier rebates and discounts) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete or slow moving inventories where appropriate.

The cost of inventories is based on the weighted average principle.

1.11 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become party to the contractual provisions of the instrument.

1.11.1 Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

1.11.2 Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

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

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

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

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

1.11.7 Derivative financial instruments
The group's activities expose the entity primarily to foreign currency and interest rate risk. The group uses foreign exchange forward contracts and fixed rate bank loans to help manage these exposures. The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Foreign currency forward contracts and fixed rate bank loans are not designated effective hedges and so are marked to market at the balance sheet date, with any gains or losses being taken through the income statement.

1.12 Current and deferred income tax
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance 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 sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible differences can be utilised.

Deferred tax is calculated at the rates of taxation which are expected to apply when the deferred tax asset or liability is realised or settled, based on the rates of taxation enacted or substantively enacted at the balance sheet date.

1.13 Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.14 Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.15 Retirement benefit costs
Retirement benefit costs are accounted for in accordance with IAS 19 (revised) "Employee benefits". Full details of the basis of calculation of the net pension liability disclosed in the balance sheet at 31 March 2016, and of the amounts charged/credited to the income statement and equity, are set out in note 17 to the accounts.

The cost of the defined benefit scheme is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. Past service costs resulting from enhanced benefits are recognised in the income statement on a straight-line basis over the vesting period, or immediately if the benefits have vested. Interest cost represents a net interest cost on the net defined benefit liability. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

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

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

Pension payments to the group's defined contributions schemes are charged to the income statement as they arise.

1.16 Finance leases

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

1.17 Share-based payment

The group has applied the requirements of IFRS 2 "Share-based payment" which requires the fair value of share-based payments to be recognised as an expense.

Certain employees receive remuneration in the form of share options. The fair value of the equity instruments granted is measured on the date at which they are granted by using the Black-Scholes model, and is based on the group's estimate of the number of options that will eventually vest. The fair value is expensed in the income statement over the vesting period.

1.18 Treasury shares

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

1.19 Employee Share Ownership Plan (ESOP)

Own shares represent the company's own shares that are held by the group sponsored ESOP trust in relation to the group's employees share schemes. Own shares are deducted at cost in arriving at shareholders' equity and gains and losses on their sale or transfer are recognised directly in equity. ESOP is treated separately and consolidated in the group and company accounts.

1.20 Accounting estimates and judgements

The directors consider the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgements are:

i. Post-employment benefits
ii. Stock obsolescence provision
iii. Provisions for receivables impairment

These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail under their respective notes. For post-employment benefits, the directors take advice from a qualified actuary. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates.

2. Business and geographical segments

For management purposes, the group is organised into one trading division, that of timber importing and distribution, carried out in each of the eleven locations trading predominantly in the United Kingdom.

In each location, turnover and gross margin is reviewed separately for Panel Products (including ATP) and Timber (including Flooring and LDT). Most locations sell both products groups, except in the London region where for operational efficiency Panel Products and Timber are sold from separate locations. Resources are allocated and employees incentivised on the basis of the results of their individual location and not on the basis of a product group.

Whilst there are regional differences in the relative importance of product groups and classes of customer, each location is considered to have similar economic characteristics and so can be aggregated into one segment. We therefore consider there is one business segment and one geographic segment.

3. Profit before tax

	2016		2015	
Profit for the year has been arrived at after taking into account the following:	£'000	£'000	£'000	£'000
Net foreign exchange (loss)/gain		(13)		105
Cost of inventories recognised as an expense and included in 'cost of sales' in the consolidated income statement		145,914		141,508
Depreciation of property, plant and equipment – owned		1,507		1,428
(Profit)/loss on disposal of property, plant and equipment		(97)		(5)
Amortisation		8		7
Operating lease rentals - vehicles and plant	576		559	
- property	539		539	
		1,115		1,098
Fees payable to the company's auditor for the audit of the consolidated and parent company accounts		9		9
Fees payable to the company's auditor and its associates for other services				
The audit of the company's subsidiary pursuant to legislation		61		59
Tax services		11		15
Fees in relation to the audit of the James Latham plc Pension and Assurance Scheme		7		7

4. Information regarding employees

The monthly average number of persons, including directors, employed by the group during the year was as follows:	2016 Number	2015 Number
Management and administration	55	54
Warehousing	111	102
Selling	128	124
Distribution	62	61
	356	341

The aggregate payroll costs of these employees were as follows:	£'000	£'000
Wages and salaries	11,964	11,265
Social security costs	1,196	1,138
Pension costs	1,279	1,224
Share-based payment	62	67
	14,501	13,694

Of the above payroll costs, £3,218,000 (2015: £2,897,000) is included in cost of sales, £7,789,000 (2015: £7,090,000) is included in selling and distribution costs, and £3,494,000 (2015: £3,707,000) is included in administrative expenses in the income statement.

5. Finance income

	2016 £'000	2015 £'000
Interest receivable	56	46

The interest received is on bank deposits.

