



LATCHWAYS plc

REPORT  
AND ACCOUNTS

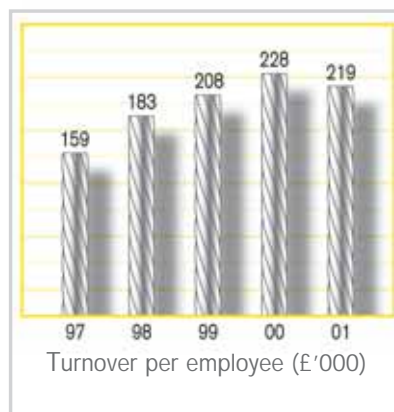
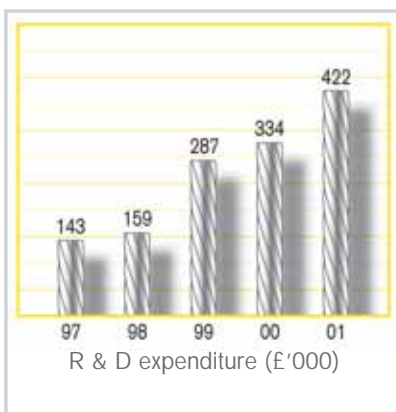
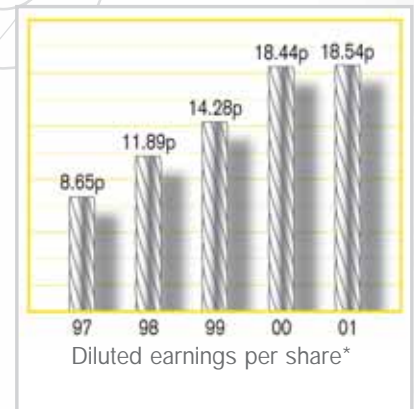
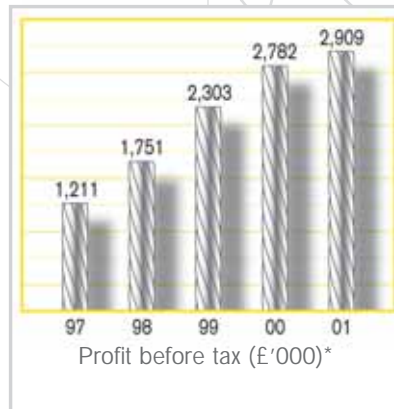
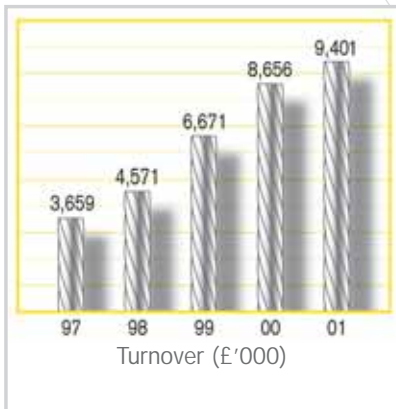
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GROWTH  
STRENGTH  
DIVERSITY  
GLOBAL



## Financial Highlights



*Latchways is committed to profitable growth and shareholder value.*

\*Adjusted to exclude exceptional items.

# PERFORMANCE PROFIT MARGIN VALUE



I am pleased to report further growth for the year despite poor trading in Europe, which we reported at the time of the interim results in November.

### Results

Turnover in the year ended 31 March 2001 increased by 9% to £9.40 million from £8.66 million. Operating profit rose by 5.2% to £2.99 million (2000: £2.84 million) and profit before tax was up 4.6% to £2.91 million (2000: £2.78 million).

Diluted earnings per share was 18.54 pence (2000: 18.44 pence).

The Board intends to recommend to shareholders a final dividend of 6.05 pence per ordinary share making the proposed total for the year 9.075 pence, an increase of 10% on 2000. This is expected to be paid on 27 July 2001 to those shareholders on the register at 29 June 2001.

### Opportunities

Latchways' horizontal and vertical fall arrest systems offer one of the most comprehensive and competitively priced safety solutions for people working at height. The UK and European markets are predominately driven by legislative requirements and we are committed to setting the industry standard.

The importance of our independent installer base is demonstrated by the success of our business in the UK.

We continue our efforts to build our international installer network with further high quality installers, whilst recognising the contributions of our existing base.

Increasingly, we are investing in developing vertical systems targeted at specific industry segments. This gives us a competitive advantage and is becoming an increasingly important aspect of our business. We are now delivering bespoke systems for a number of our customers and believe that this will continue to increase moving forward.

As further statutory legislation is implemented throughout the world and across different sectors, Latchways will seek to expand revenues through targeted product development for new markets. We are already benefiting from our move into North America, which, although behind the UK and Europe in terms of legislation, is proving a significant marketplace for us.

Our approach to customer service will also increasingly differentiate us from our competitors as we listen and respond to the needs of our customers by offering them additional services.

*Our commitment to growth through product development creates new market opportunities and ensures we remain at the forefront of our industry.*

## People

During the year we have taken further steps to strengthen our internal infrastructure with appointments in product development, marketing and procurement. We will continue this process in the coming year thereby ensuring that Latchways is well placed to take advantage of the opportunities that lie ahead.

Despite this investment in our future development, Latchways has still achieved turnover in excess of £200,000 per employee again this year. This is due to the tremendous commitment and loyalty of all our staff, and on behalf of the Board I would like to take this opportunity to thank them once again for all their efforts.

## Current Trading and Prospects

We are increasing our investment in resources and infrastructure during the current year. The benefits of this investment will come through from the second half onwards.

We remain confident that we are well placed to produce good growth and to continue to deliver value to our shareholders.

Paul Hearson, Chairman



Latchways' growth continued during the year ended 31 March 2001, with turnover up 9%. The strongest sales performance came from our operations in North America where sales increased by 65% on last year. We have invested heavily in this region and the resultant commitment from our installer network has been very encouraging.

In our established UK market, like for like sales growth for the period was 6% ahead of last year, with the increased investment made in promoting the Latchways brand paying dividends. Our vertical systems have continued to be an important aspect of our UK business with contract wins in the electricity and telecommunications sectors during the year, while the underlying installer business continues to grow successfully.

Europe has been disappointing this year, with sales down 29%. Although we have brought on board a number of excellent new installers in certain key geographies, these businesses will take time to make significant contributions to our turnover. Our existing installer base has been hit by the weakness of the Euro, whilst the vertical business is proving more time consuming to develop than has been the case in the UK. However, we believe that the time and effort invested in improving our installer base and investigating opportunities for the application of systems across a number of market segments will ultimately offer significant growth in this region.

Turnover in our operations in the rest of the world, although a small part of our business at present, increased by 32% reflecting global legislative requirements for protecting individuals working at height and the transferability of our products worldwide.

Over the period, we have continued to penetrate new market sectors by developing products aimed at specific market segments. We have also been working with a number of large companies to develop safety systems specifically designed for their industries.


### Financial Review

Turnover across the Group increased by 9% during the period under review to £9.40 million (2000: £8.66 million). Gross margins remained strong, enabling us to increase operating profit by 5.2%, despite the significant investment spend incurred during the year, and the poor European sales figures.

