



Latchways plc
**Interim Report
and Accounts**
2008

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LATCHWAYS

Chairman's Statement

I am pleased to report another successful period for the Latchways group, with good revenue and profit growth and solid cash flows in all the core parts of the business. Recent acquisitions have made positive contributions to both revenue and profits, complementing the strength of the underlying business.

We are naturally aware of the deteriorating business climate and the implications for industry as a whole. However, to date we have seen little impact on our business, with our lead generation and order pipeline in good health. We remain alert for signs of any slowdown but at this time we see as many opportunities as threats.

RESULTS

Group revenue was £19.34 million (2007:£17.03 million), an increase of 14% on the same period last year. Excluding the new walkway and guardrail products, underlying growth was 9%. Our installer business remains the mainstay of growth, whilst Wingrip also performed well. Revenues would have been even higher but for a lull in the rollout of systems to electricity transmission and wind power companies. These are expected to pick up later in the year.

Operating profit increased by 11% to £4.80 million (2007:£4.33 million). Profit before tax was also 11% higher at £4.87 million (2007: £4.41 million). Diluted earnings per share rose by 11% to 30.10 pence (2007:27.19 pence).

Gross margins improved by 2% to 55% (2007: 53%). Positive foreign currency impacts and an improved product mix were only partly offset by increased product costs.

We have made significant investments in new product development in the past year. We have also increased our sales infrastructure to ensure that we support the new product and make the most of growth opportunities. As a result, administrative expenses were 23% higher than last year. These investments are already paying off as demonstrated by the rate of revenue growth.

Group net cash balances (cash and cash equivalents less bank debt) have reduced by £0.8 million since the year end from £4.5 million to £3.7 million (2007: £3.1 million). This is due to the £1.4 million cash paid to acquire Sigma 6 in April, as well as increases in working capital arising from higher business volumes and timing of sales.

The group has ample working capital and financing to service its ongoing investments, as demonstrated by the £0.6 million improvement in net cash since the same period last year.

DIVIDENDS

The underlying strength of the Latchways business during the period, together with the strong cash position and dividend cover, give the board confidence in declaring a 10% increase in the interim dividend. A dividend of 7.81 pence per share (2007: 7.10 pence) will be paid on 6 March 2009 to shareholders on the register as at 6 February 2009.

REVIEW

The traditional installer business of Latchways has had a particularly strong first half, both in the UK and mainland Europe. This has been complemented by the recently acquired Walksafe walkway and Versirail guardrail products.

The UK market had another good period, with product revenues up 7%. Our UK installer business is our most developed market. It performed well despite the much-publicised problems in the commercial construction industry.

Mainland Europe generated excellent growth, with an increase in revenues of 22% driven by increasing acceptance of the need for fall protection across the EU. Sales to utility companies were lower, but we continue to work on a number of good prospects in this area.

North America saw a 15% improvement in revenues in the first half, in part due to the new Self Retracting Lifeline product range.

Other parts of the world saw revenues reduce by 43%. Last year saw significant sales of vertical systems to the southern hemisphere which have not yet been repeated this year. By its nature this business fluctuates, but there are a number of opportunities for further business.

The Wingrip product line had an excellent first half with revenues up 40%. Our systems are now the product of choice for both US and UK military applications, as well as for both Airbus and Boeing.

Last year I reported the acquisition of Height Solutions Limited, a walkway system manufacturer. We have followed this up this year with the acquisition of Sigma 6 d.o.o, a Slovenian manufacturer of high quality aluminium guardrails. These two complementary product lines have been integrated into our existing product range and have made good initial contributions.

Chairman's Statement

REVIEW (CONTINUED)

The Safety Services division has had another excellent period, with revenues up 14% and operating profits 12% higher. The division has embraced the new product ranges whilst also taking full advantage of the continued strength of the UK installation market.

The non-core Specialist Fixing division, which represents just 7% of group revenue, has made significant progress in the first half, with revenue up 35%. However, to date this has been at the cost of lower gross margins, which will take time to recover. As a result profits remain low.