6. Finance costs

	2016 £'000	2015 £'000
On bank loans and overdrafts	**23**	44
On pension liability	**319**	380
On 8% Cumulative Preference shares	**79**	79
	421	503

The interest payable on bank loans and overdrafts is payable on balances with a maturity analysis of less than 6 months at the balance sheet date and interest on all other interest payments are based on balances with a maturity analysis of over five years at the balance sheet date.

7. Tax expense

	2016 £'000	2015 £'000
The charge for taxation on profit comprises:		
Current year:		
UK corporation tax at 20% (2015: 21%)	**2,456**	1,947
Adjustment in respect of prior year	**(11)**	(21)
Deferred taxation - pension	**(9)**	137
- IBAs derecognised in current year	**(22)**	(21)
- change in tax rates	**(28)**	-
- on trading losses carried forward	**-**	92
- other	**24**	151
	2,410	2,285
Profit before taxation	**12,876**	10,107
Tax at 20% (2015: 21%)	**2,575**	2,122
Tax effect of expenses that are not taxable in determining taxable profit	**(124)**	(1)
IBAs derecognised in current year	**(22)**	(21)
Change in tax rates	**(28)**	-
Other	**20**	206
Adjustment in respect of prior year	**(11)**	(21)
Total tax charge	**2,410**	2,285

8. Dividends

	2016		2015	
	£'000	£'000	£'000	£'000
Ordinary dividends:				
Final 8.8p per share paid 28 August 2015 (2014: 8.0p)	**1,707**		1,549	
Interim 4.0p per share paid 29 January 2016 (2015: 3.7p)	**777**		718	
		2,484		2,267

The Directors propose a final dividend for 2016 of 10.3p per share, that, subject to approval by the shareholders, will be paid on 26 August 2016 to shareholders on the register on 5 August 2016.

Based on the number of shares currently in issue, the final dividend for 2016 is expected to absorb £2,019,000.

9. Earnings per ordinary share

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

	2016 £'000	2015 £'000
Net profit attributable to ordinary shareholders	**10,466**	7,822
	Number '000	Number '000
Issued ordinary share capital	**20,160**	20,160
Less: weighted average number of own shares held in treasury investment	**(619)**	(719)
Less: weighted average number of own shares held in ESOP Trust	**(48)**	(52)
Weighted average share capital	**19,493**	19,389
Add: dilutive effects of share options issued	**65**	169
Weighted average share capital for diluted earnings per ordinary share calculation	**19,558**	19,558

10. Intangible assets - Group

	Trademark £'000
Cost:	
At 1 April 2014	155
Additions	-
At 1 April 2015	**155**
Additions	-
At 31 March 2016	**155**
Amortisation	
At 1 April 2014	47
Charge for the year	7
At 1 April 2015	**54**
Charge for the year	8
At 31 March 2016	**62**
Net book value	
At 31 March 2016	**93**
At 31 March 2015	101
At 31 March 2014	108

The amortisation charge is included in the income statement under administrative expenses.

The registered trademarks of the group are Baüsen® Flooring and Buffalo® Board.

11. Property, plant and equipment

11.1 Group

	Group			
	Freehold property £'000	Short leasehold property improvements £'000	Plant, equipment and vehicles £'000	**Total £'000**
Cost:				
At 1 April 2014	18,742	613	10,516	**29,871**
Additions	-	-	383	**383**
Disposals	-	-	(20)	**(20)**
At 1 April 2015	**18,742**	**613**	**10,879**	**30,234**
Additions	64	-	1,992	**2,056**
Disposals	(1)	-	(603)	**(604)**
At 31 March 2016	**18,805**	**613**	**12,268**	**31,686**
Depreciation:				
At 1 April 2014	2,166	214	4,844	**7,224**
Disposals	-	-	(19)	**(19)**
Charge for the year	247	37	1,144	**1,428**
At 1 April 2015	**2,413**	**251**	**5,969**	**8,633**
Disposals	-	-	(565)	**(565)**
Charge for the year	249	37	1,221	**1,507**
At 31 March 2016	**2,662**	**288**	**6,625**	**9,575**
Net book value				
At 31 March 2016	**16,143**	**325**	**5,643**	**22,111**
At 31 March 2015	16,329	362	4,910	**21,601**
At 31 March 2014	16,576	399	5,672	**22,647**

Included in freehold property is land with a book value of £6,311,000 (2015: £6,311,000) which is not depreciated.

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

	2016 £'000	2015 £'000
Cost of sales	**888**	800
Selling and distribution costs	**513**	519
Administrative expenses	**106**	109
	1,507	1,428

11.2 Company

	Plant, equipment and vehicles £'000
Cost:	
At 1 April 2014	353
Additions	2
At 1 April 2015	**355**
Additions	6
Disposals	-
At 31 March 2016	**361**
Depreciation:	
At 1 April 2014	330
Charge for the year	3
At 1 April 2015	**333**
Disposals	4
Charge for the year	-
At 31 March 2016	**337**
Net book value	
At 31 March 2016	**24**
At 31 March 2015	22
At 31 March 2014	23

12. Goodwill

	Goodwill £'000
Cost:	
At 1 April 2014 and 31 March 2016	**362**
Impairment	
At 1 April 2014 and 31 March 2016	125
Net book value	
At 31 March 2016, 2015 and 2014	**237**

The goodwill arose upon the acquisition of part of the trade and net assets of F.H. Thompson Limited in the year ended 31 March 2005.

