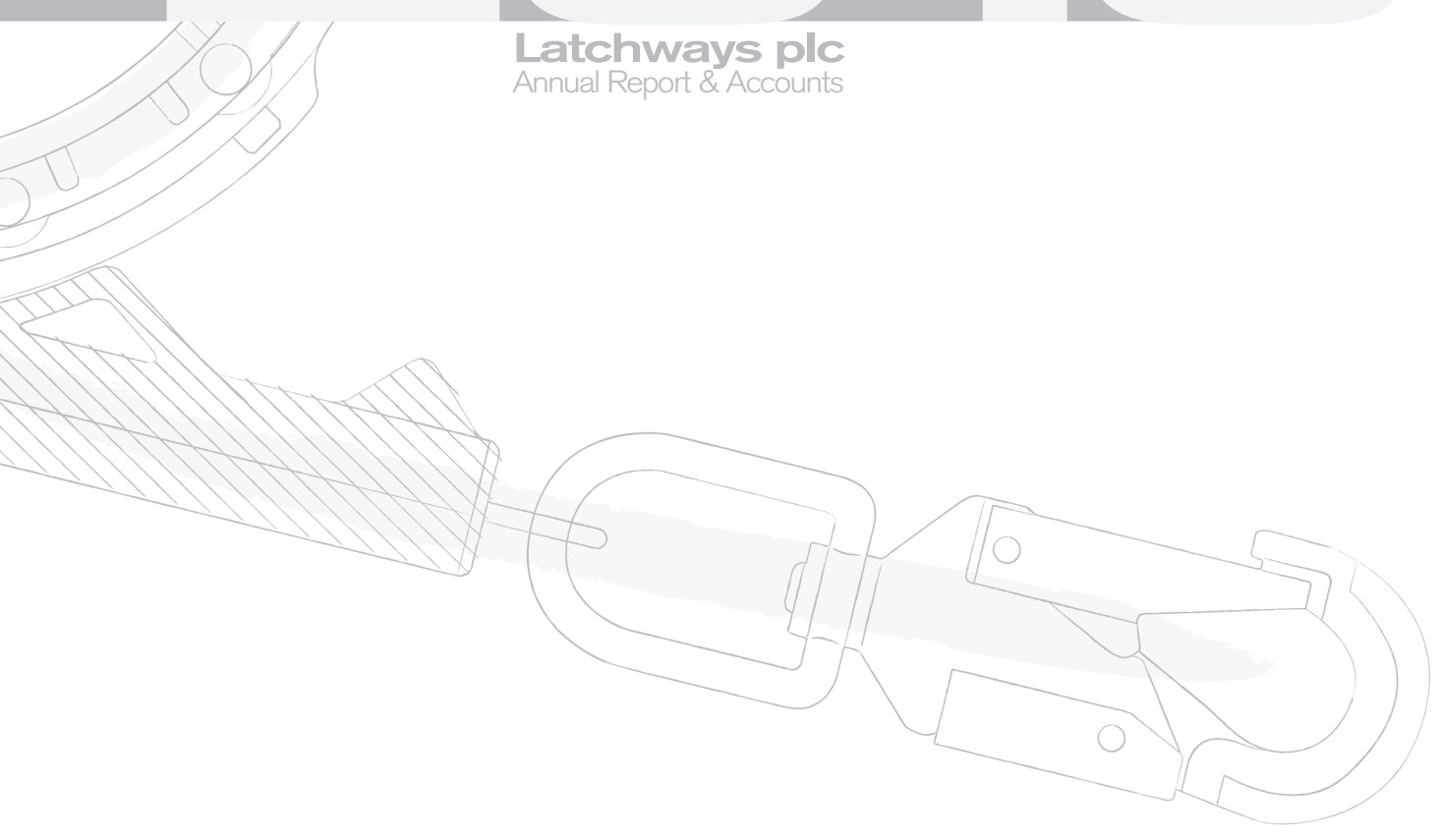




2010

Latchways plc
Annual Report & Accounts



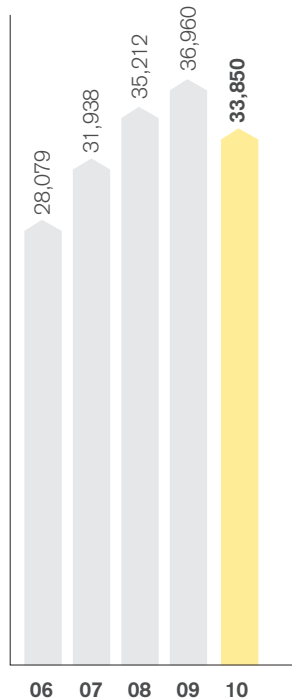
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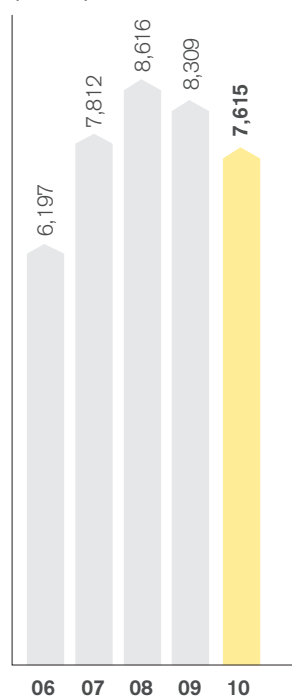
Latchways plc, Hopton Park, Devizes, Wiltshire SN10 2JP
 Company Number: 1189060

Five Year Record

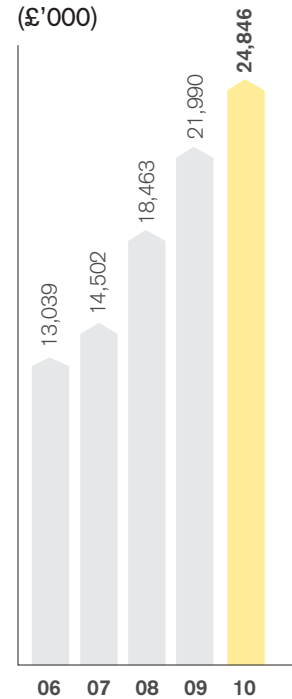
Revenue
(£'000)



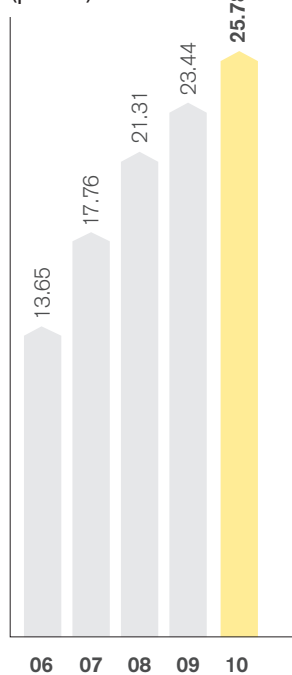
Profit before tax
(£'000)



Shareholders' funds
(£'000)

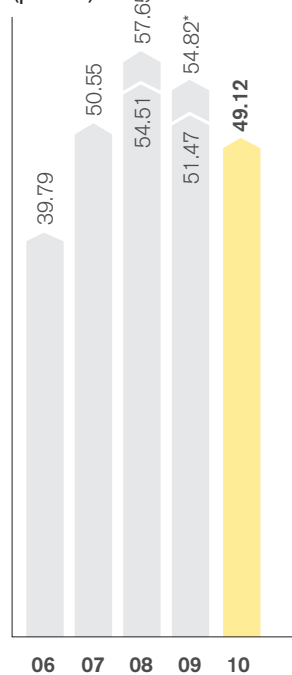


Dividends per share
(pence)



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

Diluted earnings per share
(pence)



*(Adjusted to exclude exceptional items)

Chairman's Statement

The past eighteen months have been a challenging period for Latchways, as the global recession and the lack of credit available for capital projects have combined to reduce demand across a number of our markets, in particular the UK construction sector. We have responded to this by increasing our emphasis on overseas growth, through initiatives involving both new products and new geographic territories.

I am pleased to report that these initiatives resulted in improved trading in the second half of the year, with both existing and new product ranges providing overseas revenue growth. Exports now account for 66% of our product revenue, compared with 53% three years ago, and we expect this trend to continue.

Throughout these challenging times, our business has remained profitable and cash generative, and we end the year with cash balances in excess of £7 million and no debt.

Results

Group revenue for the year ended 31 March 2010 was £33.9 million (2009: £37.0 million), 8% less than last year.

Group profit before taxation was also 8% lower than last year at £7.6 million (2009: £8.3 million).

Diluted earnings per share reduced by 5% to 49.12 pence (2009: 51.47 pence).

Net cash balances at year end were £7.2 million (2009: £4.8 million).

Dividends

The Latchways business remains strongly cash generative, despite the more challenging economic environment. Cash balances have increased by £2.4 million in the year.

The board is 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. At the half year, the board adopted a "wait and see" approach to the economic climate, maintaining an unchanged interim dividend. Given the ongoing strength of cash flows, and the more stable business climate, the board is recommending a 15% increase in the final dividend to 17.97 pence per share (2009: 15.63 pence). Taken together with the interim dividend of 7.81 pence, the total dividend for the year of 25.78 pence per share represents a 10% increase on 2009.

The final dividend will be paid on 17 September 2010 to shareholders on the register as at 20 August 2010.

Our Trading Environment

The global recession of the past 18 months has created a more challenging environment for the Latchways business, most particularly in our construction-facing markets. Despite this, we have continued to win new business in our target markets, and to open up new and potentially significant geographical opportunities. Whilst the economic outlook remains fraught with uncertainty, we are convinced that our strategy is the right one to secure future growth.

Our UK markets are exposed to the commercial construction sector. We have seen significant reductions in business volume over the past 18 months, but the past few months have given us grounds for cautious optimism. We have seen a noticeable bottoming out of volumes in this sector, although it should be noted that, with many projects involving at least some element of public financing, we should not expect to see growth here for some time to come.

Contrasting with the commercial construction sector, the wind power market represents a real growth opportunity, both in the UK and overseas. We have seen initial success with our new sealed Self-Retracting Lifeline in the offshore wind turbine market, as well as positive responses from the oil and gas industry.

Outside of the UK, the picture is more positive, with our European markets proving very resilient throughout the downturn. The pipeline of prospects across Europe gives us confidence of renewed revenue growth in this market, while our newer product ranges continue to gain market share. Whilst the problems of the Eurozone have been well publicized, there has been little impact on our business to date. Our exposure to those countries with particular difficulties is modest.

Our North American business has seen strong growth in the year, with the Wingrip product making successful inroads into the US military. We are also seeing greater acceptance of our expanding Self Retracting Lifeline range amongst both end users and distributors. We expect further progress with both these product ranges this year. Our traditional installer-based US business has also fared well, taking advantage of improving economic conditions.

Other parts of the world have made increasing revenue contributions during the past year, driven by new customer wins in the utilities sector and also new partnerships in geographies which are just beginning to adopt relevant safety standards. We are investing in additional resources to ensure that we make the most of the many opportunities that we see worldwide.

We continue to seek suitable acquisitions to further enhance our product range. Whilst we have not found any opportunities over the past twelve months, the continued success of the products that we have acquired such as Wingrip and, most recently, the VersiRail® guardrail system, demonstrate the strength of Latchways' customer network in providing a ready market for high quality safety products. We have been very pleased with the progress of the VersiRail system this year, increasing revenues in spite of the recession in construction.