NEW PRODUCTS

The Self Retracting Lifeline range was launched last year and we have been adding to this range over recent months. Further additions are currently at the initial production stage. Order intake to date has been largely in line with early expectations. We are confident that increasing acceptance of what is a significant enhancement on existing competitive products will drive this product forward.

PRINCIPAL RISKS

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 board updates its risk profile at least annually, and the key business risks are analysed in our Annual Report. The most important risks and uncertainties for the remaining six months of this financial year are discussed below.

The current state of the global economy has been well documented and needs no further explanation. A significant downturn in capital projects, whether worldwide or specific to one or more of our key markets, would be expected to impact any business and Latchways is not necessarily immune to this. However, to date the Latchways business has not seen any significant impact. We have a number of "early-warning" indicators in place such as lead generation data and direct contact with architects and customers. These are currently positive. We remain vigilant for any signs of a downturn in our business.

As the majority of Latchways' components are made of marine grade stainless steel, fluctuations in the world market price directly impact on our costs. The price of stainless steel, although falling back since the 2007 peak, remains historically very high. Given the current downward trend, however, we do not expect this to drive costs higher in the second half.

The current strength of the US Dollar is a mixed blessing for Latchways. Certain US sales are priced in US Dollars, which will benefit from the weaker pound. However, components sourced from the Far East are likely to see cost increases in Sterling terms in the short term.

All sales to mainland Europe are invoiced in Euros.

The weakness of Sterling against the Euro has had a positive effect on revenues in the first half compared with the same period last year.

The currency risks in all our main markets are mitigated where possible using forward exchange contracts.

FUTURE PROSPECTS

Latchways has again demonstrated its resilience by achieving solid growth despite the economic turmoil surrounding us. The legislation-driven nature of our business, together with its early-stage development in many geographies, should provide a degree of protection from the downturn in the global economy.

Our strategy of forging long term partnerships and providing the very best products and customer service remains the cornerstone of our business. With a number of significant prospects in progress, we remain confident of further profitable growth.

Paul Hearson, Chairman

6 November 2008



Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Latchways plc are listed on page 17 of this report.

By order of the Board

D N Hearson
Chief Executive
6 November 2008

R A Orton
Financial Director
6 November 2008

Consolidated Income Statement

		(Unaudited) 6 months to 30.09.08 £'000	(Unaudited) 6 months to 30.09.07 £'000	(Audited) Year to 31.03.08 £'000
	Note			
Revenue	5	19,338	17,025	35,212
Cost of sales		(8,739)	(7,963)	(16,565)
Gross profit		10,599	9,062	18,647
Administrative expenses		(5,801)	(4,732)	(10,176)
Operating profit		4,798	4,330	8,471
Analysed as:				
Operating profit before exceptional items		4,798	4,330	8,973
Exceptional charge (included within administrative expenses)		–	–	(502)
Operating profit		4,798	4,330	8,471
Interest payable and similar charges		(5)	(22)	(35)
Interest receivable		79	100	180
Profit before income tax		4,872	4,408	8,616
Income tax expense	6	(1,510)	(1,367)	(2,521)
Profit for the period attributable to equity shareholders		3,362	3,041	6,095
Earnings per share expressed in pence per share				
– Basic	7	30.21	27.33	54.77
– Diluted	7	30.10	27.19	54.51

The results for the periods arose wholly from continuing operations.