In accordance with the group's accounting policy the carrying value of goodwill is reviewed annually for impairment. The review entails an assessment of the present value of projected return from an asset over a period of 5 years. The discount rate used in the group's estimated weighted average cost of capital is currently 6%.

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

13. Inventories

	2016 £'000	2015 £'000
Finished goods and goods for resale	**33,982**	32,620
Less: provisions for slow moving and obsolete stock	**(579)**	(714)
	33,403	31,906

The inventories impairment charge for the year ended 31 March 2016 was £406,000 (2015: £461,000). Impairment charges reversed during the year were £539,000 (2015: £413,000). The reversal of inventories arises from sales in the year of the slow moving and obsolete stock previously provided. Inventories are pledged as securities against bank overdrafts (see note 16).

14. Trade and other receivables

	Group		Company		
	2016 **£'000**	2015 £'000	**2016** **£'000**	2015 £'000	2014 £'000
Trade receivables	**32,472**	31,428	**15**	7	23
Other receivables:					
Other receivables	**1,073**	1,123	**-**	2	1
Amounts owed by subsidiaries	**-**	-	**2,220**	2,328	2,985
Tax receivable	**-**	-	**1,058**	970	785
Prepayments	**1,743**	1,662	**29**	21	19
	2,816	2,785	**3,307**	3,321	3,790
	35,288	34,213	**3,322**	3,328	3,813

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

Trade receivables amounted to £32,472,000 (2015: £31,428,000), net of a provision of £106,000 (2015: £126,000) for impairment. Movements on the group provisions for impairment were as follows:

	Group	
	2016 **£'000**	2015 £'000
At 1 April 2015	**126**	136
Provisions for receivables impairment	**206**	281
Receivables written off during the year as uncollectible	**(226)**	(291)
At 31 March 2016	**106**	126

The average credit period on sale of goods is 51 days (2015: 52 days).

The following table provides analysis of trade and other receivables that were past due at 31 March 2016 but not impaired. The group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	Group	
	2016 **£'000**	2015 £'000
0-30 days	**517**	611
31-60 days	**96**	35
61-90 days	**51**	29
	664	675

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

At 31 March 2016, £34,788,000 (2015: £33,846,000) of trade and other receivables were denominated in sterling, £247,000 (2015: £165,000) were denominated in Euros and £253,000 (2015: £202,000) were denominated in US dollars.

15. Trade and other payables

	Group		Company		
	2016	2015	**2016**	2015	2014
	£'000	£'000	**£'000**	£'000	£'000
Trade payables	**17,222**	17,784	**50**	21	35
Other taxation and social security	**3,301**	3,282	**477**	497	466
Other payables	**1,253**	1,201	**203**	237	236
Accruals and deferred income	**1,695**	1,626	**122**	109	108
	23,471	23,893	**852**	864	845

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2015: 35 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

At 31 March 2016, £21,413,000 (2015: £21,923,000) of trade and other payables were denominated in sterling, £1,374,000 (2015: £1,513,000) in US dollars, £647,000 (2015: £457,000) in Euros and £37,000 (2015: £nil) in Canadian dollars.

Based on the balance sheet value of trade and other payables, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £206,000 (2015: £197,000).

16. Interest bearing loans and borrowings

	Group		Company		
	2016	2015	**2016**	2015	2014
	£'000	£'000	**£'000**	£'000	£'000
Current liabilities					
Bank overdraft	**-**	-	**9,132**	7,563	3,390
Bank loans	**-**	907	**-**	-	-
	-	907	**9,132**	7,563	3,390
Non-current liabilities					
Cumulative preference shares of £1 each (note 20)	**987**	987	**987**	987	987
Total	**987**	1,894	**10,119**	8,550	4,377

The loans and borrowings were all denominated in sterling. Bank loans are secured by a legal charge over a freehold property. The bank loan was repaid on 1 June 2015 and the charge released.

The group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as discussed above through effective cash management. In addition, the group maintains uncommitted undrawn bank facilities of £1,000,000 (2015: £1,000,000) which can be accessed as considered necessary. The facilities bear interest at 2% above base rate and are secured by fixed and floating charges over the assets of the company and its subsidiaries. This facility is renewed annually.

The cumulative preference shares are held on an ongoing basis and pay dividends at 8% per annum.

16. Interest bearing loans and borrowings (continued)

Bank loans

	Group			
	2016		2015	
	Current £'000	**Non-current £'000**	Current £'000	Non-Current £'000
Bank loans	-	-	907	-

	2016	2015
The weighted average interest rates paid were:		
Bank loans	**3.59%**	3.59%

The weighted average period until maturity was nil years (2015: 0.2 years).