New Product Development

Much of the effort of our dedicated, professional in-house design team over the past year has been directed towards completing the range of our Self Retracting Lifeline product offering. We now have a complete range of both conventional SRLs, and sealed variants for the offshore environment, which will allow us full access to these markets going forward. Given the difficult market conditions into which these product ranges have been launched, we are pleased with the progress made to date and with the market's reaction to them. We have no doubt that these will grow to become a significant proportion of Latchways' revenues over time.

The coming year will see further enhancements to the Latchways product portfolio, which address proven needs in our market place.

People

During the past two years, we have been cautious in our application of resources across the business. This was appropriate given the level of global uncertainty that we were dealing with. However, we are now convinced that the need to respond to and take advantage of the opportunities that are currently presenting themselves requires us to take steps to further strengthen our sales and marketing resources. We have identified a number of areas where additional revenues can be targeted and are recruiting to address those areas. Whilst these resources will take time to become fully effective, we believe that this investment is both appropriate and essential to secure growth in 2011/12 and beyond.

The increased demands of the past year have demonstrated further the loyalty and ingenuity of our excellent team. 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

Whilst there remains uncertainty in the global economic outlook, current orders are ahead of the same period last year and we continue to generate cash.

We believe that the targeted additions of new sales resources, together with a robust pipeline of business prospects, will allow Latchways to resume its historically successful pattern of growth in the current year and beyond.

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 2010.

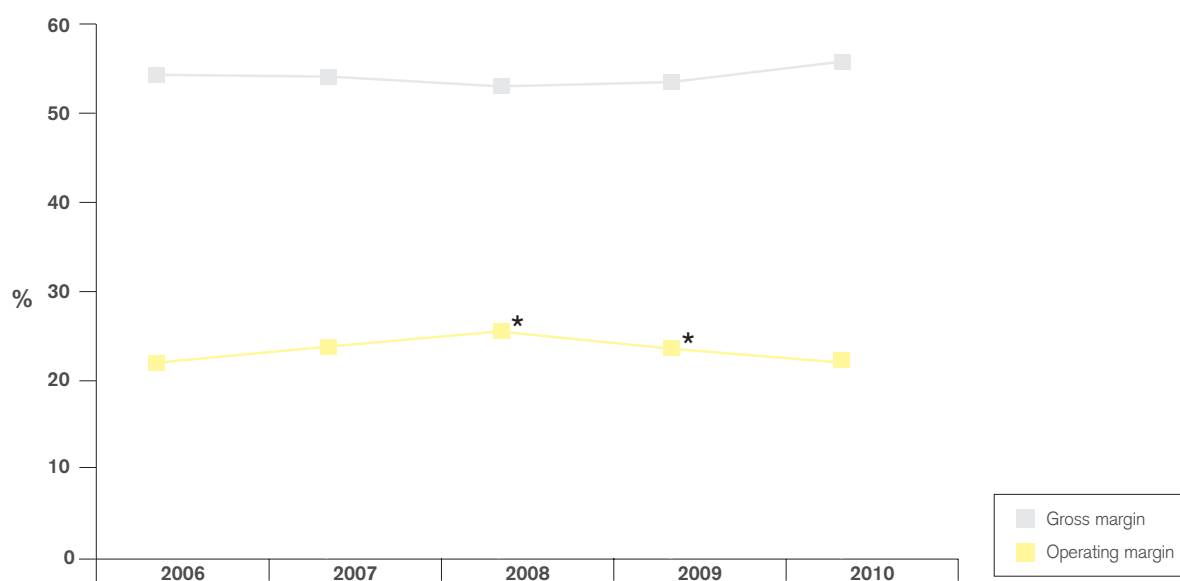
Financial Results

Group revenue for the year was £33.9 million, a reduction of 8% compared with the 2009 figure of £37.0 million. This resulted in an operating profit of £7.6 million, down 7% on 2009 (2009: £8.2 million), and a pre-tax profit of £7.6 million (2009: £8.3 million).

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

The consolidated gross margin was 2.5% better than last year at 55.9% (2009: 53.4%). This was in part due to the stronger Euro and US Dollar, and partly due to product cost reductions achieved through our ongoing re-sourcing programme.

Five Year Performance of Gross Margin and Operating Margin



* 2008 and 2009 operating margin stated before exceptional charges.

Excluding the 2009 exceptional charge, overheads were 3% higher than last year at £11.3 million. This was mainly due to foreign exchange impacts, together with costs relating to the settlement of a legal claim involving the Specialist Fixings division. As a result, operating margins (before exceptional charges) reduced by 1.1% to 22.5%.

The effective rate of taxation for the year was 28.0% (2009: 30.9%). The 2009 tax rate was increased by 2.6% by a deferred tax charge relating to the abolition of Industrial Buildings Allowances.

Basic earnings per share reduced by 5% to 49.25 pence (2009: 51.61 pence), whilst diluted earnings per share reduced by 5% to 49.12 pence (2009: 51.47 pence).

On the balance sheet, non-current assets reduced by £0.6 million to £9.7 million (2009: £10.3 million). This was due to depreciation and amortisation charges, there being only modest capital expenditure during the year. Goodwill of £4.4 million (2009: £4.3 million) increased slightly due to the annual re-assessment of deferred contingent consideration on the Sigma 6 acquisition. Other intangible assets of £2.0 million (2009: £2.3 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 £3.3 million (2009: £3.6 million) mainly represents premises, together with production plant and tooling. The premises consist of a 2,000 square metre warehouse and head office at Devizes, together with a further 2 acres of additional land directly adjacent. The group has detailed planning permission for a second unit on this land, providing ample scope for foreseeable future expansion.

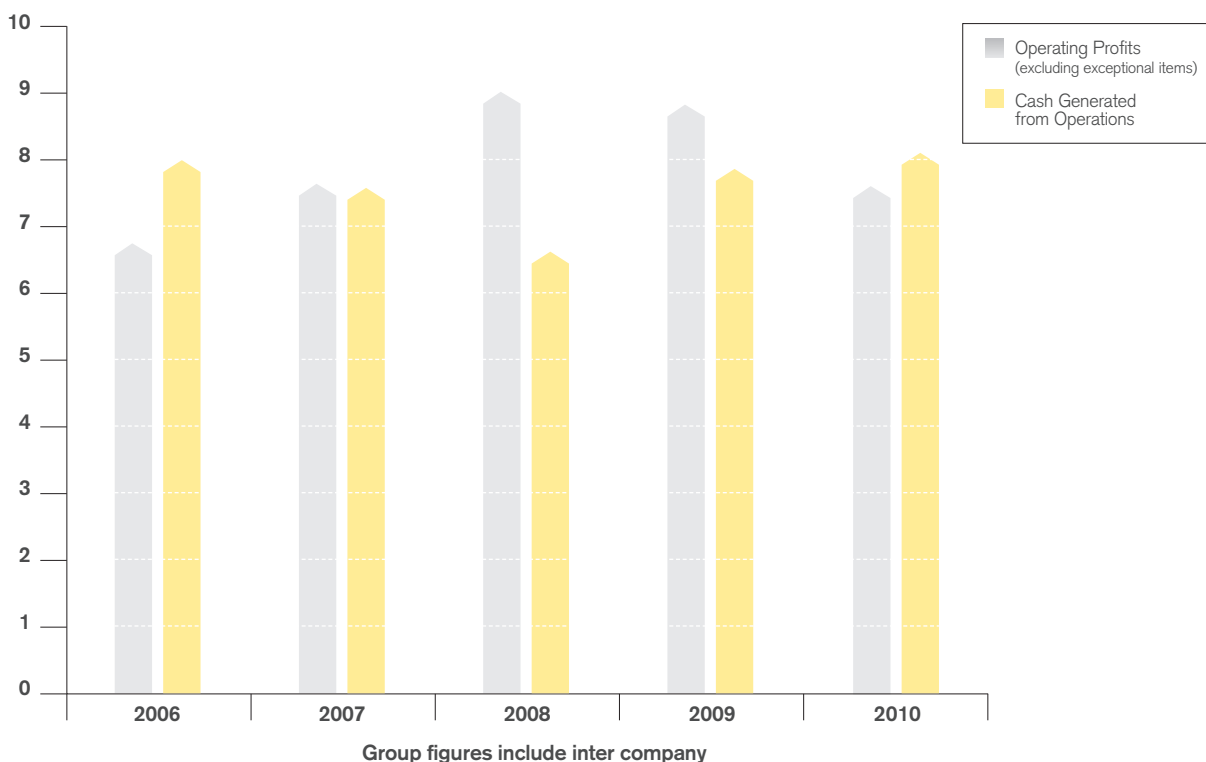
Inventory of £3.5 million was £0.4 million lower than last year (2009: £3.9 million).

Trade and other receivables were £1.7 million higher at £10.3 million (2009: £8.6 million). This was in part due to the strength of revenues in February and March, reflecting strong utility sales in those months which had not been paid by year end. Further, a specific order of £0.7 million, payment for which should have been received by year end, was not paid until April due to administrative delays at the customer. Not surprisingly, during the past year we have seen some UK construction-facing customers failing, but these are adequately covered by specific bad debt reserves and have been of a manageable level.

Group creditor days were 36 days (2009: 36 days). It remains our clear policy to ensure that suppliers are paid on time, particularly in these more difficult times. 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 pre-exceptional operating profit was 106% (2009: 90%). This was achieved despite the increase in receivables in the fourth quarter, and further demonstrates the cash generative nature of the business. Tax payments in the year were unchanged at £2.5 million (2009: £2.5 million). Capital expenditure on tangible assets reduced by £0.3 million in the year, with lower tooling spend needed for the later parts of the SRL product range.

Five Year Cash Flow Profile (£'Million)



Dividend payments increased by £0.1 million to £2.6 million (2009: £2.5 million).

Net cash, which represents cash and cash equivalents less bank and other borrowings, was £2.4 million higher than last year at £7.2 million (2009: £4.8 million). The group has no borrowings.

Strategic Overview

Latchways is a world leader in the provision of 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.

Our products are sold both directly and through a network of trained independent installation companies, which we have been expanding geographically during the year. We place significant importance on developing strategic partnerships with key customers around the world, and on developing products which address their needs. New product offerings, whether developed in-house or acquired, remain a central pillar of our growth strategy. Such products, for example the Self Retracting Lifeline and the VersiRail guardrail, are complementary to our range and provide excellent cross selling opportunities to existing and new customer bases.

Operating and Financial Review

Operating Review

The Latchways group has three business segments, each of which is managed independently with strategic input from the group board. These segments are as follows:

Safety Products This 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 68% of group revenue and generates almost two thirds of this revenue overseas.

Safety Services The principal activity of this business is the installation and servicing of safety products in the UK, which generates 25% of group revenue.

Specialist Fixing This business is involved with a range of technical services including structural building refurbishment and specialist fixing solutions in the UK. It represents 7% of group revenue.

