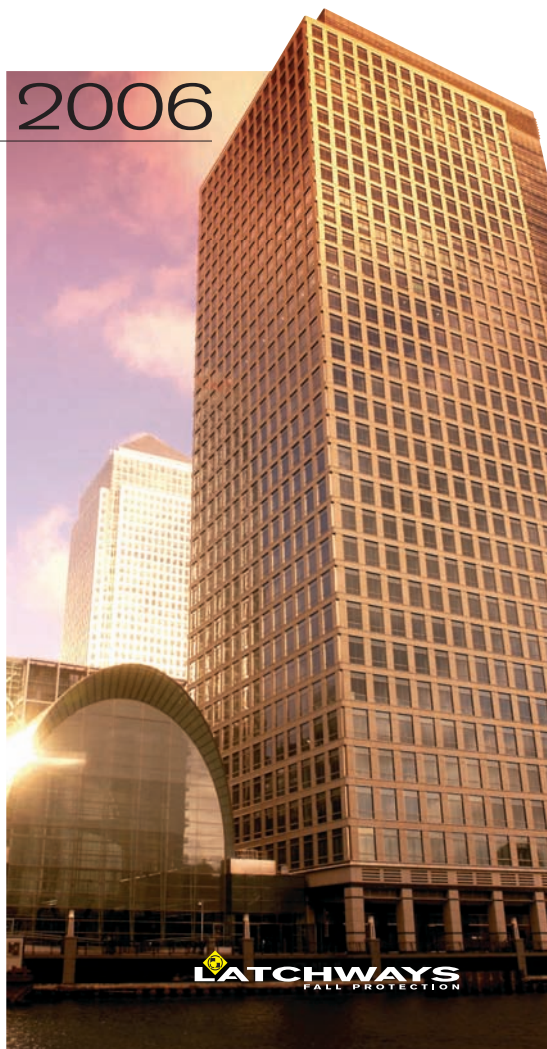
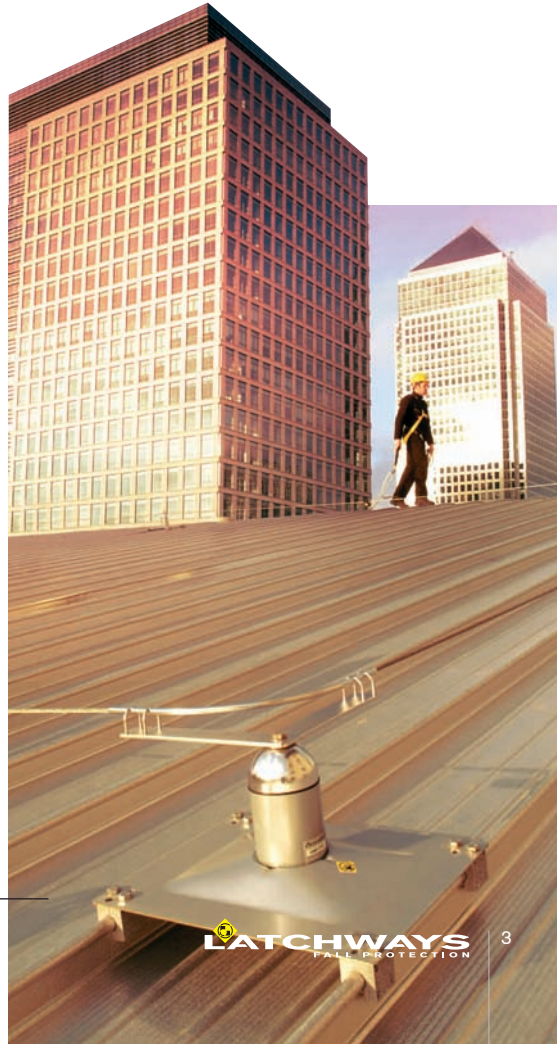


Latchways plc
Interim Report & Accounts

2006



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Constant Force®
Fall Protection system
Discovery Dock, Canary Wharf, London



Chairman's Statement

I am pleased to report another strong period of growth for Latchways. The first six months of the year have seen considerable growth across all our operations, continuing the excellent progress made in 2005. The legislative environment in relation to working at height regulations in both the UK and mainland Europe continues to have a positive impact on our business.

