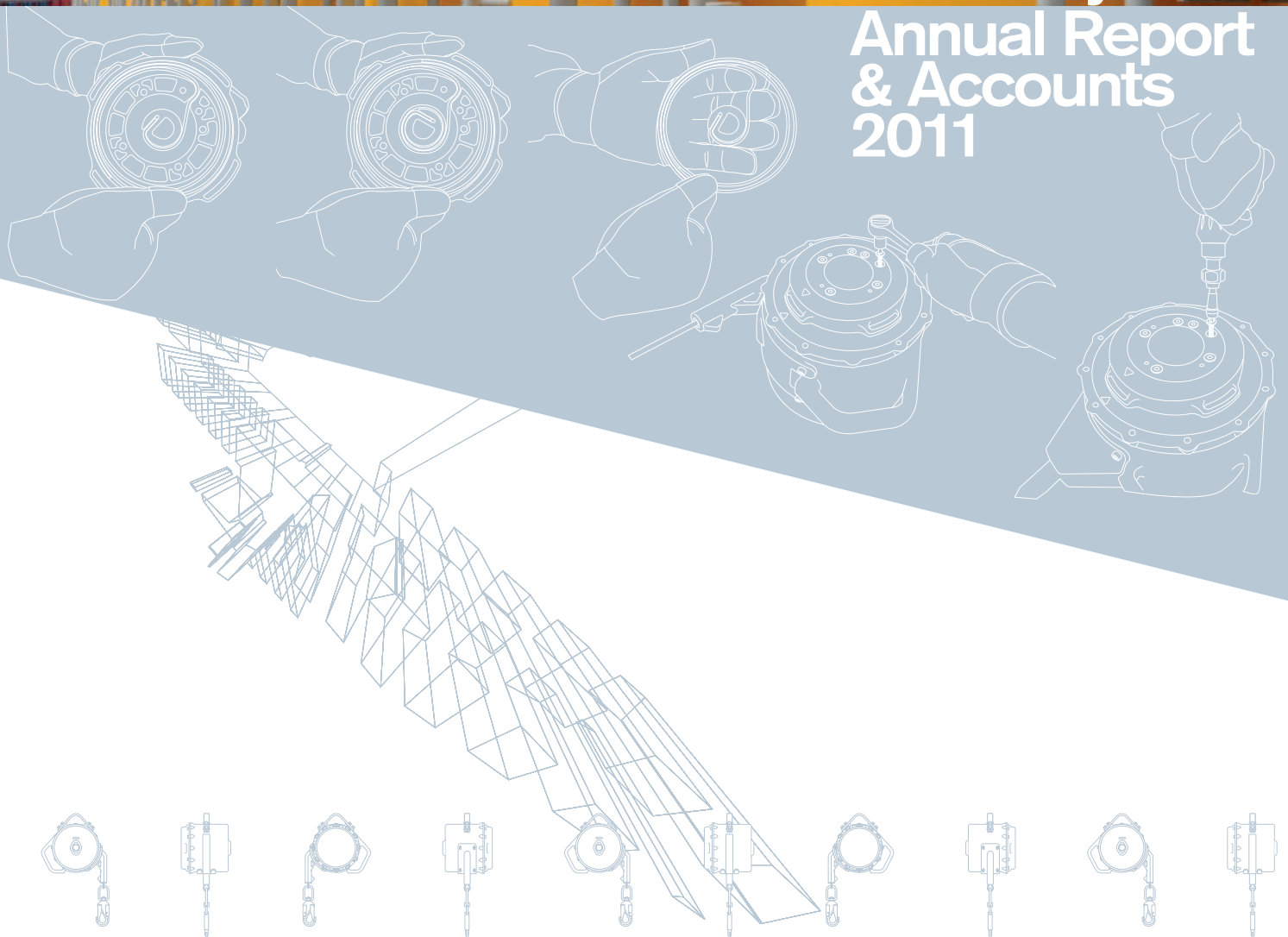




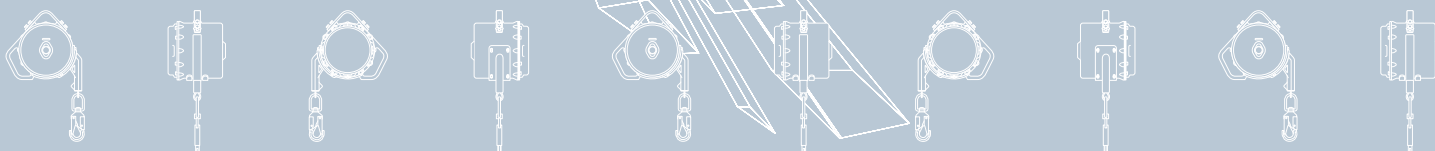
# Latchways Annual Report & Accounts 2011



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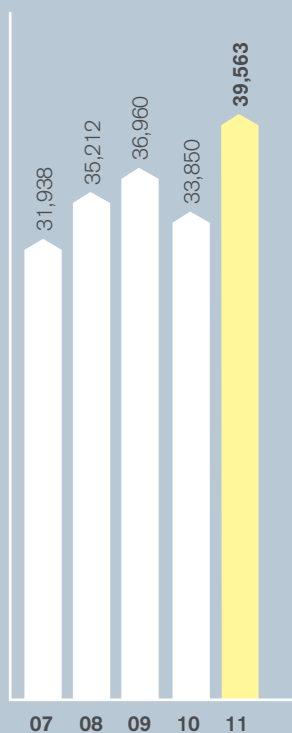
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Latchways plc, Hopton Park, Devizes, Wiltshire SN10 2JP  
 Company Number: 1189060

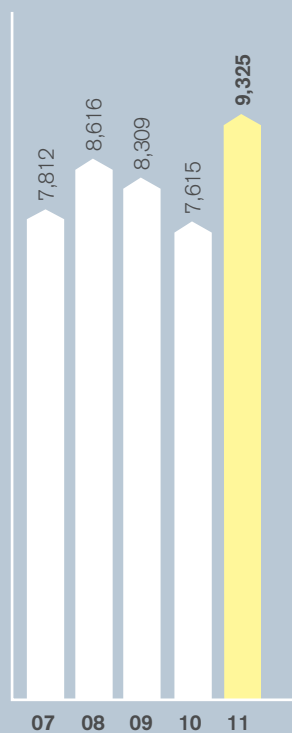


# Five Year Record

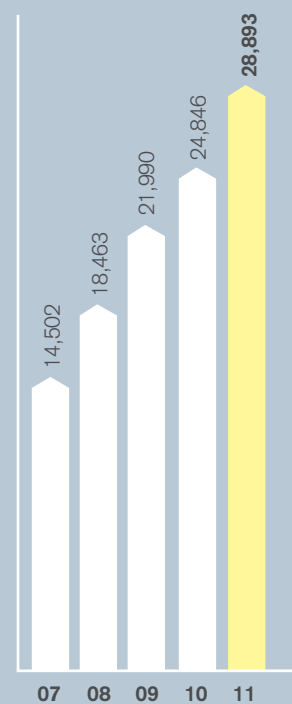
**Revenue**  
(£'000)



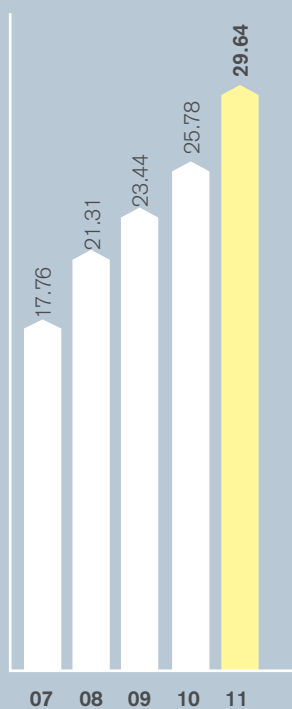
**Profit before tax**  
(£'000)



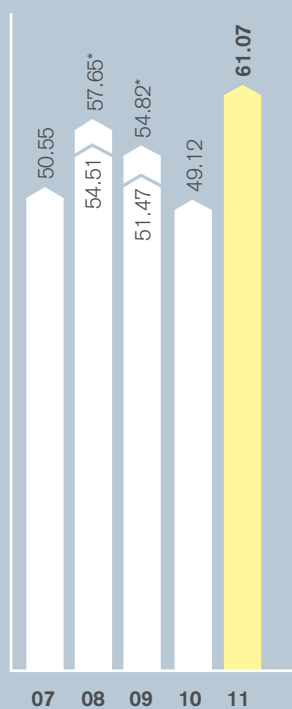
**Shareholders' funds**  
(£'000)



**Dividends per share**  
(pence)



**Diluted earnings per share**  
(pence)



(non core dividend: a special dividend of 30p was paid in 07 in addition to the above)

\*(Adjusted to exclude exceptional items)

## Chairman's Statement

This has been an excellent year for Latchways. After the difficulties experienced since the beginning of the financial crisis and subsequent recession, we have achieved growth across the range of our products and markets, enabling us to report record revenues and profits for the group.

Our success has been built upon providing innovative, technically advanced fall protection solutions to an increasingly global market, and backing this with the very best customer service. As the business grows, we are investing in resource at all levels of the business to ensure that we can continue to meet the demanding expectations of our diverse customer base.

### Results

Group revenue for the year ended 31 March 2011 was £39.6 million (2010: £33.9 million), a 17% increase on last year.

Group profit before taxation was 22% higher than last year at £9.3 million (2010: £7.6 million).

Diluted earnings per share improved by 24% to 61.07 pence (2010: 49.12 pence).

Net cash balances at year end were £10.9 million (2010: £7.2 million).

### Dividends

The growth of the Latchways business over the past twelve months has resulted in modest increases in working capital requirements. Despite this, the business has continued to generate excellent cash flows, resulting in a £3.7 million increase in net cash balances at the year end.

We expect to commence work on an additional production unit at Devizes during the coming year, which will utilise part of the cash balance. The appropriate level of ongoing cash retention is under constant review. At this time, the board is recommending a 15% increase in the final dividend to 20.66 pence per share (2010: 17.97 pence). Taken together with the interim dividend of 8.98 pence, the total dividend for the year of 29.64 pence per share represents a 15% increase on last year. This is more than twice covered by earnings.

The board remains committed to maintaining a progressive dividend policy whilst ensuring that the group retains sufficient funds to make ongoing investment decisions without recourse to banks or shareholders.

Subject to approval at the Annual General Meeting, the final dividend will be paid on 16 September 2011 to shareholders on the register as at 19 August 2011.

### Our Trading Environment

The increasing importance of new markets to our business marks the successful outcome of our long term strategy. This recognised the need to reduce our exposure to UK construction, which at the time of its inception represented over half of our business. Since then, our strategy has been to develop new markets, both within the UK and overseas, reducing the importance of UK construction to our operating performance. Our product development and acquisition activities have reflected this, with the emphasis on products aimed at overseas, industrial and military markets. This strategy has ensured that, despite the continuing weakness of the UK economy, we have been able to weather the economic conditions of the past few years and return to growth far more quickly than would otherwise have been possible. Today, overseas markets account for 69% of our total product sales.

We expect the UK construction market to remain flat for at least the coming year, but this will not affect our ability to grow the business further.

Outside of the construction market, the UK has performed well. We have achieved significant success with the sealed Self Retracting Lifeline, which has now become the industry standard in the offshore wind energy market for access and egress of turbines, whilst we have also seen increasing activity in commercial retrofit installations of our horizontal systems.

Our European business has resumed its excellent growth record. Over the past decade, we have grown our European revenues by a compound 26% per annum, and we believe there are many more opportunities for further growth in the future.

We have once again seen strong growth in North America, driven by the gathering pace of Self Retracting Lifeline sales, which more than tripled in the year. Wingrip has again performed well, particularly with the US military.

We have made significant steps forward in other parts of the world. We have won new customers for our electricity transmission tower fall protection systems, and entered new geographical markets such as the Middle East and South America. These have taken a number of years to prospect and develop but we are now starting to see the benefits.

While revenues from the electricity industry can vary from year to year due to maintenance schedules, these are long term relationships which should provide significant revenues for years to come.

## New Product Development

New products and innovations are a key aspect in Latchways' development, as can be seen from the success in recent years of products such as Wingrip and the Self Retracting Lifeline. Whether developed in house or acquired, we will continue to introduce innovative, technically advanced products which both solve our customers' fall protection problems and raise our industry to a new level.

During the past year we have launched the Wingrip All-in-one pad, which combines vacuum unit and pad to provide an easily portable, use-anywhere solution for urgent aircraft maintenance where a fixed air supply may not be available. Of particular interest to military applications, this product is also attracting the attention of commercial customers.

In the coming year, we have further innovations planned which we expect, in the fullness of time, to add substantially to revenues.

Innovation has many aspects, not all of which result in headline-grabbing, completely new products such as those described above. At Latchways we pride ourselves on being able to resolve any fall protection issue quickly and cost effectively. Where a suitable solution does not exist, we will design one. This is of particular importance in industries such as electricity generation and transmission, where it is necessary to cater for a myriad of structure designs.

As our markets expand, we are seeing increasing demands for our skills from customers around the world. We are therefore increasing our investment in engineering resources to ensure we continue to meet those demands.

## Recent Projects

As our business grows, we see further examples of our systems being selected for the largest and most prestigious projects worldwide. In the sporting arena, our systems have been installed extensively on 2012 Olympic projects, and we have been specified for the new International Formula One circuit in New Delhi, India. Our success in the offshore wind turbine market is reflected in completed installations for the London Array and Sheringham Shoal wind farms, whilst the Wingrip product line has recently been adopted by British Airways.

## People

As the business grows, it is vital that we balance the resources available to service our customers with the growing list of needs. We have a tremendously loyal and diligent team, and it is our task to ensure that they are provided with the tools and resources that they need to respond to the increasing demands that growth brings with it. We are continuing the expansion of our sales team, which we started last year, but we are also strengthening support areas across the business such as new product development, engineering, quality and procurement.

We have also taken steps to further strengthen the governance of the group, with the introduction of an additional non executive director to the board. I am delighted to welcome Ian Pickering, who joined us in April 2011, and brings with him a wealth of experience both as an executive and non executive director of a range of organisations. Ian will take over as audit committee chair from Brian Finlayson, who will remain on the board. I would like to thank Brian for the diligence and professionalism that he brought to this aspect of his board duties.

During the year, we introduced the Latchways Value Creation Plan, a long term incentive scheme aimed at staff in positions most able to directly influence and drive the growth and profitability of the business, with the aim that they can share in the success of the business provided that shareholder value creation exceeds a demanding target. The scheme was introduced after substantive consultations with our larger investors, for whose input we were most grateful, and received overwhelming support from our shareholders.

On behalf of the board I would once again like to express our thanks and admiration to our staff for a job well done.

## Current Trading and Prospects

The new year has started well with the order book ahead of last year.

With innovative new product launches planned for later in the year, I look forward to reporting further progress.

**Paul Hearson, Chairman**



# Operating and Financial Review

The board of Latchways plc is pleased to report these consolidated results for the year ended 31 March 2011.

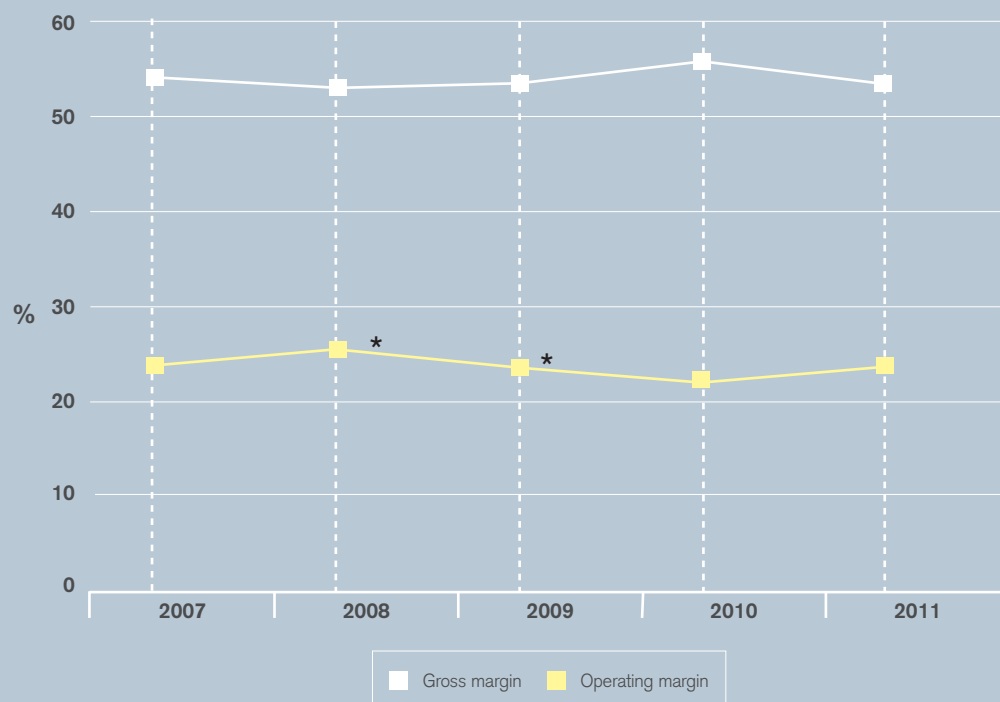
## Financial Results

Group revenue for the year was £39.6 million, up 17% on the 2010 figure of £33.9 million. This resulted in an operating and pre-tax profit of £9.3 million, 22% better than 2010 (2010: £7.6 million).

Both gross and operating margins are among the group's key performance indicators.

The consolidated gross margin was 2.1% lower than last year at 53.8% (2010: 55.9%). This was due to product mix effects and increasing commodity prices, and the margin remains higher than 2009 levels.

## Five Year Performance of Gross Margin and Operating Margin



\* 2008 and 2009 operating margin stated before exceptional charges.

Overheads were 6% higher than last year at £12.0 million. This was due to sales commissions and bonuses resulting from the strong profit performance. A £0.2 million IFRS 2 charge was taken in relation to the Value Creation Plan (2010: £nil). The modest increase in overheads compared to revenues resulted in operating margins improving by 1% to 23.5%.

The effective rate of taxation for the year was 26.8% (2010: 28.0%). The reduced rate is due to a Research & Development tax refund in the year, along with the reduction in deferred tax rates to 26% to reflect the 2011/12 corporation tax rate change.

Basic earnings per share increased by 24% to 61.27 pence (2010: 49.25 pence), whilst diluted earnings per share also increased by 24% to 61.07 pence (2010: 49.12 pence).