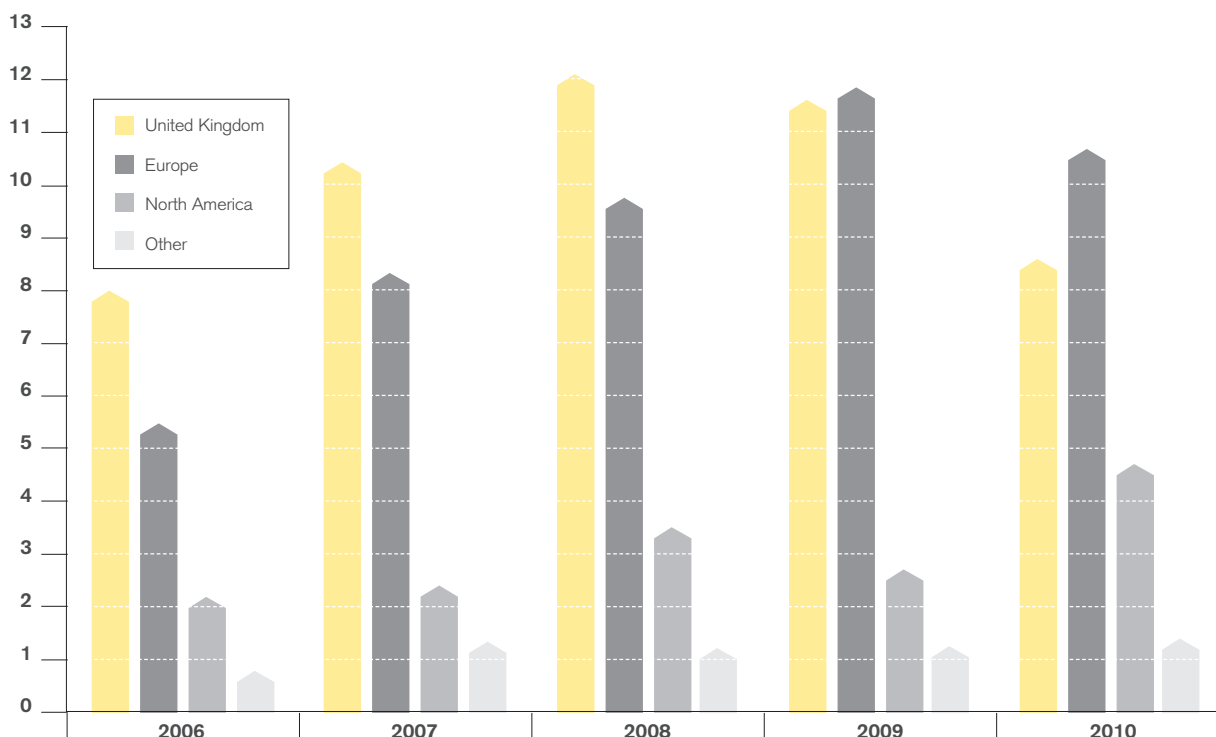
Safety Products

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).

The Safety Products business saw total revenues fall 6% in the year, mainly due to the weakness of the UK construction market. Export revenues, by contrast, increased by 6%. Operating profits reduced by 10% to £6.6 million.

As the Safety Products business operates in a worldwide market, a key performance measure is the relative geographic split of revenues.

Five Year Product Sales Profile (£'Million)



The UK business bore the brunt of revenue reductions with the commercial construction sector particularly badly hit. Revenues were down 26% to £8.6 million, with over half of this fall due to a substantial reduction in new build construction projects, with the recession and the credit crunch resulting in many planned projects being shelved or cancelled. Whilst recent activity levels suggest that this business has made some improvement from the lowest point, the likelihood of cuts in publically financed projects leads us to remain cautious over the immediate future for this market. The remainder of the UK shortfall was due to much reduced UK based Wingrip business after a very strong 2009.

Despite these impacts, some aspects of our business in the UK have performed well this year. We have seen strong interest from the wind power market for our sealed SRL product, with product installed at several offshore farms. Additionally, we have made good progress with the VersiRail guardrail system, with UK revenues well ahead of last year.

Our European revenues were 10% lower than the previous year. However, this was mainly due to lower public spending in specific areas, together with the absence of one utility customer who had completed their requirements. Apart from these effects our European business has held up well and we are optimistic that we will see a return to growth this year. We have brought on customers in new geographies which, although small so far, are expected to achieve good growth going forward.

Our North American market has performed particularly well this year, with revenues up 70% to a record £4.7 million. A significant part of this growth has come from Wingrip, which has been accepted as the fall protection product of choice by both the US military and Boeing. We expect to see further military business in the coming year. Additionally, our traditional installer based business has performed well, reflecting the success of our customers in the improving economic climate.

We have also made further progress across the rest of the world this year, with revenues up 14% at £1.4 million despite a relatively quiet year for electricity transmission sales in South Africa. We have seen good progress in both installer based and direct business in a number of new markets.

Safety Services

As the Safety Services division is Latchways' UK installation arm, its revenues have been affected by similar issues to those facing the Safety Products division. The recession in the commercial construction sector has resulted in a 19% fall in installation revenues, although annual inspection revenues have increased slightly. Overall, Safety Services revenues were down 14% on 2009 at £8.4 million (2009: £9.8 million). As a result, operating profits were down 20% at £1.0 million (2009: £1.3 million).

During the year, Safety Services, as the largest installer of Latchways products, purchased £2.5 million of product from Latchways, a 17% reduction on the previous period.

Specialist Fixing

Trading conditions remained difficult for the Specialist Fixings division in the year. With financing remaining tight, many of the housing refurbishment projects on which the business operates have been deferred or cut back, resulting in reduced revenues. Given the outlook for publically financed spending, we do not expect significant improvement in the short term. Specialist Fixings revenues were down 7% for the year to £2.6 million (2009: £2.8 million). Operating profit was £0.1 million (2009: £0.2 million).

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

Few manufacturing businesses are immune to the effects of a global economic downturn and Latchways is no exception to this. The events of the past two years have been unprecedented and there remain significant threats to the resumed growth of the world economy. A renewed downturn would naturally represent a risk to our growth plans. However, by actively seeking new markets and geographies into which to sell our products, this risk is being managed to the best extent possible.

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. The largest individual market is the UK commercial construction market, which is currently in recession and, given likely restrictions on UK government spending, must be expected to remain so for some time to come. We have for a number of years been actively seeking other markets in other geographies, which has substantially reduced our reliance on UK construction. Well over half of our product revenues now come from overseas markets, which have collectively provided revenue growth in this most difficult of years.

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

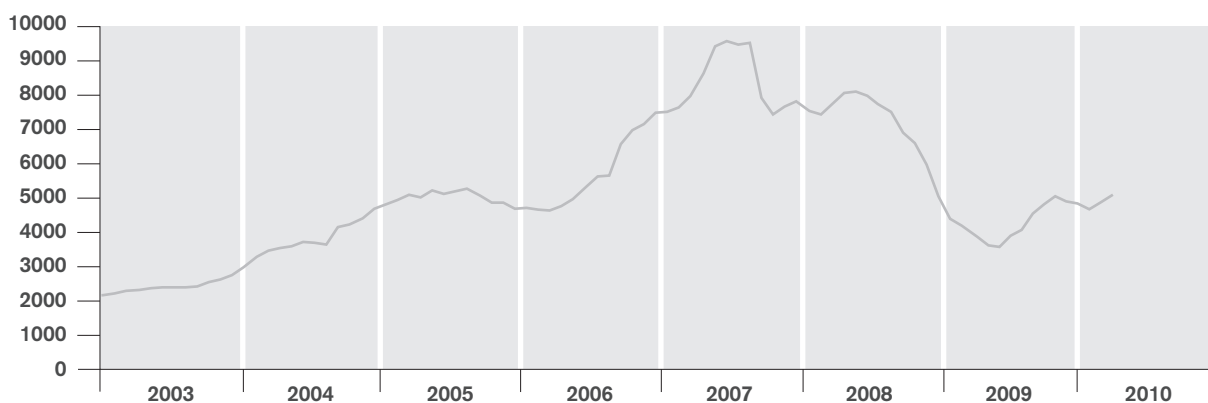
Commodity Prices

The majority of Latchways products are constructed of marine grade stainless steel. Market prices for this commodity are volatile, as demonstrated by the significant price spike in 2007, falling away rapidly as the global recession took hold. Recently prices have been rising again, which combined with the strength of the US Dollar is likely to result in pressure on component pricing over the coming 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. Our customers have been through a difficult period and we have avoided adding to this by not increasing prices over the past two years.

We also have an increasing range of products manufactured from aluminium. The commodity pricing risk associated with this is handled in the same manner as stainless steel.

Stainless Steel Price History 2003 – 2010 Hot Rolled 316 Grade Plate (US\$/tonne)



Currency Risk

Latchways has significant exposure to fluctuations in the Sterling/Euro exchange rate, as our European sales are invoiced in Euros. There is also some exposure to the Sterling/USD exchange rate. The Euro exchange 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.

Prospects

Fall protection is becoming a truly global industry, as evidenced by the number and variety of prospects presenting themselves to Latchways at this time. We are in the process of making the necessary investments in our sales infrastructure to ensure that we take advantage of these prospects, further reducing the importance of the UK construction sector. Whilst these investments will take time to reach their full potential, we are confident that this is laying the foundations for delivering future growth for our shareholders.

David Hearson, Chief Executive

Directors and Advisers

Paul Hearson

(Non Executive Chairman)

Paul Hearson (age 59) 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 63) 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.

David Hearson

(Chief Executive)

David Hearson (age 59) 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 34) 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 44) joined Latchways in April 1999. He was previously with Sunrise Medical Inc, having trained as a Chartered Accountant with Coopers & Lybrand.

Per Troen

(Non Executive Director)

Per Troen (age 54) joined the board in October 2006. He is the senior partner in the law firm Corren Troen, specialising in corporate finance and banking.

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 and P Troen

Company Secretary

R A Orton

Independent Auditors

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

Solicitors

Olswang, 90 High Holborn,
London WC1V 6XX

Stockbrokers

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

Registrars

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

Bankers

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

Investor Relations

Threadneedle Communications,
5th Floor, 7 Ludgate Broadway, London EC4V 6DX

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 2010.

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 £5,482,000 (2009: £5,744,000).

A final dividend in respect of the year ended 31 March 2009 of 15.63 pence (2009: 14.21 pence) per ordinary share was paid on 18 September 2009.

The directors declared an interim dividend of 7.81 pence (2009: 7.81 pence) per ordinary share which was paid on 5 March 2010. The total dividend paid in the year was therefore 23.44 pence (2009: 22.02 pence) per ordinary share.

The directors recommend a final dividend of 17.97 pence (2009: 15.63 pence) per ordinary share to be paid on 17 September 2010 to all those shareholders whose names appear on the register on 20 August 2010. 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.

All directors served throughout the year ended 31 March 2010 and up to the date of signing the financial statements.

In accordance with the articles of association P Troen retires by rotation at the Annual General Meeting and offers himself for re-election. In addition, in accordance with provision A.7.2 of the Combined Code, N P Hearson and B Finlayson offer themselves for annual re-election.

The interests of the directors in the shares and share options of the company are disclosed in the Directors' Remuneration Report.

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 36 days' purchases outstanding at 31 March 2010 (2009: 36 days). The Company had 37 days' purchases outstanding (2009: 35 days).

Donations

Charitable donations paid during the year in respect of community affairs amounted to £2,150 (2009: £1,329). There were no political contributions (2009: £Nil).

Takeover directive disclosures

The following disclosures are made in accordance with the requirements of the EU Takeover Directive, which applies to companies with financial years beginning on or after 20 May 2006.

As at 31 March 2010, 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 (2009: 11,129,151). 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 4 June 2010 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	1,502,933	13.5
Jupiter Asset Management Limited	1,334,246	12.0
Axa S.A.	1,110,049	10.0
Standard Life Investments Limited	1,075,610	9.7
Schroder Investment Management Limited	924,210	8.3
Montanaro Group	903,465	8.1
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

*This holding is 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 special business resolutions. These relate to the renewal of the authority of the directors to allot relevant securities, the renewal of the company's authority to purchase its own shares, and the approval of amendments to the company's articles of association in accordance with the Companies Act 2006.