The notes on pages 10 to 16 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated Balance Sheet

		(Unaudited) 6 months to 30.09.08 £'000	(Unaudited) 6 months to 30.09.07 £'000	(Audited) Year to 31.03.08 £'000
	Note			
Assets				
Non-current assets				
Goodwill	10	3,791	2,607	2,615
Intangible assets	10	2,133	1,775	1,804
Property, plant and equipment	10	3,547	3,357	3,442
Deferred income tax assets		129	201	129
		9,600	7,940	7,990
Current assets				
Inventories		4,335	3,076	3,631
Financial assets				
– Derivative financial instruments		30	–	–
Trade and other receivables		9,803	8,047	9,165
Cash and cash equivalents		3,770	3,532	4,637
		17,938	14,655	17,433
Liabilities				
Current liabilities				
Financial liabilities				
– Borrowings	12	(87)	(440)	(177)
– Derivative financial instruments		–	–	(502)
Trade and other payables		(5,087)	(4,121)	(4,573)
Current tax liabilities		(1,502)	(1,506)	(1,373)
Deferred consideration		(36)	–	–
		(6,712)	(6,067)	(6,625)
Net current assets		11,226	8,588	10,808
Non-current liabilities				
Deferred income tax liabilities		(335)	(265)	(335)
Deferred consideration		(238)	–	–
		(573)	(265)	(335)
Net assets		20,253	16,263	18,463
Shareholders' equity				
Ordinary share capital	11	556	556	556
Share premium	11	1,793	1,793	1,793
Other reserves		277	245	268
Retained earnings		17,627	13,669	15,846
Total shareholders' equity		20,253	16,263	18,463

The notes on pages 10 to 16 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Capital Redemption Reserve £'000	Share Based Payments £'000	Total Reserves £'000
At 1 April 2007	556	1,780	11,945	111	110	14,502
Net profit	–	–	3,041	–	–	3,041
Share options						
– Proceeds from shares issued	–	13	–	–	–	13
– Value of employee services	–	–	–	–	24	24
Dividends	–	–	(1,317)	–	–	(1,317)
At 30 September 2007	556	1,793	13,669	111	134	16,263
Net profit	–	–	3,054	–	–	3,054
Share options						
– Value of employee services	–	–	–	–	23	23
Deferred taxation on share options	–	–	(87)	–	–	(87)
Dividends	–	–	(790)	–	–	(790)
At 31 March 2008	556	1,793	15,846	111	157	18,463
Net profit	–	–	3,362	–	–	3,362
Share options						
– Value of employee services	–	–	–	–	9	9
Dividends	–	–	(1,581)	–	–	(1,581)
At 30 September 2008	556	1,793	17,627	111	166	20,253

Consolidated Cash Flow Statement

	Note	(Unaudited) 6 months to 30.09.08 £'000	(Unaudited) 6 months to 30.09.07 £'000	(Audited) Year to 31.03.08 £'000
Cash generated from operations	9	3,903	2,820	6,695
Interest paid		(5)	(22)	(29)
Tax paid		(1,396)	(856)	(2,090)
Tax received		15	–	–
Net cash from operating activities		2,517	1,942	4,576
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	13	(1,357)	(795)	(795)
Interest received		79	100	179
Purchase of property, plant and equipment		(302)	(618)	(933)
Purchase of intangible assets		(58)	(148)	(296)
Development expenditure capitalised		(75)	(135)	(221)
Net cash used in investing activities		(1,713)	(1,596)	(2,066)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		–	13	13
Repayment of borrowings		(90)	(329)	(598)
Dividends paid to shareholders		(1,581)	(1,317)	(2,107)
Net cash used in financing activities		(1,671)	(1,633)	(2,692)
Net decrease in cash and cash equivalents		(867)	(1,287)	(182)
Cash and cash equivalents at 1 April		4,637	4,819	4,819
Cash and cash equivalents at end of period		3,770	3,532	4,637

Notes to the Consolidated Interim Financial Statements

1. GENERAL INFORMATION

Latchways plc is domiciled in England.

This condensed consolidated half-yearly financial information was approved for issue on 5 November 2008.

These interim financial results, which have neither been reviewed nor audited, do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 were approved by the Board of directors on 6 June 2008 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2. FORWARD-LOOKING STATEMENTS

Certain statements in this half-yearly report 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 risks 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.