On the balance sheet, non-current assets reduced by £0.1 million to £9.6 million (2010: £9.7 million). This was due to depreciation and amortisation charges exceeding capital expenditure requirements. Goodwill was broadly unchanged at £4.4 million. Other intangible assets of £1.9 million (2010: £2.0 million) comprise the intellectual property, brands, order books and customer relationships acquired since 2004, together with internally generated patents and trademarks, computer software and ongoing development costs that have been capitalised. Property, plant and equipment of £3.1 million (2010: £3.3 million) mainly represents premises, together with production plant and tooling. The premises consist of a 2,000 square metre assembly unit, warehouse and head office at Devizes, together with a further 2 acres of additional land directly adjacent. Given current growth rates, we are in the process of planning an additional facility on this land, to provide necessary capacity for the coming years.

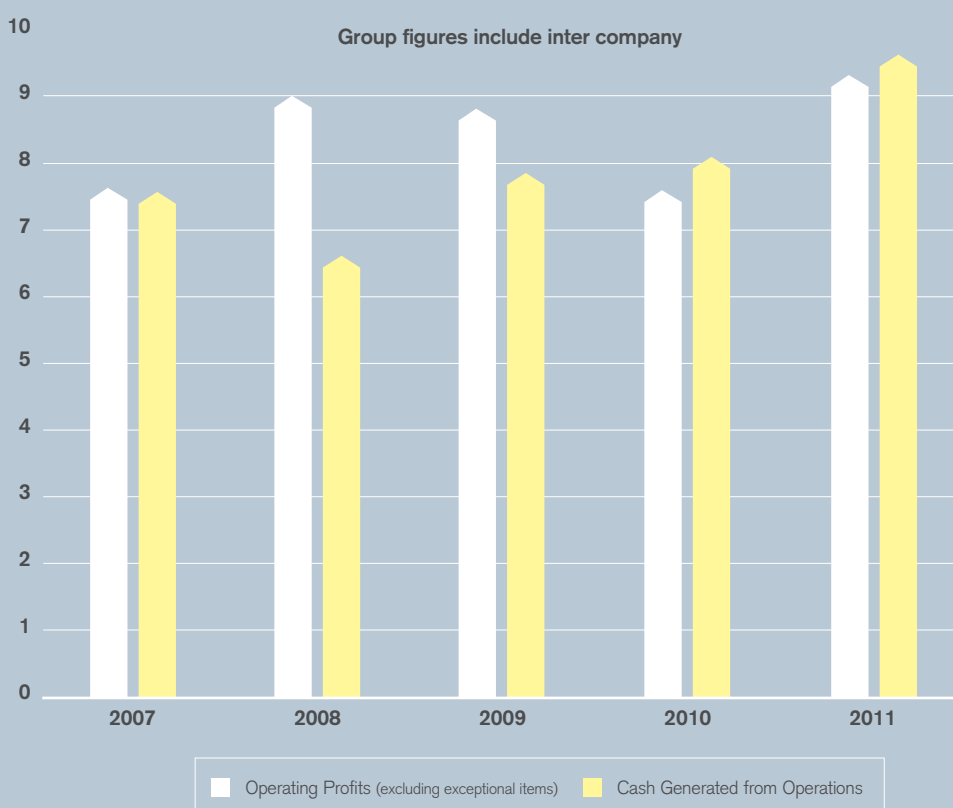
Inventory of £3.8 million was £0.3 million higher than last year (2010: £3.5 million). This resulted from the increased activity levels and the expanding product range.

Trade and other receivables were £1.4 million higher at £11.7 million (2010: £10.3 million). This is a lower percentage increase than revenues.

Group creditor days were 31 days (2010: 36 days). It remains our clear policy to ensure that suppliers are paid on time. This results in strong relationships with those suppliers which are of substantial benefit to Latchways in the longer term.

Cash generation is a key performance indicator for the group. Cash generated from operations as a proportion of operating profit was 104% (2010: 106%). Whilst working capital requirements have increased with the growth of the business, these increases remain modest. Tax payments in the year were £0.1 million lower at £2.4 million (2009: £2.5 million), reflecting the lower tax payments relating to 2010 profits, whilst a £0.1 million tax credit was received on prior year Research and Development expenditure. Capital expenditure on intangible assets increased slightly in the year, mainly due to increased activity on protection of intellectual property.

### Five Year Cash Flow Profile (£'Million)



Dividend payments increased by £0.4 million to £3.0 million (2010: £2.6 million).

Cash and cash equivalents were £3.7 million higher than last year at £10.9 million (2010: £7.2 million). The group has no borrowings.

Details of the group's critical accounting estimates and judgements are included in the Statement of Accounting Policies.

### Strategic Overview

Latchways is a world leader in the provision of high quality fall protection equipment and related services. Our aim is to maximise shareholder return through providing the most innovative and functional equipment to a largely legislation-driven market, with a customer support network and after-sales service that is unrivalled in our industry. There has been no change to this strategy during the year.

Fall protection is a global industry, involving a number of substantial market participants. While Latchways is the dominant player in one sub-section of this market (engineered fall protection systems), our success in entering the self-retracting lifeline business has demonstrated that we can apply our skills to other products within the broader, and much larger, fall protection market, through product innovation. Working with our existing worldwide independent distributor base, as well as with larger international partners, we believe that we can continue to make significant inroads into the wider fall protection market.

# Operating and Financial Review

## Operating Review

The Latchways group has two business segments, each of which is managed independently with strategic input from the group board. The Safety Products segment is the main Latchways product business, operating out of the group headquarters in Devizes and a small production plant in Kozina, Slovenia. Safety Products generates almost three quarters of group revenue, 69% of this revenue being earned overseas, and produces 88% of group operating profits. The Safety Services division, which installs and services safety products in the UK, generates the remaining revenue and profit.

During the year, a third, minor segment, Specialist Fixings, was absorbed into the Safety Services segment and is no longer reported separately.

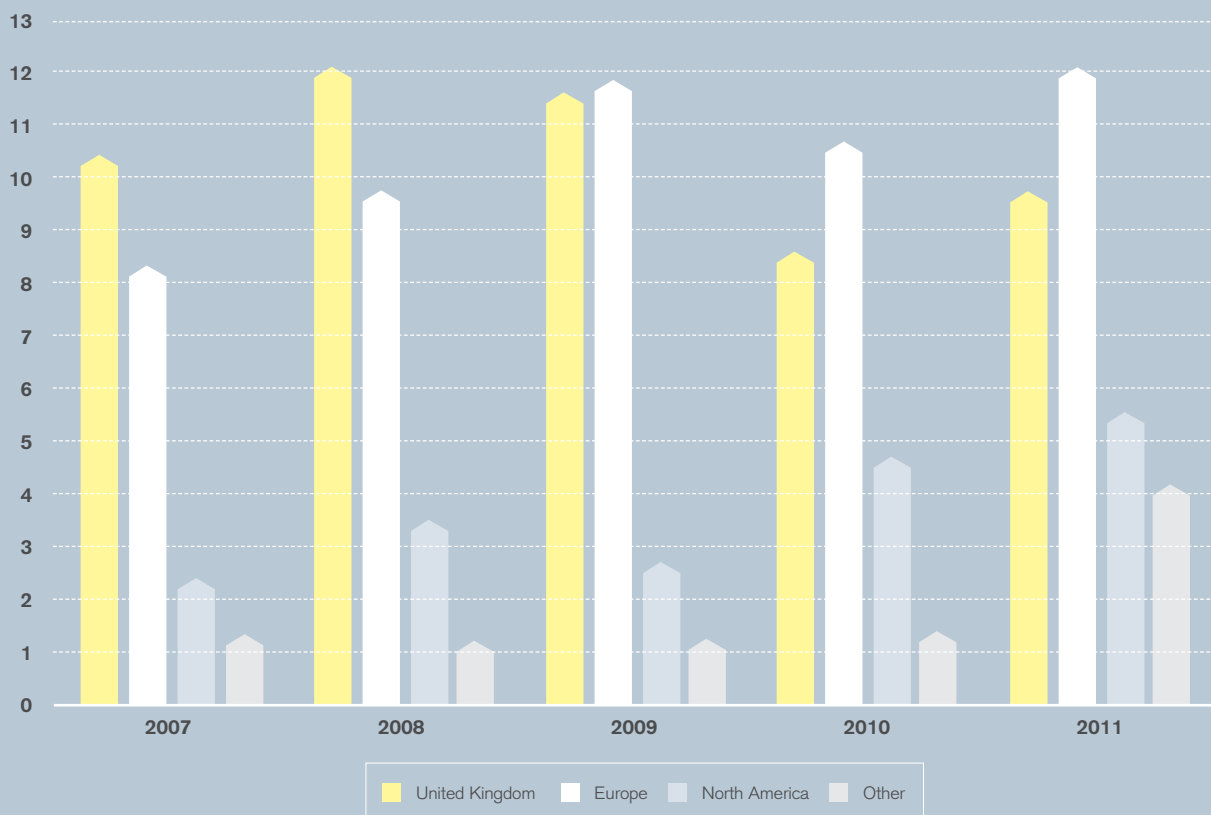
### Safety Products

Latchways designs and manufactures fall protection equipment for people working at height. This equipment is sold worldwide, both directly to end users and also through a network of independent, trained installers. The business is broadly categorized between horizontal business (systems for those working at height, eg on rooftops, crane rails etc) and vertical business (systems for those climbing to or from height, eg ladders, telecom masts, electricity transmission towers). In recent years the range has been enhanced, both through acquisition and product development, to include Personal Protective Equipment, guardrails and walkways.

The Safety Products business saw total revenues increase by 27% in the year, with increases in all major market sectors. Operating profits increased by 24% to £8.2 million.

As the Safety Products business operates in a worldwide market, a key performance measure is the revenue performance achieved in each geographical segment.

### Five Year Product Sales Profile (£' Million)



The UK business had a much improved year, with revenues up 14% to £9.8 million. This was achieved despite the continued problems in the commercial construction market, where revenues were flat year on year. As Latchways systems are among the last things to be installed on a construction project, we will be among the last to benefit from any construction recovery.

Therefore we do not expect a significant upturn in this market for the coming year at least. Our growth was generated by the newer product lines such as Wingrip, with British Airways being a notable new customer, and Versirail. Self Retracting Lifeline revenues doubled in the year, mainly due to the success of the Sealed variant in offshore wind turbine markets. The London Array project has been fully supplied with Latchways products, whilst a number of similar prospects are in progress.

European revenues improved by 13% to £12.1 million. We have seen solid business in the year from the majority of geographic markets, as well as product lines. With a number of Dutch government contracts rolling out over the coming year, together with some specific projects elsewhere, we are confident of further growth from mainland Europe over the coming year.

After a very strong previous year, we have seen further progress in North America. Revenues are up 20% to a record £5.6 million. This was largely due to the gathering momentum of the Self Retracting Lifeline product range, for which revenues have more than tripled in the year. Wingrip has also performed well, achieving growth on last year despite 2010 including substantial orders for the C17 transport fleet.

The rest of the world has provided excellent growth, with revenues up 200% to £4.2 million. This was mainly due to the success of our vertical business, with customers in Australia and New Zealand starting long term rollout projects for their electricity transmission towers. We have created a Latchways subsidiary in Australia to provide importation and other services for our customers there, and we expect ongoing business from this market. Elsewhere, we have seen increased business for our traditional horizontal systems in the Middle East and South America. Although relatively modest so far, these markets offer significant growth potential in the longer term.

### **Safety Services**

As the Safety Services division is Latchways' UK installation arm, its revenues remain subdued due to the recession in the commercial construction sector. This has resulted in a slight fall in revenues, along with pressure on gross margins due to the highly competitive nature of the installation market at the moment. Overall, Safety Services revenues (restated to include Specialist Fixing revenues) were slightly down on 2010 at £10.6 million (2010: £11.0 million). However, careful cost control across the business resulted in a 5% improvement in operating profits, to £1.2 million (2010: £1.1 million).

During the year, Safety Services, as the largest installer of Latchways products, purchased £2.7 million of product from Latchways, an 8% increase on the previous period.

## **Risks and the Operational Environment**

As a provider of fall protection solutions to a global marketplace, the group is subject to a number of external factors which affect its risk profile. The more important of these are discussed below.

### **The Global Economy**

As Latchways expands its geographic footprint, the risks inherent in one particular market diminish in importance. However, like most businesses, Latchways' success does rely on the world economy and any significant stumble on the road to recovery would clearly impact our business.

### **The Commercial Construction Market**

Latchways operates in a diverse and growing range of markets. This ensures that we are not excessively dependent on one market for our growth. As highlighted earlier, over the past few years we have significantly reduced the importance of the UK commercial construction market to our overall business, but it remains one of our larger markets. The current austerity measures being enacted by the UK government suggest that construction activity is likely to remain subdued for the foreseeable future, and this clearly suggests that we are unlikely to see any contribution to growth from this market. However, as demonstrated by results, our business is now sufficiently diverse as to be able to generate strong growth despite these conditions.

### **The Legislative Environment**

The increasing emphasis on Health and Safety legislation throughout the European Union has been one of the key drivers of the fall protection business over the past decade. The UK and certain other EU countries which have interpreted this into specific fall-protection legislation have become significant markets for the Latchways product range. Within the UK, the most obvious examples of this legislation are the Workplace (Health, Safety & Welfare) Regulations 1992, the Construction (Design and Management) Regulations 1994 (revised in 2007), and the Working at Height Regulations 2005. Latchways sees the development of appropriate, workable safety regulations as of critical importance, not just to its own business but to business as a whole. As a result, we have ensured that Latchways is represented on a number of key legislative standards committees, both in the UK and overseas. Outside of the EU, we are progressively seeing other countries adopting Health and Safety standards which should continue to provide us with opportunities in the years to come.

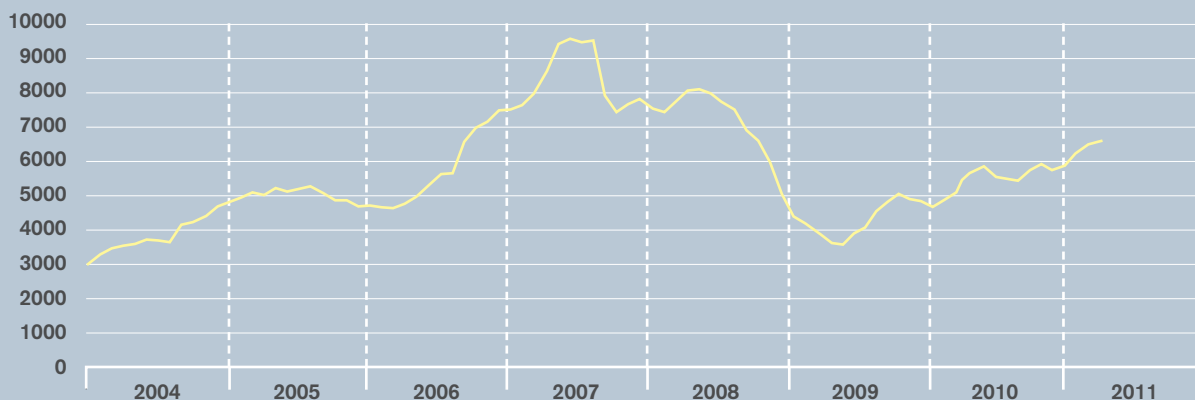
# Operating and Financial Review

## Commodity Prices

The majority of Latchways products are constructed of either marine grade stainless steel or aluminium. Market prices for these commodities are volatile. As can be seen from the graph below, which illustrates world stainless steel market prices, costs have been rising for the past two years, and we have seen some impact on supply prices and therefore margins over the past year.

It remains Latchways' philosophy to protect our customers from the volatility of commodity prices through a combination of modest annual price increases and product re-sourcing efforts. Whilst we have not increased prices over the past three years due to the economic climate, we are currently implementing a small increase to reflect the rising costs.

### Stainless Steel Price History 2004 – 2011 Hot Rolled 316 Grade Plate (US\$/tonne)



## Currency Risk

Latchways has exposure to fluctuations in the Sterling/Euro exchange rate, as our European sales are invoiced in Euros. This risk is partly mitigated by the fact that guardrail and cable are now purchased in Euros. Forward exchange contracts are used to mitigate the remaining exposures.

Outside of Europe, wherever possible we seek to invoice in Sterling, to eliminate exchange risk. As our business has expanded, this has not always been practical and we therefore now have exposure to the US, Australian and New Zealand Dollars. In all cases we utilise forward exchange contracts to mitigate those exposures where possible.

## Prospects

We remain committed to our strategy of developing new markets and products for the increasingly global fall protection industry. We are investing further in the resources required to exploit the many opportunities that are presenting themselves, and we believe this will enable us to continue to generate excellent returns for our shareholders.

David Hearson, Chief Executive

## Directors and Advisers

### Paul Hearson

(Non Executive Chairman)

Paul Hearson (age 60) was appointed to the board as non executive Chairman in June 1995. He was co-founder and Managing Director of Safetynet PLC, a company specialising in computer disaster recovery, until it was sold in February 1999.

### Brian Finlayson

(Non Executive Director)

Brian Finlayson (age 64) joined the board in May 1994. He was formerly Managing Director of Dunedin Capital Partners Limited and is currently a non executive director of Dunedin Enterprise Investment Trust plc and Quayle Munro Holdings plc.

### Ian Pickering

(Non Executive Director)

Ian Pickering (age 55) joined the board in April 2011. A qualified Chartered Accountant, he has held a number of senior operational positions during his career. He is currently a non-executive director and audit committee chairman for Coventry Building Society and Bedford Hospital Trust. Ian is also a member of the Auditing Practices Board.

### Per Troen

(Non Executive Director)

Per Troen (age 55) joined the board in October 2006. He is the senior partner in the law firm Corren Troen, specialising in corporate finance and banking.

### David Hearson

(Chief Executive)

David Hearson (age 60) was appointed Chief Executive in September 1995. He was formerly with IBM in both the UK and overseas.

### Alastair Hogg

(Sales Director)

Alastair Hogg (age 35) joined Latchways in 1998 and was appointed to the board in April 2004. He has a marketing degree from the University of Strathclyde.

### Rex Orton

(Financial Director and Company Secretary)

Rex Orton (age 45) joined Latchways in April 1999. He was previously with Sunrise Medical Inc, having trained as a Chartered Accountant with Coopers & Lybrand.