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 2010 Annual General Meeting.

By order of the board.

R A Orton

Company Secretary

4 June 2010

Corporate Governance

In June 2008 the Financial Reporting Council (“FRC”) issued an updated version of the Combined Code on Corporate Governance (‘Combined 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 Combined Code.

The group is committed to high standards of Corporate Governance. The board endorses the main and supporting principles and the provisions of the 2008 Combined Code on Corporate Governance of the Financial Reporting Council (the Code), subject to the exception set out below.

As a small 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 provisions of the Code throughout the year, except for the following:

Code provision A.6.1

The board carries 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 himself or the Senior Independent Director at any time.

The board is aware of the proposed new provisions regarding board performance reviews set out in the 2009 Review of the Combined Code, published in December 2009. The board will consider its procedures in the light of the results of the current consultation on that Review.

The remainder of this statement sets out the ways in which the group complies with the detailed provisions of the Code as set out in Section 1 of the Code.

Directors

(a) The Board

The group is headed by the board, which comprises 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.

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 HCL Safety Limited, HCL Contracts Limited and Sigma 6 d.o.o. 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; approval of dividends and dividend policy; policy in important areas.

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.

Corporate Governance

(a) The Board (continued)

Membership of the board committees is as follows:

- Audit Committee: Brian Finlayson (Chairman), Per Troen.
- 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 2010, 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. As has been the case since before flotation in October 1997, the Chairman 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 also 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 will, under the terms of the Code, be subject to annual re-election at the Annual General Meeting.

The board remains mindful of the opinion of some of its institutional investors that the long-term structure of the board would be enhanced by the recruitment of an additional independent non executive director. Whilst this has not been appropriate during the recession, given the tightened financial constraints that the group has been working to, this is expected to be addressed during the coming year.

The Chairman 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 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 did not meet, due to the board decision to defer consideration of any further recruitment during the recession. In the event of a non executive 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 candidate would undergo interviews with committee members and a final evaluation meeting would be 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, as well as that 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.

The board's processes for performance evaluation will be reviewed during the coming year in the light of expected changes to the guidelines in the Combined Code.

(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.

Corporate Governance

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.

(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 accounts.

(c) 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 annual report and accounts. 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.

On an annual basis, the board reviews the effectiveness of the system of internal control, in accordance with the 2005 Turnbull guidance. This review takes place every February, with the last such review occurring in February 2010, with specific reviews at other times where necessary. Weaknesses identified by this review have been 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 a comprehensive process of financial reporting. The board approves the annual budget of the group and monthly performance is reviewed against this budget.

(d) 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 2010, 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.

The review of the group's internal controls and risk management processes is performed by the board as a whole.

(e) Auditor Independence

The group uses its external auditors, PricewaterhouseCoopers LLP, for additional tasks such as corporate tax advice, acquisition due diligence and advice on executive remuneration. Given the small size of the non-audit fees paid by the group in relation to the total fee income of PricewaterhouseCoopers LLP, the board does not feel that this undermines the auditors' independence at all, and the benefits in terms of cost that result from the auditors' knowledge of our business are significant. This balance remains under ongoing review by the Audit Committee.

(f) 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.

(g) Internal Audit

The Audit Committee has considered the need for an internal audit function and has concluded that, given the size of the business, an internal audit function is currently unnecessary.

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 investors club visits.

During their meetings with major shareholders, the executives have offered 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, both the Chairman and the Senior Independent Director met with institutional investors. Matters discussed included board composition, executive incentivisation and general governance. In particular, the remuneration committee are actively seeking institutional investors' feedback at an early stage in the development of a long-term incentive plan for management.

The Annual General Meeting, which this year takes place on Friday 10 September 2010, 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 on 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

By order of the board.

R A Orton

Company Secretary

4 June 2010

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 twice during the year, with all members attending both meetings. In addition, there were substantive discussions during the latter part of the year concerning long-term incentives. 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' remuneration policy is to attract, retain and incentivise a high calibre of employees at all levels of the business. To do this, it is necessary for the business to pay competitive salaries and to ensure that exceptional performance is rewarded, whilst ensuring that appropriately challenging targets are in place.

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 currently consists solely of an annual bonus scheme. This is based upon the principle that, as a growing business, shareholders' interests are best served by setting executive targets in terms of business growth. The introduction of a share-based or similar long-term incentive scheme is currently being considered.

Base Salary

Basic salaries were adjusted in 2008 as a result of that years' detailed review of executive compensation. In the light of the subsequent global recession, no increases were made to directors' salaries for 2009/10. Further, given the continued emphasis on cost control across the group, the remuneration committee has decided that there should be no increase in basic salaries for 2010/11.

Director	2008/09 Salary	2009/10 Salary	2010/11 Salary
	£'000	£'000	£'000
David Hearson	300	300	300
Rex Orton	200	200	200
Alastair Hogg	200	200	200

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 2009/10, nor will there be for 2010/11.

Benefits

There have been no changes to benefit entitlements in 2009/10 or 2010/11.

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 2009/10, maximum bonus for 2010/11 will be payable on a 25% increase in diluted earnings per share, up to the following maximum percentages of salary:

Director	2009/10 Percentage	2010/11 Percentage
David Hearson	110%	110%
Rex Orton	98%	98%
Alastair Hogg	98%	98%

Whilst the economic climate remains challenging, the committee does not consider it to be appropriate to reduce performance targets for annual bonuses. Although this makes achievement of bonus targets considerably more difficult, both the committee and the executive team believe the targets to be appropriate and achievable.

For the year to 31 March 2010, no bonus is payable to any executive director as earnings per share have not increased.

Long Term Incentives

The 2008 review of executive remuneration highlighted, amongst other things, the need for an appropriate long-term incentive plan for executives and senior management, to bring the remuneration policy into line with best practice. It was not felt to be appropriate to introduce such a scheme last year, due to the economic climate. However, given the more stable trading environment of recent months, the remuneration committee is now in the process of developing a suitable plan to be put to shareholders for approval.

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 2008 – Sept 2009 £'000	Oct 2009 – Sept 2010 £'000
Chairman	40	40
Other non executives	32	32

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

Directors' Remuneration Report

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.

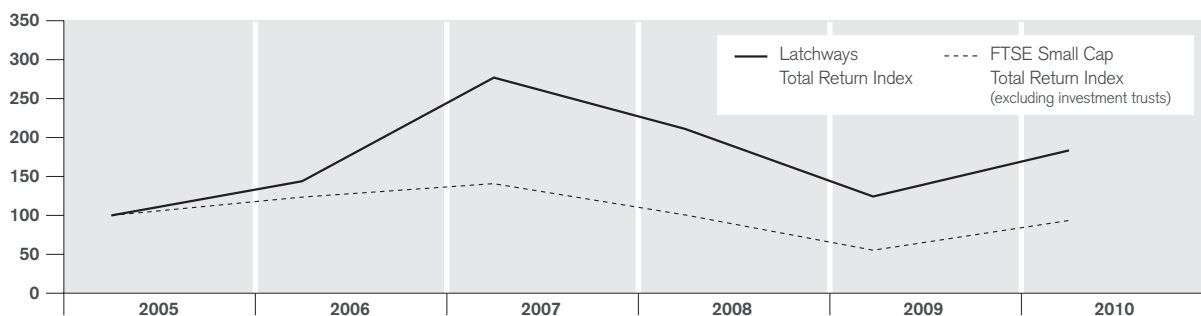
The details of directors' service contracts are as follows;

	Date of Contract	Expiry Date	Notice Period
Paul Hearson	04.06.10	03.06.11	6 months
Brian Finlayson	04.06.10	03.06.11	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



Source: DATASTREAM

April 2005 = 100%

The graph shows the performance of Latchways shares over the five years since April 2005, including dividends. During this period, Latchways has significantly outperformed the FTSE Small Cap Index, giving a total shareholder return of 84% compared with a negative return of -6% 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	Total	Pension
	£'000	£'000	£'000	£'000	£'000	2010	2009	2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N P Hearson	40	–	–	–	–	40	39	–
B Finlayson	32	–	–	–	–	32	30	–
D N Hearson	–	300	–	60	37	397	395	60
A J Hogg	–	200	–	40	26	266	265	40
R A Orton	–	200	–	40	14	254	254	40
P Troen	32	–	–	–	–	32	30	–
	104	700	–	140	77	1,021	1,013	140
2009	99	700	–	140	74	1,013		

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 2010 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:

	31 March 2010	31 March 2009
	Ordinary 5p	Ordinary 5p
N P Hearson	60,980	60,980
B Finlayson	89,162	89,162
D N Hearson	318,043	318,043
A J Hogg	7,000	7,000
R A Orton	20,000	20,000

There were no changes in the interests of directors between 31 March 2010 and 4 June 2010.

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:

	1 April	Number		31 March	Exercise	Grant	Date	Expiry
	2009	Granted	Exercised/ lapsed	2010	price	Date	from which	Date
		in the year			(pence)		exercisable	
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 have now vested. At 31 March 2010 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. The first tranche for the year ended 31 March 2007 vested on 21 June 2007, the second tranche for the year ended 31 March 2008 vested on 21 June 2008, and the final tranche for the year ended 31 March 2009 vested on 21 June 2009.

The market value of the company's ordinary shares as at 31 March 2010 was 675p (2009: 480p), and the range of market prices during the year was 505p to 715p (2009: 398p to 900p).

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

4 June 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, 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;
- (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 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

4 June 2010

Independent Auditors' Report to the Members of Latchways plc

We have audited the financial statements of Latchways plc for the year ended 31 March 2010 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, Group and Company Statement of Changes in Shareholders' Equity, the Group and Company Cash Flow Statements 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 24, 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.

Opinion on 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 2010 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.

Independent Auditors' Report to the Members of Latchways plc

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; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 18, in relation to going concern; and
- 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.

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

London

4 June 2010

Group Statement of Comprehensive Income

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Revenue	1	33,850	36,960
Cost of sales		(14,913)	(17,218)
Gross profit		18,937	19,742
Administrative expenses		(11,328)	(11,538)
Operating profit		7,609	8,204
Analysed as:			
Operating profit before exceptional items		7,609	8,723
Exceptional charge (included within administrative expenses)	17	–	(519)
Operating profit		7,609	8,204
Finance costs	2	(19)	(9)
Finance income	2	25	114
Profit before income tax	3	7,615	8,309
Income tax expense	4	(2,133)	(2,565)
Profit for the year attributable to equity shareholders		5,482	5,744
Other comprehensive income:			
Exchange differences on consolidation (net of tax)	4	(44)	252
Total comprehensive income for the year		5,438	5,996
Earnings per share expressed in pence per share			
– Basic	6	49.25	51.61
– Diluted	6	49.12	51.47

The results for the year arose wholly from continuing operations.