17. Retirement and other benefit obligation

	Group	
	2016 £'000	2015 £'000
Retirement benefit obligations (note 17.2)	**9,657**	10,430

17.1. Group pension schemes

James Latham plc operates a group contributory defined benefit pension scheme. The scheme is a funded scheme. Benefits are provided based on earnings in the last twelve months before retirement, plus average bonuses received over the last three years. The assets of the scheme are held separately from those of the company. 55% of the assets are invested in equities, with 49% under passive management by Blackrock and 6% in a Fund of Hedge funds managed by Mesirow. 35% are held in bonds and gilts, with 21% in a Buy and Maintain Fund managed by Mercers, 6% in an Absolute Return Fund managed by Wellington and 8% in an Index Linked fund managed by Blackrock, with the remaining 10% in a HLV Property Fund managed by Aviva.

The group contributory defined benefit pension scheme is closed to new entrants, and a defined contribution group scheme has been established for the pension provision of all other employees, including those contibuting through auto enrolment.

The pension charge for the year for all schemes was £1,279,000 (2015: £1,224,000). Of the charge, £169,000 (2015: £102,000) is included in cost of sales, £597,000 (2015: £352,000) is included in selling and distribution costs, and £513,000 (2015: £770,000) is included in administrative expenses in the income statement.

Contributions are determined by a qualified actuary on a basis of triennial valuations using the projected unit funding method. The most recent available valuation was at 31 March 2014. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment return would be 6.0% per annum pre-retirement and 4.5% per annum post-retirement, that the salary increases would average 3.6% per annum and that the present and future pensions would increase at the rate of 3% per annum in respect of service to 1 January 1991. Pensions accruing between 1 January 1991 and 28 February 1999 are required to increase at the greater of: (a) 4%, and (b) 3% on the GMP and 5% on the excess over the GMP. Pensions accruing after 1 March 1999 increase at Limited Price Indexation which has been assumed to average 2.6% in the future. Limited Price Indexation was replaced by the Consumer Price Index (CPI) for payrises occurring after 1 January 2014.

17.2. Group defined benefit pension scheme

The group operates a defined benefit scheme. The current practice of increasing pensions in line with inflation is included in the measurement of the defined benefit obligation.

The retirement benefit liability recognised in the balance sheet is the present value of the defined benefit obligations, less the fair value of the scheme assets, adjusted for past service costs. Actuarial gains and losses are immediately recognised in the statement of other comprehensive income.

	2016	2015
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	**64,421**	58,237
Service cost	**616**	594
Interest cost	**2,014**	2,580
Plan members' contribution	**5**	5
Actuarial loss	**(3,686)**	4,842
Benefits paid	**(3,192)**	(1,820)
Premiums paid	**(14)**	(17)
Benefit obligation at end of year	**60,164**	64,421
Analysis of defined benefit obligation		
Schemes that are wholly or partly funded	**60,164**	64,421
Change in scheme assets		
Fair value of scheme assets at beginning of year	**53,991**	48,970
Interest income	**1,695**	2,200
Return on plan assets (excluding interest income)	**(2,861)**	2,993
Employers contributions (incl. employer direct benefit payments)	**876**	1,776
Member contributions	**5**	5
Benefits paid from plan	**(3,192)**	(1,820)
Expenses paid	**(7)**	(133)
Fair value of scheme assets at end of year	**50,507**	53,991
Amounts recognised in the balance sheet		
Present value of funded obligations	**60,164**	64,421
Fair value of scheme assets	**50,507**	53,991
Net liability	**9,657**	10,430

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

	2016 £'000	2015 £'000
Components of pension expense		
Current service cost	**616**	594
Interest cost	**2,014**	2,580
Income on plan assets	**(1,695)**	(2,200)
Expenses paid	**(7)**	116
Total pension expense recognised in the income statement	**928**	1,090
Actuarial (gain)/loss immediately recognised	**(825)**	1,849
Total recognised in the statement of other comprehensive income	**(825)**	1,849
Cumulative amount of actuarial loss immediately recognised	**10,589**	11,414

	2016	2015
Plan assets		
The asset allocations at the year end were as follows:		
Equities	**55.2%**	58.5%
Bonds	**34.4%**	31.9%
Property	**9.8%**	8.9%
Other	**0.6%**	0.7%
	100.0%	100.0%

	2016 £'000	2015 £'000
Amounts included in the fair value of assets for		
Equity instruments	**27,901**	31,560
Bond instruments	**17,355**	17,248
Property occupied	**4,928**	4,788
Other assets used	**323**	395
	50,507	53,991

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

	2016	2015
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**3.50%**	3.20%
Rate of compensation increase	**2.90%**	2.95%
Inflation (RPI)	**2.90%**	2.95%
Inflation (CPI)	**1.90%**	1.95%
Rate of pension increases (CPI capped at 5%)	**2.00%**	2.05%
Weighted average life expectancy for mortality tables used to determine benefit obligations:		
Male member age 65 (current life expectancy)	**24.2**	24.1
Female member age 65 (current life expectancy)	**26.1**	26.1
Male member age 45 (life expectancy at age 65)	**26.2**	26.0
Female member age 45 (life expectancy at age 65)	**28.2**	28.1
Weighted average assumptions used to determine pension expense:		
Discount rate	**3.20%**	4.50%
Rate of compensation increase	**2.95%**	3.35%