### Registered Office

Hopton Park, Devizes, Wiltshire SN10 2JP

### Registered Number

1189060

### Directors

N P Hearson, D N Hearson, R A Orton, A J Hogg, B Finlayson, P Troen and I Pickering (since 1 April 2011)

### Company Secretary

R A Orton

### Independent Auditors

PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors,  
1 Embankment Place, London WC2N 6RH

### Solicitors

Olswang LLP, 90 High Holborn,  
London WC1V 6XX

### Stockbrokers

Brewin Dolphin Investment Banking,  
12 Smithfield Street, London EC1A 9BD

### Registrars

Equiniti Limited,  
Aspect House, Spencer Road, Lancing,  
West Sussex BN99 6QZ

### Bankers

HSBC Bank plc, 3 Rivergate, Temple Quay, Bristol BS1 6ER

### Investor Relations

Threadneedle Communications,  
Aldermay House, 10 - 15 Queen Street, London EC4N 1TX

## Directors' Report

The directors present their annual report and the consolidated audited financial statements of Latchways plc (Company Number 1189060) for the year ended 31 March 2011.

### Forward-looking statements

Certain statements in this annual report and accounts are forward-looking. Although the group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risk and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

### Principal activities

The principal activity of the group in the year under review was the production, distribution and installation of industrial safety products. The group operates out of a number of locations in the United Kingdom, a facility in Slovenia and has a branch in France.

### Business review and future developments

The information that fulfils the requirements of the business review can be found in the Chairman's Statement and Operating and Financial Review on pages 4 to 10, which is incorporated in this Directors' Report by reference.

### Result and dividend

The profit for the year after providing for taxation amounted to £6,822,000 (2010: £5,482,000).

A final dividend in respect of the year ended 31 March 2010 of 17.97 pence (2010: 15.63 pence) per ordinary share was paid on 17 September 2010.

The directors declared an interim dividend of 8.98 pence (2010: 7.81 pence) per ordinary share which was paid on 4 March 2011. The total dividend paid in the year was therefore 26.95 pence (2010: 23.44 pence) per ordinary share.

The directors recommend a final dividend of 20.66 pence (2010: 17.97 pence) per ordinary share to be paid on 16 September 2011 to all those shareholders whose names appear on the register on 19 August 2011. This dividend has not been provided for in these financial statements (see note 5).

### Key performance indicators (KPI's)

The group uses KPI's to monitor its performance against a range of criteria.

KPI's in relation to product sales revenues, gross and operating margins and cash generation are used by management to monitor progress and are disclosed in the Operating and Financial Review on pages 6 to 10. Given the small size of the engineered fall protection industry, reliable market size and market share data is not available.

### Research and development

The company has an active programme of research and development. The total expensed for the year appears in note 3 to the financial statements. Details of amounts capitalised as intangible assets are given in note 8 to the financial statements.

### Financial instruments

For information on the financial risk management strategy of the group and of the exposure of the group to foreign exchange risk, interest rate risk, credit risk and liquidity risk, please refer to note 17.

### Directors

The present directors of the company are set out in the summary of Directors and Advisers, on page 11.

Apart from I Pickering all directors served throughout the year ended 31 March 2011 and up to the date of signing the financial statements. I Pickering was appointed to the board on 1 April 2011.

In accordance with the articles of association A J Hogg and R A Orton retire by rotation at the Annual General Meeting and offer themselves for re-election. In addition, in accordance with the Combined Code on Corporate Governance, N P Hearson and B Finlayson offer themselves for annual re-election. Due to his recent appointment to the board, I Pickering also offers himself for election.

The interests of the directors in the shares and share options of the company are disclosed in the Directors' Remuneration Report on pages 20 to 24.

## Directors' interests in contracts

There were no contracts in which directors notified any interest during the year.

## Directors' and officers' liability insurance

During the year the group maintained an insurance policy which indemnifies the group and directors and officers of the company in respect of loss arising from claims made against them in connection with the performance of their duties.

## Employees

Latchways recognises the benefits of keeping employees fully informed of its progress and of events which directly affect them and their working conditions. Information is provided on training and other matters of concern by means of regular briefings and meetings with management. The group encourages ownership of its shares by its employees.

Latchways has a policy of equal opportunities and non-discrimination in all forms of employment. Training is actively encouraged for all employees. Group policy is to give full and fair consideration to employment of disabled persons, having regard to their particular aptitudes and abilities and their training and career development. If employed persons become disabled, all possible assistance is given to them to continue in their existing job, or in an alternative position within the group.

## Creditor payment policy

Whilst no formal code of payments is followed, it is the company's policy to settle all debts with its creditors on a timely basis. It seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The group had 31 days' purchases outstanding at 31 March 2011 (2010: 36 days). The Company had 31 days' purchases outstanding (2010: 37 days).

## Donations

Charitable donations paid during the year in respect of community affairs amounted to £2,300 (2010: £2,150). There were no political contributions (2010: £Nil).

## Takeover directive disclosures

The following disclosures are made in accordance with the requirements of the EU Takeover Directive.

As at 31 March 2011, the company has only one authorised class of share, namely Ordinary shares of 5 pence each, of which there were 11,134,246 in issue (2010: 11,134,246). There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting or other rights, or relating to changes of control of the company.

The company does not have any special rules in place regarding the appointment and replacement of directors, or regarding amendments to the company's articles of association.

The company seeks annual authority from its shareholders to purchase its own shares through the Annual General Meeting. Details of the rights so authorised are set out in the Notice of Annual General Meeting which accompanies this report.

There are no special conditions or agreements in place which would take effect, alter or terminate in the event of a takeover.

Apart from the substantial interests listed below, there are no individuals or entities with significant holdings, either direct or indirect, in the company.

# Directors' Report

## Substantial interests

At 10 June 2011 the directors had been notified of the following interests, which represented 3% or more of the issued ordinary share capital of the group.

Shareholder	Number of ordinary shares of 5p each	% of the issued ordinary share capital of the group
BlackRock Investment Management (UK) Limited	1,450,309	13.0
Jupiter Asset Management Limited	1,334,246	12.0
Axa S.A.	1,133,612	10.2
Standard Life Investments Limited	1,075,610	9.7
Montanaro Group	1,008,464	9.1
Schroder Investment Management Limited	924,210	8.3
Amvescap plc	595,700	5.4
Polar Capital European Forager Fund Limited	390,839	3.5
BlackRock UK Smaller Companies Fund*	383,229	3.4
BlackRock UK Emerging Companies Hedge Fund*	336,490	3.0

\*These holdings are included in the BlackRock Investment Management (UK) Limited holding shown above.

## Corporate governance

The company's statement on corporate governance is included in the Corporate Governance report on pages 15 to 19 of these financial statements.

## Annual general meeting

Accompanying this report is the Notice of Annual General Meeting, which sets out certain ordinary and special resolutions. These relate, among other things, to the renewal of the authority of the directors to allot relevant securities and the renewal of the company's authority to purchase its own shares.

## Independent auditors

PricewaterhouseCoopers LLP are the auditors of Latchways plc.

For each of the persons who were directors at the time this report was prepared, the following applies:

- so far as the directors are aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the group will be proposed at the 2011 Annual General Meeting.

By order of the board.

**R A Orton**

**Company Secretary**

10 June 2011

## Corporate Governance

In June 2008 the Financial Reporting Council (“FRC”) issued an updated version of the Combined Code on Corporate Governance (“the Code”), to apply for accounting periods beginning on or after 29 June 2008. These financial statements are presented in accordance with Section 1 of the Code.

Furthermore, in May 2010 the FRC published a revised UK Corporate Governance Code (“the 2010 Code”), to apply to financial years beginning on or after 29 June 2010. Although the 2010 Code is not applicable to the year under review, where relevant we comment on its implications for Latchways plc.

The group is committed to high standards of Corporate Governance. The board endorses the main principles and the provisions of the 2008 Combined Code on Corporate Governance of the Financial Reporting Council (the Code).

As a smaller company, Latchways enjoys a significant degree of control from the close operational involvement of the executive directors, as well as frequent contact between the non-executive directors and each of the executives. Whilst the board recognises the increasing emphasis on compliance with set criteria, we see these external factors as complementary to our own internal standards, which are tailored to the size and complexity of our business. Wherever reasonably practical, the group has sought to comply with the Code, provided this does not inhibit the efficient running of the business.

### Statement of Compliance

In the opinion of the board, the group has complied fully with the main principles of the Code throughout the year, except for the following:

#### Code provision A.6.1

The board carried out rigorous reviews of its own performance and that of its committees. However, formal individual performance reviews are not carried out. The small, close-working nature of the board is such that any under-performance would be immediately apparent. Consequently, the board is of the view that a formal process would be unnecessary and potentially divisive. The Chairman explicitly encourages any board member with concerns over an individual director’s performance to identify those to him or the Senior Independent Director at any time.

The board has considered the requirements of the 2010 Code and believes that this approach remains appropriate, although it will continue to be subject to regular review.

The remainder of this statement sets out the ways in which the group has complied with the detailed provisions of the Code as set out in Section 1 of the Code during this accounting period.

### Directors

#### (a) The Board

The group is headed by the board, which during the year comprised the Chairman, two independent non-executive directors, and three executive directors. Biographies and details of length of tenure can be found in the summary of Directors and Advisers. A third independent non-executive director was appointed to the board on 1 April 2011.

Terms of appointment of the non-executive directors can be obtained on request from the Company Secretary.

The management of the business is delegated to the executive directors by the board. The general managers of the subsidiary companies report to the Chief Executive Officer.

The board is ultimately responsible to shareholders for the overall performance of the business, within a set framework of internal controls and risk management. There is a written schedule of matters that are reserved for the board. These include, inter alia, the formulation of strategy; approval of major capital investments, acquisitions and disposals; monitoring of internal controls and risk management processes; approval of annual budgets; proposal of dividends and dividend policy.

Directors are required to declare conflicts of interest to the Company Secretary. These conflicts would be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a conflict, the non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote the success of the company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any conflicts considered by the board, and any authorisation given, are recorded in the board minutes.

To date, there have been no such conflicts declared. The board believes that the systems it has in place for reporting and considering conflicts of interest are adequate.

## Corporate Governance

### (a) The Board (continued)

Below board level, there exist clear approval authority levels for financial commitments made on behalf of the company. Annual performance budgets for the subsidiaries are developed by the operational managers with support from the central finance function. Beyond this, the general managers are given the operational responsibility to run their business as they see fit, whilst working with group management to ensure that group and subsidiary goals are consistent.

The board meets at least four times a year. Board papers are produced by the Company Secretary and circulated to all directors at least a week in advance of each meeting.

Certain responsibilities are delegated by the board to the three board committees: the Audit Committee, the Nomination Committee, and the Remuneration Committee. The board has set detailed terms of reference for each of these committees, copies of which are available on request from the Company Secretary. Audit Committee meetings are open to all members of the board except where a conflict of interest may arise. Remuneration and Nomination Committee meetings are open to committee members only. Each committee is provided with sufficient resources to perform its duties.

Membership of the board committees is as follows:

- Audit Committee: Brian Finlayson (Chairman), Per Troen. With effect from the date of these financial statements, Brian Finlayson will step down from the committee and be replaced by Ian Pickering.
- Remuneration Committee: Per Troen (Chairman), Brian Finlayson, Paul Hearson.
- Nomination Committee: Paul Hearson (Chairman), Brian Finlayson, Per Troen, David Hearson.

In the year ended 31 March 2011, the board met four times. All the directors attended every meeting. In the event that a director cannot attend a meeting, he is able to relay any comments that he may have on the board papers or any agenda item to the meeting via the Company Secretary.

In the event that a director has concerns which cannot be resolved about the running of the group or a proposed action, they have the right to have their concerns minuted. In the event of a director's resignation, they would be required to write to the board confirming whether they have any such concerns.

The group purchases insurance to cover its directors and officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from any such action. To the extent allowed by UK law, the group also indemnifies its directors and officers. Neither the insurance nor the indemnity provide cover where the director has acted fraudulently or dishonestly.

### (b) Chairman and Chief Executive

The group recognises the differing roles of the Chairman and the Chief Executive, and these roles are duly separated. Paul Hearson was appointed Chairman before flotation in October 1997 and is the twin brother of the Chief Executive. Paul Hearson became Chairman prior to the appointment of David Hearson and hence was independent upon appointment. Paul Hearson does not take part in Remuneration Committee discussions relating to his brother's remuneration.

Paul Hearson has been on the board for over nine years. As Chairman, he is de facto non-independent, but is now, under the terms of the Code, subject to annual re-election at the Annual General Meeting. As a former founder and Chief Executive of a successful technology company, Paul brings a wealth of knowledge and experience to the board.

### (c) Board Balance and Independence

As allowed by provision A.3.2 of the Code, Latchways, as a small company, has two non-executive directors, excluding the Chairman. These are Per Troen and Brian Finlayson. Both non-executive directors are considered by the board to be independent. Whilst Brian Finlayson has served on the board for a period in excess of nine years, the board is of the view that his strength of character and judgement is such that this in no way impairs his independence. In the board's opinion, his replacement would not be in the interests of shareholders. Brian Finlayson is, under the terms of the Code, subject to annual re-election at the Annual General meeting.

The board has received representations from some institutional shareholders that the long-term structure of the board would be enhanced by the appointment of an additional independent non-executive director. Having listened to these representations, the board announced the appointment of Ian Pickering on 1 April 2011. With effect from the date of these financial statements, Brian Finlayson will step down from the audit committee and Ian Pickering will take over as its Chairman.

The Chairman, Paul Hearson, is a member of all the board committees except the audit committee. He also chairs the nomination committee, although he would not lead discussions in relation to the consideration of his successor.

The shareholdings of the non-executive directors are not considered to be so significant as to impair independence.

The board believes that the fact that audit committee meetings are open to all directors improves efficiency and clarity and ensures that all directors have an equal understanding of the issues facing the business. However, the committee does meet with the auditors at least once a year without the executives present.

The board has identified Per Troen as the Senior Independent Director. Given the small size of the board his principal role is to provide an additional contact point for shareholders if they have reason for concern which contact through the normal channels of Chairman, Chief Executive or Financial Director has either failed to resolve or is inappropriate.

#### **(d) Appointments to the Board**

There is a formal and transparent procedure for the appointment of new directors to the board, the responsibility for which is delegated to the nomination committee. The committee's terms of reference are available from the Company Secretary. The committee meets as required by the Chairman. During the period under review, the committee met formally four times, along with significant informal discussions, relating to the search for and appointment of an additional non-executive director. For such an appointment, the procedure begins with an appraisal of the existing skills, knowledge and experience available to the board. A description of the requirements for the new non-executive is then agreed with an external search consultant, who presents a shortlist of candidates to the Chairman and the Chief Executive. Each agreed candidate is interviewed by committee members and a final evaluation meeting is then held to determine the appointment.

For executive appointments, the process would be similar except in the circumstances of an appropriate internal candidate being identified.

#### **(e) Information and Professional Development**

The Chairman takes responsibility for ensuring that the directors receive accurate, timely and clear information. Monthly management reports are provided within ten working days of the month end, providing full management accounts with commentary for the previous month. Papers are prepared and circulated at least a week in advance of all committee meetings.

On appointment to the board, new directors are given a detailed induction as to their responsibilities by the group's lawyers and the Company Secretary.

The board believes that given the experienced nature of its members, the identification of training requirements can be left to the individual directors, or, in the case of the executive team, the Chief Executive.

The Company Secretary acts as an adviser to the board on all matters concerning corporate governance, and he ensures that board procedures are complied with. All directors have access to his advice, as well as independent professional advice, where needed, at the group's expense.

The appointment or removal of the Company Secretary is a matter for the board as a whole.

#### **(f) Performance Evaluation**

A formal annual appraisal process for the board is in place and is held every February. The evaluation, which is carried out by the full board, covers the role of the board, its structure and effectiveness. It also addresses the role of the three committees, and involves consideration of the terms of reference of all committees, feedback from institutional investors, and input from board members and advisers.

Given the small size of both the group and the board, no formal appraisals of individual performances are carried out. Regular contacts are maintained between all directors, both as a group and individually, and the board does not feel that such a formal process would add anything to the effectiveness of the board. However, the Chairman explicitly encourages any board member with concerns over individual director's performances to identify those to him at any time. Any concerns over the Chairman's performance would be addressed to the Senior Independent Director.

No changes to this approach have been identified as necessary in light of the 2010 Code.

## Corporate Governance

### **(g) Re-election**

All directors are subject to re-election at intervals of not more than three years.

Non-executive directors are appointed for an initial period of three years. Subject to shareholder approval, they may serve three such terms, after which they must submit themselves for annual re-election. Due to the length of their tenure, Paul Hearson, Chairman, and Brian Finlayson are now subject to annual re-election.

## **Accountability and Audit**

### **(a) Directors' responsibilities**

The board recognises its responsibilities with respect to financial reporting, and these are set out in the Statement of Directors' Responsibilities on page 25.

### **(b) Going Concern**

After making enquiries, and reviewing the preliminary budget and cash flow forecast for the forthcoming year and beyond, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **(c) Capital Structure**

Disclosures in relation to capital structure are included in the Directors' Report on page 13.

### **(d) Internal Control and Risk Management**

The group has maintained a comprehensive system of internal control, including financial, operational and compliance controls throughout the year up to the date of approval of the financial statements. This system is intended to manage, rather than eliminate, business risk. Such a system can only provide reasonable, not absolute, assurance against material misstatement or loss.

The board is responsible for the group's system of internal control and for reviewing its effectiveness. On an annual basis, the board reviews the effectiveness of the system of internal control. This review takes place every February, with the last such review occurring in February 2011, with specific reviews at other times where necessary. Any weaknesses identified by these reviews are addressed. Due to the small size of the group, the system of control benefits from the close day to day involvement of the executive board members. In addition, the framework of internal control comprises:

Operational control environment—there is a clearly defined organisational structure within which lines of responsibility and delegation of activity are clearly defined.

Risk management—management has a clear responsibility for the identification of risks facing the business and for putting in place procedures to mitigate and monitor risks. Regular strategic review meetings are held by a sub-committee of the board to identify key risks to the business, and the appropriate actions necessary to mitigate those risks. These reviews are wide ranging, encompassing not only internal procedures but also the fall protection industry. The board is updated on these issues at least quarterly through a standing item on the board agenda.

Information and control procedures—the group has comprehensive processes and systems covering financial reporting and the consolidation process. The board approves the annual budget of the group and monthly performance is reviewed against this budget. The Financial Director has overall responsibility for the preparation of the financial information which is submitted to the audit committee and the board. The audit committee ensures that the internal controls in the financial reporting process are in place and adequate.

### **(e) Audit Committee**

The audit committee comprises Brian Finlayson and Per Troen. It is chaired by Brian Finlayson. The board considers both members of the committee to be independent, and that both Brian Finlayson and Per Troen have relevant and recent financial experience.

The executive directors all attend audit committee meetings, at the invitation of the Chairman, but the committee also meets with the company's auditors without the executives present at least once a year.

The committee meets at least three times a year. Three meetings were held in the year ended 31 March 2011, which were attended by all the members. Formal terms of reference exist and can be obtained on request from the Company Secretary.