Balance Sheets

as at 31 March 2010

	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Assets					
Non-current assets					
Goodwill	7	4,377	4,341	453	453
Other intangible assets	8	1,968	2,289	1,346	1,478
Property, plant and equipment	9	3,283	3,593	3,122	3,433
Investment in subsidiaries	10	–	–	5,258	5,188
Deferred income tax assets	18	104	69	67	32
		9,732	10,292	10,246	10,584
Current assets					
Financial assets					
– Derivative financial instruments	17	30	–	30	–
Inventories	11	3,537	3,926	3,015	3,357
Trade and other receivables	12	10,283	8,557	8,281	6,533
Cash and cash equivalents	13	7,156	4,777	6,491	4,337
		21,006	17,260	17,817	14,227
Liabilities					
Current liabilities					
Financial liabilities					
– Derivative financial instruments	17	–	(175)	–	(175)
Trade and other payables	14	(3,960)	(3,131)	(3,104)	(2,190)
Deferred consideration	16	(68)	(63)	(68)	(63)
Current tax liabilities	15	(976)	(1,274)	(882)	(1,084)
		(5,004)	(4,643)	(4,054)	(3,512)
Net current assets		16,002	12,617	13,763	10,715
Non-current liabilities					
Deferred consideration	16	(363)	(350)	(363)	(350)
Deferred income tax liabilities	18	(525)	(569)	(451)	(473)
		(888)	(919)	(814)	(823)
Net assets		24,846	21,990	23,195	20,476
Equity					
Ordinary shares	19	557	556	557	556
Share premium account	21	1,807	1,793	1,807	1,793
Translation reserves		208	252	–	–
Other reserve		290	287	290	287
Retained earnings	22	21,984	19,102	20,541	17,840
Total equity		24,846	21,990	23,195	20,476

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 4 June 2010 and were signed on its behalf by:

N P Hearson, Chairman

R A Orton, Financial Director

Statements of Changes in Shareholders' Equity

Group	Ordinary Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Translation Reserve £'000	Capital Redemption Reserve £'000	Share Based Payments £'000	Total Equity £'000	
	Note							
At 1 April 2008		556	1,793	15,846	–	111	157	18,463
Profit for the year attributable to equity shareholders		–	–	5,744	–	–	–	5,744
Exchange differences on consolidation		–	–	–	252	–	–	252
Total comprehensive income		–	–	5,744	252	–	–	5,996
Transactions with owners:								
Share options								
– Value of employee services		–	–	–	–	–	19	19
Deferred taxation on share options		–	–	(37)	–	–	–	(37)
Dividends	5	–	–	(2,451)	–	–	–	(2,451)
At 31 March 2009		556	1,793	19,102	252	111	176	21,990
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)
At 31 March 2010		557	1,807	21,984	208	111	179	24,846
Company								
	Note							
At 1 April 2008		556	1,793	14,988	–	111	157	17,605
Profit for the year attributable to equity shareholders		–	–	5,340	–	–	–	5,340
Transactions with owners:								
Share options								
– Value of employee services		–	–	–	–	–	19	19
Deferred taxation on share options		–	–	(37)	–	–	–	(37)
Dividends	5	–	–	(2,451)	–	–	–	(2,451)
At 31 March 2009		556	1,793	17,840	–	111	176	20,476
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)
At 31 March 2010		557	1,807	20,541	–	111	179	23,195

Cash Flow Statements

Cash flow statements for the year ended 31 March 2010

	Note	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash flows from operating activities					
Cash generated from operations	23	8,058	7,826	6,795	6,324
Interest paid		-	(9)	-	(9)
Tax paid		(2,501)	(2,523)	(2,095)	(1,928)
Net cash generated from operating activities		5,557	5,294	4,700	4,387
Cash flows from investing activities					
Acquisitions, net of cash acquired		-	(1,692)	-	(1,362)
Additional consideration paid to acquire subsidiaries		(57)	(10)	(57)	(10)
Interest received		25	114	37	98
Purchase of property, plant and equipment		(322)	(654)	(255)	(549)
Purchase of intangible assets		(115)	(127)	(115)	(117)
Development expenditure capitalised		(115)	(157)	(115)	(157)
Dividend received		-	-	553	650
Net cash (used in)/generated from investing activities		(584)	(2,526)	48	(1,447)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		15	-	15	-
Repayment of borrowings		-	(177)	-	(177)
Dividends paid to shareholders	5	(2,609)	(2,451)	(2,609)	(2,451)
Net cash used in financing activities		(2,594)	(2,628)	(2,594)	(2,628)
Net increase in cash and cash equivalents		2,379	140	2,154	312
Cash and cash equivalents at 1 April		4,777	4,637	4,337	4,025
Cash and cash equivalents at 31 March	13	7,156	4,777	6,491	4,337

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 2010

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 issued during the year as follows:

- IAS 1 (revised), 'Presentation of financial statements'—effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in shareholder equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IFRS 8, 'Operating segments'—effective 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has not resulted in a material change in the format of the group's segmental disclosures. Comparatives for 2009 have been restated where sufficient information exists to enable management to do so.
- IFRS 7 'Financial instruments—Disclosures' (amendment)—effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IFRS 2 (amendment), 'Share-based payment'—effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. The amendment does not have a material impact on the group or company's financial statements.
- IFRIC 16, "Hedges of a net investment in a foreign operation".
- Amendment to IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation of financial statements on 'Puttable financial instruments and obligations arising on liquidation'.

Statement of Accounting Policies

Standards, amendments and interpretations effective in 2010 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:

- IAS 23 (Amendment), "Borrowing costs"
- IAS 28, "Investments in Associates—consequential amendment arising from amendments to IFRS 3"
- IAS 31, "Investments in Joint Ventures—consequential amendment arising from amendments to IFRS 3"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 15, "Construction of real estate"
- IFRIC 18, "Transfers 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:

- IFRS 3 (Revised), "Business combinations—Comprehensive revision on applying the acquisition method" (effective from 1 July 2009), which will impact the way future acquisitions are reported. The group will apply IFRS 3 (Revised) from 1 April 2010 with the main changes being that directly attributable costs such as advisers fees and stamp duty will be charged to the group statement of comprehensive income, revisions to contingent cash consideration in the period following the acquisition will be recorded in the group statement of comprehensive income and any difference between the fair value of the consideration in the buy out of minority interests and the value of their reported minority interest will be recorded against equity rather than goodwill.
- Amendment to IAS 39, 'Financial Instruments: Recognition and measurement' on 'Eligible hedged items'
- IAS 38 (amendment), 'Intangible Assets'.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'.

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:

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments".
- IFRIC 17, "Distributions of non-cash assets to owners" (effective from 1 July 2009)
- IAS 27 (revised), 'Consolidated and separate financial statements',
- IAS 28 Investments in Associates—consequential amendment arising from amendments to IFRS 3.

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.

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 minority 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.

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, whose functional currency is Euros, 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 as a separate component of equity.

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.

Critical estimates and judgments

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 judgments 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 judgment that may significantly impact earnings and our financial position are valuation of intangible assets, goodwill, deferred consideration, share based payments, 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, deferred consideration 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. Judgment is also involved in selecting appropriate discount rates for determining the present value of those future cash flows.

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 a corresponding adjustment is made to the goodwill arising on acquisition.

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.

Statement of Accounting Policies

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 historic 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.

Taxation

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, 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 the Black-Scholes pricing model and is expensed on a straight line basis in the group statement of comprehensive income over the vesting period, based on the group's estimate of the number of shares that will eventually vest. The group has taken advantage of the exemption available and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which had not vested by 1 January 2005.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods 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.

Revenue is recognised at the point at which the group receives the right to consideration, which is either on despatch of goods or completion of contract work.

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.

Statement of Accounting Policies

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 two forms of derivative financial instruments; forward contracts for the purpose of hedging against the exchange risk of foreign currency-denominated sales and interest rate swaps for the purpose of fixing interest rates on significant borrowings.

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 method of recognising the resulting change in fair value is dependent upon whether the derivative qualifies for hedge accounting. Where hedge accounting is not applied, changes in the fair value of the related derivatives 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, whilst the fair value of interest rate swaps is determined using the three month LIBOR rate at the balance sheet date.

Foreign currencies

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

Specialist Fixing

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 2010	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Consolidation Adjustments £'000	Group £'000
Continuing operations					
Revenue	25,356	8,410	2,572	–	36,338
Less inter-segment revenue	(2,488)	–	–	–	(2,488)
	22,868	8,410	2,572	–	33,850
Segment result	6,591	1,017	105	(104)	7,609
Finance costs					(19)
Finance income					25
Profit before tax					7,615
Income tax expense					(2,133)
Profit for the year from continuing operations					5,482
Segment assets	28,635	3,491	585	(1,973)	30,738
Segment liabilities	(4,996)	(1,661)	(160)	925	(5,892)
Other segment items					
Capital expenditure (including acquisitions)	509	25	18	–	552
Depreciation (note 9)	604	12	12	–	628
Amortisation of intangible assets (note 8)	362	61	–	113	536
Impairment of trade receivables (note 12)	220	128	33	–	381

Sales from the Safety Products segment to the Safety Services segment were £2,488,000 (2009: £3,011,000).

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

Notes to the Financial Statements

1. Segmental reporting (continued)

Year Ended 31 March 2009	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Consolidation Adjustments £'000	Group £'000
Continuing operations					
Revenue	27,406	9,791	2,774	–	39,971
Less inter-segment revenue	(3,011)	–	–	–	(3,011)
	24,395	9,791	2,774	–	36,960
Segment result	7,320	1,277	237	(111)	8,723
Exceptional charges					(519)
Operating profit					8,204
Finance costs					(9)
Finance income					114
Profit before tax					8,309
Income tax expense					(2,565)
Profit for the year from continuing operations					5,744
Segment assets	25,009	4,764	1,355	(3,576)	27,552
Segment liabilities	(4,245)	(1,741)	(435)	859	(5,562)
Other segment items					
Capital expenditure (including acquisitions)	2,634	364	8	–	3,006
Depreciation (note 9)	561	11	8	–	580
Amortisation of intangible assets (note 8)	316	32	–	109	457
Impairment of trade receivables (note 12)	120	145	24	–	289

Supplementary segmental information

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

	Group	
	2010 £'000	2009 £'000
Continuing operations		
UK	17,117	21,164
Europe	10,654	11,817
North America	4,686	2,760
Other	1,393	1,219
	33,850	36,960

Following the acquisition of Sigma 6 d.o.o., the group has assets in Slovenia as well as in the UK. As the non-UK assets represent less than 10% of total assets, no further disclosures have been made.