Earnings per share were 18.69 pence, fractionally down on last year (2000: 18.85 pence), due primarily to a more normal effective tax rate of 30.7% as opposed to the previous year's 28.2%. Diluted earnings per share increased to 18.54 pence (2000: 18.44 pence).

Our balance sheet remains strong, with minimal gearing. Capital spend of £340,000 in the year reflects the relatively low ongoing requirement in the business, whilst stock levels are unchanged.

*Our strong installer base and excellent product range means that Latchways is well placed to build on its existing success. Regulatory control*



The 54% increase in debtors reflects the strength of the fourth quarter, with significant vertical business being generated as well as a traditionally strong period with our installers, especially overseas. As a result, cash generated from operations was 58% of operating profit, compared with 122% last year.

### Product Development

Our ongoing investment in product development remains an integral part of our business. We remain focused on developing solutions with wider applications, which will allow us to maintain our position at the leading edge of fall arrest safety solutions.

We have developed the next generation of roofing posts for our horizontal systems and this was launched to our installers in May 2001. The response from the industry has been most encouraging. Using the new post, the roof is no longer susceptible to damage on installation, the aesthetics of the building are maintained, and the worker is provided with a high quality safety system. We continue to focus on bespoke solutions for specific industry segments and to develop cutting edge shock absorber technology to enable us to access these markets.

### Operations

We recognise the importance of our good relationships with both our installers and our end-customers throughout the world as we continue to look for opportunities in new markets, and remain committed to using our successful UK business model to broaden our customer base and international installer network.

As our installer network develops, our reputation and the brand awareness of our products spreads. During the last year Latchways systems have been installed on both old and new buildings throughout the world. Our already impressive reference list now includes the Mass Rapid Transport system in Singapore, the Wanderers Cricket Stadium in Johannesburg, South Africa, Burlington Rail in the USA, the Sydney Olympic Aquatic Centre in Sydney, Australia and a contract with RENFE, the Spanish railway network. Closer to home, our systems have been installed at the British Museum and British Library in London and the Medway Bridge for the Channel Tunnel Rail Link.

### Future Prospects

In our core market in the UK, we are still seeing considerable opportunities and will pursue these aggressively. Although progress in Europe to date has been slower than we would like, we continue to believe that it offers significant potential for us and are taking the appropriate measures to maximise this. North America, which has still to see the rigorous legislative controls that are in place in the UK and Europe, is an important region for us. We have been encouraged by our early successful move into this market and are committed to establishing a substantial presence there. We will continue to make the necessary investment to substantially increase our long-term potential in this region.



David Hearson, Managing Director

## Benefiting from Expertise

The commercial benefits of Latchways' acknowledged expertise in fall arrest can be clearly demonstrated by our success in providing vertical systems to meet the safety at height needs of the telecommunications and electricity transmission sectors.

In telecommunications we are the preferred supplier to companies such as Vodafone, Vodacom, NTL, Racal and One2One, and in electricity transmission our customers include GPU Power (UK), Scottish & Southern Energy PLC and Berlin Electricity in Germany.

The consistent factor with all of these companies is that they rely heavily on networks of towers and pylons to deliver services to customers. The networks need to be easily and safely accessible so that field engineers can conduct essential maintenance and implement upgrades according to the latest technical innovation. Latchways provides the products and expertise to meet that need. We work closely with each company and create for them individual safety at height systems based on our ManSafe range.

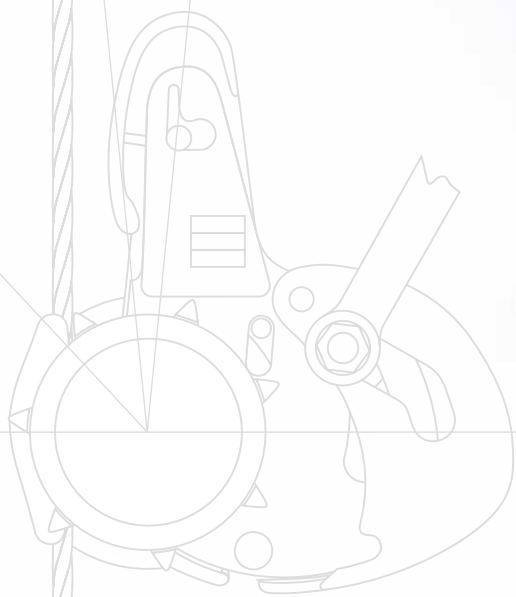
An example of this approach is the MonoStep removable step system, pictured opposite. This product was developed by Latchways in response to a need identified by telecom companies for unobtrusive, tamper-proof climbing systems for their monopole structures.

Vertical systems, particularly in telecommunications, represent a growth opportunity directly aligned to our capabilities. We have the skills to tailor systems for unique requirements, our products suit a wide variety of structures, and we have the manufacturing versatility to satisfy an ever growing demand. The scope of our ManSafe range also allows cross-selling opportunities for structures requiring horizontal as well as vertical access.

Significantly for future business, the developments that we are seeing and benefiting from in the European vertical market are being replicated in many other countries in which we operate.

*Our expertise in fall arrest provides a core foundation of skill that enables us to react positively to opportunities in the marketplace.*

# VODAFONE INITIAL RACIAL ONE



Latchways is focused on global growth. As such we are strategically expanding our world-wide network of installers and supporting it through targeted regional marketing.

A clear example of the benefits of this policy can be seen in North America where our year on year sales rose strongly during 2000. One of the major reasons for this is that we have significantly increased the tempo of our activities to reflect changes that are fundamentally re-shaping the marketplace.

Like many countries, North America is placing greater legislative emphasis on improving safety at height standards. Similarly, the country's Occupational Safety and Health Association, OSHA, has been lobbying for the introduction of fall protection measures for workers operating at height. Standards are also being driven forward by employers and

building owners who are becoming ever more sensitive to the litigation risks arising from accidents.

The resulting evolution of fall arrest in North America, combined with the size of the market, offers us a business opportunity with good potential for volume growth.

What is happening to the North American market is being paralleled in many other countries. A crucial factor in our ability to profit from this is the adaptability and effectiveness of the Latchways business model. By recruiting high quality installers, supporting them with training, expertise and targeted marketing, and providing them with the most advanced product range available, we are ideally positioned to continue our growth on the world stage.

*Latchways ManSafe is a truly global product range.  
It is applicable in any country where there is a commitment  
to worker safety at height.*



# NEW MARKETS NEW EXPERTISE GLOBAL


## Product Development Success

Latchways has continuously invested in research and development as a cornerstone of the business plan. We lead the market in fall arrest and, in addition to offering the industry's most comprehensive product range, we also draw on unrivalled expertise to support our installer network and provide customers with tailor-made solutions.

Last year, as a direct result of our development programme, we extended the ManSafe range with the launch of an innovative single span system. This accounted for a significant proportion of our sales in North America and has already considerably repaid its development costs. This year we are building on the success of that launch by introducing a new anchoring system for metal pitched roofing.