Sensitivity analysis of the key assumptions

The valuation of the scheme's liabilities is dependant on the assumptions used. The sensitivity of the valuation of the liability to changes in the assumptions is shown in the table below:

	Impact on deficit (Decrease)/increase **£'000**
Discount rate increases by 0.25%	**(2,571)**
Inflation rate increases by 0.25%	**2,027**
Life expectancy increases by one year	**1,842**

History of plan assets and defined benefit obligation

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Present value of defined benefit obligation	**60,164**	64,421	58,237	62,770	53,010
Fair value of plan assets	**50,507**	53,991	48,970	45,977	40,694
Net liability	**9,657**	10,430	9,267	16,793	12,316

Contributions

The group expects to contribute £422,000 to the pension scheme for the year ending 31 March 2016.

17.3. Defined contribution pension payments

The group operates a defined contribution scheme managed by Aviva. The group has agreed to match contributions by eligible employees up to maximum of 7.5%.

Pension contributions paid to the defined contribution scheme for the year totalled £701,000 (2015: £590,000).

18. Other payables (non-current liabilities)

	Group		Company		
	2016	2015	**2016**	2015	2014
	£'000	£'000	**£'000**	£'000	£'000
Accruals and deferred income	**406**	464	**254**	286	318

19. Deferred tax

19.1 Group

The net deferred tax asset/(liability) is made up of the following elements:

	Post-employment benefits	Revalued properties	Roll over gains on assets	Other (*)	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2014	1,956	(90)	(1,856)	(784)	**(774)**
Credit/(charge) to the income statement	7	-	-	(229)	**(222)**
Credit direct to equity	296	-	-	-	**296**
At 31 March 2015 asset	2,259	-	-	-	**2,259**
At 31 March 2015 liability	-	(90)	(1,856)	(1,013)	**(2,959)**
(Charge)/credit to the income statement	(229)	-	186	78	**35**
(Charge)/credit direct to equity	(228)	9	-	-	**(219)**
At 31 March 2016 asset	1,802	-	-	-	**1,802**
At 31 March 2016 liability	-	(81)	(1,670)	(935)	**(2,686)**

* *Includes accelerated capital allowances, share-based payments, industrial buildings allowances and trading losses.*

19.2 Company

	Post-employment benefits	Accelerated capital allowances	**Total**
	£'000	**£'000**	**£'000**
As at 1 April 2014	93	6	**99**
Charge for the year	72	(1)	**71**
At 31 March 2015	165	5	**170**
Charge for the year	(102)	(3)	**(105)**
At 31 March 2016	63	2	**65**

Deferred tax has been calculated using rates that are expected to apply when the asset or liability is expected to be realised or settled, based on rates that were substantively enacted at the balance sheet date.

20. Share capital

Ordinary shares	2016, 2015 and 2014 Authorised		Issued and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 25 pence each	28,000,000	7,000	20,160,000	5,040

Preference shares	2016, 2015 and 2014 Authorised		Issued and fully paid	
	Number	£'000	Number	£'000
8% Cumulative Preference Shares of £1 each	1,500,000	1,500	987,000	987

Preference shares are included in non-current liabilities (as interest bearing loans and borrowings). See note 16.

The Cumulative Preference shares carry the right to receive the 8% dividend in priority to all other shares and the right of a return on assets in priority to all other shares. They do not carry the right to further participate in profits or assets, nor to vote at a General Meeting unless the resolution directly or adversely varies any of their rights or privileges.

There were no movements in the share capital of the company in either the year ended 31 March 2016 or 2015.

21. Share-based payment

Equity-settled share option schemes
Details of the share options outstanding during the year are as follows:

	2016 Number of share options	Weighted average exercise price (£)	Nil price share options	2015 Number of share options	Weighted average exercise price (£)	Nil price share options
Outstanding at beginning of year	**321,481**	**2.67**	**10,616**	366,928	2.37	21,008
Granted during the year	**14,349**	**6.75**	**136**	16,262	5.65	560
Forfeited during the year	**(14,637)**	**2.74**	**-**	(10,159)	2.20	-
Exercised during the year	**(188,330)**	**2.38**	**(10,752)**	(51,550)	1.55	(10,952)
Outstanding at the end of the year	**132,863**	**3.52**	**-**	321,481	2.67	10,616

The weighted average share price for options exercised during the year was £6.66 (2015: £5.55).

21. Share-based payment *(continued)*

Details of the options outstanding at 31 March 2016 are shown below. 17,000 (2015: 19,000) of these options were exercisable at the year end.

	2016			2015		
	CSOP	SAYE	Nil price share options	CSOP	SAYE	Nil price share options
Range of exercise prices	**£1.65-£6.75**	**£2.46**	**Nil**	£1.65-£5.65	£2.46	Nil
Number of shares	**132,234**	**629**	**-**	153,094	168,387	10,616
Weighted average expected remaining life (years)	**3.0**	**-**	**-**	3.0	0.9	0.2

The Black-Scholes option model is used to calculate the fair value of the options and the amount to be expensed. No performance conditions apply to any of the share option schemes.