The principal roles of the committee are as follows:

- Monitoring the integrity of the financial statements and any other price sensitive announcements made by the group;
- Reviewing the group's internal financial controls;
- Making recommendations to the board relating to the appointment of the group's external auditors (including remuneration and terms of engagement);
- Reviewing the external auditor's appointment, scope and independence;
- Considering the need for an internal audit function.

With effect from the date of these financial statements, Brian Finlayson will step down from the audit committee. His position will be filled by Ian Pickering, who will also become chairman of the committee.

#### **(f) Auditor Independence**

The group's external auditors, PricewaterhouseCoopers LLP, report to the audit committee on a regular basis concerning a range of matters which include independence and the extent of their engagement in non-audit work. PwC maintain procedures designed to protect their objectivity which include periodic rotation of the audit partner and annual independence confirmations by all staff which have also been discussed with the audit committee. The group uses its external auditors for additional tasks such as corporate tax advice, acquisition due diligence and advice on executive remuneration. All non-audit assignments are pre-approved by the Financial Director and subsequently reported to the audit committee. This policy remains under ongoing review by the audit committee.

#### **(g) Business Ethics/Resolution of Staff Concerns**

The group maintains a policy on Corporate Social Responsibility and Business Ethics. This includes a formal "whistle-blowing" process which enables employees to take genuine concerns directly to the Chief Executive for resolution. Employees reporting matters under this policy are protected from any negative consequences.

#### **(h) Internal Audit**

The review of the group's internal controls and risk management processes is performed by the board as a whole. In light of the findings of this review, and on advice from the audit committee, the board has concluded that at the present time there is no need to establish an internal audit function.

## **Relations with Shareholders**

The group attaches great importance to its relationships with its shareholders, both institutional and private. The Chief Executive and the Financial Director meet with major shareholders at least twice a year, as well as analysts and the financial press on an ad hoc basis. Private investors are encouraged to participate in the Annual General Meeting and the group regularly plays host to investor club visits.

During their meetings with major shareholders, the executives offer meetings with either the Chairman and/or the Senior Independent Director, should the shareholders wish. Feedback is also received through the group's brokers. Any feedback received by the executives is reported to the board at or before the next board meeting.

During the year, Per Troen, as Chairman of the remuneration committee, consulted extensively with shareholders in relation to the adoption of the Latchways 2010 Value Creation Plan. Substantive feedback was received from institutional investors, which was adopted for the final version. The success of these communications was reflected in a 96% vote in favour of the plan.

The Annual General meeting, which this year takes place on Friday 9 September 2011, and for which the notice is included in this Annual Report, plays an important role in communication with shareholders. The group encourages attendance and participation from all shareholders. All members of the board attend the meeting and are available for questions. All proxy votes are counted and the balances for and against each resolution are disclosed at the meeting and subsequently onto the group's website. A separate resolution is proposed on each substantially separate issue.

We have an Investor Relations component on our website: [www.latchways.com](http://www.latchways.com)

By order of the board.

**R A Orton**

**Company Secretary**

10 June 2011

## Directors' Remuneration Report

This report has been compiled in accordance with the Directors' Remuneration Report regulations contained in the Companies Act 2006, the UK Listing Rules and also in accordance with Schedule B of the Combined Code on Corporate Governance (the Code).

The board delegates all responsibility for setting executive remuneration, including pension contributions and contractual terms, to the remuneration committee, which is described below.

### The remuneration committee

This part of the remuneration report is unaudited.

The remuneration committee comprises the Chairman, Paul Hearson and the two independent non executive directors, Brian Finlayson and Per Troen. It is chaired by Per Troen. Paul Hearson does not take part in discussions specifically relating to his brother's remuneration. The committee met formally four times during the year, with all members attending all meetings. Written terms of reference for the committee exist and can be obtained on request from the Company Secretary.

### Remuneration policy

This part of the remuneration report is unaudited.

#### Principles

Latchways is seeking to create substantial value for shareholders over the medium to long term through building and strengthening the Company's position at the forefront of the fall protection solutions industry.

In order to support this objective, it is essential to attract, motivate and retain individuals who are critical to the execution of strategy and the delivery of exceptional growth in shareholder value. To do this it is necessary for the business to pay competitive salaries and to ensure that exceptional performance, measured against suitably challenging targets, is rewarded. The proportion of remuneration that is fixed versus that which is linked to performance is reviewed regularly by the remuneration committee.

In the context of the executive directors, salary and other benefits are set which are intended to be competitive and appropriate to the duties and responsibilities undertaken by each director. The different components of executive remuneration, and the structure thereof, are discussed below.

#### Components of Executive Remuneration

Executive remuneration comprises both fixed and variable elements. The fixed element comprises base salary, a defined contribution pension scheme and benefits including provision of a vehicle and medical insurance. The variable element consists of an annual bonus scheme, and a share-based long term incentive scheme. This is based upon the principle that, as a growing business, shareholders' interests are best served by setting executive targets in terms of both business growth and shareholder return.

#### Base Salary

Basic salaries have not changed since 2008, reflecting the difficult economic conditions over the period. With the business now moving forward strongly, the remuneration committee has awarded the executive directors a 3.5% increase for 2011/12.

Director	2009/10 Salary £'000	2010/11 Salary £'000	2011/12 Salary £'000
David Hearson	300	300	310
Rex Orton	200	200	207
Alastair Hogg	200	200	207

#### Pension

The company contributes 20% of base salary to a defined contribution pension scheme for each executive director. The executive is required to contribute a further 10%. There was no change to this in 2010/11.

For 2011/12, the reduction in the annual allowance for pension contributions has resulted in the existing provisions no longer being appropriate. In the first instance, as in the case for A J Hogg and R A Orton, the executive's contribution is reduced to the point where the total amount paid into the pension scheme does not exceed £50,000. In the case of D N Hearson, the executive's contribution is reduced to zero, whilst the excess of the company pension contribution over £50,000 is to be paid directly to the executive.

## Benefits

There have been no changes to benefit entitlements in 2010/11 or 2011/12.

## Annual Bonus

The board of Latchways firmly believes that shareholder value will be created by growing the earnings per share of the group in a manner that is both challenging but not conducive to excessive risk taking. The annual bonus is structured to reflect this. No bonus can be earned until diluted earnings per share, after adjusting for exceptional items and tax, exceed the prior year level. As in 2010/11, the maximum bonus for 2011/12 will be payable on a 25% increase in diluted earnings per share, up to the following maximum percentages of salary:

Director	2010/11 Percentage	2011/12 Percentage
David Hearson	110%	106%
Alastair Hogg	98%	94%
Rex Orton	98%	94%

For the year to 31 March 2011, bonuses were payable as follows, based on a 22.3% increase in tax-adjusted diluted earnings per share:

Director	2010/11 Bonus £'000	% of salary
David Hearson	291	97%
Alastair Hogg	172	86%
Rex Orton	172	86%

## Long Term Incentives

A review of executive remuneration, carried out in 2008, highlighted the need for an appropriate long term incentive arrangement for executives and senior management, to bring the remuneration policy into line with best practice. Institutional investors have also made the case for such an arrangement. Whilst it was not appropriate for such a scheme to be considered during the previous two years, in the summer of 2010 the remuneration committee proposed the creation of the Latchways plc 2010 Value Creation Plan ("VCP"). On 13 August 2010, after due consultation with investors, the VCP was proposed and approved by shareholders at a General Meeting.

### The Latchways plc 2010 Value Creation Plan ("VCP")

Under this plan, executive directors and other senior employees are awarded units which have no value on the date of grant but have the potential to convert into nil-cost options at a future date. The value of the nil-cost options will be equivalent to 10% of the returns created for shareholders, measured over a three year period from the date of award. No units will convert unless three performance conditions are met:

- A threshold level of return to shareholders of approximately 17% compound per annum. This equates to the closing share price at the end of the performance period plus dividends paid during that period equalling at least £10.77, but is capped at £15.88;
- Earnings Per Share annual compound growth of at least 15% in the three years to 31 March 2013;
- Total Shareholder Return on a Company share must at least equal that of the return on the FTSE Small Cap Index (excluding Investment Trusts) over the three year performance period.

A third of any nil-cost options granted will become exercisable immediately at the end of the performance period, a third of the award is exercisable one year later and the remaining third of the award is exercisable after two years. In addition, for the executive directors the shares acquired cannot be sold (other than to meet a tax liability arising under the VCP) unless a minimum shareholding requirement of twice base salary is satisfied. An overall plan limit of 10% of the Company's issued share capital will apply to all VCP awards and any other outstanding rights under any other shares plan of the Company that are to be satisfied by newly issued shares and/or shares from treasury. The maximum dilution under the VCP is 6.2%.

Participants in the VCP will not receive further grants under the Company's existing share option plan.

## Directors' Remuneration Report

On 16 August 2010, the remuneration committee made the award of units set out below under the VCP for the three years ending 15 August 2013:

Director	Share price at award date*	No. of units awarded	% of total issued units
David Hearson	684p	110	27.5
Alastair Hogg	684p	80	20.0
Rex Orton	684p	80	20.0

\*Share price based on the 30 day period preceding 16 August 2010.

### Non Executive Remuneration

The remuneration of non executive directors is set annually in September by the full board.

There have been no changes to non executive pay during the year. Non executive salaries are as follows:

	Oct 2009 – Sept 2010 £'000	Oct 2010 – Sept 2011 £'000
Chairman	40	40
Other non executives	32	32

There are no other benefits, pensions or bonuses payable to non executive directors.

### Directors' service contracts

This part of the remuneration report is unaudited.

Executive directors' service contracts are valid until the director reaches the company retirement age, currently 65, and have notice periods of not more than one year. In the event of termination, compensation payouts will not exceed one year's notice.

Non executive directors are appointed for an initial period of three years and, subject to shareholder approval, may be re-appointed for similar periods. After three such periods, non executive directors are subject to annual re-election.

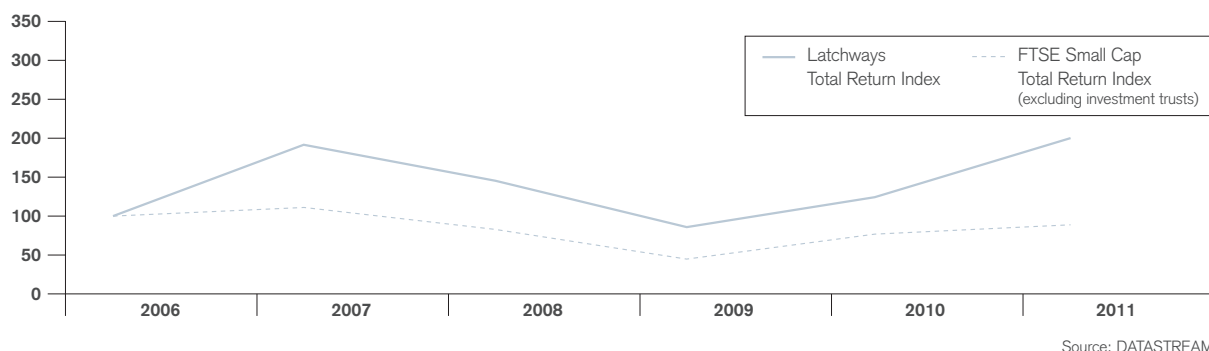
The details of directors' service contracts are as follows:

Director	Date of Contract	Expiry Date	Notice Period
Paul Hearson	04 06 11	03 06 12	6 months
Brian Finlayson	04 06 11	03 06 12	6 months
Ian Pickering	01 04 11	31 03 14	6 months
Per Troen	01 10 09	30 09 12	6 months
David Hearson	27 08 04	N/A	12 months
Alastair Hogg	27 08 04	N/A	12 months
Rex Orton	27 08 04	N/A	12 months

## Performance graph

This part of the remuneration report is unaudited.

### Latchways v FTSE Small Cap: Total shareholder returns



April 2006 = 100%

The graph shows the performance of Latchways shares over the five years since April 2006, including dividends. During this period, Latchways has significantly outperformed the FTSE Small Cap Index, giving a total shareholder return of 100% compared with a negative return of -12% by the FTSE Small Cap Index (excluding investment trusts).

In the opinion of the directors, the FTSE Small Cap Index is the most appropriate index against which the total shareholder return of Latchways should be measured because it is an index of similar sized companies to Latchways.

## Directors' detailed emoluments

This part of the remuneration report is audited.

	Fees	Salary	Bonus	Pension	Benefits	Total 2011	Total 2010	Pensions 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N P Hearson	40	–	–	–	–	40	40	–
B Finlayson	32	–	–	–	–	32	32	–
D N Hearson	–	300	291	60	42	693	397	60
A J Hogg	–	200	172	40	27	439	266	40
R A Orton	–	200	172	40	14	426	254	40
P Troen	32	–	–	–	–	32	32	–
	<b>104</b>	<b>700</b>	<b>635</b>	<b>140</b>	<b>83</b>	<b>1,662</b>	<b>1,021</b>	<b>140</b>
2010	104	700	–	140	77	1,021		

Note: Pension contributions are paid to a group personal pension plan, which is a defined contribution scheme. Only basic salary is pensionable. Benefits in kind include the provision of a company car and fuel (excluding R A Orton), medical and life insurance for all executive directors. R A Orton received an allowance in lieu of car and fuel which is included in his benefits figure.

No director waived emoluments in the year ended 31 March 2011 or the prior year.

**Interests in shares**

This part of the remuneration report is unaudited.

The interests of the directors and their families in the share capital were as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>Ordinary 5p</b>	<b>Ordinary 5p</b>
N P Hearson	<b>60,980</b>	60,980
B Finlayson	<b>96,687</b>	89,162
D N Hearson	<b>318,043</b>	318,043
A J Hogg	<b>7,000</b>	7,000
R A Orton	<b>20,000</b>	20,000

Brian Finlayson now holds a power of attorney in respect of 7,525 shares held by his son, Fionnlagh Finlayson. He does not have the power to vote these shares. These shares are included in the interest noted for Brian Finlayson of 96,687 shares.

There were no changes in the interests of directors between 31 March 2011 and 10 June 2011.

**Interests in share options**

This part of the remuneration report is audited.

Details of existing options over the ordinary shares of the company held by directors are set out below:

	<b>1 April</b>	<b>Number</b>	<b>Exercised/</b>	<b>31 March</b>	<b>Exercise</b>	<b>Grant</b>	<b>Date</b>	<b>Expiry</b>
	<b>2010</b>	<b>Granted</b>	<b>lapsed</b>	<b>2011</b>	<b>price</b>	<b>Date</b>	<b>from which</b>	<b>Date</b>
		<b>in the year</b>			<b>(pence)</b>		<b>exercisable</b>	
D N Hearson	34,782*	-	-	34,782	287.5	31.07.01	31.07.04	31.07.11
A J Hogg	16,667**	-	-	16,667	345.0	24.06.04	24.06.05	24.06.14
	50,000***	-	-	50,000	759.0	21.06.06	21.06.07	21.06.16

\*These options were subject to performance criteria relating to earnings per share performance in the three years ended 31 March 2004. These criteria were met and the options vested.

\*\*50,000 options were granted to Alastair Hogg on 24 June 2004, following his election to the board as Group Sales Director. 25,000 of these options were not subject to performance criteria, and vested in three equal tranches on the first, second and third anniversaries of the grant. The remaining 25,000 were subject to similar vesting periods, but with the added performance criterion that earnings per share must increase by at least 10% per annum over the three years from 1 April 2004 for the options to vest. All tranches vested. At 31 March 2011 33,333 of these options had been exercised.

\*\*\*50,000 options were granted to Alastair Hogg on 21 June 2006. These vested in three equal tranches on the first, second and third anniversaries of the grant, subject to the performance criterion that diluted earnings per share must increase by a cumulative 10% compound per annum over the three years from 1 April 2006 for the options to vest. All three tranches vested.

The market value of the company's ordinary shares as at 31 March 2011 was 1035p (2010: 675p), and the range of market prices during the year was 657p to 1105p (2010: 505p to 715p).

None of the terms and conditions of the share options were varied during the year. All options were granted in respect of qualifying services.

No options were exercised by the directors during the year.

On behalf of the board.

**P Troen****Chairman of the Remuneration Committee**

10 June 2011

## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these 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 applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 11 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the directors' report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

By order of the board.

**R A Orton**

**Company Secretary**

10 June 2011

# Independent Auditors' Report to the Members of Latchways plc

We have audited the financial statements of Latchways plc for the year ended 31 March 2011 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Shareholders' Equity, the Group and Company Cash Flow Statements, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, 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 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Latchways plc Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## 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 2011 and of the group's profit and group's and parent company's cash flows 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 provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 15 to 19 with respect to internal control and risk management systems and about share capital structures 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:

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 18, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

**Julian Jenkins (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**

London

10 June 2011

# Group Statement of Comprehensive Income

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
<b>Revenue</b>	1	<b>39,563</b>	33,850
Cost of sales		<b>(18,274)</b>	(14,913)
<b>Gross profit</b>		<b>21,289</b>	18,937
Administrative expenses		<b>(11,980)</b>	(11,328)
<b>Operating profit</b>		<b>9,309</b>	7,609
Finance costs	2	<b>(21)</b>	(19)
Finance income	2	<b>37</b>	25
<b>Profit before income tax</b>	3	<b>9,325</b>	7,615
Income tax expense	4	<b>(2,503)</b>	(2,133)
<b>Profit for the year attributable to equity shareholders</b>		<b>6,822</b>	5,482
<b>Other comprehensive income:</b>			
Exchange differences on consolidation (net of tax)	4	<b>(9)</b>	(44)
<b>Total comprehensive income for the year</b>		<b>6,813</b>	5,438
<b>Earnings per share expressed in pence per share</b>			
– Basic	6	<b>61.27</b>	49.25
– Diluted	6	<b>61.07</b>	49.12

The results for the year arose wholly from continuing operations.