The new anchor, a Constant Force post for metal pitched roofs, uses a stainless steel coil to absorb load rather than the load being transferred through the fitting to the roof. This delivers significant customer benefits in addition to improving worker safety. For instance the post can be fitted anywhere on the roof using stitching screws, in the event of a fall there is no secondary damage to the roof itself, and the compact nature of the coil allows it to be contained within an unobtrusive casing.

Importantly, the concept of the Constant Force post is relevant to many of the different types of Latchways ManSafe systems. Along with other new product developments it will help leverage what is already the world's premier range of fall arrest solutions.



*Our proven ability to continually refresh and expand the ManSafe product range is fundamental to our achievement of sustainable business growth.*

ABILITY  
RESEARCH  
DEVELOPMENT  
CONSTANT  
FORCE



## Directors, Advisers and Senior Management



Paul Hearson

### Directors

N P Hearson  
D N Hearson  
B Finlayson  
J A B Joll  
R A Orton  
J A Thompson  
T J Workman

### Secretary

R A Orton

### Registered Office

Hopton Park, Devizes,  
Wiltshire SN10 2JP

### Registered Number

1189060



David Hearson



Alastair Thompson



Rex Orton



Tony Workman



Mark Woodley

**Paul Hearson  
(Non executive Chairman)\***

Paul Hearson (age 50) was appointed to the board as Non executive Chairman in June 1995. He was Managing Director of Safetynet PLC, a company specialising in computer disaster recovery, until February 1999.

**David Hearson  
(Managing Director)**

David Hearson (age 50) was appointed Managing Director in September 1995. He was formerly with IBM in both the UK and overseas.

**James Joll  
(Non executive Director)\***

James Joll (age 64) is a non executive director of a number of companies. He was Finance Director of Pearson plc from 1985 to 1996.

**Brian Finlayson  
(Non executive Director)\***

Brian Finlayson (age 54) joined the board in May 1994. He is the Deputy Chairman of Dunedin Capital Partners Ltd.

**Alastair Thompson (Sales  
and Marketing Director)**

Alastair Thompson (age 36) was appointed to the board in November 1998. He joined Latchways in 1997 after five years with Diversey Lever, a division of Unilever.

**Rex Orton  
(Financial Director and  
Company Secretary)**

Rex Orton (age 35) joined Latchways in April 1999. He was previously with Sunrise Medical Inc, having trained as a Chartered Accountant with Coopers & Lybrand.

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants  
1 London Bridge,  
London SE1 9QL

**Solicitors**

Olswang  
90 Long Acre,  
London WC2E 9TT

**Tony Workman (Business  
Development Director)**

Tony Workman (age 52) joined Latchways in 1992 and was appointed to the board in 1993. He was previously with the engineering company, Lister Petter Limited.

**Stockbrokers**

Bell Lawrie White & Co  
(A division of Brewin  
Dolphin Securities Limited)  
48 St Vincent Street,  
Glasgow G2 5TS

**Mark Woodley (Technical  
and Production Manager)**

Mark Woodley (age 28) joined the management team in November 1999. He was previously head of new product development.

**Registrars**

Lloyds TSB Registrars  
(Scotland)  
117 Dundas Street,  
Edinburgh EH3 5ED

**Bankers**

Bank of Scotland,  
38 Threadneedle Street,  
London EC2P 2EH

\* Members of the audit and remuneration committees

The directors present their annual report and financial statements for the year ended 31 March 2001.

### **Principal activity**

The principal activity of the group in the year under review was the production and distribution of industrial safety products.

### **Review of the business and future developments**

A review of the business for the year is given in the Chairman's statement on page 6, and the operating and financial review on page 8.

### **Results and dividend**

The profit for the year after providing for taxation amounted to £2,016,000 (2000: £1,997,000).

The directors declared an interim dividend of 3.025 pence per ordinary share which was paid on 1 March 2001.

The directors recommend a final dividend of 6.05 pence per ordinary share to be paid on 27 July 2001 to all those shareholders whose names appear on the register on 29 June 2001.

### **Research and development**

The company has an active programme of research and development as described on page 14. The total expenditure for the year appears in note 6 to the financial statements.

### **Share capital**

Information relating to the share capital of the company is given in note 18 to the financial statements.

Under the company's articles of association the company may at any time purchase all of the deferred shares at a price not exceeding one penny or may cancel the deferred shares by way of reduction of capital for no consideration.

### **Directors**

The present directors of the company are set out on page 16–17.

All directors served throughout the year ended 31 March 2001.

In accordance with the articles of association Messrs B Finlayson and T J Workman retire by rotation at the annual general meeting and offer themselves for re-election.

The interests of the directors in the shares of the company are disclosed in the report of the remuneration committee on page 23.

#### **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 company actively encourages ownership of its shares by its employees, and operates a share option scheme for key employees.

Latchways has a policy of equal opportunities and non-discrimination in all forms of employment. Training is actively encouraged for all employees. Company 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.

#### **Creditor payment policy**

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 company had 57 days' purchases outstanding at 31 March 2001 (2000: 33 days).

#### **Donations**

Charitable donations paid during the year amounted to £1,060 (2000: £470).

There were no political contributions (2000: Nil).

**Substantial Interests**

At 25 May 2001 the directors had been notified of the following interests, which represented 3% or more of the issued ordinary share capital of the company.

Shareholder	Number of ordinary shares of 5p each	% of the issued ordinary share capital of the company
Dunedin Enterprise Investment Trust plc	2,100,000	19.4
Amvescap plc	1,305,846	12.1
Invesco English & International Trust plc*	634,000	5.9
D N Hearson	526,166	4.9
Ivory & Sime UK Discovery Trust	444,418	4.1
Invesco GT UK Smaller Companies Fund*	420,000	3.9

\* These holdings are included in the Amvescap plc holding shown above.

**Auditors**

A resolution to reappoint PricewaterhouseCoopers as the company's auditors will be proposed at the 2001 annual general meeting.

**R A Orton**

Company Secretary

The Company is committed to high standards of Corporate Governance, in accordance with "The Combined Code – Principles of Good Governance and Code of Best Practice" ("the Combined Code"), with which the Listing Rules of the Financial Services Authority now require the Company to comply. The board is accountable to the shareholders for good governance and the information laid out below identifies how the principles identified in the Combined Code are applied by the Company.

### **The board of directors**

The board comprises the non executive Chairman, four executive directors and two independent non executive directors. The differing roles of the Chairman and Managing Director are recognised and separated by the board. All appointments to the board must be approved by the full board.

The board has been selected to provide the appropriate breadth of knowledge and experience to meet the group's needs. Each new director is given appropriate training for their role, and the Company Secretary is responsible for ensuring that directors remain up to date with legislative and other requirements.

The board meets at least quarterly and is provided with timely information previously agreed with and requested from management. A schedule of matters central to the control and operation of the business is reserved for board approval. Between formal board meetings, all board members are provided with monthly financial information, and regular contact is maintained between executive and non executive directors.