The inputs into the Black-Scholes model, expressed as weighted averages for options granted during the year are as follows:

	2016			2015		
	CSOP	SAYE	Nil price share options	CSOP	SAYE	Nil price share options
Share price at grant date	**£6.75**	**-**	**-**	£5.65	-	-
Option exercise price	**£6.75**	**-**	**-**	£5.65	-	-
Expected volatility	**14.5%**	**-**	**-**	24%	-	-
Option life	**5 years**	**-**	**-**	5 years	-	-
Risk free interest rate	**1.8%**	**-**	**-**	1.7%	-	-
Fair value	**£1.17**	**-**	**-**	£1.39	-	-

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 3 years. The option life is based on options being exercised in accordance with usual patterns. Options are forfeited if the employee leaves the group before options vest. For the CSOP scheme, the options can be exercised up to 5 years after the vesting date, and with the SAYE scheme, this period is 6 months. The risk free interest rate is based on 10 year UK Government Bonds. For the nil price share options, dividends will be reinvested into additional shares in the plan.

The group recognised total expenses of £62,000 (2015: £67,000) related to equity settled share-based payment transactions in the year.

Share Incentive Plan

The Company also runs an approved Share Incentive Plan in which eligible employees can buy Partnership Shares at mid-market price on the date of the grant. The shares are held in the employee benefits trust for a 5-year period. The number of shares held in trust of this plan at 31 March 2016 was 175,354 (2015: 191,115).

22. Fixed asset investments – Company

	Subsidiary undertakings
	£'000
Shares:	
At 1 April 2014 and 31 March 2016	9,613
Loans:	
At 1 April 2014 and 1 April 2015	5,000
Repayments	(5,000)
At 31 March 2016	-
Total at 31 March 2014 and 31 March 2015	14,613
Total 31 March 2016	**9,613**

The loan to Lathams Limited has been repaid in the year, interest was charged at a rate of 1.25% above base rate per annum.

Details of subsidiary companies are given below:

Name	Country of incorporation	Class of shares	Percentage of ownership	Principal activity
Lathams Limited	England and Wales	£1 Ordinary	100%	Importing and distribution of timber and panel products
James Latham Trustee Limited	England and Wales	£1 Ordinary	100%	Corporate Trustee Company
LDT Westerham Limited	England and Wales	£1 Ordinary	100%	Dormant
Baüsen Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Midland and Western) Limited*	England and Wales	£1 Ordinary	100%	Dormant
Advanced Technical Panels Limited*	England and Wales	£1 Ordinary	100%	Dormant
Latham Timber Centres (Bridgwater) Limited	England and Wales	£1 Ordinary	100%	Dormant
James Latham (Warehousing) Limited	England and Wales	£1 Ordinary	100%	Dormant

* Indirectly held.
All companies operate within the United Kingdom.

23. Own shares

	£'000
At 1 April 2014	
Cost	175
Movement in the year	2
At 31 March 2015	177
Movement in the year	264
At 31 March 2016	**441**

The investment in own shares represents 59,247 25p Ordinary shares (2015: 36,879 25p Ordinary shares) held on behalf of the James Latham plc Employee Benefits Trust, a discretionary trust. This represents 0.29% (2015: 0.18%) of the issued share capital. The maximum number of shares held during the year was 219,788 (1.07%). Dividends have been waived and all income and expenditure of the trust has been dealt with through the group's income statement. None of these shares have been allocated to employees.

At 31 March 2016 519,200 (2015: 719,200) 25p Ordinary shares were held by the company as Treasury Shares. These shares are held with a view to being used for employee share schemes. During the year 200,000 shares were issued to the James Latham Employee Benefits Trust.

24. Cash generated from operations

	Group		**Company**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Profit before tax	**12,876**	10,107	**(690)**	(581)
Adjustment for finance income and expense	**365**	457	**162**	71
Depreciation and amortisation	**1,515**	1,435	**4**	3
Profit on disposal of property, plant and equipment	**(97)**	(5)	**-**	-
Increase in inventories	**(1,497)**	(3,969)	**-**	-
Increase in receivables	**(1,075)**	(1,371)	**94**	670
(Decrease)/increase in payables	**(480)**	647	**(43)**	(13)
Retirement benefits non cash amounts	**(267)**	(1,066)	**-**	-
Share-based payments non cash amounts	**62**	67	**62**	67
Own shares non cash amounts	**302**	(84)	**302**	(84)
Cash generated from operations	**11,704**	6,218	**(109)**	133

25. Leasing commitments

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

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Vehicles and Plant				
No later than one year	**442**	427	**13**	23
Later than one year but no later than five years	**672**	486	**7**	21
	1,114	913	**20**	44
Property:				
No later than one year	**595**	595	**221**	221
Later than one year but no later than five years	**2,383**	2,383	**884**	884
Later than five years	**1,448**	2,044	**848**	1,069
	4,426	5,022	**1,953**	2,174

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

26. Related party transactions

The group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the key management of the group, who are the Companies directors, is set out below.