# Balance Sheets

as at 31 March 2011

	Note	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	7	4,402	4,377	453	453
Other intangible assets	8	1,871	1,968	1,417	1,346
Property, plant and equipment	9	3,057	3,283	2,938	3,122
Investment in subsidiaries	10	–	–	5,291	5,258
Deferred income tax assets	18	256	104	219	67
		<b>9,586</b>	9,732	<b>10,318</b>	10,246
<b>Current assets</b>					
Financial assets					
– Derivative financial instruments	17	–	30	–	30
Inventories	11	3,757	3,537	3,305	3,015
Trade and other receivables	12	11,718	10,283	9,786	8,281
Cash and cash equivalents	13	10,854	7,156	10,254	6,491
		<b>26,329</b>	21,006	<b>23,345</b>	17,817
<b>Liabilities</b>					
<b>Current liabilities</b>					
Financial liabilities					
– Derivative financial instruments	17	(115)	–	(115)	–
Trade and other payables	14	(4,628)	(3,960)	(4,040)	(3,104)
Deferred consideration	16	(83)	(68)	(83)	(68)
Current tax liabilities	15	(1,318)	(976)	(1,205)	(882)
		<b>(6,144)</b>	(5,004)	<b>(5,443)</b>	(4,054)
<b>Net current assets</b>		<b>20,185</b>	16,002	<b>17,902</b>	13,763
<b>Non-current liabilities</b>					
Deferred consideration	16	(338)	(363)	(338)	(363)
Deferred income tax liabilities	18	(540)	(525)	(477)	(451)
		<b>(878)</b>	(888)	<b>(815)</b>	(814)
<b>Net assets</b>		<b>28,893</b>	24,846	<b>27,405</b>	23,195
<b>Equity</b>					
Ordinary shares	19	557	557	557	557
Share premium account	21	1,807	1,807	1,807	1,807
Translation reserve		199	208	–	–
Other reserves		477	290	477	290
Retained earnings	22	25,853	21,984	24,564	20,541
<b>Total equity</b>		<b>28,893</b>	24,846	<b>27,405</b>	23,195

The financial statements, which comprise the group statement of comprehensive income, the group and company balance sheets, the group and company statements of changes in shareholders' equity, the group and company cash flow statements, the statement of accounting policies and the related notes, were approved by the Board of Directors on 10 June 2011 and were signed on its behalf by:

N P Hearson, Chairman

R A Orton, Financial Director

## Statements of Changes in Shareholders' Equity

Group	Note	Ordinary	Share	Retained	Translation	Capital	Share	Total
		Share	Premium	Earnings	Reserve	Redemption	Based	Equity
		Capital	Account	£'000	£'000	Reserve	Payments	£'000
		£'000	£'000	£'000	£'000	£'000	Reserve	£'000
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2009</b>		<b>556</b>	<b>1,793</b>	<b>19,102</b>	<b>252</b>	<b>111</b>	<b>176</b>	<b>21,990</b>
Profit for the year attributable to equity shareholders		–	–	5,482	–	–	–	5,482
Exchange differences on consolidation		–	–	–	(44)	–	–	(44)
Total comprehensive income		–	–	5,482	(44)	–	–	5,438
Transactions with owners:								
Share options								
– Proceeds from shares issued		1	14	–	–	–	–	15
– Value of employee services		–	–	–	–	–	3	3
Deferred taxation on share options		–	–	9	–	–	–	9
Dividends	5	–	–	(2,609)	–	–	–	(2,609)
<b>At 31 March 2010</b>		<b>557</b>	<b>1,807</b>	<b>21,984</b>	<b>208</b>	<b>111</b>	<b>179</b>	<b>24,846</b>
Profit for the year attributable to equity shareholders		–	–	6,822	–	–	–	6,822
Exchange differences on consolidation		–	–	–	(9)	–	–	(9)
Total comprehensive income		–	–	6,822	(9)	–	–	6,813
Transactions with owners:								
Share options								
– Value of employee services		–	–	–	–	–	187	187
Deferred taxation on share options		–	–	48	–	–	–	48
Dividends	5	–	–	(3,001)	–	–	–	(3,001)
<b>At 31 March 2011</b>		<b>557</b>	<b>1,807</b>	<b>25,853</b>	<b>199</b>	<b>111</b>	<b>366</b>	<b>28,893</b>
<b>Company</b>								
	Note	Ordinary	Share	Retained	Capital	Share	Total	
		Share	Premium	Earnings	Redemption	Based	Equity	
		Capital	Account	£'000	Reserve	Payments	£'000	
		£'000	£'000	£'000	£'000	Reserve	£'000	
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>At 1 April 2009</b>		<b>556</b>	<b>1,793</b>	<b>17,840</b>	<b>111</b>	<b>176</b>	<b>20,476</b>	
Profit for the year attributable to equity shareholders		–	–	5,301	–	–	5,301	
Transactions with owners:								
Share options								
– Proceeds from shares issued		1	14	–	–	–	15	
– Value of employee services		–	–	–	–	3	3	
Deferred taxation on share options		–	–	9	–	–	9	
Dividends	5	–	–	(2,609)	–	–	(2,609)	
<b>At 31 March 2010</b>		<b>557</b>	<b>1,807</b>	<b>20,541</b>	<b>111</b>	<b>179</b>	<b>23,195</b>	
Profit for the year attributable to equity shareholders		–	–	6,976	–	–	6,976	
Transactions with owners:								
Share options								
– Value of employee services		–	–	–	–	187	187	
Deferred taxation on share options		–	–	48	–	–	48	
Dividends	5	–	–	(3,001)	–	–	(3,001)	
<b>At 31 March 2011</b>		<b>557</b>	<b>1,807</b>	<b>24,564</b>	<b>111</b>	<b>366</b>	<b>27,405</b>	

# Cash Flow Statements

## Cash flow statements for the year ended 31 March 2011

	Note	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	23	9,665	8,058	8,455	6,795
Tax paid		(2,250)	(2,501)	(1,943)	(2,095)
Net cash generated from operating activities		7,415	5,557	6,512	4,700
<b>Cash flows from investing activities</b>					
Additional consideration paid to acquire subsidiaries		(61)	(57)	(61)	(57)
Interest received		38	25	35	37
Purchase of property, plant and equipment		(379)	(322)	(358)	(255)
Purchase of intangible assets		(220)	(115)	(220)	(115)
Development expenditure capitalised		(94)	(115)	(94)	(115)
Dividend received		–	–	950	553
Net cash (used in)/generated from investing activities		(716)	(584)	252	48
<b>Cash flows from financing activities</b>					
Net proceeds from issue of ordinary share capital		–	15	–	15
Dividends paid to shareholders	5	(3,001)	(2,609)	(3,001)	(2,609)
Net cash used in financing activities		(3,001)	(2,594)	(3,001)	(2,594)
<b>Net increase in cash and cash equivalents</b>		<b>3,698</b>	<b>2,379</b>	<b>3,763</b>	<b>2,154</b>
Cash and cash equivalents at 1 April		7,156	4,777	6,491	4,337
Cash and cash equivalents at 31 March	13	10,854	7,156	10,254	6,491

# Statement of Accounting Policies

Latchways plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom.

## Accounting policies for the year ended 31 March 2011

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### Basis of preparation

#### Standards, amendments and interpretations effective

These financial statements have been prepared in accordance with the EU-adopted International Financial Reporting Standards (IFRS) and IFRIC interpretations and with those parts of the Companies Act 2006 which are applicable to companies reporting under IFRS. They have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative instruments at fair value through the statement of comprehensive income.

New accounting standards and interpretations have been adopted during the year as follows:

- IFRS 3 (revised), 'Business combinations' (effective 1 July 2009)—The standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through profit and loss. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs are expensed.
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective 1 July 2009)—IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- Amendment to IFRS 2, 'Share-based payments—Group cash-settled payment transactions' (effective 1 January 2010). These amendments provide a clear basis to determine the classification of share based payment awards in consolidated and separate financial statements. The amendment incorporates IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2—Group and treasury share transactions', into the standard; expands on the guidance given in IFRIC 11 to address plans that were not considered in the interpretation; and clarifies the definitions section of IFRS 2.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on 'Eligible hedged items' (effective 1 July 2009). This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed-rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008; EU-endorsed for use in annual periods beginning on or after 1 July 2009).

#### Standards, amendments and interpretations effective in 2011 but not relevant

The following standards, amendments and interpretations are mandatory for the first time for the current accounting period but are not relevant to the group's operations:

- IFRS 1 (revised), 'First-time adoption' (effective 1 July 2009)—does not contain any technical changes, as it only improves the structure, which had become complex due to the numerous amendments in recent years.
- Amendment to IFRS 1, 'First-time adoption', on 'Additional exemptions'.
- Amendments IAS 32, 'Financial instruments: Presentation', on 'Classification of rights issues'.
- IFRIC 15, 'Agreements for construction of real estate'.
- IFRIC 17, 'Distributions of non-cash assets to owners'.
- IFRIC 18, 'Transfer of assets from customers'.

### Interpretations and revised standards that are not yet effective and have not been early adopted by the group

The following interpretations to existing standards have been published that are mandatory for the group's future accounting but which the group has not adopted early:

- Amendment to IAS 24, 'Related party disclosures'.
- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition.
- Amendment to IAS 12, 'Income taxes' on deferred tax.
- IFRS 9, 'Financial instruments'—classification and measurement'.

### Interpretations and amendments to standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2010 or later periods but are not relevant for the group's operations:

- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'.
- Amendment to IFRS 1, 'First time adoption'—financial instrument disclosures.
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. A summary of the most important of these policies is set out below.

## Critical estimates and judgements

To be able to prepare accounts according to generally accepted accounting principles, management and the board of directors must make estimates and assumptions that affect the asset and liability items and revenue and expense items recorded in the final accounts as well as other information, such as that provided on contingent liabilities. These estimates are based on historical experience and various other assumptions that management and the board believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Areas comprising critical judgement that may significantly impact earnings and the financial position are the valuation and useful economic lives of intangible assets, the valuation of goodwill, share based payments, the estimate of stage of completion of contract work relating to the sale of safety services, income taxes, and litigation and contingent liabilities, all of which are discussed in the respective notes. The calculation of fair values for assets and liabilities such as goodwill and intangible assets, as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows deriving from or accruing to those assets and liabilities. Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows.

## Consolidation

### Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

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, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

## Statement of Accounting Policies

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

### Foreign subsidiaries

The results and financial position of Sigma 6 d.o.o and Latchways Australia Pty Ltd, whose functional currencies are Euros and Australian Dollars respectively, are translated into Sterling as follows;

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each group statement of comprehensive income are translated at average exchange rates for the month in which they are incurred; and
- All resulting exchange differences are recognised in the statement of comprehensive income.

Goodwill on the acquisition of Sigma 6 is treated as a non-monetary asset of Sigma 6. Therefore, when re-translated on consolidation, the foreign exchange movement is taken to the translation reserve.

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or business at the date of the acquisition.

In calculating goodwill, total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is reassessed annually and, for business combinations that have been effected in prior periods, a corresponding adjustment is made to the goodwill arising on acquisition. For subsequent business combinations, adjustments to any such contingent deferred consideration arising will be reflected in the statement of comprehensive income in accordance with IFRS 3 (revised).

Goodwill is tested annually for impairment, or earlier if circumstances indicate that an impairment may have occurred, and is carried at cost less any accumulated impairment losses. Any identified impairments would be charged directly to the group statement of comprehensive income. The annual impairment tests are carried out at the cash-generating unit level, with goodwill being assigned to those units for the purpose of the tests.

### Intangible assets

Patents and trademarks include all costs relating to their applications prior to their registration. The costs are written off in equal instalments over their estimated useful lives, which are of up to 20 years' duration. All other patent costs are written off as incurred.

Acquired intangible assets, which include brands, customer relationships, intellectual property and order books, are capitalised on acquisition at their fair values. They are then amortised in equal instalments over their estimated useful lives, which are of up to 12 years' duration.

Computer software costs are written off in equal instalments over their estimated useful lives, which are of up to 3 years' duration.

### Development costs

All ongoing research expenditure is expensed in the group statement of comprehensive income in the period in which it is incurred. Where a product is technically feasible, production and sales are intended, a market exists and sufficient resources are available to complete the project, development costs are capitalised and amortised on a straight line basis over the estimated useful life of the respective product, to a maximum of three years from product launch.

### Software licences

Acquired computer software licences which do not form part of the operating software acquired with a piece of hardware are capitalised on the basis of all costs incurred in bringing them into use. These costs are amortised over their useful economic life.

## Property, plant and equipment

Property, plant and equipment are stated at cost, including incidental costs of acquisition, less accumulated depreciation and any impairment in value. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are as follows:

Freehold buildings	2%
Plant and machinery	20% – 50%
Motor vehicles	20% – 25%
Fixtures and fittings	15% – 50%
Computer equipment	33%

Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are brought into use. In the opinion of the board the market value of land and buildings is not significantly different to historical cost.

## Investments

Investments in subsidiary undertakings are stated at cost plus incidental costs of acquisition.

## Impairment of assets

At each reporting date the group considers whether there is any indication that non-current assets (other than goodwill) are impaired. If there is such an indication, the group carries out an impairment test by measuring the asset's recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is recognised and the asset is written down to its recoverable amount.

## Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure, and is valued on a first in, first out basis.

## Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the group statement of comprehensive income.

## Trade payables

Trade payables are recognised initially at fair value and, if of a long-term nature, subsequently measured at amortised cost using the effective interest method.

## Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short term deposits.

## Operating leases

Rental payments under operating leases are charged to the group statement of comprehensive income on a straight line basis over the term of the lease. The group does not use finance leases.

# Statement of Accounting Policies

## Current and deferred income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the group statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

As required by IAS 12 (Revised) the group provides deferred income tax using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values. Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax balances are not discounted.

## Pensions

The group operates two group personal pension plans, which are defined contribution schemes. These are available to all UK employees after an initial qualifying employment period, and both group and employee make defined contributions to the schemes. The costs to the group of such contributions are charged to the group statement of comprehensive income in the period to which they relate.

## Share capital and reserves

Equity comprises issued capital, share premium and reserves, including retained earnings, foreign currency translation, capital redemption and share based payment reserves.

## Share based payments

The group issues equity-settled, share-based payments, in the form of share options and awards made under the Latchways 2010 Value Creation Plan (VCP), to certain employees. In accordance with IFRS 2, such payments are measured at fair value at the date of grant. Fair value is measured using an appropriate option pricing model and is expensed on a straight line basis in the group statement of comprehensive income over the vesting period.

## Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group.

### (a) Sales of products

The group designs and sells fall protection systems and industrial safety products. Revenue is typically recognised on despatch of the products to the customer in accordance with the standard terms of sale. Under these terms at the point of despatch from Latchways' premises all risks and rewards of ownership of the goods pass to the customer. Under all other sales arrangements revenue is recognised once the risks and rewards of ownership have been transferred and the group has objective evidence that all criteria for acceptance have been satisfied.

### (b) Sales of services

The group enters into contracts to install and supply fall protection systems and industrial safety products. Revenue is recognised to the extent to which performance has taken place at the balance sheet date in accordance with the percentage of completion method.

## Exceptional items

Exceptional items are events or transactions that fall within the activities of the group and which, by virtue of their size or incidence, are separately disclosed in order to improve the user's understanding of the group's financial performance.

## Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

## Dividends

In accordance with IAS 10, dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the distribution is authorised. In the case of interim and special dividends, this is the period in which the board approves those dividends, whilst for the final dividend, this will be the period in which the distribution is approved by the shareholders in general meeting.

Dividends receivable by the holding company from its subsidiaries are recognised when the right to receive the dividend is established. This is normally the same time as the dividend is received in cash.

## Derivative financial instruments

The group uses forward contracts for the purpose of hedging against the exchange risk of foreign currency-denominated sales.

Such derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The group does not apply hedge accounting and accordingly the related derivatives are classified as "held for trading" and changes in fair value are recognised in the group statement of comprehensive income.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

## Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising are taken to the group statement of comprehensive income as they arise.

## Provisions

Provisions are recognised when the group has a present obligation, whether legal or commercial, as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when that reimbursement is virtually certain. The group does not discount provisions except where the effects of discounting would be material, as in the case of deferred consideration. Where provisions are discounted, the provision is measured at the present value of expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and specific risks of the obligation.

The deferred consideration provision is reviewed at least annually. Changes in the underlying estimate of likely consideration are recognised as an adjustment to the cost of the investment and the provision.

## Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the board of directors. Details of the group's financial risk management strategy are set out in Note 17 to these financial statements.

# Notes to the Financial Statements

## 1. Segmental reporting

Management have determined the following reportable operating segments based on the reports reviewed by the chief operating decision maker, namely the board of directors:

Safety Products

Safety Services

The Specialist Fixing division, previously reported as a separate segment, has now been operationally absorbed into the Safety Services division. In accordance with IFRS8, management consider the economic characteristics of the two segments to be similar, and its results and segmental disclosures now form part of the Safety Services totals.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the group being the production, distribution and installation of industrial safety products.

All inter-segment pricing is determined on an arm's length basis.

All assets and liabilities of the group are allocated to the individual segments.

Year Ended 31 March 2011	Safety Products £'000	Safety Services £'000	Consolidation Adjustments £'000	Group £'000
<b>Continuing operations</b>				
<b>Revenue</b>	31,664	10,594	–	<b>42,258</b>
Less inter-segment revenue	(2,695)	–	–	<b>(2,695)</b>
	28,969	10,594	–	<b>39,563</b>
Operating profit	8,180	1,174	(45)	<b>9,309</b>
Finance costs				<b>(21)</b>
Finance income				<b>37</b>
Profit before tax				<b>9,325</b>
Income tax expense				<b>(2,503)</b>
Profit for the year from continuing operations				<b>6,822</b>
Segment assets	33,905	3,924	(1,914)	<b>35,915</b>
Segment liabilities	(6,377)	(1,737)	1,092	<b>(7,022)</b>
<b>Other segment items</b>				
Capital expenditure (including acquisitions)	683	10	–	<b>693</b>
Depreciation (note 9)	578	27	–	<b>605</b>
Amortisation of intangible assets (note 8)	243	48	118	<b>409</b>
Impairment of trade receivables (note 12)	100	94	–	<b>194</b>

Sales from the Safety Products segment to the Safety Services segment were £2,695,000 (2010: £2,488,000).

Consolidation adjustments to segment assets and liabilities consist of inter-segment balances and pre-acquisition reserves.

## 1. Segmental reporting (continued)

Year Ended 31 March 2010

	Safety Products £'000	Safety Services £'000	Consolidation Adjustments £'000	Group £'000
<b>Continuing operations</b>				
<b>Revenue</b>	25,356	10,982	–	<b>36,338</b>
Less inter-segment revenue	(2,488)	–	–	<b>(2,488)</b>
	22,868	10,982	–	<b>33,850</b>
Operating profit	6,591	1,122	(104)	<b>7,609</b>
Finance costs				<b>(19)</b>
Finance income				<b>25</b>
Profit before tax				<b>7,615</b>
Income tax expense				<b>(2,133)</b>
Profit for the year from continuing operations				<b>5,482</b>
Segment assets	28,635	4,076	(1,973)	<b>30,738</b>
Segment liabilities	(4,996)	(1,821)	925	<b>(5,892)</b>
<b>Other segment items</b>				
Capital expenditure (including acquisitions)	509	43	–	<b>552</b>
Depreciation (note 9)	604	24	–	<b>628</b>
Amortisation of intangible assets (note 8)	362	61	113	<b>536</b>
Impairment of trade receivables (note 12)	220	161	–	<b>381</b>

### Supplementary segmental information

The sales analysis in the table below is based on the location of the customer.