The Company maintains communication with external shareholders through regular meetings at board level and the annual general meeting. In addition, the Company seeks to encourage private shareholder interest through Investors Club visits.

**The audit committee** comprises the three non executive directors and is chaired by Paul Hearson. It meets at least twice a year and is responsible for ensuring that the financial performance of the group is properly reported on and monitored, for meeting the auditors and for reviewing the accounting policies and the reports from management and the auditors relating to the accounts and internal control systems. It meets at least once a year with the auditors without executive board members present.

**The remuneration committee** comprises the three non executive directors. It reviews, inter alia, the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. It gives its report on page 23, which includes details of the group's remuneration policy and directors' remuneration.

The directors' responsibilities in respect of the preparation of the financial statements are set out on page 26.

### Internal Controls

The Combined Code has extended the requirement that the board reviews and reports on the effectiveness of the group's system of internal control to cover all controls, including financial, operational and compliance controls and risk management. The directors acknowledge their responsibilities in this regard.

Last year, we reported that Latchways had adopted the transitional approach to implementing this guidance, and had put in place procedures to ensure full compliance in the year ended 31 March 2001.

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 arrest 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 company and monthly performance is reviewed against this budget.

**Monitoring system** – compliance with the overall system of internal control is monitored by the board. In addition to monthly key performance indicators, an annual review of internal procedures is carried out to ensure that control processes continue to improve. This takes the form of a detailed review of each operational area of the business. In the opinion of the board, an internal audit function is not appropriate given the size of the business.

### Statement of compliance

In the opinion of the directors, the group complies fully with the provisions of the Combined Code, except for the following:

- Code provision A.5.1: The group does not have a nomination committee to make representations on new board appointments.
- Code provision A.2.1: The group chooses not to designate a senior independent non executive director.

Both of these provisions are considered by the board to be inappropriate given the small size of the board.

- Code provision B.2.2: As is normal, the remuneration committee includes the Chairman, N P Hearson, who is the twin brother of the Managing Director.

The board considers that this in no way interferes with the Chairman's independence.

### Going Concern

After making enquiries, and reviewing the preliminary budget and cash flow for the forthcoming year, the directors have a reasonable expectation that the company and the group have 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.

## Report of the Remuneration Committee

### The remuneration committee

The remuneration and other emoluments of executive directors are determined by the remuneration committee, which is made up of the three non executive directors, who are all considered by the board to be independent. The committee is chaired by James Joll. The remuneration of the non executive directors is set by the full board. The group complies with Schedule A of the Combined Code on best practice for directors' remuneration.

### Remuneration policy

The group's policy is to set the levels of salary and other benefits for the executive directors on a basis which is reasonable in relation to the duties and responsibilities undertaken by each director. All elements of the executive directors' remuneration and benefits are decided by the remuneration committee and are designed to attract, retain and motivate directors of the quality required by the group. In particular, a significant proportion of the executive directors' remuneration is performance related through bonuses and their inclusion in executive share option schemes.

In making its judgements on these matters, the committee has taken account of external measures, including those relating to comparable companies and positions.

### Directors' remuneration

Details of remuneration paid to the directors is set out below:

	Fees	Salary	Pension	Benefits	Severance	Total 2001	Total 2000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N P Hearson	12	–	–	–	–	12	12
B Finlayson	10	–	–	–	–	10	10
F A Good (resigned Apr 1999)	–	–	–	–	–	–	61
M H Griffiths (resigned Nov 1999)	–	–	–	–	–	–	68
D N Hearson	–	110	7	9	–	126	104
J A B Joll	10	–	–	–	–	10	10
R A Orton	–	72	5	10	–	87	68
J A Thompson	–	66	5	8	–	79	63
T J Workman	–	46	3	9	–	58	50
	<b>32</b>	<b>294</b>	<b>20</b>	<b>36</b>	<b>–</b>	<b>382</b>	446
2000	32	296	6	42	70	446	

#### Note:

B Finlayson's services are provided by Dunedin Capital Partners Limited.

Pension contributions are paid to a Group Personal Pension Plan, which is a defined contribution scheme.

No bonus payments were made to directors during the year (2000: nil).

### Share capital

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

	<b>31 March 2001</b>	31 March 2000
	<b>Ordinary 5p</b>	Ordinary 5p
N P Hearson	<b>41,980</b>	31,980
B Finlayson	<b>103,074</b>	103,074
D N Hearson	<b>526,166</b>	708,666
J A B Joll	<b>16,000</b>	16,000
R A Orton	<b>1,000</b>	1,000
J A Thompson	<b>3,595</b>	3,595
T J Workman	<b>147,500</b>	150,500

There have been no changes in the interests of directors between 31 March 2001 and 25 May 2001.

### Share options

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

#### Number of options

	1 April 2000	Granted/ (lapsed) in the year	Exercised in the year	<b>31 March 2001</b>	Exercise price p	Date from which exercisable	Expiry date
R A Orton	34,782	–	–	<b>34,782</b>	349.0	28.06.02	28.06.09
	34,090	–	–	<b>34,090</b>	352.5	04.02.03	04.02.10
J A Thompson	64,516	–	30,000	<b>34,516</b>	155.0	23.09.00	23.09.07
	3,972	–	–	<b>3,972</b>	352.5	04.02.03	04.02.10

The market value of the company's ordinary shares as at 31 March 2001 was 397.5p, and the range of market prices during the year was £3.65 to £5.70.

## Report of the Remuneration Committee

The market value of the company's ordinary shares on 15 January 2001, the date when options were exercised, was 485.0p. The gains made by directors on exercise of options were as follows;

	£'000
J A Thompson	99

### Service contracts

The service agreements of the executive directors may be terminated by either party giving to the other not more than 12 months' notice.

### J A B Joll

Chairman of the remuneration committee

## Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2001. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

**R A Orton**

Company Secretary

11 June 2001

We have audited the financial statements on pages 28 to 43.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 26, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 22 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

11 June 2001

## Consolidated Profit and Loss Account

for the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
<b>Turnover</b>	2	<b>9,401</b>	8,656
Cost of sales		<b>(3,712)</b>	(3,437)
<b>Gross profit</b>		<b>5,689</b>	5,219
Administrative expenses		<b>(2,699)</b>	(2,377)
<b>Operating profit</b>		<b>2,990</b>	2,842
Interest receivable		<b>4</b>	2
Interest payable	5	<b>(85)</b>	(62)
<b>Profit on ordinary activities before taxation</b>	6	<b>2,909</b>	2,782
Tax on profit on ordinary activities	7	<b>(893)</b>	(785)
<b>Profit on ordinary activities after taxation</b>	19	<b>2,016</b>	1,997
Dividends	8	<b>(983)</b>	(927)
<b>Retained profit for the year</b>		<b>1,033</b>	1,070
<b>Earnings per share (pence)</b>	9	<b>18.69</b>	18.85
<b>Diluted earnings per share (pence)</b>	9	<b>18.54</b>	18.44

The results for each of the above years arose wholly from continuing operations.

There are no recognised gains or losses except for the profit as stated above and therefore no separate statement of total recognised gains and losses is shown.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year as stated above, and their historical cost equivalents.