Results

Group Turnover was £16.6 million (2005: £14.1 million), an increase of 18% on the same period last year. Mainland Europe and the Rest of the World both delivered strong growth through our installer network. Both the Safety Services and Specialist Fixings divisions delivered further growth, following on from the significant increases seen in 2005.

Operating profit increased by 34% to £4.01 million (2005: £3.01 million). Profit before tax was 36% higher at £4.10 million (2005: £3.01 million). Diluted earnings per share rose by 33% to 24.82 pence (2005: 18.62 pence).

Gross margins increased by 1.4% to 56% (2005: 54.6%). High stainless steel commodity prices were offset by product mix effects and improved margins in our service businesses. The world market for stainless steel continues to tighten, with prices currently at record levels. To date we have been able to offset cost increases through product re-sourcing activities with only modest price increases to customers.

Net operating expenses increased by 12% in the period. Further investment in infrastructure and product development is planned as the business expands.

Group net cash balances (cash and cash equivalents less bank debt) have increased by £1.8 million since the year end from £4.1 million to £5.9 million (2005: £1.7 million).

Dividends

Latchways has established a strongly cash-generative business which has enabled us to grow our profits as well as generate significant amounts of cash. For the past five years we have consistently achieved an excellent rate of conversion of operating profits to cash. This has enabled us to raise the dividend at a prudent but progressive rate. At the end of the last financial year, we concluded that the business could sustain a higher level of dividend, and therefore substantially increased the final dividend. Further to this, the board has declared an interim dividend of 5.92 pence (2005: 3.85 pence), a 54% increase on the 2005 interim dividend. It is anticipated that, henceforth, the interim dividend will represent approximately one-third of the total for the year. The interim dividend will be payable on 2nd March 2007 to shareholders on the register as at 2nd February 2007.

Furthermore, the board has reviewed its current and medium term cash requirements. As described above, the business is cash generative which has enabled us to pay down debt and build cash. Prospects for organic growth across our business are strong. This organic growth is self financing, whilst small acquisitions can be funded without needing to revert to shareholders. As a result, the board has concluded that a prudent return of cash to shareholders is appropriate at this time. After considering different options, the board has decided that this should be in the form of a special dividend of 30 pence per Ordinary Share, thus returning £3.34 million to shareholders. This dividend will be payable on 12th January 2007 to shareholders on the register as at 15th December 2006.

In accordance with IAS 10, these dividends are not reflected in these interim accounts.

Review

During the period, we have maintained our focus on our core business. We continue to work with our worldwide customer base, our installers and architects to ensure that we provide quality products and first class customer service. This focus has served us well over the past few years. We remain committed to our strategy of organic growth through focused product development together with niche acquisitions.

Chairman's Statement

The UK market has remained strong during the period. The commercial construction sector is in good health which should underpin our business going forward, whilst the Working at Height Regulations introduced in 2005 have been helpful in providing further opportunities.

Mainland Europe has once again been one of our strongest growth areas. We have been building our presence in Germany and our German installers have been making good progress during the period. We are confident of growth in this market.

North American revenues have increased, driven by improved Wingrip sales. Given the lack of legislation in our traditional business, Wingrip demonstrates the importance of market specific products and we will be launching a range of products in 2007 targeting the North American market.

Revenues to the Rest of the World increased significantly in the period. We have won business in markets with no strong safety tradition, but where recognition of the need to address fall protection has been increasing. Often such countries look to European standards for guidance and this has created opportunities for Latchways.

Wingrip has had a strong first half with revenues significantly higher than 2005. Latchways is now the specified system of choice for a number of commercial aircraft manufacturers and operators, as well as a number of military customers.

The Safety Services and Specialist Fixing divisions have made further progress in the current period on the back of strong performances in 2005. Safety Services has further enhanced its position as the largest installer of Latchways products.

New Product Innovation

New products remain important to the Latchways strategy and we will be launching a number of innovative products in the coming year. We continue to identify additional product ideas, whether developed in-house or through bolt-on acquisitions. This process will continue.

Board Changes

During the period, James Joll, a non-executive director, resigned from the board in order to concentrate on his other business interests. James has made a significant contribution to the board over the past nine years and his experience and wisdom will be missed. However, we were delighted to be able to appoint Per Troen as James' successor. An international corporate finance lawyer, Per has extensive contacts which will assist us with our strategy of broadening our geographic coverage, as well as a strong M&A background.