	2016	2015
	£'000	£'000
Salaries and other short-term employee benefits	**1,078**	954
Social security costs	**143**	123
Pension costs	**122**	99
Share-based payments	**15**	24
	1,358	1,200

There are 5 directors to whom retirement benefits are accruing under defined benefit schemes, and 6 directors that exercised share options during the year.

Emoluments for the highest paid director totalled £203,000 (2015: £260,000). The highest paid director also exercised 5,376 Deferred Share Bonus Plan share options during the year at a gain of £36,557. The highest paid director had an accrued defined benefit pension of £56,000 (2015: £109,000) at the balance sheet date.

The company undertakes the following transactions with the active subsidiary company.
- Paying interest totalling £257,000 (2015: £233,000).
- Receiving an annual management charge to cover services provided of £1,849,000 (2015: £1,652,000).

Details of balances outstanding with subsidiary companies are shown in Note 14.

Other than the payment of remuneration, there have been no related party transactions with directors.

27. Capital commitments

At 31 March 2016, there were capital commitments contracted for but not provided in the accounts of £583,000 (2015: £413,000).

28. Financial instruments

The group and company's activities expose the group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are managed through an effective risk management programme. Further details are set out in the Financial Review on pages 10 to 12.

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

GROUP	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2016					
Finance leases	-	-	-	-	-
Trade payables	17,222	-	-	-	**17,222**
Accruals	1,663	-	-	-	**1,663**
Other payables	1,253	-	-	-	**1,253**
Cumulative preference shares of £1 each	-	-	-	987	**987**
Total	**20,138**	**-**	**-**	**987**	**21,125**
2015					
Finance leases	-	-	-	-	-
Bank loans	907	-	-	-	**907**
Trade payables	17,784	-	-	-	**17,784**
Accruals	1,594	-	-	-	**1,594**
Other payables	1,201	-	-	-	**1,201**
Cumulative preference shares of £1 each	-	-	-	987	**987**
Total	**21,486**	**-**	**-**	**987**	**22,473**

COMPANY	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Total £'000
2016					
Trade payables	50	-	-	-	**50**
Accruals	90	-	-	-	**90**
Other payables	203	-	-	-	**203**
Cumulative preference shares of £1 each	-	-	-	987	**987**
Total	**343**	**-**	**-**	**987**	**1,330**
2015					
Trade payables	21	-	-	-	**21**
Accruals	77	-	-	-	**77**
Other payables	237	-	-	-	**237**
Cumulative preference shares of £1 each	-	-	-	987	**987**
Total	**335**	**-**	**-**	**987**	**1,322**

28. Financial instruments *(continued)*

Foreign currency risk
Approximately 41% of the group's purchases are denominated in foreign currencies, principally the US dollar and the Euro. Forward contracts are used where we have agreed exchange rates with our customers and we also use other currency derivatives to help manage our short term exposure on a weakening sterling from time to time. However, no more than 25 percent of the currency requirements will be covered by forward contracts or other currency derivatives.

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

Included in group cash and cash equivalents at 31 March 2016 was £113,000 in US Dollars (2015 £37,000) and £154,000 in Euros (2015: £46,000), at variable interest rates.

Based on the balance sheet value of cash and cash equivalents, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in income and equity of £27,000 (2015: £8,000).

There is no foreign currency held in the company accounts.

Interest rate risk
The interest rate exposure arises mainly from its interest bearing deposits. Deposits held at floating rates expose the entity to cash flow risk whilst deposits held at fixed rate expose the entity to fair value risk.

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Fixed rate instruments				
Bank loan	**-**	(907)	**-**	-
Cumulative preference shares of £1 each	**(987)**	(987)	**(987)**	(987)
Variable rate instruments				
Cash and cash equivalents	**16,832**	12,501	**14,924**	11,041
Bank overdraft	**-**	-	**(9,132)**	(7,563)

Interest rate risk is limited to the cash and cash equivalents, bank overdraft and bank loans.

Based on the balance sheet value of cash and cash equivalents, bank overdraft and bank loans, as shown above, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £168,000 (2015: £125,000) in the group and £57,000 (2015: £35,000) in the company.

28. Financial instruments *(continued)*

Credit risk exposure
Credit risk arises on our financial asset investments, trade receivables and cash and cash equivalents. Credit exposure is managed on a group basis and appropriate credit limits are set for each customer taking into account credit reports received from outside agencies, and previous credit history. Credit insurance is taken out to cover approved individual debtors with balances over £40,000. Where limits are required above £40,000 that cannot be backed by insurance, a sub-committee of the board will review reports on the customer, and agree additional limits if appropriate. Bad debts are 0.11% of sales this year, compared with our target of 0.4%. The carrying amount of financial assets recorded in the accounts, which is net of impairment losses, represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**32,472**	31,428	**15**	7
Other receivables	**1,073**	1,123	**-**	2
Cash and cash equivalents	**16,832**	12,501	**14,924**	11,041
Total	**50,377**	45,052	**14,939**	11,050

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

The following table shows the financial liabilities measured at amortised cost:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**17,222**	17,784	**50**	21
Other payables	**1,253**	1,201	**203**	237
Accruals	**1,663**	1,594	**90**	77
Bank loan	**-**	907	**-**	-
Bank overdraft	**-**	-	**9,132**	7,563
Total	**20,138**	21,486	**9,475**	7,898

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

Finance income
An analysis of finance income is set out in note 5 to the consolidated accounts.