## Group and Company Balance Sheet

as at 31 March 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Intangible assets	10	348	306
Tangible assets	11	2,555	2,534
Investments	12	-	-
		<b>2,903</b>	2,840
<b>Current assets</b>			
Stocks	13	815	828
Debtors	14	4,843	3,153
Cash at bank and in hand		182	823
		<b>5,840</b>	4,804
<b>Creditors: amounts falling due within one year</b>	15	<b>(3,236)</b>	(2,924)
<b>Net current assets</b>		<b>2,604</b>	1,880
<b>Total assets less current liabilities</b>		<b>5,507</b>	4,720
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(167)</b>	(518)
<b>Provisions for liabilities and charges</b>	17	<b>(63)</b>	(54)
<b>Net assets</b>		<b>5,277</b>	4,148
<b>Capital and reserves</b>			
Called up share capital	18	653	650
Share premium account	19	922	829
Profit and loss account	19	3,702	2,669
<b>Equity shareholders' funds</b>	19	<b>5,277</b>	4,148

The financial statements on pages 28 to 43 were approved by the board of directors on 11 June 2001 and signed on its behalf by:

**N P Hearson** Chairman

**R A Orton** Financial Director

## Consolidated Cash Flow Statement

for the year ended 31 March 2001	Note	2001 £'000	2000 £'000
<b>Net cash flow from operating activities</b>	20	<b>1,721</b>	3,471
<b>Returns on investment and servicing of finance</b>			
Interest received		4	2
Interest paid		(81)	(58)
Interest paid on finance leases		(4)	(4)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(81)</b>	(60)
<b>Taxation</b>			
UK Corporation tax paid		(776)	(905)
UK Corporation tax recovered		90	–
<b>Net cash outflow on taxation</b>		<b>(686)</b>	(905)
<b>Capital expenditure and financial investments</b>			
Purchase of intangible fixed assets		(70)	(88)
Purchase of tangible fixed assets		(340)	(1,072)
Sale of tangible fixed assets		8	288
<b>Net cash outflow on capital expenditure</b>		<b>(402)</b>	(872)
<b>Equity dividends paid</b>		<b>(921)</b>	(835)
<b>Net cash flow before financing</b>		<b>(369)</b>	799
<b>Financing</b>			
Bank loan received		–	1,000
Repayments on bank loan		(333)	(167)
Issue of ordinary shares		96	42
Principal payment under finance leases		(35)	(37)
<b>Net cash flow from financing</b>		<b>(272)</b>	838
<b>Movement in cash in the year</b>	20	<b>(641)</b>	1,637

for the year ended 31 March 2001

### 1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention.

#### **Consolidation**

The consolidated accounts cover the company and its subsidiary, Latchways Norway AS, which is dormant and did not trade during the year.

#### **Turnover**

Turnover represents the net invoiced sales of goods, excluding VAT.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, 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:

Freehold buildings	2%
Plant and machinery	20%
Motor vehicles	20%
Fixtures and fittings	15%–33%
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.

#### **Intangible fixed assets**

Patents, trademarks and registered designs include all costs relating to the necessary procedures 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.

#### **Stocks**

Stocks 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.

#### **Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

### Research and development

Expenditure on research and development is written off in the year in which it is incurred.

### 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 are taken into account in arriving at the operating profit.

### Leased assets

Assets held under finance leases and hire purchase contracts are capitalised at the estimated fair value at date of inception of each lease or contract. The assets are depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

### Pensions

The company operates a Group Personal Pension Plan. This is available to all employees after an initial qualifying employment period, and both company and employee make defined contributions to the scheme. The costs to the company of such contributions are charged to the profit and loss account as incurred.

## 2. Turnover

The turnover, profit before taxation for the year, and net assets are attributable to the principal activity of the group carried out in the United Kingdom. In the opinion of the directors there is only one business segment and therefore no segmental analysis of the profit and loss account is appropriate.

An analysis of turnover by geographical market is given below:

	<b>2001</b>	2000
	<b>£'000</b>	£'000
United Kingdom	<b>5,744</b>	5,431
Europe	<b>1,167</b>	1,639
North America	<b>1,966</b>	1,188
Other	<b>524</b>	398
	<b>9,401</b>	8,656

### 3. Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments for qualifying services	362	370
Compensation for loss of office	–	70
Contributions to defined contribution pension schemes	20	6
	<b>382</b>	446
Gain on exercise of share options	99	2,584
	<b>481</b>	3,030

Contributions to defined contribution pension schemes were made in respect of 4 (2000: 4) directors.

Details of directors' remuneration, together with directors' interests in shares and share options, are set out in the report of the remuneration committee on pages 23 to 25, and form part of these financial statements.

Emoluments payable to the highest paid director were:

	2001 £'000	2000 £'000
Aggregate emoluments for qualifying services	74	102
Contributions to defined contribution pension schemes	5	2
	<b>79</b>	104
Gain on exercise of share options	99	1,292
	<b>178</b>	1,396

### 4. Employees

The average number of employees (including executive directors) employed by the group was:

	2001	2000
Administration and management	8	8
Assembly, testing and development	27	21
Sales and marketing	8	9
	<b>43</b>	38

The 2000 figure includes 2 employees of Latchways Norway AS, within sales and marketing.

#### Employee costs

	2001 £'000	2000 £'000
Salaries	1,257	1,094
Social security costs	126	99
Pension costs	61	17
	<b>1,444</b>	1,210

**5. Interest payable**

	<b>2001</b>	2000
	<b>£'000</b>	£'000
On finance leases and hire purchase	<b>4</b>	4
On bank loans and overdrafts	<b>81</b>	58
	<b>85</b>	62

**6. Profit on ordinary activities before taxation**

The profit on ordinary activities is stated after charging/(crediting):

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Directors' emoluments	<b>382</b>	446
Depreciation – owned assets	<b>281</b>	229
Depreciation – assets on hire purchase and finance leases	<b>35</b>	29
Amortisation of intangible fixed assets	<b>28</b>	21
Profit on sale of fixed assets	<b>(5)</b>	(34)
Auditors' remuneration – for audit	<b>19</b>	18
Research and development	<b>422</b>	334
Operating lease charges	<b>20</b>	14

**7. Taxation**

The tax charge on the profit on ordinary activities is as follows:

	<b>2001</b>	2000
	<b>£'000</b>	£'000
Corporation tax at 30% (2000: 30%)	<b>884</b>	809
Deferred taxation	<b>9</b>	(38)
Underprovisions in earlier years	<b>–</b>	14
	<b>893</b>	785

**8. Dividends**

Dividends on ordinary shares of 5 pence each:

	<b>2001</b>	2000
	<b>£'000</b>	£'000
1999 final dividend on shares issued in June 1999	<b>–</b>	38
Interim dividend of 3.025 pence per share (2000: 2.75p)	<b>328</b>	296
Proposed final dividend of		
6.05 pence per share (2000: 5.5p)	<b>655</b>	593
Total dividend for year	<b>983</b>	927

## 9. 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 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 company has only one category of dilutive potential ordinary shares: 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 481.1p (2000: 365.5p).