2. Finance costs/income

	Group	
	2010	2009
	£'000	£'000
Interest expense:		
Finance charge on deferred consideration	(19)	–
Interest payable on bank borrowings	–	(7)
Amortisation of issue costs of bank loan	–	(2)
Interest and similar charges payable	(19)	(9)
Interest income on bank deposits	25	114
Finance income – net	6	105

3. Profit before income tax

	Group	
	2010	2009
	£'000	£'000
The following items have been included in arriving at profit before income tax		
Staff costs (note 24)	7,475	8,036
Inventories		
– Cost of inventories recognised as an expense (included in cost of sales)	9,882	11,273
Movement in inventory reserve	204	197
Depreciation of property, plant and equipment:		
– Owned assets	628	580
Amortisation of intangibles (included in administrative expenses)	536	457
Other operating lease rentals payable		
– Plant, machinery and vehicles	500	554
– Property	293	293
Repairs and maintenance expenditure on property, plant and equipment	63	57
Research and development expenditure	975	884
Trade receivables impairment	381	289
Net (gain)/loss on foreign exchange and foreign exchange contracts	(100)	36

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	
	2010	2009
	£'000	£'000
Auditors' remuneration		
– Fees payable to the company's auditor for the audit of parent company and consolidated accounts	39	45
– Fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	30	36
– Fees relating to corporate finance transactions	28	–
– Services relating to taxation	20	19
– Fees in relation to executive remuneration	–	8
– Other services	18	–
	135	108

Notes to the Financial Statements

4. Income tax expense

Analysis of charge in the year	Group	
	2010 £'000	2009 £'000
Current tax on profits for the year	2,242	2,442
Adjustments in respect of prior year	(39)	(18)
Total current tax	2,203	2,424
Deferred tax for current year	(67)	(73)
Adjustments in respect of prior year	(3)	–
Deferred tax impact of Industrial Buildings Allowance abolition	–	214
Total deferred tax	(70)	141
Total taxation charge	2,133	2,565

The tax for the year is the same (2009: higher) as the standard rate of corporation tax in the UK, which is 28% in the year. The differences are explained below:

	Group	
	2010 £'000	2009 £'000
Profit before taxation	7,615	8,309
Profit before taxation multiplied by rate of corporation tax in the UK of 28% (2009:28%)	2,132	2,326
Effects of:		
Adjustments to tax in respect of marginal relief	(5)	–
Adjustments to current tax in respect of prior year	(39)	(20)
Adjustments to deferred tax in respect of prior year	(3)	–
Expenses not deductible for tax purposes	74	69
Deferred tax movement on unexercised share options	(26)	(16)
Deferred tax movement on accelerated capital allowances and industrial buildings allowances	–	206
Total taxation (continuing operations)	2,133	2,565

The tax charge/(credit) relating to components of other comprehensive income in the year is £Nil (2009: £Nil).

5. Dividends

Group and company	2010 £'000	2009 £'000
Final Paid: 15.63p (2009:14.21p) per 5p share	1,739	1,582
Interim paid: 7.81p (2009: 7.81p) per 5p share	870	869
	2,609	2,451

In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2010 of 17.97p (2009: 15.63p) per share which will absorb an estimated £2,001,000 of shareholders' funds (2009: £1,739,000). It will be paid on 17 September 2010 to shareholders who are on the register of members on 20 August 2010. These financial statements do not reflect this dividend payable.

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. The average market price for the year was 641p (2009: 679p).

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

Group	2010			2009		
	Earnings £'000	Weighted average number of shares thousand	Per-share amount pence	Earnings £'000	Weighted average number of shares thousand	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	5,482	11,131	49.25	5,744	11,129	51.61
Effect of dilutive share options	–	29	(0.13)	–	31	(0.14)
Diluted EPS	5,482	11,160	49.12	5,744	11,160	51.47

Adjusted earnings per share represent statutory earnings per share adjusted to exclude the after-tax impact of exceptional items.

Adjusted EPS

Earnings attributable to ordinary shareholders	5,482	11,131	49.25	5,744	11,129	51.61
Add back: Exceptional charge	–	–	–	374	–	3.36
Adjusted EPS	5,482	11,131	49.25	6,118	11,129	54.97
Effect of dilutive share options	–	29	(0.13)	–	31	(0.15)
Adjusted Diluted EPS	5,482	11,160	49.12	6,118	11,160	54.82

7. Goodwill

	Group £'000	Company £'000
Cost		
At 1 April 2009	4,341	453
Adjustment 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	–	–
Net book amount at 31 March 2010	4,377	453

Notes to the Financial Statements

7. Goodwill (continued)

	Group £'000	Company £'000
Cost		
At 1 April 2008	2,615	453
Additions during the year	1,541	–
Foreign exchange differences	185	–
At at 31 March 2009	4,341	453
Aggregate impairment		
At 1 April 2008 and 31 March 2009	–	–
Net book amount at 31 March 2009	4,341	453
Net book amount at 31 March 2008	2,615	453

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

	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Total £'000
As at 31 March 2010				
UK	860	1,347	562	2,769
Europe	1,608	–	–	1,608
Total	2,468	1,347	562	4,377
As at 31 March 2009				
UK	860	1,347	562	2,769
Europe	1,572	–	–	1,572
Total	2,432	1,347	562	4,341

All of the recoverable amounts were measured based on value in use.

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 Safety Limited in November 2001, and on the acquisition of the Safety Anchor business in October 2008.

The goodwill carried in the Specialist Fixing division represents goodwill acquired on the acquisition of HCL Contracts Limited in November 2001.

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 prudent 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 7.9% (2009: 6.5%). However, for prudence, impairment calculations were also carried out using a discount rate of 10.0% (2009: 8.0%).

Given the 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 all three divisions, future performance would need to deteriorate markedly for the value in use to fall below carrying value.

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
Cost								
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)
At 31 March 2010	1,308	743	173	514	976	61	1,214	4,989
Aggregate amortisation and impairment								
At 1 April 2009	570	717	70	251	271	61	626	2,566
Reclassification	–	(81)	–	–	–	–	–	(81)
Charge for the period	90	58	14	95	151	–	128	536
At 31 March 2010	660	694	84	346	422	61	754	3,021
Net Book Amount at 31 March 2010	648	49	89	168	554	–	460	1,968
Group								
	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
Cost								
At 1 April 2008	1,110	781	173	353	493	61	942	3,913
Acquired on acquisition	–	–	–	147	450	–	–	597
Additions	96	31	–	–	–	–	–	127
Internally generated additions	–	–	–	–	–	–	157	157
Foreign exchange differences	–	–	–	22	39	–	–	61
At 31 March 2009	1,206	812	173	522	982	61	1,099	4,855
Aggregate amortisation and impairment								
At 1 April 2008	498	629	56	167	166	61	532	2,109
Charge for the period	72	88	14	84	105	–	94	457
At 31 March 2009	570	717	70	251	271	61	626	2,566
Net Book Amount at 31 March 2009	636	95	103	271	711	–	473	2,289
Net Book Amount at 31 March 2008	612	152	117	186	327	–	410	1,804

Notes to the Financial Statements

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
Cost								
At 1 April 2009	1,206	531	173	266	293	61	1,099	3,629
Additions	102	13	–	–	–	–	–	115
Internally generated additions	–	–	–	–	–	–	115	115
At 31 March 2010	1,308	544	173	266	293	61	1,214	3,859
Aggregate amortisation and impairment								
At 1 April 2009	570	451	70	189	184	61	626	2,151
Charge for the period	90	52	14	41	37	–	128	362
At 31 March 2010	660	503	84	230	221	61	754	2,513
Net Book Amount at 31 March 2010	648	41	89	36	72	–	460	1,346
Company	Patents & trademarks £'000	Computer software £'000	Brands £'000	Intellectual property £'000	Customer relationships £'000	Order book £'000	Development costs £'000	Total £'000
Cost								
At 1 April 2008	1,110	510	173	266	293	61	942	3,355
Additions	96	21	–	–	–	–	–	117
Internally generated additions	–	–	–	–	–	–	157	157
At 31 March 2009	1,206	531	173	266	293	61	1,099	3,629
Aggregate amortisation and impairment								
At 1 April 2008	498	387	56	154	147	61	532	1,835
Charge for the period	72	64	14	35	37	–	94	316
At 31 March 2009	570	451	70	189	184	61	626	2,151
Net Book Amount at 31 March 2009	636	80	103	77	109	–	473	1,478
Net Book Amount at 31 March 2008	612	123	117	112	146	–	410	1,520

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.

Notes to the Financial Statements

9. Property, plant and equipment

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
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
At 31 March 2010	2,338	2,610	840	5,788
Accumulated depreciation				
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
At 31 March 2010	393	1,468	644	2,505
Net book amount at 31 March 2010	1,945	1,142	196	3,283

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 April 2008	2,287	2,481	1,077	5,845
Disposals	–	(610)	(525)	(1,135)
Acquired on Acquisition	–	68	3	71
Additions at cost	51	416	187	654
Foreign exchange difference	–	6	–	6
At 31 March 2009	2,338	2,361	742	5,441
Accumulated depreciation				
At 1 April 2008	294	1,220	889	2,403
Disposals	–	(610)	(525)	(1,135)
Charge for the year	50	410	120	580
At 31 March 2009	344	1,020	484	1,848
Net book amount at 31 March 2009	1,994	1,341	258	3,593
Net book amount at 31 March 2008	1,993	1,261	188	3,442

There are no assets held under finance leases.

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
Cost				
At 1 April 2009	2,338	2,190	655	5,183
Additions at cost	–	218	37	255
At 31 March 2010	2,338	2,408	692	5,438
Accumulated depreciation				
At 1 April 2009	344	963	443	1,750
Charge for the year	49	413	104	566
At 31 March 2010	393	1,376	547	2,316
Net book amount at 31 March 2010	1,945	1,032	145	3,122

Company	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 April 2008	2,287	2,331	988	5,606
Disposals	–	(493)	(479)	(972)
Additions at cost	51	352	146	549
At 31 March 2009	2,338	2,190	655	5,183
Accumulated depreciation				
At 1 April 2008	294	1,081	813	2,188
Disposals	–	(493)	(479)	(972)
Charge for the year	50	375	109	534
At 31 March 2009	344	963	443	1,750
Net book amount at 31 March 2009	1,994	1,227	212	3,433
Net book amount at 31 March 2008	1,993	1,250	175	3,418

Notes to the Financial Statements

10. Investments

	Company	
	2010 £'000	2009 £'000
Investment in subsidiary undertakings		
As at 1 April	5,188	3,457
Adjustment to prior year estimate of deferred consideration	70	–
Additions during the year	–	1,731
As at 31 March	5,258	5,188

The subsidiary undertakings, all of which are wholly owned and registered in England and Wales except for Sigma 6 d.o.o. which is registered in Slovenia, are as follows:

Name	Principal Activity	Category	% Held
HCL Group Plc	Holding company	Ordinary £1	100%
HCL Safety Limited*	Safety system installation and services	Ordinary £1	100%
HCL Contracts Limited*	Structural repair of buildings	Ordinary £1	100%
HCL Management Limited*	Dormant company	Ordinary £1	100%
Height Solutions Limited	Manufacture and sale of PVCu walkways	Ordinary £1	100%
Sigma 6 d.o.o.	Manufacture and sale of aluminium guardrails	8,800 Euros	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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Raw materials and consumables	2,499	2,838	2,144	2,404
Finished goods	1,038	1,088	871	953
	3,537	3,926	3,015	3,357

12. Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts falling due within one year:				
Trade receivables	10,150	8,396	7,157	5,236
Less: Provision for impairment of receivables	(705)	(479)	(366)	(176)
Trade receivables – net	9,445	7,917	6,791	5,060
Amounts owed by group companies	–	–	1,015	1,060
Other receivables	47	39	47	39
Prepayments and accrued income	791	601	428	374
	10,283	8,557	8,281	6,533

The maximum exposure to credit risk at 31 March 2010 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.

12. Trade and other receivables (continued)

As of 31 March 2010, trade receivables of £8,484,000 (2009: £7,351,000) 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	2010	2009
	£'000	£'000
Up to 3 months	8,484	7,351
3 to 6 months	1,110	334
Over 6 months	279	298
Retentions on contracts	277	413
Trade and other receivables	10,150	8,396

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 2010 are as follows:

Group	2010	2009
	£'000	£'000
3 to 6 months	301	5
Over 6 months	279	288
	580	293
Retentions	125	186
Actual Provision	705	479

The individually impaired receivables mainly relate to independent customers which are in unexpectedly difficult economic situations.