Future Prospects

We have enjoyed a particularly strong first half of the year, and with a good second half in prospect we expect to report significant growth for the year as a whole.

Our continued investment in the business, together with forthcoming new product developments, give us confidence in our ability to deliver further profitable growth going forward.

Paul Hearson, Chairman
13 November 2006



Consolidated Income Statement

	(Unaudited) 6 months to 30.09.06 £'000	(Unaudited) 6 months to 30.09.05 £'000	(Audited) Year to 31.03.06 £'000
Revenue	16,583	14,101	28,079
Cost of Sales	(7,299)	(6,404)	(12,394)
Gross profit	9,284	7,697	15,685
Net operating expenses	(5,269)	(4,691)	(9,506)
Operating profit	4,015	3,006	6,179
Interest payable and similar charges	(48)	(71)	(140)
Interest receivable	134	77	158
Profit before taxation	4,101	3,012	6,197
Taxation	(1,343)	(963)	(1,819)
Profit for the period attributable to equity shareholders	2,758	2,049	4,378
Earnings per share expressed in pence per share			
- Basic	25.05	18.84	40.20
- Diluted	24.82	18.62	39.79

The results for the periods arose wholly from continuing operations.

The group had no recognised gains or losses other than those included in the income statement.

Consolidated Balance Sheet

	(Unaudited) as at 30.09.06 £'000	(Unaudited) as at 30.09.05 £'000	(Audited) as at 31.03.06 £'000
Assets			
Non-current assets			
Goodwill	2,208	2,208	2,208
Intangible assets	1,267	1,408	1,386
Property, plant and equipment	2,572	2,572	2,537
Deferred income tax assets	65	149	65
	6,112	6,337	6,196
Current assets			
Inventories	1,925	1,757	2,102
Trade and other receivables	6,781	5,829	5,454
Financial assets			
– Derivative financial instruments	–	50	–
Cash and cash equivalents	6,967	3,448	5,554
	15,673	11,084	13,110
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	(652)	(652)	(652)
– Derivative financial instruments	–	–	(28)
Trade and other payables	(3,161)	(3,012)	(3,402)
Current tax liabilities	(1,879)	(1,153)	(1,205)
	(5,692)	(4,817)	(5,287)
Net current assets	9,981	6,267	7,823
Non-current liabilities			
Financial liabilities			
– Borrowings	(439)	(1,085)	(768)
– Derivative financial instruments	–	(16)	–
Deferred income tax liabilities	(212)	(418)	(212)
	(651)	(1,519)	(980)
Net assets	15,442	11,085	13,039
Shareholders' equity			
Ordinary share capital	556	544	545
Share premium	1,780	1,037	1,072
Other reserves	171	147	156
Retained earnings	12,935	9,357	11,266
Total shareholders' equity	15,442	11,085	13,039

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Capital Redemption Reserve £'000	Share Based Payments £'000	Total Reserves £'000
1 April 2005	544	999	8,098	111	25	9,777
Net profit	–	–	2,049	–	–	2,049
Share options						
– Proceeds from shares issued	–	38	–	–	–	38
– Value of employee services	–	–	–	–	11	11
Dividends	–	–	(790)	–	–	(790)
At 30 September 2005	544	1,037	9,357	111	36	11,085
Net profit	–	–	2,329	–	–	2,329
Share options						
– Proceeds from shares issued	1	35	–	–	–	36
– Value of employee services	–	–	–	–	9	9
Dividends	–	–	(420)	–	–	(420)
At 31 March 2006	545	1,072	11,266	111	45	13,039
Net profit	–	–	2,758	–	–	2,758
Share options						
– Proceeds from shares issued	11	708	–	–	–	719
– Value of employee services	–	–	–	–	15	15
Dividends	–	–	(1,089)	–	–	(1,089)
At 30 September 2006	556	1,780	12,935	111	60	15,442