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

	2001			2000		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	Thousand	Pence	£'000	Thousand	Pence
<b>Basic EPS</b>						
Earnings attributed to ordinary shareholders	2,016	10,787	18.69	1,997	10,593	18.85
Effect of dilutive share options	–	86	(0.15)	–	238	(0.41)
<b>Diluted EPS</b>	<b>2,016</b>	<b>10,873</b>	<b>18.54</b>	<b>1,997</b>	<b>10,831</b>	<b>18.44</b>

## 10. Intangible fixed assets

Group and Company	Patents, Trade Marks & Registered Designs
	£'000
<b>Cost</b>	
At 1 April 2000	448
Additions in the year	70
<b>At 31 March 2001</b>	<b>518</b>
<b>Amortisation</b>	
At 1 April 2000	142
Charge for the year	28
<b>At 31 March 2001</b>	<b>170</b>
<b>Net book value</b>	
<b>At 31 March 2001</b>	<b>348</b>
At 31 March 2000	306

11. Tangible fixed assets

Group & Company

	Freehold land & buildings £'000	Plant & machinery £'000	Motor vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
<b>Cost</b>					
At 1 April 2000	1,875	473	122	600	3,070
Additions in the year	150	104	–	86	340
Disposals in the year	–	(116)	(37)	–	(153)
<b>At 31 March 2001</b>	<b>2,025</b>	<b>461</b>	<b>85</b>	<b>686</b>	<b>3,257</b>
<b>Depreciation</b>					
At 1 April 2000	25	261	66	184	536
Disposals in the year	–	(116)	(34)	–	(150)
Charge for the year	33	66	24	193	316
<b>At 31 March 2001</b>	<b>58</b>	<b>211</b>	<b>56</b>	<b>377</b>	<b>702</b>
<b>Net book value</b>					
<b>At 31 March 2001</b>	<b>1,967</b>	<b>250</b>	<b>29</b>	<b>309</b>	<b>2,555</b>
At 31 March 2000	1,850	212	56	416	2,534

The net book value of fixtures, fittings & equipment includes an amount of £42,000 (2000: £77,000) in respect of assets held under hire purchase and finance leases.

Freehold land & buildings includes £462,000 (2000: £342,000) relating to land.

## 12. Investments

	2001 £'000	Company 2000 £'000
Investment in subsidiary undertakings	–	4
Less: Amounts written off	–	(4)
	<hr/>	<hr/>
	–	–

The investment represents a 100% interest in the company's Norwegian subsidiary, Latchways Norway AS, whose principal trade was the design and sale of fall arrest systems. This company ceased trading on 31 March 2000, and has been dormant throughout the year ended 31 March 2001.

## 13. Stock

	2001 £'000	Group & Company 2000 £'000
Raw materials and consumables	508	533
Finished goods and goods for resale	307	295
	<b>815</b>	828

## 14. Debtors

	2001 £'000	Group & Company 2000 £'000
Trade debtors	4,577	2,876
Corporation tax recoverable	10	100
Other debtors	45	43
Prepayments and accrued income	211	134
	<b>4,843</b>	3,153

All debtors fall due within one year.

### 15. Creditors: amounts falling due within one year

	2001	Group & Company 2000
	£'000	£'000
Bank loans & overdrafts	333	333
Obligations under hire purchase and finance leases	18	35
Trade creditors	1,187	961
Corporation tax	625	517
Social security and other taxes	48	36
Other creditors	232	178
Accruals	138	271
Dividends payable	655	593
	<b>3,236</b>	2,924

In both periods, bank loans and overdrafts represent the current element of amounts outstanding on a three year term loan. This loan is secured against the company's premises and is subject to an interest rate that varies by reference to LIBOR.

### 16. Creditors: amounts falling due after more than one year

	2001	Group & Company 2000
	£'000	£'000
Bank loan:		
Due within 1 to 2 years	167	333
Due within 2 to 5 years	–	167
	<b>167</b>	500
Hire purchase and finance leases:		
Due within 1 to 2 years	–	18
<b>Total</b>	<b>167</b>	518

The weighted average fixed interest rate on finance leases is 8.8%.

The bank loan is secured against the company's premises and is subject to an interest rate that varies by reference to LIBOR.

## 17. Provisions for liabilities and charges

	2001 £'000	Group & Company 2000 £'000
<b>Deferred taxation</b>		
Accelerated capital allowances	<b>63</b>	54
Full potential liability	<b>63</b>	54

The movement in the provision for deferred taxation is as follows:

	£'000	£'000
At 1 April 2000	<b>54</b>	92
Transfer from/(to) profit and loss account	<b>9</b>	(38)
At 31 March 2001	<b>63</b>	54

Deferred tax provisions represent the full potential liability.

**18. Share capital**

**Authorised**

	Ordinary 5p shares No.	Deferred 65p shares No.	Total  £'000
Share capital as at 1 April 2000	12,821,603	191,429	766
As at 31 March 2001	12,821,603	191,429	766

**Issued and fully paid**

	Ordinary 5p shares No.	Deferred 65p shares No.	Total  £'000
Share capital as at 1 April 2000	10,774,346	171,429	650
Ordinary shares issued on exercise of options at 155p per share	62,244	–	3
As at 31 March 2001	10,836,590	171,429	653

The deferred shares carry no rights to a dividend or other distribution nor to receive notice of, attend at or vote at any general meeting of the company. On a return of capital, each holder of a deferred share shall be entitled to receive a sum equal to the nominal capital paid up thereon, but only after the sum of £10,000,000 per ordinary share has been distributed and the holders of the deferred shares shall not be entitled to any further participation. The company may at any time cancel all or any of the deferred shares as a reduction of capital for no consideration.

Since the deferred shares have no effective rights to dividends, voting, or repayment of capital, non-equity shareholders' funds have been treated as being of nil value.

As at 31 March 2001, options had been granted over 153,350 ordinary shares. Shares in respect of these options have not been issued. The option prices and exercise dates are as follows:

Exercise dates	Number of options	Exercise price
23.09.00 – 23.09.07	34,516	155.0p
28.06.02 – 28.06.09	34,782	349.0p
06.07.02 – 06.07.09	35,410	353.0p
04.02.03 – 04.02.10	38,062	352.5p
01.07.03 – 01.07.10	10,580	472.5p

## 19. Reconciliation of movements in shareholders' funds

	Group & Company				
	Share Capital £'000	Share Premium £'000	Profit & Loss £'000	Total £'000	2000 £'000
Opening shareholders funds	650	829	2,669	4,148	3,036
Profit after taxation	-	-	2,016	2,016	1,997
Dividends payable	-	-	(983)	(983)	(927)
New issue of shares	3	93	-	96	42
Closing shareholders' funds	653	922	3,702	5,277	4,148