3. BASIS OF PREPARATION

This condensed consolidated half-yearly financial information for the half-year ended 30 September 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

4. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008, as described in those annual financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year ending 31 March 2009:

- IFRIC 11, 'IFRS 2—Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to be relevant for the group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 March 2009 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. Management do not currently foresee any changes to the group's business segments.

5. SEGMENT INFORMATION

Business segment	Safety	Safety	Specialist	Consolidation	
Six months ended	Products	Services	Fixing	Adjustments	Group
30 September 2008	£'000	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	14,691	5,174	1,318	(1,845)	19,338
Segment result	3,984	756	114	(56)	4,798
Business segment					
Six months ended	Safety	Safety	Specialist	Consolidation	
30 September 2007	Products	Services	Fixing	Adjustments	Group
	£'000	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	12,689	4,557	973	(1,194)	17,025
Segment result	3,507	677	157	(11)	4,330

The group was involved in one major transaction in April 2008:

- Acquisition of a new subsidiary, Sigma 6 d.o.o, a Slovenian registered company, the principal activity of which is the manufacture and sale of aluminium guardrail for commercial access applications (note 13). It's results are incorporated in the Safety Products segment.

Notes to the Consolidated Interim Financial Statements

6. INCOME TAXES

Income tax expense is recognised in these interim financial statements based on management's best estimates of the weighted average annual effective tax rate expected for the full year. The estimated average annual tax rate used for the year to 31 March 2009 is 31.0% (the estimated tax rate for the 6 months to 30 September 2007 was 31.0%).

7. EARNINGS PER SHARE

Earnings per share attributable to equity holders of the company arise from continuing operations as follows:

	6 months to 30.09.08			6 months to 30.09.07		
	Weighted average number of shares Thousands	Per share amount Pence		Weighted average number of shares Thousands	Per share amount Pence	
	Earnings £'000		Earnings £'000			
Basic EPS						
Earnings attributed to ordinary shareholders	3,362	11,129	30.21	3,041	11,126	27.33
Effect of dilutive share options	-	40	(0.11)	-	59	(0.14)
Diluted EPS	3,362	11,169	30.10	3,041	11,185	27.19

8. DIVIDENDS

A dividend that related to the year to 31 March 2008 and that amounted to £1,581,000 was paid in September 2008 (2007: £1,317,000).

An interim dividend of 7.81 pence per share (2007: 7.10 pence), costing £869,000 (2007: £790,000) has been declared and will be paid on 6 March 2009 to shareholders on the register as at 6 February 2009.

In accordance with IAS 10 'Events after the balance sheet date', these interim financial statements do not reflect this dividend payable.

9. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATIONS

	(Unaudited) 6 months to 30.09.08 £'000	(Unaudited) 6 months to 30.09.07 £'000	(Audited) Year to 31.03.08 £'000
Net profit for the period	3,362	3,041	6,095
Taxation	1,510	1,367	2,521
Net interest received	(74)	(78)	(145)
Operating profit for the period	4,798	4,330	8,471
Adjustments for:			
Depreciation of property, plant and equipment	268	176	407
Amortisation of intangible assets	173	132	289
Amortisation of development costs	47	–	47
Share option charge	9	24	47
Movement on financial instruments	(532)	14	515
Operating cash flows before movements in working capital	4,763	4,676	9,776
Movement in inventories	(634)	(549)	(1,102)
Movement in trade and other receivables	(510)	(1,232)	(2,350)
Movement in trade and other payables	284	(75)	371
Cash generated from operations	3,903	2,820	6,695

10. CAPITAL EXPENDITURE

	Tangible and Intangible Assets (including Goodwill) £'000
Six months ended 30 September 2007	
Opening net book amount as at 1 April 2007	6,444
Acquisition of subsidiary	702
Additions	901
Depreciation, amortisation, impairment and other movements	(308)
Closing net book amount as at 30 September 2007	7,739
Six months ended 30 September 2008	
Opening net book amount as at 1 April 2008	7,861
Acquisition of subsidiary (Note 13)	1,663
Additions	435
Depreciation, amortisation, impairment and other movements	(488)
Closing net book amount as at 30 September 2008	9,471