Group

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

	2010	2009
	£'000	£'000
Pounds	7,464	5,754
Euros	2,084	2,669
US dollar	449	134
NZ dollar	286	–
	10,283	8,557

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

	2010	2009
	£'000	£'000
At 1 April	479	388
Provision for receivables impairment	381	289
Receivables written off during the year as uncollectable	(158)	(198)
Unused amounts reversed	3	–
At 31 March	705	479

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

Notes to the Financial Statements

13. Cash and cash equivalents

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash and cash equivalents				
Cash at bank and in hand	7,156	4,777	6,491	4,337

14. Trade and other payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	2,168	1,618	2,134	1,389
Other tax and social security payable	197	212	95	96
Other creditors	329	252	23	28
Accruals	1,266	1,049	852	677
	3,960	3,131	3,104	2,190

15. Current tax liabilities

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Current tax liabilities	976	1,274	882	1,084

16. Provisions

Deferred consideration	Group and Company	
	2010 £'000	2009 £'000
Balance at 1 April	413	–
Acquired on acquisition	–	369
Adjustment to previous year estimate	70	–
Paid in year	(57)	(10)
Finance charge for discounting of deferred consideration	19	–
Foreign exchange differences	(14)	54
Balance at 31 March	431	413
	2010 £'000	2009 £'000
Amounts due within 1 year	68	63
Amounts due after more than 1 year	363	350
	431	413

The deferred consideration arose on the acquisition of Sigma 6 d.o.o. in April 2008.

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. Euro and US Dollar 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. US Dollar 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 £2,084,000 (2009: £2,669,000), in US Dollars of £449,000 (2009: £134,000), and in NZ Dollars of £286,000 (2009: £nil).

Interest rate risk—Financial liabilities

The group has no interest bearing liabilities.

Interest rate risk—Financial assets

The weighted average interest yield on Sterling, Euro and US Dollar balances during the year was 0.3% (2009: 2.8%). Interest yields on other currencies were not material.

As at 31 March 2010, the group had cash balances denominated in Euros of £621,000 (2009: £nil), and in US Dollars of £106,000 (2009: £117,000).

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to the group's customer base being large and unrelated. 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 2011, which was not utilised at 31 March 2010. 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	2010		2009	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
At 31 March				
Forward foreign currency contracts	30	–	–	175
	30	–	–	175

Notes to the Financial Statements

17. Financial instruments (continued)

The net fair value gains at 31 March 2010 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales are £30,000 (2009: loss of £175,000). The notional principle amounts of the outstanding forward foreign exchange contracts at 31 March 2010 were £3,357,000 (2009: £2,830,000). There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges (2009: none).

The fair values of open forward foreign exchange contracts have been measured by reference to the actual currency spot rates at 31 March 2010.

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.

Exceptional charge

As the group does not apply hedge accounting a total charge for losses on foreign exchange contracts of £25,000 (2009: £519,000) has been taken to the statement of comprehensive income. By virtue of the size of the charge in the current year this amount has not been presented as an exceptional item in accordance with the group's accounting policy.

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.

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

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2009: 28%).

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

Non-Current	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
At 1 April	500	206	441	244
Adjustment in respect of prior year	(3)	–	(3)	–
Transferred to reserves	(9)	37	(9)	37
Arising on acquisition	–	116	–	–
Charged to statement of comprehensive income on abolition of Industrial Building Allowances	–	214	–	214
Credited to statement of comprehensive income	(67)	(73)	(45)	(54)
At 31 March	421	500	384	441

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 2009	(357)	(212)	(569)
Credited to statement of comprehensive income	25	16	41
Adjustment in respect of prior year	3	–	3
At 31 March 2010	(329)	(196)	(525)

Deferred tax assets—Group

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2009	39	30	69
Tranferred to reserves	–	9	9
Credited to group statement of comprehensive income	–	26	26
At 31 March 2010	39	65	104

Notes to the Financial Statements

18. Deferred tax (continued)

Deferred tax liabilities—Company

	Accelerated tax allowances £'000	Other £'000	Total £'000
At 1 April 2009	(357)	(116)	(473)
Prior year adjustment	3	–	3
Credited to statement of comprehensive income	19	–	19
At 31 March 2010	(335)	(116)	(451)

Deferred tax assets—Company

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2009	–	32	32
Transferred to reserves	–	9	9
Credited to statement of comprehensive income	–	26	26
At 31 March 2010	–	67	67

19. Called up share capital

	2010 £'000		2009 £'000
Authorised			
12,821,603 (2009: 12,821,603) ordinary shares of 5p each	641		641
Issued and fully paid		shares	shares
Ordinary shares of 5p each			
At 1 April	11,129,151	556	11,129,151
Allotted under share option schemes	5,095	1	–
At 31 March	11,134,246	557	11,129,151

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. 5,095 options were exercised in 2010 (2009: nil shares) generating cash proceeds of £15,000 (2009: £nil). 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 2010	Number of options 2009	Exercise price
31.07.01	31.07.04 – 31.07.11	34,782	39,877	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

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.

Notes to the Financial Statements

20. Share based payments (continued)

A reconciliation of option movements over the year to 31 March 2010 is shown below.

	2010 Number	2010 Weighted average exercise price	2009 Number	2009 Weighted average exercise price
Outstanding at 1 April	106,544	£5.18	106,544	£5.18
Exercised	(5,095)	£2.88	–	–
Outstanding at 31 March	101,449	£5.29	106,544	£5.18
Exercisable at 31 March	101,449	£5.29	89,877	£4.73

Range of exercise prices	Weighted average exercise price	2010		Range of exercise price	Weighted average exercise price	2009	
		Number of shares	Weighted average remaining life: Contractual			Number of shares	Weighted average remaining life: Contractual
£2.88	£2.88	34,782	1.3	£2.88	£2.88	39,877	2.3
£3.45	£3.45	16,667	4.2	£3.45	£3.45	16,667	5.2
£7.59	£7.59	50,000	6.3	£7.59	£7.59	50,000	7.3

The weighted average share price during the period for options exercised over the year was £6.40 (2009: £nil). The total charge for the year relating to employee share based payment plans was £3,000 (2009: £19,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £2,000 (2009: £14,000).

The expected life of all share options is 5 years (2009: 5 years). The contractual life of all share options is 10 years (2009: 10 years).

21. Share premium account

Group and company	£'000
At 1 April 2008	1,793
Premium on shares issued during the year under the share option schemes	–
At 1 April 2009	1,793
Premium on shares issued during the year under the share option schemes	14
At 31 March 2010	1,807

22. Retained earnings

	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

22. Retained earnings (continued)

	Group £'000	Company £'000
At 1 April 2008	15,846	14,988
Profit for the year	5,744	5,340
Deferred taxation on share options transferred to reserves	(37)	(37)
Dividends paid	(2,451)	(2,451)
At 31 March 2009	19,102	17,840

23. Cash flow from operating activities

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Cash generated from operations				
Continuing operations				
Net profit (excluding dividends received)	5,482	5,744	4,748	4,690
Adjustments for:				
Tax	2,133	2,565	1,845	2,145
Depreciation	628	580	566	534
Amortisation of intangible assets	408	363	234	222
Amortisation of development costs	128	94	128	94
Loss on disposal of tangible assets	9	–	–	–
Share option charge	3	19	3	19
Interest income	(25)	(114)	(37)	(98)
Interest expense	19	9	19	9
Movement on financial instruments	(205)	(327)	(205)	(327)
Exchange movement on deferred consideration	(14)	54	(14)	54
Changes in working capital:				
Decrease/(Increase) in inventories	389	(225)	342	(52)
(Increase)/Decrease in trade and other receivables	(1,726)	736	(1,748)	282
Increase/(Decrease) in trade and other payables	829	(1,672)	914	(1,248)
Cash generated from continuing operations	8,058	7,826	6,795	6,324

Notes to the Financial Statements

24. Employees and directors

Staff costs for the group during the year	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Wages and salaries	6,335	6,857	2,995	3,183
Social security costs	685	726	350	389
Other pension costs	452	434	285	280
Share based payment	3	19	3	19
	7,475	8,036	3,633	3,871

Average monthly number of people (including executive directors) employed	Group		Company	
	2010 Number	2009 Number	2010 Number	2009 Number
By operating segment				
Safety Products	90	94	86	92
Safety Services	94	105	—	—
Specialist Fixing	57	55	—	—
	241	254	86	92

Directors	2010 £'000	2009 £'000
Aggregate emoluments	881	873
Company contributions to money purchase pension schemes	140	140
	1,021	1,013

Three directors (2009: three) have retirement benefits accruing under money purchase pension schemes.

Key management compensation

	Group	
	2010 £'000	2009 £'000
Salaries and short-term employee benefits	1,071	1,060
Post-employment benefits	157	158
Share based payments	3	19
Social security costs	120	119
	1,351	1,356

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

	Company	
	2010 £'000	2009 £'000
Salaries and short-term employee benefits	881	873
Post-employment benefits	140	140
Share based payments	3	19
Social security costs	100	99
	1,124	1,131

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

25. Operating lease commitments—minimum lease payments

Group	2010		2009	
	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	190	297	212	337
Payable between one and five years	165	350	79	397
	355	647	291	734

Company	2010		2009	
	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	75	106	75	103
Payable between one and five years	42	80	32	105
	117	186	107	208

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 2010 (2009: none).

27. Capital and other financial commitments

At 31 March 2010 capital expenditure authorised by the board and contracted for but not provided in these financial statements was £nil (2009: £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 £5,301,000 (2009: £5,340,000) before dividends paid has been dealt with in the books of Latchways plc. This includes £553,000 (2009: £650,000) in respect of dividend income received from subsidiary companies in the year.

29. Related party transactions

During the year, Latchways plc made sales of £2,488,000 (2009: £3,011,000) to HCL Safety Limited. At the year end the balance outstanding to Latchways plc from HCL Safety Limited was £745,000 (2009: £647,000). A dividend of £553,000 (2009: £650,000) was received by Latchways plc from HCL Group Plc.

Loans of £350,000 (2009: £nil) were made by HCL Group plc to Latchways plc during the year, and were outstanding at year end.

Sigma 6 d.o.o. made sales of £1,017,000 (2009: £814,000) to Latchways plc during the year. At the year end, the trading balance outstanding to Sigma 6 d.o.o. from Latchways plc was £135,000 (2009: £111,000).

Loans of £345,000 (2009: £368,000) were made by Latchways plc to Sigma 6 d.o.o. during the year, and were outstanding at year end.

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 10 September 2010 at 12 noon for the following purposes:

Ordinary business

1. To receive and adopt the directors' report and accounts for the year ended 31 March 2010.
2. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2010.
3. To declare a final dividend of 17.97p 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 P Troen as a director.
7. 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.
8. To authorise the directors to fix the remuneration of the auditors.

Special Business

To consider, and if thought fit, to pass the following resolutions of which number 9 will be proposed as an ordinary resolution and numbers 10 to 13 (inclusive) as special resolutions:

9. Renewal of authority to allot ordinary shares

That:

- 9.1 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;
- 9.2 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 10 December 2011, 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
- 9.3 all previous authorities to allot shares or grant Rights, to the extent unused, shall be revoked.

10. Renewal of authority for disapplication of pre-emption rights

That:

- 10.1 subject to the passing of resolution 9, 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 9 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:
 - 10.1.1 the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of:
 - 10.1.1.1 ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and

10.1.1.2 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

10.1.2 the allotment (otherwise than pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £27,835;

10.2 this power shall expire on the earlier of the conclusion of the next annual general meeting of the Company and 10 December 2011 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.