20. Notes to the cash flow statement

	<b>2001</b>	2000
	<b>£'000</b>	£'000
<b>Net cash flow from operating activities</b>		
Operating profit	<b>2,990</b>	2,842
Amortisation of intangible fixed assets	<b>28</b>	21
Depreciation of tangible fixed assets	<b>316</b>	258
Profit on sale of tangible fixed assets	<b>(5)</b>	(34)
Movement in stocks	<b>13</b>	263
Movement in debtors	<b>(1,780)</b>	(506)
Movement in creditors	<b>159</b>	627
<b>Net cash flow from operating activities</b>	<b>1,721</b>	3,471
<b>Reconciliation of net cash flow to movement in net debt</b>	<b>2001</b>	2000
	<b>£'000</b>	£'000
Movement in cash in the year	<b>(641)</b>	1,637
Cash outflow relating to finance lease	<b>35</b>	37
Net cash (inflows)/outflows relating to bank loans	<b>333</b>	(833)
<b>Movement in net debt in the year</b>	<b>(273)</b>	841
Net debt at 1 April 2000	<b>(63)</b>	(904)
<b>Net debt at 31 March 2001</b>	<b>(336)</b>	(63)

	At 1 April 2000	Cash Flow	At 31 March 2001
	£'000	£'000	£'000
<b>Analysis of net debt</b>			
Cash at bank & in hand	823	(641)	<b>182</b>
Bank overdraft	–	–	–
Net cash balances	823	(641)	<b>182</b>
Bank loans	(833)	333	<b>(500)</b>
Finance leases	(53)	35	<b>(18)</b>
<b>Total</b>	<b>(63)</b>	<b>(273)</b>	<b>(336)</b>

21. Company profit and loss account

The company has taken advantage of the exemption in S 230 of the Companies Act from publishing a separate profit and loss account. A profit of £2,016,000 (2000: £1,839,000) before dividends has been dealt with in Latchways plc's own books.

## **22. Commitments and contingent liabilities**

At 31 March 2001 capital expenditure authorised by the board and contracted for but not provided in these financial statements was £Nil (2000: £Nil).

As at 31 March 2001 the company had annual operating lease commitments on motor vehicles of £25,000 (2000: £15,000). All these leases terminate within 2 to 5 years.

## **23. Financial instruments**

It is the policy of the Board not to use derivative financial instruments. Other financial instruments are used to provide the company with flexibility regarding its working capital requirements and to ensure that significant capital expenditure is funded in a way which is appropriate to the company's circumstances.

From 1st April 2000, the Company has invoiced export customers within the Euro Zone in Euros. In addition, certain other overseas customers are invoiced in local currency.

The Company monitors its exposure to currency fluctuations on an ongoing basis. Where appropriate, the Company will use forward exchange contracts to manage its exposure. A Euro bank account is maintained in order to offset sales related exposure by settling overseas expenditure in Euros.

During the year, the Company used four other types of financial instrument; a term bank loan, a bank overdraft facility, short term bank deposits and finance leases.

The Company maintains a three year term loan, taken out in September 1999 for £1,000,000 at a variable interest rate of LIBOR plus 1.25%. This is repayable quarterly, and has an outstanding balance at 31st March 2001 of £500,000. The Company also has an overdraft facility of £1,250,000 which falls due for review within one year and which was not utilised at 31st March 2001. Interest on the overdraft is charged at a variable rate of LIBOR plus 1.25%. The weighted average fixed interest rate on finance leases is 8.8%. Details of the maturity profile of financial liabilities are set out in Notes 15 and 16.

Any bank balances in excess of immediate cash requirements are placed on short term deposit.

As at 31st March 2001, the Company had net assets denominated in Euros of £648,000 and in Australian Dollars of £164,000.

In the opinion of the Directors, there is no significant difference between the fair values and the book values of financial assets and liabilities.

## **24. Ultimate controlling party and related party transactions**

In the opinion of the directors the company has no controlling party.

There were no related party transactions which require disclosure.

## Notice of Annual General Meeting

**Latchways plc** (Registered Number 1189060)

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at Hopton Park, Devizes, Wiltshire SN10 2JP on 20 July 2001 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 2001.
2. To declare a final dividend on the ordinary share capital of the Company.
3. To re-elect B Finlayson as a director.
4. To re-elect T J Workman as a director.
5. To re-appoint PricewaterhouseCoopers as auditors to hold office until conclusion of the next annual general meeting.
6. 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 numbers 7 and 9 will be proposed as ordinary resolutions and number 8 as a special resolution:

7. For the purposes of Section 80 of the Companies Act 1985 (the "Act"), the directors be and they are hereby generally and unconditionally authorised, in substitution for any existing authority to allot relevant securities (within the meaning of section 80 of the Act), to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £99,251 provided that this authority shall expire five years from the date of the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), except that the Company may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.
8. The directors be and are hereby empowered (pursuant to section 95 of the Act) to allot equity securities wholly for cash pursuant to the authority conferred upon them by resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities:
  - 8.1. in connection with a rights issue; and

8.2. the allotment (otherwise than pursuant to sub-paragraph 8.1 above) of equity securities up to an aggregate nominal amount of £27,091;

and shall expire on the earlier of the conclusion of the next annual general meeting of the Company and the date falling fifteen months after the date of the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting) 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 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.

In this resolution 8:

- (a) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of ordinary shares on the register on a fixed record date in proportion to their respective holdings of such shares or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory);
  - (b) the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right; and
  - (c) words or expressions defined in or for the purposes of sections 89-96 inclusive of the Act shall bear the same meanings.
9. That the Latchways plc Enterprise Management Incentive Scheme (the "Scheme"), the rules of which are summarised in the Notes attached to the Notice of Annual General Meeting and which will be produced to the Meeting (and, for the purposes of identification, signed by the Chairman), be and is hereby approved and adopted and the directors be and are hereby authorised to take all steps which they consider necessary or expedient to establish and carry the Scheme into effect.

By order of the board  
Rex Orton  
Company Secretary

Registered office:  
Hopton Park  
Devizes  
Wiltshire  
SN10 2JP

11 June 2001

- 1 Any member of the Company entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy, and any power of attorney under which it is signed, must be lodged with the Company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED, no later than 48 hours before the time of the annual general meeting. A form of proxy is enclosed.
- 2 The completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person.
- 3 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 fifteen minutes before the meeting draws to its conclusion:
  - 3.1 the register of directors' interests required to be kept under section 325 of the Act; and
  - 3.2 copies of the directors' contracts of service.
- 4 The following is an explanation of the resolutions relating to special business:
  - 4.1 The right of the directors to allot further shares in the capital of the Company requires in most cases the prior authorisation of the shareholders in general meeting under Section 80 of the Act. Resolution 7 will be put to members as special business to authorise the directors to allot ordinary shares with a nominal value of £99,251 out of the Company's unissued ordinary share capital representing approximately 18.3 per cent of the Company's current issued share capital. This authority shall expiry 5 years from the date of the passing of this resolution.
  - 4.2 Resolution 8 will seek to obtain power under section 95 of the Act for the directors to allot for cash shares with an aggregate nominal value of £27,091 equal to approximately 5 per cent of the Company's issued ordinary share capital without being required first to offer such securities to existing shareholders. The Company will thereby be given greater flexibility when considering future opportunities but the interests of existing shareholders will be protected as, except in the case of a rights issue or the allotment of shares under the Company's employees' share option scheme, the proportionate interests of shareholders cannot, without their consent, be reduced by the issue for cash of new shares representing more than 5 per cent of the current issued share capital. Save for the issue of shares pursuant to options granted under the Company's employees' share option scheme, the directors have no present intention to allot any part of the unissued share capital of the Company or, without the prior approval of the Company in general meeting, to make any issue which would effectively alter the control of the Company or the nature of its business. This authority will expire immediately following the annual general meeting next following the resolution or, if earlier, 15 months following the resolution being passed.