	Group	
	2011 £'000	2010 £'000
<b>Continuing operations</b>		
UK	<b>17,691</b>	17,117
Europe	<b>12,060</b>	10,654
North America	<b>5,626</b>	4,686
Other	<b>4,186</b>	1,393
	<b>39,563</b>	33,850

The group has assets in Slovenia and Australia as well as in the UK. As the non-UK assets represent less than 10% of total assets, no further disclosures have been made.

## Notes to the Financial Statements

### 2. Finance costs/income

	Group	
	2011	2010
	£'000	£'000
Interest expense:		
Finance charge on deferred consideration	(21)	(19)
Interest and similar charges payable	(21)	(19)
Interest income on bank deposits	37	25
Finance income – net	16	6

### 3. Profit before income tax

	Group	
	2011	2010
	£'000	£'000
The following items have been included in arriving at profit before income tax		
Staff costs (note 24)	8,438	7,475
Inventories		
– Cost of inventories recognised as an expense (included in cost of sales)	11,374	9,882
Movement in inventory reserve	136	204
Depreciation of property, plant and equipment:		
– Owned assets	605	628
Amortisation of intangibles (included in administrative expenses)	409	536
Other operating lease rentals payable		
– Plant, machinery and vehicles	470	500
– Property	283	293
Repairs and maintenance expenditure on property, plant and equipment	106	63
Research and development expenditure	1,047	975
Trade receivables impairment	194	381
Net gain on foreign exchange and foreign exchange contracts	(32)	(100)

#### Services provided by the group's auditor

During the year the group obtained the following services from the group's auditor at costs as detailed below:

	Group	
	2011	2010
	£'000	£'000
Auditors' remuneration		
– Fees payable to the company's auditor for the audit of parent company and consolidated accounts	39	39
– Fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	30	30
– Fees relating to corporate finance transactions	–	28
– Services relating to taxation	46	20
– Fees in relation to executive remuneration	40	–
– Fees in relation to setting up Latchways Australia Pty Limited	13	–
– Other services	14	18
	182	135

## 4. Income tax expense

Analysis of charge in the year	Group	
	2011 £'000	2010 £'000
Current tax on profits for the year	2,741	2,242
Adjustments in respect of prior year	(149)	(39)
Total current tax	2,592	2,203
Deferred tax for current year	(89)	(67)
Adjustments in respect of prior year	–	(3)
Total deferred tax	(89)	(70)
Total taxation charge	2,503	2,133

The tax for the year is lower than (2010: the same as) the standard rate of corporation tax in the UK, which is 28% in the year. The differences are explained below:

	Group	
	2011 £'000	2010 £'000
Profit before taxation	9,325	7,615
Profit before taxation multiplied by rate of corporation tax in the UK of 28% (2010: 28%)	2,611	2,132
Effects of:		
Adjustments to tax in respect of marginal relief	(3)	(5)
Adjustments to current tax in respect of prior year	(149)	(39)
Adjustments to deferred tax in respect of prior year	–	(3)
Expenses not deductible for tax purposes	115	74
Deferred tax movement on unexercised share options	(45)	(26)
Impact of change in the UK tax rate	(26)	–
Total taxation (continuing operations)	2,503	2,133

The tax charge/(credit) relating to components of other comprehensive income in the year is £Nil (2010: £Nil).

## 5. Dividends

Group and company	2011 £'000	2010 £'000
Final Paid: 17.97p (2010:15.63p ) per 5p share	2,001	1,739
Interim paid: 8.98p (2010: 7.81p) per 5p share	1,000	870
	3,001	2,609

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2011 of 20.66p (2010: 17.97p) per share which will absorb an estimated £2,300,000 of shareholders' funds (2010: £2,001,000). Subject to approval, it will be paid on 16 September 2011 to shareholders who are on the register of members on 19 August 2011. These financial statements do not reflect this dividend payable.

## Notes to the Financial Statements

### 6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The group has only one such category: those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year. Awards made under the Latchways 2010 value creation plan (VCP) are not dilutive in the current year but may become dilutive at subsequent reported dates. The average market price for the year was 838p (2010: 641p).

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

Group	2011			2010		
	Earnings £'000	Weighted average number of shares thousand	Per-share amount pence	Earnings £'000	Weighted average number of shares thousand	Per-share amount pence
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders	6,822	11,134	61.27	5,482	11,131	49.25
Effect of dilutive share options	–	38	(0.20)	–	29	(0.13)
<b>Diluted EPS</b>	<b>6,822</b>	<b>11,172</b>	<b>61.07</b>	<b>5,482</b>	<b>11,160</b>	<b>49.12</b>

### 7. Goodwill

	Group £'000	Company £'000
Cost		
At 1 April 2010	4,377	453
Adjustment to prior year estimate of contingent deferred consideration	33	–
Foreign exchange differences	(8)	–
At at 31 March 2011	4,402	453
Aggregate impairment		
At 1 April 2010 and 31 March 2011	–	–
<b>Net book amount at 31 March 2011</b>	<b>4,402</b>	<b>453</b>

	Group £'000	Company £'000
Cost		
At 1 April 2009	4,341	453
Adjustments to prior year estimate of deferred consideration	70	–
Foreign exchange differences	(34)	–
At at 31 March 2010	4,377	453
Aggregate impairment		
At 1 April 2009 and 31 March 2010	–	–
<b>Net book amount at 31 March 2010</b>	<b>4,377</b>	<b>453</b>
Net book amount at 31 March 2009	4,341	453

## 7. Goodwill (continued)

The carrying amounts of goodwill by operating segment are as follows:

	Safety Products £'000	Safety Services £'000	Total £'000
<b>As at 31 March 2011</b>			
UK	860	1,909	<b>2,769</b>
Europe	1,633	–	<b>1,633</b>
Total	2,493	1,909	<b>4,402</b>
<b>As at 31 March 2010</b>			
UK	860	1,909	<b>2,769</b>
Europe	1,608	–	<b>1,608</b>
Total	2,468	1,909	<b>4,377</b>

The goodwill carried in the Safety Products division represents goodwill acquired on the acquisition of Wingrip in April 2004, the acquisition of Height Solutions Limited in June 2007, and on the acquisition of Sigma 6 d.o.o. in April 2008.

The goodwill carried in the Safety Services division represents goodwill acquired on the acquisition of HCL Group Plc in November 2001, and on the acquisition of the Safety Anchor business in October 2008.

The goodwill previously carried in the Specialist Fixing division represents goodwill acquired on the acquisition of HCL Contracts Limited in November 2001. As this division has now been operationally absorbed into the Safety Services division, it is no longer disclosed separately.

The recoverable amounts were assessed based on value in use.

The key assumptions used in the value in use calculations for all three divisions were as follows:

- The forecast net profit margin. This was based on the achieved results for the divisions over the previous two years, and assuming a cautious uplift in business for the forthcoming year. Thereafter, net profit margins were assumed to be flat.
- The risk adjusted discount rate. The discount rate is based on the risk free rate for 10 year UK Gilts, adjusted for a risk premium to reflect the increased risk of investing in equities. In making this adjustment, the required data are the equity market risk premium (that is, the increased return required over and above the risk free rate by an investor who is investing in a company of average risk) and the risk adjustment applied to reflect whether the specific segment is more or less risky than average.
- The relative risk adjustment (or "beta") applied to discount rates to reflect the risk inherent in the group. This adjustment was as published by Bloomberg in April 2010.

The above assumptions resulted in a discount rate of 6.4% (2010: 7.9%). However, for prudence, impairment calculations were carried out using a pre-tax discount rate of 8.0% (2010: 10.0%).

Given the strong underlying performance of the assets to which the goodwill relates, management are confident that no impairment of goodwill exists at the balance sheet date. For both divisions, future performance would need to deteriorate markedly for the value in use to fall below carrying value.

## Notes to the Financial Statements

### 8. Intangibles

Group	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
<b>Cost</b>								
At 1 April 2010	1,308	743	173	514	976	61	1,214	4,989
Additions	209	11	–	–	–	–	–	220
Internally generated additions	–	–	–	–	–	–	94	94
Foreign exchange differences	–	–	–	(1)	(1)	–	–	(2)
<b>At 31 March 2011</b>	<b>1,517</b>	<b>754</b>	<b>173</b>	<b>513</b>	<b>975</b>	<b>61</b>	<b>1,308</b>	<b>5,301</b>
<b>Aggregate amortisation and impairment</b>								
At 1 April 2010	660	694	84	346	422	61	754	3,021
Charge for the year	65	33	16	63	140	–	92	409
<b>At 31 March 2011</b>	<b>725</b>	<b>727</b>	<b>100</b>	<b>409</b>	<b>562</b>	<b>61</b>	<b>846</b>	<b>3,430</b>
<b>Net Book Amount at 31 March 2011</b>	<b>792</b>	<b>27</b>	<b>73</b>	<b>104</b>	<b>413</b>	<b>–</b>	<b>462</b>	<b>1,871</b>
<b>Group</b>								
	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
<b>Cost</b>								
At 1 April 2009	1,206	812	173	522	982	61	1,099	4,855
Reclassification	–	(82)	–	–	–	–	–	(82)
Additions	102	13	–	–	–	–	–	115
Internally generated additions	–	–	–	–	–	–	115	115
Foreign exchange differences	–	–	–	(8)	(6)	–	–	(14)
<b>At 31 March 2010</b>	<b>1,308</b>	<b>743</b>	<b>173</b>	<b>514</b>	<b>976</b>	<b>61</b>	<b>1,214</b>	<b>4,989</b>
<b>Aggregate amortisation and impairment</b>								
At 1 April 2009	570	717	70	251	271	61	626	2,566
Reclassification	–	(81)	–	–	–	–	–	(81)
Charge for the year	90	58	14	95	151	–	128	536
<b>At 31 March 2010</b>	<b>660</b>	<b>694</b>	<b>84</b>	<b>346</b>	<b>422</b>	<b>61</b>	<b>754</b>	<b>3,021</b>
<b>Net Book Amount at 31 March 2010</b>	<b>648</b>	<b>49</b>	<b>89</b>	<b>168</b>	<b>554</b>	<b>–</b>	<b>460</b>	<b>1,968</b>

**8. Intangibles (continued)**

Company	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
<b>Cost</b>								
At 1 April 2010	1,308	544	173	266	293	61	1,214	3,859
Additions	209	11	–	–	–	–	–	220
Internally generated additions	–	–	–	–	–	–	94	94
<b>At 31 March 2011</b>	<b>1,517</b>	<b>555</b>	<b>173</b>	<b>266</b>	<b>293</b>	<b>61</b>	<b>1,308</b>	<b>4,173</b>
<b>Aggregate amortisation and impairment</b>								
At 1 April 2010	660	503	84	230	221	61	754	2,513
Charge for the year	65	30	16	5	35	–	92	243
<b>At 31 March 2011</b>	<b>725</b>	<b>533</b>	<b>100</b>	<b>235</b>	<b>256</b>	<b>61</b>	<b>846</b>	<b>2,756</b>
<b>Net Book Amount at 31 March 2011</b>	<b>792</b>	<b>22</b>	<b>73</b>	<b>31</b>	<b>37</b>	<b>–</b>	<b>462</b>	<b>1,417</b>
Company	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
<b>Cost</b>								
At 1 April 2009	1,206	531	173	266	293	61	1,099	3,629
Additions	102	13	–	–	–	–	–	115
Internally generated additions	–	–	–	–	–	–	115	115
<b>At 31 March 2010</b>	<b>1,308</b>	<b>544</b>	<b>173</b>	<b>266</b>	<b>293</b>	<b>61</b>	<b>1,214</b>	<b>3,859</b>
<b>Aggregate amortisation and impairment</b>								
At 1 April 2009	570	451	70	189	184	61	626	2,151
Charge for the year	90	52	14	41	37	–	128	362
<b>At 31 March 2010</b>	<b>660</b>	<b>503</b>	<b>84</b>	<b>230</b>	<b>221</b>	<b>61</b>	<b>754</b>	<b>2,513</b>
<b>Net Book Amount at 31 March 2010</b>	<b>648</b>	<b>41</b>	<b>89</b>	<b>36</b>	<b>72</b>	<b>–</b>	<b>460</b>	<b>1,346</b>
Net Book Amount at 31 March 2009	636	80	103	77	109	–	473	1,478

## Notes to the Financial Statements

### 8. Intangibles (continued)

All amortisation charges in the year have been charged through administrative expenses in the statement of comprehensive income.

The following useful lives were determined for the intangible assets acquired in April 2004:

Brand names	12 years
Intellectual property	6 years
Customer relationships	8 years
Order book	3 months

The brand name acquired in 2004 was "Wingrip".

The customer relationships acquired with the Wingrip product have been assessed in terms of retention rates and forecast levels of business. These are considered to have an approximate life of eight years.

The intellectual property acquired related to the designs and "know how" attributed to the Wingrip product. This was assessed in terms of the costs to replicate a similar product from conception, and is considered to have an approximate life of six years.

The forward order book acquired for the Wingrip product was for approximately three months orders.

The following useful lives were determined for the intangible assets acquired in subsequent acquisitions;

Intellectual property	6 years
Customer relationships	8 years

No value was ascribed to brands related to these acquisitions, as the products were immediately rebranded. The order book on acquisition was immaterial in each case.

Development costs are capitalised, where appropriate, in accordance with IAS 38. They are then amortised on a straight-line basis over the first three years of the life of the ensuing product, commencing on the date of the first commercial sale. An annual review is undertaken of each capitalised project to ensure that capitalisation remains appropriate.

## 9. Property, plant and equipment

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2010	2,338	2,610	840	5,788
Disposals	–	(1)	(6)	(7)
Additions at cost	17	280	82	379
<b>At 31 March 2011</b>	<b>2,355</b>	<b>2,889</b>	<b>916</b>	<b>6,160</b>
<b>Accumulated depreciation</b>				
At 1 April 2010	393	1,468	644	2,505
Disposals	–	(1)	(6)	(7)
Charge for the year	38	480	87	605
<b>At 31 March 2011</b>	<b>431</b>	<b>1,947</b>	<b>725</b>	<b>3,103</b>
<b>Net book amount at 31 March 2011</b>	<b>1,924</b>	<b>942</b>	<b>191</b>	<b>3,057</b>
Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2009	2,338	2,361	742	5,441
Disposals	–	(25)	(36)	(61)
Reclassification	–	–	82	82
Additions at cost	–	270	52	322
Foreign exchange difference	–	4	–	4
<b>At 31 March 2010</b>	<b>2,338</b>	<b>2,610</b>	<b>840</b>	<b>5,788</b>
<b>Accumulated depreciation</b>				
At 1 April 2009	344	1,020	484	1,848
Disposals	–	(17)	(35)	(52)
Reclassification	–	–	81	81
Charge for the year	49	465	114	628
<b>At 31 March 2010</b>	<b>393</b>	<b>1,468</b>	<b>644</b>	<b>2,505</b>
<b>Net book amount at 31 March 2010</b>	<b>1,945</b>	<b>1,142</b>	<b>196</b>	<b>3,283</b>
Net book amount at 31 March 2009	1,994	1,341	258	3,593

There are no assets held under finance leases.

## Notes to the Financial Statements

### 9. Property, plant and equipment (continued)

Company	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2010	2,338	2,408	692	5,438
Additions at cost	17	260	81	358
<b>At 31 March 2011</b>	<b>2,355</b>	<b>2,668</b>	<b>773</b>	<b>5,796</b>
<b>Accumulated depreciation</b>				
At 1 April 2010	393	1,376	547	2,316
Charge for the year	38	430	74	542
<b>At 31 March 2011</b>	<b>431</b>	<b>1,806</b>	<b>621</b>	<b>2,858</b>
<b>Net book amount at 31 March 2011</b>	<b>1,924</b>	<b>862</b>	<b>152</b>	<b>2,938</b>

Company	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2009	2,338	2,190	655	5,183
Additions at cost	–	218	37	255
<b>At 31 March 2010</b>	<b>2,338</b>	<b>2,408</b>	<b>692</b>	<b>5,438</b>
<b>Accumulated depreciation</b>				
At 1 April 2009	344	963	443	1,750
Charge for the year	49	413	104	566
<b>At 31 March 2010</b>	<b>393</b>	<b>1,376</b>	<b>547</b>	<b>2,316</b>
<b>Net book amount at 31 March 2010</b>	<b>1,945</b>	<b>1,032</b>	<b>145</b>	<b>3,122</b>
Net book amount at 31 March 2009	1,994	1,227	212	3,433

## 10. Investments

	Company	
	2011 £'000	2010 £'000
Investment in subsidiary undertakings		
As at 1 April	<b>5,258</b>	5,188
Adjustment to prior year estimate of deferred consideration	<b>33</b>	<b>70</b>
As at 31 March	<b>5,291</b>	5,258

The subsidiary undertakings are as follows:

Name	Principal Activity	Category	Country of Registration	% Held
HCL Group Plc	Holding company	Ordinary £1	England & Wales	100%
HCL Safety Limited*	Safety system installation and services	Ordinary £1	England & Wales	100%
HCL Contracts Limited*	Structural repair of buildings	Ordinary £1	England & Wales	100%
HCL Management Limited*	Dormant company	Ordinary £1	England & Wales	100%
Height Solutions Limited	Manufacture and sale of PVCu walkways	Ordinary £1	England & Wales	100%
Sigma 6 d.o.o.	Manufacture and sale of aluminium guardrails	8,800 Euros	Slovenia	100%
Latchways Australia Pty Limited	Supply of safety systems	Ordinary AU\$1	Australia	100%

\*denotes a subsidiary of HCL Group Plc

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## 11. Inventories

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Raw materials and consumables	<b>2,560</b>	2,499	<b>2,264</b>	2,144
Finished goods	<b>1,197</b>	1,038	<b>1,041</b>	871
	<b>3,757</b>	3,537	<b>3,305</b>	3,015

## 12. Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts falling due within one year:				
Trade receivables	<b>11,566</b>	10,150	<b>6,166</b>	7,157
Less: Provision for impairment of receivables	<b>(666)</b>	(705)	<b>(292)</b>	(366)
Trade receivables – net	<b>10,900</b>	9,445	<b>5,874</b>	6,791
Amounts owed by group companies	–	–	<b>3,274</b>	1,015
Other receivables	<b>258</b>	47	<b>206</b>	47
Prepayments and accrued income	<b>560</b>	791	<b>432</b>	428
	<b>11,718</b>	10,283	<b>9,786</b>	8,281

The maximum exposure to credit risk at 31 March 2011 is the carrying value of each class of receivables mentioned above. The group does not hold any collateral as security. No interest is charged on the company amounts owed by the group.