Consolidated Cash Flow Statement

	(Unaudited) 6 months to 30.09.06 £'000	(Unaudited) 6 months to 30.09.05 £'000	(Audited) Year to 31.03.06 £'000
Cash flows from operating activities			
Cash generated from operations (Note 6)	2,986	4,020	8,013
Interest paid	(48)	(71)	(121)
Tax paid	(744)	(581)	(1,498)
Tax received	75	—	—
Net cash from operating activities	2,269	3,368	6,394
Cash flows from investing activities			
Interest received	134	77	148
Capital expenditure on property, plant and equipment	(185)	(206)	(359)
Capital expenditure on intangible assets	(52)	(89)	(174)
Development expenditure capitalised	(54)	(48)	(95)
Net cash used in investing activities	(157)	(266)	(480)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	719	38	74
Repayment of borrowings	(329)	(336)	(658)
Dividends paid to shareholders	(1,089)	(790)	(1,210)
Net cash used in financing activities	(699)	(1,088)	(1,794)
Net increase in cash and cash equivalents	1,413	2,014	4,120
Cash and cash equivalents at 1 April	5,554	1,434	1,434
Cash and cash equivalents at end of period	6,967	3,448	5,554

Notes to the Consolidated Interim Financial Statements

1. Financial information and presentation

The financial information contained in this Interim Report does not constitute statutory accounts within the meaning of the Companies Act 1985 and has not been audited or reviewed by the Group's auditors.

The financial information for the year to 31 March 2006 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It is extracted from the statutory accounts for that year, on which the Group's auditors PricewaterhouseCoopers LLP gave an unqualified audit report. Statutory accounts for the year ended 31 March 2006 have been delivered to the Registrar of Companies.

2. Basis of preparation

These interim consolidated financial statements of Latchways are for the six months ended 30 September 2006. They have been prepared in accordance with the accounting policies the group adopted in its 2006 annual report. These accounting policies are based on the EU-adopted International Financial Reporting Standards (IFRS) and IFRIC interpretations that are applicable at this time.

The policies set out in the 2006 annual report have been consistently applied to all the periods presented.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value through the income statement.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the group's accounting policies.

3. Taxation

Taxation is recognised in these interim financial statements based on management's best estimates of the weighted average annual effective tax rate expected for the full year.

4. Dividends

An interim dividend of 5.92 pence per share (2005: 3.85 pence), costing £659,000 (2005: £419,000) has been declared and will be paid on 2nd March 2007 to shareholders on the register as at 2nd February 2007.

Furthermore, a special dividend of 30 pence per share (2005: nil), costing £3,338,000 (2005: £nil) has been declared and will be paid on 12th January 2007 to shareholders on the register as at 15th December 2006.

In accordance with IAS 10, these financial statements do not reflect these dividends payable.

5. 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 in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume exercise of all dilutive share options. 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 period. The average market price for the period was £7.68 (2005: £4.41).

Notes to the Consolidated Interim Financial Statements

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

	6 months to 30.9.06			6 months to 30.9.05		
	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 attributed to ordinary shareholders	2,758	11,010	25.05	2,049	10,881	18.84
Effect of dilutive share options	–	104	(0.23)	–	122	(0.22)
Diluted EPS	2,758	11,114	24.82	2,049	11,003	18.62

6. Reconciliation of operating profit to cash flow from operations

	(Unaudited) 6 months to 30.09.06 £'000	(Unaudited) 6 months to 30.09.05 £'000	(Audited) Year to 31.03.06 £'000
Net profit for the period	2,758	2,049	4,378
Taxation	1,343	963	1,819
Net interest received	(86)	(6)	(18)
Operating profit for the period	4,015	3,006	6,179
Adjustments for:			
Depreciation of property, plant and equipment	150	166	353
Amortisation of intangible fixed assets	114	137	246
Amortisation of development costs	111	44	86
Share option charge	15	11	20
Operating cash flows before movements in working capital	4,405	3,364	6,884
Movement in inventories	177	285	(61)
Movement in trade and other receivables	(1,327)	958	1,340
Movement in trade and other payables	(269)	(587)	(150)
Cash generated by operations	2,986	4,020	8,013

7. Interim Report

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

Directors, Secretary and Advisers

Directors

N P Hearson (Non-executive Chairman)

D N Hearson (Chief Executive)

B Finlayson (Non-executive Director)

A J Hogg (Sales Director)

J A B Joll (Non-executive Director) (Resigned 1 September 2006)

R A Orton (Financial Director)

P Troen (Non-executive Director) (Appointed 2 October 2006)

Secretary

R A Orton

Registered Office

Hopton Park, Devizes, Wiltshire SN10 2JP

Registered Number

1189060

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Solicitors

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Registrars

Lloyds TSB Registrars

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Bank of Scotland

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