Notes to the Consolidated Interim Financial Statements

11. SHARE CAPITAL

Capital	Number of Shares (thousands)	Ordinary Shares £'000	Share Premium £'000	Total £'000
Opening balance 1 April 2007	11,126	556	1,780	2,336
Proceeds from shares issued— employee share option scheme	3	–	13	13
At 30 September 2007	11,129	556	1,793	2,349
Opening balance 1 April 2008	11,129	556	1,793	2,349
At 30 September 2008	11,129	556	1,793	2,349

Employee share option scheme: there were no options exercised during the first half to 30 September 2008 (2007: 3,000 shares), with exercise proceeds of £nil (2007: £13,000). The related weighted average price at the time of exercise in 2007 was £11.40 per share.

12. BORROWINGS AND LOANS

Capital	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
Current	87	440	177
	87	440	177

Movements in borrowings are analysed as follows:

Six months ended 30 September 2007

Opening amount as at 1 April 2007	769
Repayments of borrowings	(329)
Closing amount as at 30 September 2007	(440)

Six months ended 30 September 2008

Opening amount as at 1 April 2008	177
Repayments of borrowings	(90)
Closing amount as at 30 September 2008	(87)

13. BUSINESS COMBINATIONS

On 11 April 2008, the group acquired 100% of the share capital of Sigma d.o.o, a Slovenian registered company that manufactures and sells aluminium guardrails for commercial applications.

The acquired business contributed revenues of £404,000 and net profit of £53,000 to the group for the period from acquisition to 30 September 2008. Given the proximity of the acquisition date to the Latchways year end, there is no material difference between these figures and what they would have been had the acquisition occurred on 1 April 2008.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	£'000
– cash paid	1,283
– direct costs relating to the acquisition	79
– present value of deferred consideration	274
Total purchase consideration	1,636
– fair value of net identifiable assets acquired (see below)	460
Goodwill	1,176

The goodwill is attributable to Sigma 6's unique position in the market and to the significant cross-selling opportunities expected to arise after its acquisition by Latchways plc.

The group has yet to finalise the amount of the fair value of the net identifiable assets acquired.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount £'000	Provisional fair value £'000
Cash and cash equivalents	5	5
Property, plant and equipment	71	71
Customer relationships	–	269
Intellectual property	–	147
Receivables	128	128
Payables	(230)	(230)
Inventories	70	70
Net identifiable assets acquired	44	460
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration plus direct costs		1,362
– cash and cash equivalents in subsidiary acquired		(5)
Cash outflow on acquisition		1,357

Notes to the Consolidated Interim Financial Statements

14. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2008, 31 March 2008 or at 30 September 2007.

15. EVENTS AFTER THE BALANCE SHEET DATE

Details of the interim dividend declared are given in Note 8.

16. RELATED PARTY TRANSACTIONS

During the period, Latchways plc made sales of £1,672,000 (2007: £1,194,000) to HCL Safety Limited. At the period end the balance outstanding to Latchways plc from HCL Safety Limited was £778,000 (2007: £555,000).

During the period, Sigma 6 d.o.o made sales of £173,000 (2007: £nil) to Latchways plc. At the period end, the trading balance outstanding to Sigma 6 from Latchways plc was £82,000. In addition, Latchways plc made loans to Sigma 6 amounting to £264,000.

17. INTERIM REPORT

Copies of this interim report will be sent to all shareholders. Additional copies will be available from the group's registered office at Hopton Park, Devizes, Wiltshire SN10 2JP, or can be downloaded from the group's website at **www.latchways.com**.

Directors, Secretary and Advisers

Directors

N P Hearson (Non-executive Chairman)
D N Hearson (Chief Executive)
B Finlayson (Non-executive Director)
A J Hogg (Sales Director)
R A Orton (Financial Director)
P Troen (Non-executive Director)

Secretary

R A Orton

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Registered Number

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