11. **Renewal of 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:

11.1 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 4 June 2010);

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

11.3 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:

11.3.1 105% 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

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

11.4 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 10 December 2011; and

11.5 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.

12. **Adoption of new Articles of Association**

That:

12.1 the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

12.2 the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13 **Approval of shorter notice periods**

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

4 June 2010

(Registered Number 1189060)

Notes

1. Members 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 4 June 2010 (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 4 June 2010 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). 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 8 September 2010. 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.

12. Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.
13. Under section 527 of the 2006 Act, members 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 member 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 31 1A of the 2006 Act can be found at www.latchways.com.
16. Under sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which those members 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 2010, 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;
 - 18.2 copies of letters of appointment of the non-executive directors; and
 - 18.3 a copy of the proposed new Articles of Association (together with a copy marked to show the proposed amendments to be adopted at the annual general meeting).

In addition, a copy of the proposed new Articles of Association (together with a copy marked to show the proposed amendments to be adopted at the annual general meeting) will be available for inspection at the offices of Olswang LLP, 90 High Holborn, London WC1V 6XX.

Explanatory Notes to Resolutions

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

Resolutions 1 to 9 (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 10 to 13 (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 2010.

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 2010 of 17.97 pence per ordinary share will be paid on 17 September 2010 to shareholders whose names appear on the register of members at close of business on 20 August 2010.

Resolutions 4 to 6 (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. P Troen will retire by rotation this year and is proposed for re-election through resolution number 6. 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 re-election are on page 11 of the annual report and accounts. The board recommends that you support the re-election of each of the retiring directors standing for re-election.

Resolutions 7 and 8 (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 7 seeks shareholder approval to re-appoint PricewaterhouseCoopers LLP as the Company's auditors. In accordance with normal practice, Resolution 8 seeks authority for the Company's directors to fix their remuneration.

Special Business

The following is an explanation of the resolutions relating to special business.

Resolution 9 (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 9 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 4 June 2010 (being the last practicable date prior to the publication of this notice). The directors' authority will expire on the earlier of the date falling 15 months following the resolution being passed and the conclusion of the next annual general meeting. 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.

Resolution 10 (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 date falling 15 months following the resolution being passed and the conclusion of the next annual general meeting, 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 4 June 2010 (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 share capital on a non pre-emptive basis over the last 3 years.

Resolution 11 (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 11 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 4 June 2010 (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 the date falling 15 months following the resolution being passed, 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 2009 and expire on the date of the 2010 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 12: Adoption of new articles of association

It is proposed in resolution 12 to adopt new articles of association (the "**New Articles**") in order to update the Company's current articles of association (the "**Current Articles**") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "**Shareholders' Rights Regulations**"), the implementation of the last parts of the 2006 Act and amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are summarised in Appendix 1. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act, the Shareholders' Rights Regulations or the Uncertificated Securities Regulations 2001, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in Appendix 1. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 63 of this document.

Resolution 13: Notice of general meetings

Resolution 13 will allow the Company to hold general meetings (other than annual general meetings) on 14 clear days' notice.

Before the introduction of the Shareholders' Rights Regulations on 3 August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than annual general meetings) was 14 days. One of the amendments made to the 2006 Act by the Shareholders' Rights Regulations was to increase the minimum notice period for general meetings of listed companies to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for annual general meetings) provided that two conditions are met. The first condition is that there is a facility for shareholders to vote by electronic means. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 clear days to 14 clear days.

The board is therefore proposing Resolution 13 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.

Directors' recommendations

The board considers that the resolutions numbered 1 to 13 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.

Appendix 1 — Explanatory Notes of Principal Changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the "2006 Act") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles but the company can remove these provisions by special resolution.

Further the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 12 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the 2006 Act are in the main amended to bring them into line with the 2006 Act.

3. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the 2006 Act.

4. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act. The relevant provisions have therefore been amended in the New Articles.

5. Votes of members

Under the 2006 Act, proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

6. Age of directors on appointment

The Current Articles contain a provision limiting the age at which a director can be appointed. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

7. Records to be kept

The provision in the Current Articles requiring the board to keep accounting records has been removed as this requirement is contained in the 2006 Act.

8. Electronic and web communications

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

9. Directors' indemnities and loans to fund expenditure

The 2006 Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

10. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act, a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name. The Company has no current intention of changing its name, notwithstanding the inclusion of the power to do so.

11. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

12. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption, whereas the 2006 Act enables directors to determine such matters, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

13. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

14. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the 2006 Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

15. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of share transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

16. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member. In that case, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes and contain a provision clarifying how the provision of the 2006 Act giving a proxy a second vote on a show of hands should apply to discretionary authorities. The opportunity has generally been taken to refresh the provisions in the Current Articles relating to proxies and corporate representatives to bring them up to date.

17. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles remove provisions in the Current Articles dealing with voting by corporate representatives on the basis that there are dealt with in the 2006 Act.

Appendix 1 — Explanatory Notes of Principal Changes to the Company's Articles of Association

18. Electronic conduct of meetings

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

19. Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

20. Notice of general meetings

The Shareholders' Rights Regulations amend the 2006 Act to require the Company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

21. Adjournments for lack of quorum

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

22. Voting record date

Under the 2006 Act as amended by the Shareholders' Rights Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles have been amended to reflect this requirement.

23. Remuneration for non-executive directors

Guidelines from the ABI require that a company's articles of association contain a monetary cap on the aggregate fees payable to non-executive directors. The Current Articles contain an individual cap on the fees payable to a non-executive director. The New Articles provide that the Company's non-executive directors shall not receive, in aggregate, more than £300,000 per annum (excluding amounts paid for special services performed outside the ordinary duties of a director). The new level is to provide limited flexibility to cover any changes in board structure over the next few years. Shareholders will need to approve any increase in this figure by the passing of an ordinary resolution at a general meeting of the Company.

24. Reserves/Business bought from a past date

Provisions of the Current Articles dealing with the creation of reserves and business bought from a past date have been deleted as they are obsolete and unnecessary in light of statute and applicable accounting standards.

25. Ordinary and Special Business

As the Listing Rules of the UK Listing Authority no longer refer to a distinction between ordinary business and special business, the Articles no longer need to make such a distinction. The New Articles remove provisions in the Current Articles dealing with the classification of certain matters as ordinary business or special business.

26. General powers of the Company not limited

The New Articles include a provision that clarifies that the general powers of the Company to grant indemnities, purchase and maintain insurance or provide funding to any person in connection with any legal or regulatory proceedings or applications for relief shall not be limited by the specific powers set out in the article that deals with indemnifying officers, funding directors' defence costs and the power to purchase directors' and officers' insurance.

27. Payment mechanisms for dividends

The New Articles include provisions that give the Company more flexibility as to the method by which they can pay dividends (and deal with unclaimed dividends). Although it is not the current intention to change the current method of payment by cheque or bank transfer, future circumstances may make this desirable or even necessary, such as any changes in banking practice that eliminate cheque payments.

28. Disclosure of interests in shares

The provisions of the Current Articles regarding the disclosure of interests in shares and the consequences for non-disclosure have been updated in line with current practice and to update statutory references.

29. General

Generally, the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles to that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

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 10 September 2010 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 17.97 pence per ordinary share			
4. To re-elect B Finlayson			
5. To re-elect N P Hearson			
6. To re-elect P Troen			
7. To re-appoint the auditors			
8. To authorise the directors to fix the auditors' remuneration			
9. To authorise the directors to allot shares			
10. To disapply statutory pre-emption rights			
11. To authorise the purchase of own shares			
12. To adopt new Articles of Association			
13. To approve shorter notice periods for certain general meetings			

Signature

Date

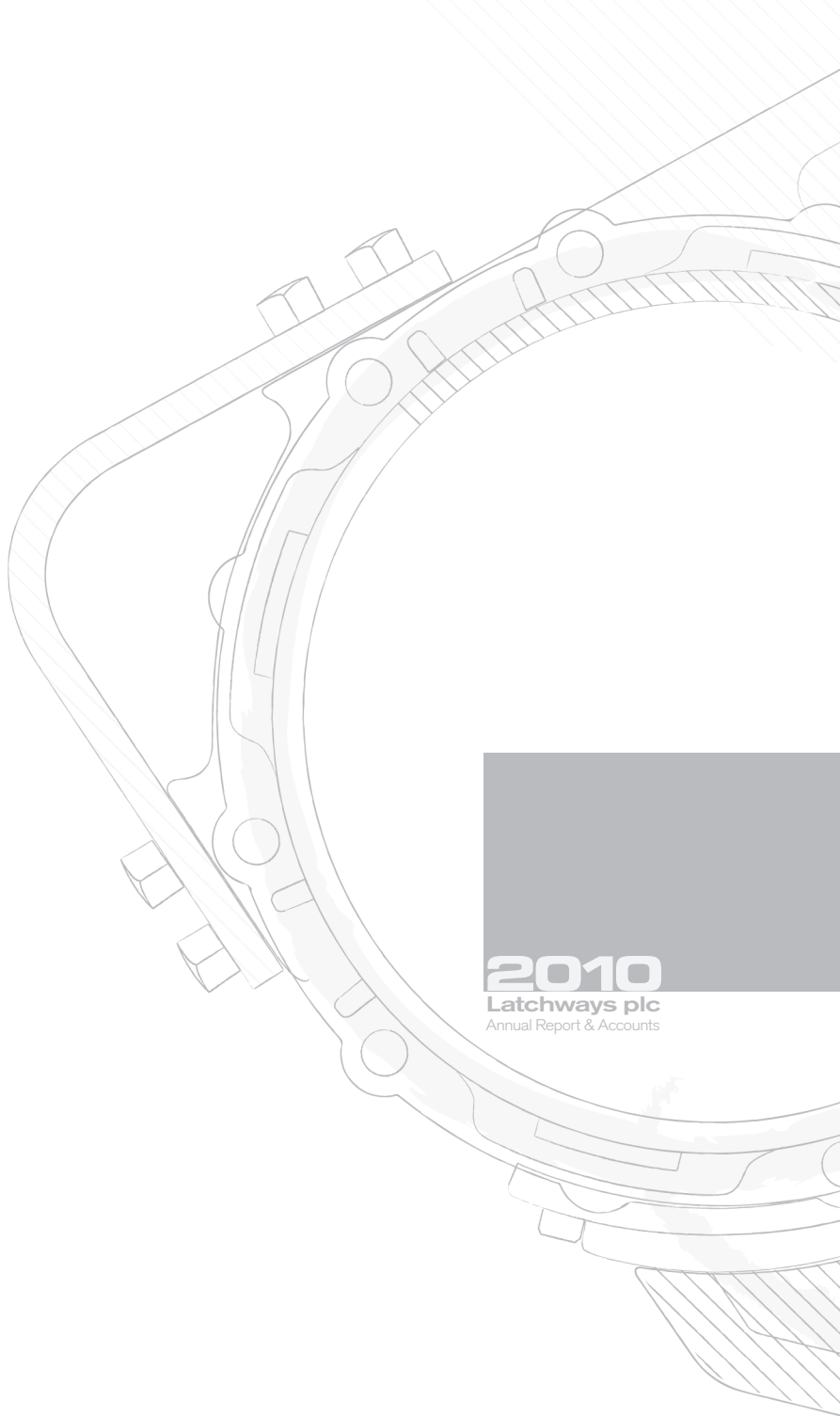
DD / MM / YY

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.



2010
Latchways plc
Annual Report & Accounts



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