## Notes to the Financial Statements

### 12. Trade and other receivables (continued)

As of 31 March 2011, trade receivables of £10,822,000 (2010: £8,484,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

Group	2011 £'000	2010 £'000
Up to 3 months	10,670	8,484
3 to 6 months	461	1,110
Over 6 months	168	279
Retentions on contracts	267	277
<b>Trade and other receivables</b>	<b>11,566</b>	<b>10,150</b>

Those items up to 3 months old are fully performing and are not considered impaired. Items over 3 months old are reviewed for impairment and provided for where necessary. In addition, the group regularly reviews retentions on contracts for impairment, and provides accordingly. Those items considered to be impaired at 31 March 2011 are as follows:

Group	2011 £'000	2010 £'000
3 to 6 months	377	301
Over 6 months	168	279
	545	580
Retentions	121	125
Actual Provision	666	705

The individually impaired receivables mainly relate to independent customers who are trading in a difficult economic environment.

#### Group

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000
Pounds	6,578	7,464
Euros	2,289	2,084
AU dollar	2,200	–
US dollar	444	449
NZ dollar	207	286
	11,718	10,283

Movements on the group provision for impairment of trade receivables are as follows:

	2011 £'000	2010 £'000
At 1 April	705	479
Provision for receivables impairment	194	381
Receivables written off during the year as uncollectable	(251)	(158)
Unused amounts reversed	18	3
At 31 March	666	705

The creation and release of provision for impaired receivables have been included in the "administrative expenses" line of the statement of comprehensive income.

**13. Cash and cash equivalents**

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	10,854	7,156	10,254	6,491

**14. Trade and other payables**

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	1,715	2,168	1,513	1,650
Amounts owed to group companies	–	–	483	484
Other tax and social security payable	207	197	107	95
Other creditors	482	329	6	23
Accruals	2,224	1,266	1,931	852
	4,628	3,960	4,040	3,104

**15. Current tax liabilities**

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Current tax liabilities</b>	1,318	976	1,205	882

**16. Deferred consideration**

	Group and Company	
	2011 £'000	2010 £'000
Balance at 1 April	431	413
Adjustment to previous year estimate	33	70
Paid in year	(61)	(57)
Finance charge for discounting of deferred consideration	21	19
Foreign exchange differences	(3)	(14)
<b>Balance at 31 March</b>	421	431
	2011 £'000	2010 £'000
Amounts due within 1 year	83	68
Amounts due after more than 1 year	338	363
	421	431

Deferred consideration is contingent and arose on the acquisition of Sigma 6 d.o.o. in April 2008.

## Notes to the Financial Statements

### 17. Financial instruments

#### Financial risk management strategy

The group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative. Specifically, the group uses financial instruments to manage its foreign exchange, interest rate and liquidity risks.

#### Foreign exchange risk

The group invoices export customers within the Eurozone in Euros. In addition, certain other overseas customers are invoiced in local currency. The group also purchases some materials and services in Euros.

The group monitors its exposure to currency fluctuations on an ongoing basis. Currency exposure is managed using forward exchange contracts. These are designated as hedges of foreign exchange risk on anticipated net revenues. The group hedges approximately 70% of expected net Euro receipts for the following six months. Other currency sales are hedged when material confirmed orders are received.

The group has not applied hedge accounting to its foreign exchange hedges.

At the year end, the group had trade receivables denominated in Euros of £2,289,000 (2010: £2,084,000), in US Dollars of £444,000 (2010: £449,000), in NZ Dollars of £207,000 (2010: £286,000), and in AU Dollars £2,200,000 (2010: nil).

#### Interest rate risk—Financial liabilities

The group has no interest bearing liabilities.

#### Interest rate risk—Financial assets

The weighted average interest yield on the group's cash deposits during the year was 0.4% (2010: 0.3%). Interest yields on other currencies were not material.

As at 31 March 2011, the group had cash balances denominated in Euros of £1,088,000 (2010: £621,000), in US Dollars of £320,000 (2010: £106,000), in NZ Dollars £119,000 (2010: nil) and in AU Dollars £147,000 (2010: nil).

#### Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. Credit insurance is used to manage credit risk wherever possible. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

#### Liquidity risk

To provide additional flexibility, the group has a £1,000,000 overdraft facility which next falls due for review in March 2012, which was not utilised at 31 March 2011. Interest on this facility is charged at base rate plus 1.5%. This is considered by management to provide adequate flexibility given the current liquidity of the business.

The net fair values of derivative financial instruments and designated cash flow hedges at the balance sheet date were:

Group and Company	2011		2010	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
<b>At 31 March</b>				
Forward foreign currency contracts	–	(115)	30	–
	–	(115)	30	–

## 17. Financial instruments (continued)

The net fair value losses/(gains) at 31 March 2011 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales are £115,000 (2010: (£30,000)). The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2011 were £5,908,000 (2010: £3,357,000). There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges (2010: nil).

The fair values of open forward foreign exchange contracts have been measured by reference to the actual currency spot rates at 31 March 2011.

In accordance with IAS 39, 'Financial instruments: Recognition and measurement', Latchways plc has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified.

### Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of both short-term and long-term assets and liabilities approximate to book value.

### Capital risk management

As a cash-generative, cash-positive business, capital risk is managed on a simplified basis. The aim of the group is to maintain sufficient funds to enable it to make suitable investments and incremental acquisitions without recourse to bankers and/or shareholders, whilst maintaining progressive growth in dividends and ensuring that excess cash is returned to shareholders.

All material cash amounts are deposited with financial institutions whose credit rating is at least AA.

As a result of this policy, capital risk measures such as gearing ratios are not currently relevant to the group.

## Notes to the Financial Statements

### 18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

The movement in the net deferred tax balance is as shown below:

Non-Current	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 April	421	500	384	441
Adjustment in respect of prior year	–	(3)	–	(3)
Transferred to reserves	(48)	(9)	(48)	(9)
Credited to statement of comprehensive income	(89)	(67)	(78)	(45)
At 31 March	284	421	258	384

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

#### Deferred tax liabilities—Group

	Accelerated tax allowances £'000	Other £'000	Total £'000
At 1 April 2010	(329)	(196)	(525)
(Debited)/credited to statement of comprehensive income	(36)	21	(15)
At 31 March 2011	(365)	(175)	(540)

#### Deferred tax assets—Group

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2010	39	65	104
Transferred to reserves	–	48	48
Credited to group statement of comprehensive income	64	40	104
At 31 March 2011	103	153	256

**18. Deferred tax (continued)****Deferred tax liabilities—Company**

	Accelerated tax allowances £'000	Other £'000	Total £'000
<b>At 1 April 2010</b>	(335)	(116)	(451)
(Debited)/credited to statement of comprehensive income	(32)	6	(26)
<b>At 31 March 2011</b>	(367)	(110)	(477)

**Deferred tax assets—Company**

	Accelerated tax depreciation £'000	Other £'000	Total £'000
<b>At 1 April 2010</b>	–	67	67
Transferred to reserves	–	48	48
Credited to statement of comprehensive income	64	40	104
<b>At 31 March 2011</b>	64	155	219

**19. Called up share capital**

<b>Authorised</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
12,821,603 (2010:12,821,603) ordinary shares of 5p each	641	641
<b>Issued and fully paid</b>	<b>shares</b>	<b>shares</b>
Ordinary shares of 5p each		
At 1 April	11,134,246	557
Allotted under share option schemes	–	–
		11,129,151
		5,095
<b>At 31 March</b>	<b>11,134,246</b>	<b>557</b>
		<b>11,134,246</b>
		<b>557</b>

**Potential issues of ordinary shares**

Certain senior executives hold options to subscribe for shares in the company at prices ranging from 287.5p to 759.0p under the share option schemes approved by shareholders in October 1997 and July 2001. No options were exercised in 2011 (2010: 5,095 shares) generating cash proceeds of £nil (2010: £15,000). The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

**Group and Company**

Date of grant	Exercise dates	Number of options 2011	Number of options 2010	Exercise price
31.07.01	31.07.04 – 31.07.11	34,782	34,782	287.5p
24.06.04	24.06.05 – 24.06.14	16,667	16,667	345.0p
21.06.06	21.06.07 – 21.06.16	50,000	50,000	759.0p

## Notes to the Financial Statements

### 20. Share based payments

The Enterprise Management Incentive (EMI) scheme was introduced in July 2001. Under the EMI scheme the remuneration committee can grant options over shares in the company to employees of the company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the EMI scheme are generally reserved for employees at senior management level and above.

The company has made two grants of options under this scheme since January 2003, being the grant of 50,000 options to A J Hogg, director, on 24 June 2004, and a further 50,000 options to A J Hogg, director, on 21 June 2006. Full details of these grants are included in the Directors' remuneration report.

Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	24/06/2004	21/06/2006
Share price at grant date	£3.45	£7.59
Exercise price	£3.45	£7.59
Number of employees	1	1
Shares under option	50,000	50,000
Vesting period (years)	1-3	1-3
Expected volatility	38%	35%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate	5.09%	4.68%
Expected dividends expressed as a dividend yield	2.5%	1.7%
Possibility of ceasing employment before vesting	0%	0%
Expectations of meeting performance criteria	100%	100%
Fair value per option	£1.12	£2.47

A total of 33,333 of the options granted on 24 June 2004 were exercised on 3 July 2006.

The expected volatility is based on historical volatility over the last five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

A reconciliation of option movements over the year to 31 March 2011 is shown below.

	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	101,449	£5.29	106,544	£5.18
Exercised	–	–	(5,095)	£2.88
Outstanding at 31 March	101,449	£5.29	101,449	£5.29
Exercisable at 31 March	101,449	£5.29	101,449	£5.29

Range of exercise prices	Weighted average exercise price	2011		Range of exercise price	Weighted average exercise price	2010	
		Number of shares	Weighted average remaining life: Contractual			Number of shares	Weighted average remaining life: Contractual
£2.88	£2.88	34,782	0.3	£2.88	£2.88	34,782	1.3
£3.45	£3.45	16,667	3.2	£3.45	£3.45	16,667	4.2
£7.59	£7.59	50,000	5.3	£7.59	£7.59	50,000	6.3

No options were exercised during the year. The weighted average share price during the year for options exercised during 2010 was £6.40. The total charge for the year relating to employee share based payment plans was £nil (2010: £3,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £nil (2010: £2,000).

The expected life of all share options is 5 years (2010: 5 years). The contractual life of all share options is 10 years (2010: 10 years).

## 20. Share based payments (continued)

The Latchways plc 2010 Value Creation Plan ("VCP") was approved by shareholders at the General Meeting held on 13 August 2010. Units are awarded which have no value at date of grant, but subject to the satisfaction of performance targets can convert and give participants the right to be granted nil-cost options to acquire Ordinary Shares in the Company at the end of the performance period. Full details of the plan were outlined in the notice of meeting dated 21 July 2010.

The terms and conditions of the award of units granted under the VCP during the year ended 31 March 2011 are as follows:

Grant date	Type of award	No. of units	Vesting Conditions	Vesting Period
16 August 2010	Award of units	388	Growth in earnings per share, share price including dividends, and total shareholder return.	33% after three years, 33% after four years, and the balance after five years.

VCP awards outstanding at the end of the period were as follows:

	At 31 March 2011 No. of units	At 31 March 2010 No. of units
At 1 April	–	–
Units awarded during the year	388	–
<b>Oustanding at 31 March</b>	<b>388</b>	<b>–</b>

The VCP awards are valued using the Monte Carlo statistical model. The inputs to the model were as follows:

Grant date	16/08/2010
Average share price for 30 days preceding award date	£6.84
Number of simulations	50,000
Expected duration	3 years
Risk free interest rate	1.23%
Threshold share price (including cumulative dividends paid)	£10.77
Maximum share price (including cumulative dividends paid)	£15.88
Latchways share price volatility	33.5%
FTSE Small Cap Index volatility	18.2%
Correlation between Latchways and FTSE Small Cap Index	21.1%
Payout between Threshold and maximum share price	10%
Shares in issue	11,134,246

The IFRS 2 charge to the group statement of comprehensive income relating to the VCP for the year was £187,000 (2010: £nil).

## 21. Share premium account

Group and company	£'000
At 1 April 2009	1,793
Premium on shares issued during the year under the share option schemes	14
At 1 April 2010	1,807
Premium on shares issued during the year under the share option schemes	–
<b>At 31 March 2011</b>	<b>1,807</b>

## 22. Retained earnings

	Group £'000	Company £'000
At 1 April 2010	21,984	20,541
Profit for the year	6,822	6,976
Deferred taxation on share options transferred to reserves	48	48
Dividends paid	(3,001)	(3,001)
<b>At 31 March 2011</b>	<b>25,853</b>	<b>24,564</b>

## Notes to the Financial Statements

### 22. Retained earnings (continued)

	Group £'000	Company £'000
At 1 April 2009	19,102	17,840
Profit for the year	5,482	5,301
Deferred taxation on share options transferred to reserves	9	9
Dividends paid	(2,609)	(2,609)
At 31 March 2010	21,984	20,541

### 23. Cash flow from operating activities

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
<b>Cash generated from operations</b>				
<b>Continuing operations</b>				
Net profit (excluding dividends received)	<b>6,822</b>	5,482	<b>6,026</b>	4,748
Adjustments for:				
Tax	<b>2,503</b>	2,133	<b>2,188</b>	1,845
Depreciation	<b>605</b>	628	<b>542</b>	566
Amortisation of intangible assets	<b>317</b>	408	<b>151</b>	234
Amortisation of development costs	<b>92</b>	128	<b>92</b>	128
Loss on disposal of tangible assets	-	9	-	-
Share option charge	<b>187</b>	3	<b>187</b>	3
Interest income	<b>(37)</b>	(25)	<b>(35)</b>	(37)
Interest expense	<b>21</b>	19	<b>21</b>	19
Movement on financial instruments	<b>145</b>	(205)	<b>145</b>	(205)
Exchange movement on deferred consideration	<b>(3)</b>	(14)	<b>(3)</b>	(14)
Changes in working capital:				
(Increase)/decrease in inventories	<b>(220)</b>	389	<b>(290)</b>	342
Increase in trade and other receivables	<b>(1,435)</b>	(1,726)	<b>(1,505)</b>	(1,748)
Increase in trade and other payables	<b>668</b>	829	<b>936</b>	914
Cash generated from continuing operations	<b>9,665</b>	8,058	<b>8,455</b>	6,795

## 24. Employees and directors

Staff costs for the group during the year	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Wages and salaries	7,115	6,335	3,931	2,995
Social security costs	715	685	444	350
Other pension costs	421	452	279	285
Share based payment	187	3	187	3
	<b>8,438</b>	<b>7,475</b>	<b>4,841</b>	<b>3,633</b>

Average monthly number of people (including executive directors) employed	Group		Company	
	2011 Number	2010 Number	2011 Number	2010 Number
<b>By operating segment</b>				
Safety Products	92	90	88	86
Safety Services	133	151	–	–
	<b>225</b>	<b>241</b>	<b>88</b>	<b>86</b>

Directors	2011 £'000	2010 £'000
Aggregate emoluments	1,522	881
Company contributions to money purchase pension schemes	140	140
	<b>1,662</b>	<b>1,021</b>

Three directors (2010: three) have retirement benefits accruing under money purchase pension schemes.

### Key management compensation

	Group	
	2011 £'000	2010 £'000
Salaries and short-term employee benefits	1,670	1,071
Post-employment benefits	154	157
Share based payments	187	3
Social security costs	186	120
	<b>2,197</b>	<b>1,351</b>

The key management figures given above include the group board, together with directors and general managers of subsidiary companies.

	Company	
	2011 £'000	2010 £'000
Salaries and short-term employee benefits	1,522	881
Post-employment benefits	140	140
Share based payments	187	3
Social security costs	173	100
	<b>2,022</b>	<b>1,124</b>

The key management figures given above include the directors of Latchways plc.

## Notes to the Financial Statements

### 25. Operating lease commitments—minimum lease payments

Group	2011		2010	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Total commitments under non-cancellable operating leases:				
Payable within one year	182	331	190	297
Payable between one and five years	179	342	165	350
	361	673	355	647

Company	2011		2010	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Total commitments under non-cancellable operating leases:				
Payable within one year	76	105	75	106
Payable between one and five years	41	89	42	80
	117	194	117	186

The group and company lease various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The group and company also lease plant, machinery and vehicles under non-cancellable operating lease agreements.

### 26. Contingent liabilities

The group and company had no contingent liabilities as at 31 March 2011 (2010: none).

### 27. Capital and other financial commitments

At 31 March 2011 capital expenditure authorised by the board and contracted for but not provided in these financial statements was £nil (2010: £nil) in both the group and the company.

### 28. Company statement of comprehensive income

The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 from publishing a separate statement of comprehensive income. A profit of £6,976,000 (2010: £5,301,000) before dividends paid has been dealt with in the books of Latchways plc. This includes £950,000 (2010: £553,000) in respect of dividend income received from subsidiary companies in the year.

### 29. Related party transactions

During the year, Latchways plc made sales of £2,695,000 (2010: £2,488,000) to HCL Safety Limited. At the year end the balance outstanding to Latchways plc from HCL Safety Limited was £820,000 (2010: £745,000). A dividend of £950,000 (2010: £553,000) was received by Latchways plc from HCL Group Plc.

Latchways plc also made sales of £2,074,000 (2010: £nil) to Latchways Australia Pty Limited. At the year end the balance outstanding to Latchways plc from Latchways Australia Pty Limited was £2,074,000 (2010: £nil).

Loans of £350,000 (2010: £350,000) by HCL Group plc to Latchways plc were outstanding at year end.

Sigma 6 d.o.o. made sales of £1,142,000 (2010: £1,017,000) to Latchways plc during the year. At the year end, the trading balance outstanding to Sigma 6 d.o.o. from Latchways plc was £133,000 (2010: £135,000).

Loans of £230,000 (2010: £345,000) were made by Latchways plc to Sigma 6 d.o.o. during the year, and were outstanding at year end.

Amounts owed between group companies are payable on demand.

# Notice of Annual General Meeting

Latchways plc  
(Registered Number 1189060)  
(the "Company")

## Notice of Annual General Meeting

**This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to take your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other professional independent adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your shares in Latchways plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Hopton Park, Devizes, Wiltshire SN10 2JP on 9 September 2011 at 12 noon for the following purposes:

### Ordinary Resolutions

1. To receive and adopt the directors' report and accounts for the year ended 31 March 2011.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2011.
3. To declare a final dividend of 20.66p per ordinary share in the capital of the Company.
4. To re-elect B Finlayson as a director.
5. To re-elect N P Hearson, Chairman, as a director.
6. To re-elect A J Hogg as a director.
7. To re-elect R A Orton as a director.
8. To elect I Pickering as a director.
9. To reappoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
10. To authorise the directors to fix the remuneration of the auditors.
11. To renew the directors' authority to allot ordinary shares

That:

- 11.1 the directors of the Company be generally and unconditionally authorised under section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £84,367;
- 11.2 such authority shall expire (unless previously revoked by the Company) on the earlier of the conclusion of the next annual general meeting of the Company and 9 December 2012, except that the Company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares or grant Rights in pursuance of such offer or agreement as if the power conferred hereby had not expired; and
- 11.3 all previous authorities to allot shares or grant Rights, to the extent unused, shall be revoked.