Short biographies of each of the directors offering themselves for re-election are on page 17 of the annual report and accounts.

5. Resolution 9 will seek to obtain power to implement The Latchways plc Enterprise Management Incentive Scheme (the "Scheme"). The full Scheme rules will be available for inspection from the date of despatch of this Notice until the close of the annual general meeting, at the offices of Olswang, 90 Long Acre, London WC2E 9TT, and also prior to and during the said Meeting. The summarised rules of this Scheme are as follows:

- 5.1 General: It is proposed that subject to the Scheme being approved by the Company in general meeting that certain key employees will be granted options over Shares in the Company ("Shares") exercisable in accordance with the Scheme's rules.
- 5.2 Eligibility: All employees of the Company whose time committed to the business of the Company or on the business of the group is at least 25 hours per week, or if less, 75% of their working time are eligible to participate, provided that they are not within two years of retirement age.
- 5.3 Grant of Options: Options may be granted at any time within the period of 42 days following approval of the Scheme by shareholders, commencement of participant's employment, announcement of the Company's financial results, or at any other time when the remuneration committee considers there to be exceptional circumstances, provided that the options are only granted for commercial reasons in order to recruit or retain employees. In addition, the Company must meet certain legislative requirements in relation to its trading activities, its subsidiaries and its gross assets at the date of grant of the option. If, at the time of grant, the option fails to meet the provisions contained in Schedule 14 of the Finance Act 2000 the option shall be an unapproved option.
- 5.4 Option Price: The price per Share payable on the exercise of an option shall be a price which is the closing middle market quotation for a Share on the Daily Official List of the UK Listing Authority on the date of grant, or if the Directors so determine, the average of the closing middle market quotations for a Share on the Daily Official List on the three dealing days immediately preceding the date of grant.
- 5.5 Exercise of the Options: The option agreement between the Company and the employee shall state the date or dates on which the option will become exercisable and which may be dependent on performance targets having been satisfied. Early exercise within a limited period is permitted if the participant's employment ceases as a result of death, or otherwise at the discretion of the remuneration committee.

In the event of a takeover of the Company, a scheme of arrangement, or a voluntarily liquidation, options may also be exercised early, for a limited period.

In the event that another Company obtains control of the Company, options may in certain circumstances be exchanged for options over the shares in the acquiring Company (or an associated Company).

- 5.6 Scheme limits: The maximum number of Shares which may on any day be placed under option to subscribe under the Scheme, when added to the number of Shares allocated for the subscription in the previous 10 years under the Scheme or any other employees' share scheme adopted by the Company, shall not exceed 10% of the Company's issued ordinary share capital immediately prior to that day.

- 5.7 Rights of Shares on Listing: Shares issued to participants on the exercise of options will rank equally with the Shares then in issue. However, if under the terms of a resolution passed or an announcement made by the Company prior to the date of the exercise of an option, a dividend is to be, or is proposed to be, paid to holders of Shares on the register on a date before the effective date of exercise, the Shares issued following such exercise will not rank for such dividend.

The Company will apply for listing of any new Shares issued if and so long as the Shares are admitted to the Official List of the UK Listing Authority.

- 5.8 Amendments to the Scheme: If the Inland Revenue raise a notice of enquiry and conclude that the requirements of Schedule 14 of the FA 2000 have not been met in relation to the Scheme the directors may alter the rules of the Scheme as may be necessary to ensure that the requirements have been met. The directors may amend the provisions of the Scheme and the terms of any option as they consider necessary or desirable without the need for prior approval of the Company or the consent of option holders provided that such amendments or additions do not affect the basic principles of the Scheme. No amendment will have effect if it would cause the Scheme to cease to satisfy the provisions of Schedule 14.

The provisions of the Scheme as they relate to points i-iv below, cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit scheme administration, to reflect legislative changes or to obtain or maintain favourable tax treatment for the participants or Company).

- i. the participants and their maximum entitlements under the scheme
- ii. any limitations on the amount or number of options subject to the scheme
- iii. the basis for determining a participant's entitlement to, and terms of benefit under, the scheme
- iv. any adjustment in the event of a capitalisation issue, rights issue or open offer or any variation of share capital

The benefits under the Scheme will not be pensionable.

## Form of Proxy for use at Annual General Meeting

**Latchways plc** (Registered number 1189060)

I/We

(BLOCK LETTERS)

of

(a) member(s) of Latchways plc entitled to attend and vote at the above meeting, hereby appoint the chairman of the meeting or\*

as my/our proxy to vote for me/us and to act on my/our behalf at the annual general meeting of the Company convened for 20 July 2001 at 12 noon, and every adjournment thereof.

\*If you wish to appoint a proxy other than the chairman, please delete the reference to the chairman of the meeting (initialling the deletion) and insert the name of your proxy in the space provided. A proxy must attend the meeting in person to represent you.

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

Resolutions	For	Against
1. To receive the accounts and adopt them		
2. To declare a final dividend		
3. To re-elect B Finlayson		
4. To re-elect T J Workman		
5. To re-appoint the auditors		
6. To authorise the directors to fix the auditors' remuneration		
7. To authorise the directors under section 80		
8. To authorise the directors under section 95		
9. To authorise and adopt the Latchways plc Enterprise Management Incentive Scheme		

Dated this

day of

2001

(Signature)

### Notes

- Please indicate with an x in the spaces provided above how you wish your vote to be cast. Your proxy will vote or abstain from voting as he/she thinks fit if no clear indication is given.
- To be valid this proxy must be lodged with the Company's registrar, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED, not later than 48 hours before the time for which the meeting has been convened.
- Any alterations made in the form of proxy should be initialled.
- In the case of a corporation the proxy should be completed under its common seal or signed by its attorney or by an officer on its behalf.
- 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.
- The completion and return of the form of proxy will not preclude ordinary shareholders attending and voting at the meeting should they subsequently decide to do so.



# ACKNOWLEDGMENTS

Clients and venues listed below all have Latchways systems installed.

British Museum, London



Odyssey Arena, Northern Ireland



Ryobi Aluminium Casting, Northern Ireland



Vodafone, Southern England



Berlin Electricity, Germany



# LATCH



Latchways plc, Hopton Park, Devizes, Wiltshire SN10 2JP  
Tel: +44 (0)1380 732700 Fax: +44 (0)1380 732701 Email: [info@latchways.com](mailto:info@latchways.com) Web site: [www.latchways.com](http://www.latchways.com)