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

Notice is hereby given that the one hundred and seventeenth Annual General Meeting of the Company will be held at Gallery Level, Business Design Centre, 52 Upper Street, London, N1 0QH on Wednesday 24th August 2016 at 12.30pm. Resolutions 1 to 8 inclusive will be proposed as ordinary resolutions, and resolutions 9 and 10 will be proposed as special resolutions.

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 March 2016 together with the Independent Auditor's report thereon.
2. To declare the final dividend recommended by the directors on the ordinary shares of the Company.
3. To elect Fabian French as a director, who was appointed during the year.
4. To re-elect Meryl Bushell as a director, who retires by rotation.
5. To re-elect Peter Latham as a director, who retires by rotation.
6. To re-elect Nick Latham as a director, who retires by rotation.
7. To re-appoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) Chartered Accountants, as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company, at a remuneration to be determined by the directors.

Special business

8. Directors authority to allot shares: To consider, and if thought fit, pass the following resolution: "THAT in substitution for all existing authorities, to the extent unused, the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot equity securities up to an aggregate nominal amount of £1,680,000 provided that this authority shall expire at the earlier of the conclusion of the Company's next Annual General Meeting or 15 months from the date of the passing of this resolution and that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements notwithstanding that the authority conferred has expired. The expression 'equity securities' and 'allotment' shall bear the same meanings respectively given to the same in section 560 Companies Act 2006."
9. Disapplication of pre-emption rights: To consider, and if thought fit, pass the following resolution: "THAT subject to the passing of the previous Resolution 8, pursuant to section 571 of the Companies Act 2006, section 561 of the Companies Act 2006 shall not apply to any allotment or agreement to allot equity securities pursuant to the authority conferred by Resolution 8:

(a) this power shall be limited to:

(i) the allotment of equity securities in connection with or subject to an offer or invitation, open for acceptance for a period fixed by the Directors, to the holders of Ordinary Shares on the register on a fixed record date in proportion (as nearly as maybe) to their respective holdings or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with the fractional entitlements which would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise how so ever); and

(ii) other than pursuant to paragraph (a)(i) of this Resolution, the allotments of equity securities for cash up to an aggregate nominal amount of £252,000; and

(b) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date after passing of this Resolution except that the Directors may allot equity securities under this power after that date to satisfy an offer or agreement made before this power expired."

Notice of Annual General Meeting

10. Authority of the Company to purchase its own shares: To consider and, if thought fit, pass the following resolution: "THAT the Company be and is generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693 (4) of the Companies Act 2006) of its Ordinary Shares of 25p each provided that:

  (a) the maximum aggregate number of Ordinary Shares which may be purchased is 2,016,000 (representing 10% of the issued share capital of the Company);

  (b) the price at which Ordinary Shares may be purchased shall not be more than 105% of the average of the closing middle market price for the Ordinary Shares as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days preceding the date of purchase and shall not be less than 25p per Ordinary Share (in both cases exclusive of expenses); and

  (c) this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date of the passing of this resolution."

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

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

22 June 2016

Notes:
The Report and Accounts are sent to all members of the Company.

Holders of preference shares are not entitled to be present, either personally or by proxy, or to vote at any general meeting so long as the dividends on such preference shares are regularly paid or unless a resolution is to be proposed for winding up the Company, reducing its capital or selling its undertaking or adversely affecting the rights of the holders of preference shares.

A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

A proxy form is enclosed. To be valid, it must be lodged with the Company's Registrars at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 48 hours before the fixed time for the Meeting.

Copies of directors' contracts of service, the register of interests of directors, the Company's memorandum of association and the articles of association will be available for inspection at the Registered Office during normal business hours from the date of the above notice until the close of the meeting.

In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members eligible to vote and entered on the Company's register of members as at 12.30pm on Monday 22 August 2016 are entitled to attend and vote at the meeting; or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the adjourned meeting.

At 22nd June 2016, the Company's issued share capital consisted of 20,160,000 shares of which 519,200 shares are held in Treasury. Each share not held in Treasury carries one vote. The total number of voting rights are therefore 19,640,800.

Share dealing service for shareholders

We continue to operate a telephone share dealing service with our registrar, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling James Latham plc ordinary shares on the London Stock Exchange. The commission is 1%, subject to a minimum charge of £35. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8am to 4.30pm Monday to Friday excluding bank holidays on telephone number 0370 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. In addition an internet share dealing service is available by logging into your account on www-uk.computershare.com/investor. The fee for this service will be 1% of the value of each sale or purchase of shares, subject to a minimum of £30. There are no additional charges for limit orders (available for sales only). No stamp duty is currently payable on share transfers. Detailed terms and conditions are available on request, please phone 0370 707 1093.

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

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

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