### Special Resolutions

12. To renew the director's authority for disapplication of pre-emption rights

That:

- 12.1 subject to the passing of resolution 11, the directors of the Company shall have the power to allot equity securities (within the meaning of section 560 of the Companies Act 2006) for cash either under the authority conferred by resolution 11 or by way of a sale of treasury shares, as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:
  - 12.1.1 the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of:
    - 12.1.1.1 ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and

## Notice of Annual General Meeting

12.1.1.2 holders of other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions and other arrangements as the directors of the Company may consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares or any legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter; and

12.1.2 the allotment (otherwise than pursuant to sub-paragraph 12.1 above) of equity securities up to an aggregate nominal amount of £27,835;

12.2 this power shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 9 December 2012 except that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

13. To renew the Company's authority for purchase of own shares

That the Company be and is hereby generally and unconditionally authorised for the purposes of sections 693 and 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 5 pence each in the capital of the Company ("ordinary shares") upon such terms and in such manner as the directors of the Company shall determine, provided that:

13.1 the maximum number of ordinary shares authorised to be purchased is 1,113,424 (representing approximately 10% of the Company's issued share capital as at 10 June 2011);

13.2 the minimum price (exclusive of expenses) which may be paid for such ordinary shares is 5 pence per share;

13.3 the maximum price (exclusive of expenses) which may be paid for an ordinary share cannot be more than an amount equal to the higher of:

13.3.1 105% of the average of the closing middle market price for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately prior to the day on which the purchase is made; and

13.3.2 the price stipulated by Article 5(1) of Commission Regulation (EC) No 2273/2003 (the Buy-back and Stabilisation Regulations);

13.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the next annual general meeting of the Company and 9 December 2012; and

13.5 the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

14 To approve shorter notice periods for certain general meetings

That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

Please see the explanatory notes to the resolutions that follow below.

By order of the board

Registered office:

Rex Orton  
Company Secretary

Latchways plc  
Hopton Park  
Devizes  
Wiltshire  
SN10 2JP

10 June 2011

(Registered Number 1189060)

## Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the annual general meeting. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's registrars, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6QZ no later than 48 hours before the time of the meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instructions (as described in paragraph 9 below) will not prevent a shareholder attending the annual general meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6pm on the date which is two days before the time of the annual general meeting (or, in the event of any adjournment, 6pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 10 June 2011 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 11,134,246 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 10 June 2011 are 11,134,246.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited, (the operator of the CREST system), and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID 7RA01) by 12 noon on 7 September 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Notes

12. Any corporation which is a shareholder of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder, provided that they do not do so in relation to the same shares.
13. Under section 527 of the 2006 Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.
14. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered at the meeting any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. A copy of this notice and any other information required by section 311A of the 2006 Act can be found at [www.latchways.com](http://www.latchways.com).
16. Under sections 338 and 338A of the 2006 Act, shareholders meeting the threshold requirements in those sections have the right to require the Company (i) to give, to shareholders of the Company entitled to receive notice of the meeting, notice of a resolution which those shareholders intend to move (and which may properly be moved) at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 29 July 2011, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
17. Any electronic address (within the meaning of section 333(4) of the 2006 Act) provided in this notice of meeting or any other related document may not be used to communicate with the Company for any purpose other than those expressly stated.
18. The following documents are available for inspection by members at the registered office of the Company on weekdays (except bank holidays) during normal business hours, and at the place of the meeting for not less than 15 minutes before the annual general meeting draws to its conclusion:
  - 18.1 copies of the executive directors' service contracts; and
  - 18.2 copies of letters of appointment of the non-executive directors.

## Explanatory Notes to Resolutions

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 11 (inclusive) are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 14 (inclusive) are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

### **Resolution 1 (annual report and accounts)**

The directors of the Company must present to the meeting the audited annual accounts and the directors' and auditors' report for the financial year ended 31 March 2011.

### **Resolution 2 (remuneration report)**

The Company's shareholders will be asked to approve the remuneration report at the annual general meeting.

### **Resolution 3 (dividend)**

If resolution 3 is approved by shareholders, the final dividend for the year ended 31 March 2011 of 20.66 pence per ordinary share will be paid on 16 September 2011 to shareholders whose names appear on the register of members at close of business on 19 August 2011.

### **Resolutions 4 to 8 (inclusive) (re-election of directors)**

Under the Company's Articles of Association, one third of the directors are required to retire by rotation each year.

Both B Finlayson and N P Hearson have held non executive roles on the board for over nine years. For this reason, in accordance with the Combined Code, they are subject to annual re-election. They are proposed for re-election through resolutions numbered 4 and 5 respectively. A J Hogg and R A Orton will retire by rotation this year and are proposed for re-election through resolutions number 6 and 7. I Pickering was appointed to the board on 1 April 2011 and is therefore proposed for election through resolution number 8. The board believes that each of these directors continues to be effective, demonstrates commitment to the role and significantly enhances the performance of the board as a whole. In the case of B Finlayson, the board is of the view that the length of his tenure in no way affects his independence of view. As Chairman, N P Hearson is deemed non-independent by the Combined Code.

Short biographies of each of the directors offering themselves for election and re-election are on page 11 of the annual report and accounts. The board recommends that you support the election and re-election of each of these retiring directors.

### **Resolutions 9 and 10 (appointment and remuneration of auditors)**

The Company must appoint auditors at each general meeting at which accounts are presented to shareholders to hold office until the conclusion of the next such meeting. Resolution 9 seeks shareholder approval to re-appoint PricewaterhouseCoopers LLP as the Company's auditors. In accordance with normal practice, Resolution 10 seeks authority for the Company's directors to fix their remuneration.

### **Resolution 11 (authority to allot)**

Under section 551 of the Companies Act 2006 (the "2006 Act"), the directors are prevented, subject to certain exceptions, from allotting shares in the Company without the authority of the shareholders in general meeting. Resolution 11 is proposed as an ordinary resolution to authorise the directors to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal value of £84,367. This represents approximately 15.2 per cent of the Company's current issued ordinary share capital at 10 June 2011 (being the last practicable date prior to the publication of this notice). The directors' authority will expire on the earlier of the conclusion of the next annual general meeting and 9 December 2012. Save for the issue of ordinary shares pursuant to options granted under the Company's employee share option scheme, the directors have no present intention to make use of this authority. As at the date of this notice, the Company does not hold any ordinary shares in the capital of the Company in treasury.

## Explanatory Notes to Resolutions

### Resolution 12 (statutory pre-emption rights)

Under section 561 of the 2006 Act, when new shares are allotted or treasury shares are sold for cash (otherwise than pursuant to an employee share scheme), they must first be offered to existing shareholders pro rata to their holdings. This special resolution renews, for the period ending on the earlier of the conclusion of the next annual general meeting and 9 December 2012, the authorities previously granted to the directors to: (a) allot shares of the Company for cash in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares of the Company, or sell treasury shares, for cash, up to an aggregate nominal value of £27,835 (representing in accordance with institutional investor guidelines, approximately 5% of the total ordinary share capital in issue as at 10 June 2011 (being the last practicable date prior to the publication of this notice) as if the pre-emption rights of section 561 did not apply. Except in relation to the Company's employee share scheme, the directors have no immediate plans to make use of these authorities. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued shared capital on a non pre-emptive basis over the last 3 years.

### Resolution 13 (authority for market purchases of own shares)

Consistent with its practice in prior years, the board is seeking renewal of the shareholders' approval to buy back shares in the Company. Resolution 13 which is being proposed as a special resolution renews the directors' current authority to make limited market purchases of the Company's ordinary shares. The authority is limited to a maximum aggregate number of 1,113,424 ordinary shares (representing 10% of the issued share capital as at 10 June 2011 (being the latest practicable date prior to publication of this notice)) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this resolution will expire at the conclusion of the Company's next annual general meeting or 9 December 2012, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange.

These approvals were most recently renewed at the Company's annual general meeting in 2010 and expire on the date of the 2011 annual general meeting. During that time, no shares in the Company have been bought back.

The ordinary shares repurchased by the Company under the renewed authority would either be cancelled or held as treasury shares (shares held by the Company itself). No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them. The Company currently holds no shares in treasury. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares. The directors would only purchase shares if, in their opinion, the expected effect would be to result in an increase in earnings per ordinary share and/or would benefit shareholders generally.

### Resolution 14: Notice of general meetings

Resolution 14 will allow the Company to hold general meetings (other than annual general meetings) on 14 clear days' notice.

The Companies (Shareholders' Rights) Regulations 2009 amended the Companies Act 2006 to increase the minimum notice period for general meetings to 21 clear days, unless the shareholders approve a shorter notice period (which cannot be less than 14 clear days). Annual general meetings will continue to be held on at least 21 clear days' notice.

The board is therefore proposing Resolution 14 as a special resolution to approve 14 clear days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended that the approval be renewed. The Company does not intend to use this authority as a matter of routine. The Company envisages that this authority would only be used (in limited circumstances for time-sensitive matters) where a shorter notice period would be, in the board's opinion, merited in the interests of shareholders as a whole.

Note that in order for the Company to be able to call a general meeting on less than 21 clear days' notice, the Company must make available to shareholders at that meeting a means of electronic voting.

### Directors' recommendations

The board considers that the resolutions numbered 1 to 14 to be proposed at the annual general meeting are in the best interests of, and will promote the success of, the Company for the benefit of the shareholders as a whole. Accordingly, your board recommends you to vote in favour of them. Directors who hold shares in the Company intend to vote in favour of these resolutions in respect of their holdings.

## Form of Proxy for use at Annual General Meeting

**Latchways plc** (Registered number 1189060) (the “Company”)

Please use block capitals where appropriate

I/We

of

(a) member(s) of Latchways plc entitled to attend, speak and vote at the above meeting, hereby appoint the Chairman of the meeting or the following person:

	*
--	---

Please leave this box blank if you have selected the Chairman. Do not insert your own name(s).

as my/our proxy to exercise all or any of my/our rights to attend, speak and vote in respect of my/our voting entitlement on my/our behalf at the annual general meeting of the Company to be held at Latchways plc, Hopton Park, Devizes, Wiltshire SN10 2JP on 9 September 2011 at 12 noon, and every adjournment thereof.

Please tick here if this proxy appointment is one of multiple appointments being made\*

\*For the appointment of more than one proxy, please refer to Explanatory Note 2 below

I/We direct my/our proxy to vote on the resolutions set out in the notice convening the meeting as follows:

Resolutions	For	Against	Vote Withheld
1. To receive and adopt the accounts			
2. To receive and adopt the remuneration report			
3. To declare a final dividend of 20.66 pence per ordinary share			
4. To re-elect B Finlayson			
5. To re-elect N P Hearson			
6. To re-elect A J Hogg			
7. To re-elect R A Orton			
8. To elect I Pickering			
9. To re-appoint the auditors			
10. To authorise the directors to fix the auditors' remuneration			
11. To authorise the directors to allot shares			
12. To disapply statutory pre-emption rights			
13. To authorise the purchase of own shares			
14. To approve shorter notice periods for certain general meetings			

Signature

Date

DD / MM / YY

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).

## Form of Proxy for use at Annual General Meeting

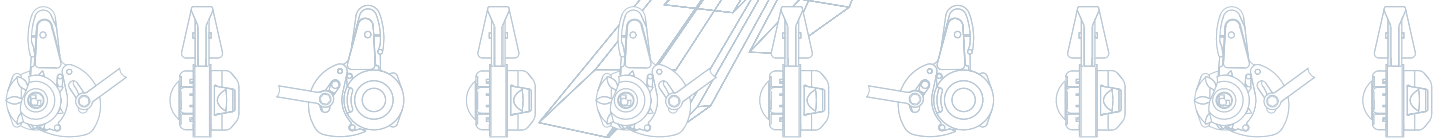
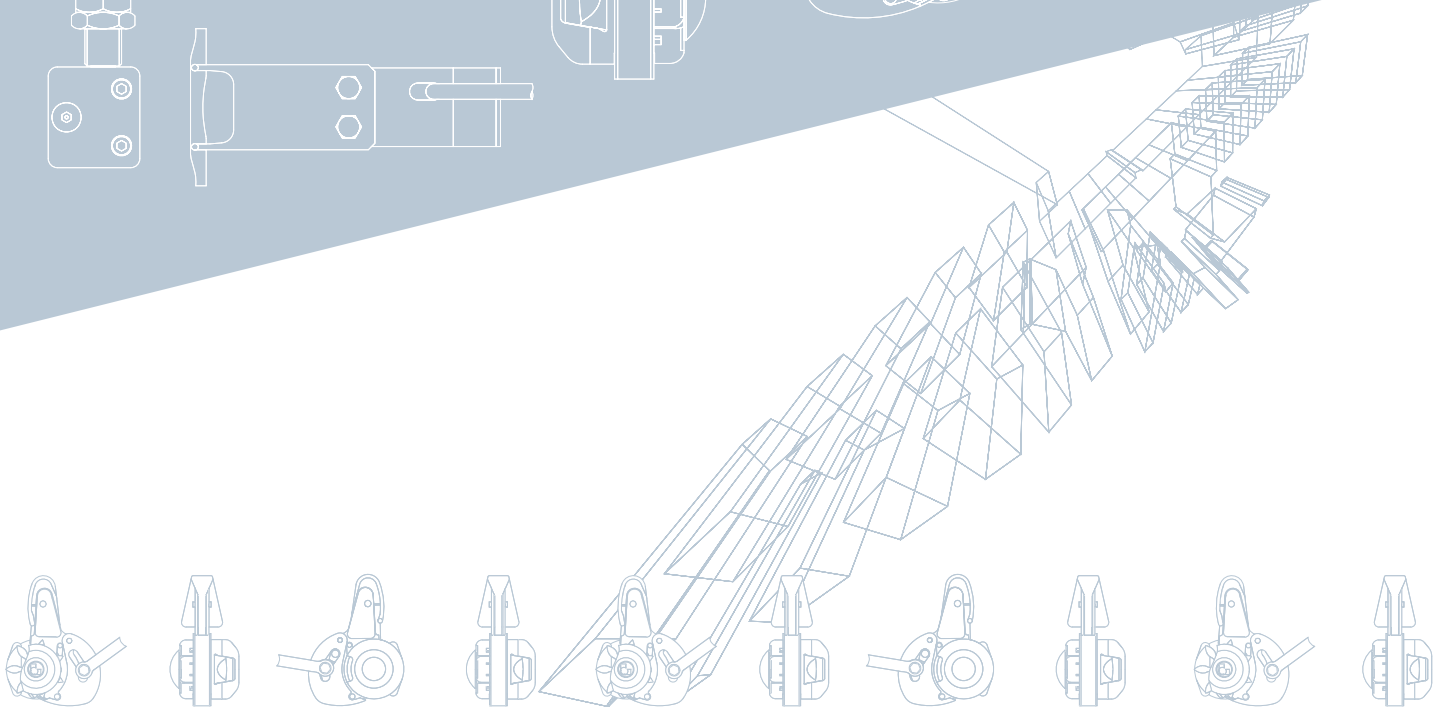
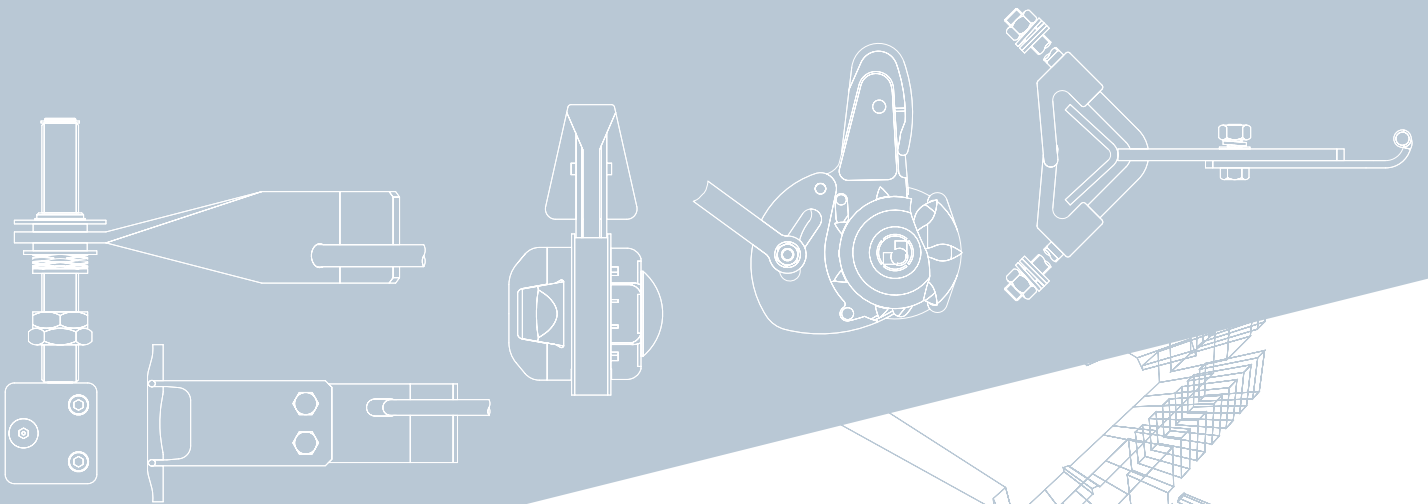
### Explanatory Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy in the space provided above. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Company's Registrars' helpline on 0871 384 2435 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. Please indicate with an 'x' in the spaces provided above how you wish your vote to be cast. The 'Vote Withheld' option above is provided to enable you to abstain on any particular resolution. However it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes that may be cast at the annual general meeting), will be determined by reference to the Register of Members of the Company at 12.00 noon on the date which is two days before the time of the annual general meeting or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (CREST ID 7RA01) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid any proxy appointment by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. To be valid, your proxy form(s) must be lodged with the Company's registrar, Equiniti Limited, Aspect House, Lancing, West Sussex, BN99 6QZ no later than 48 hours before the time for which the meeting has been convened.
7. Any alterations made in the form of proxy should be initialled.
8. In the case of joint-holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint-holders. For this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint-holding.
9. The completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person.









**Latchways plc**, Hopton Park, Devizes, Wiltshire, SN10 2JP, England  
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