



Latchways plc
Annual Report & Accounts

2007

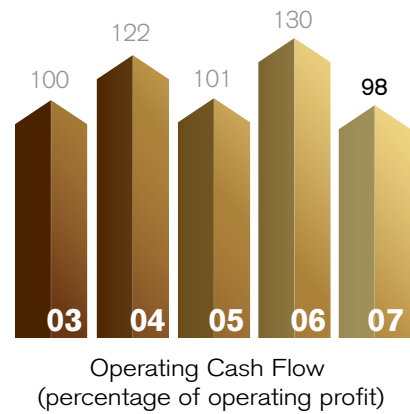
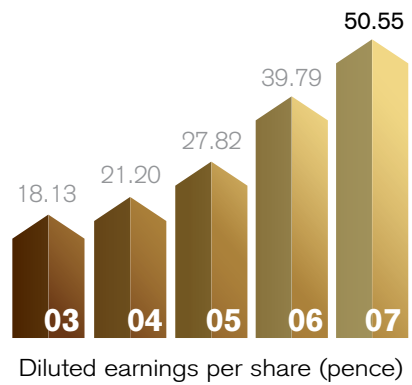
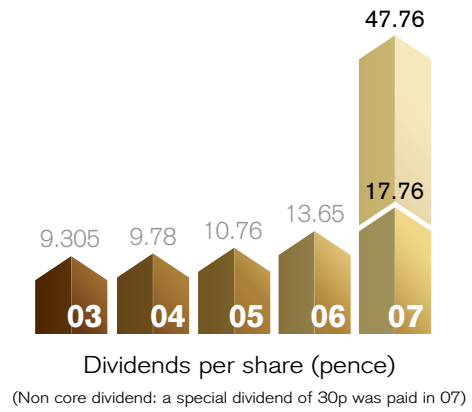
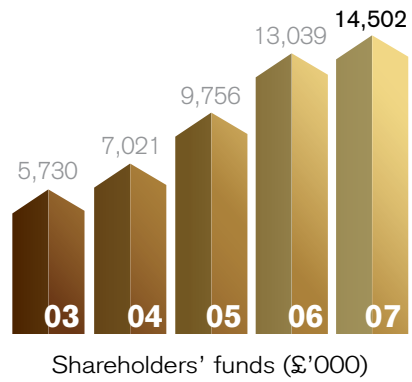
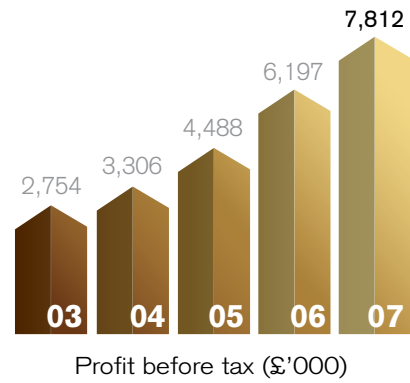
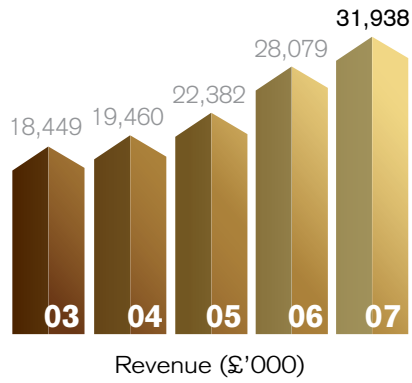


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Five Year Record



Figures shown for the years 2003 and 2004 are as previously reported under UK GAAP.

Chairman's Statement

I am pleased to report another year of substantial growth for the Latchways group. Once again all areas of the business have enhanced their contribution to group profits, with all segments trading at record profit levels.

During the year we have seen increasing acceptance of Latchways' fall protection products around the world, with significant new business being gained in areas outside our traditionally strong UK and European markets.

Our Safety Services arm, which specialises in the installation and inspection of fall protection equipment, enjoyed further growth in both revenue and profits during the year, whilst our Specialist Fixing division consolidated on strong revenue growth in the previous year with further efficiency improvements.

These impressive results have enabled us to continue to invest significantly in the future of our business, whilst still growing profits substantially.

Results

Group revenue for the year ended 31 March 2007 was £31.9 million (2006: £28.1 million), 14% ahead of last year.

Group profit before tax was 26% higher than last year at £7.8 million (2006: £6.2 million).

Diluted earnings per share rose 27% to 50.55 pence (2006: 39.79 pence)

Dividends

As I mentioned in my interim report, Latchways has a strongly cash-generative business model which results in an excellent conversion of earnings to cash. We concluded last year that our ongoing business could sustain a higher level of dividend, and began the process of addressing this. I am pleased to report that we have enjoyed a further period of strong cash generation, and therefore the board proposes a final dividend for the year of 11.84 pence, a 21% increase on last year. Taken together with the interim payment of 5.92 pence, the total dividend (excluding the Special dividend) for 2007 of 17.76 pence per share represents a 30% increase on the prior year (2006: 13.65 pence).

With the exception of 2002, when dividend levels were maintained, Latchways has now increased its dividend every year since flotation in 1997.

Also, during the year the board declared and paid a special dividend of 30 pence per share (2006: nil), returning £3.3 million to shareholders. This decision reflected the fact that, in the view of the board, our organic growth is, and to a large extent will remain, self financing, whilst funding of small acquisitions will be possible without recourse to shareholders. The board will, in keeping with good practice, continue to review its cash requirements going forward.

Our trading environment

The fall protection market continues to evolve around the world and our strategy has evolved with it. We have continued to concentrate on what we do best, providing optimal fall protection solutions with the highest levels of customer service and support. This continues to be achieved through our excellent and committed network of independent agents. Whilst our traditional markets continue to perform well and to show excellent growth, new markets have also proven successful in other parts of the world, where legislators have recognised the need for safe working practices.

Recognising the need to expand our product offering to maximise opportunities in specific markets, we have significantly increased our new product development resource. This has resulted in an exciting new product pipeline which should add significant revenues in the coming years.

We continue to seek niche acquisition opportunities, such as those of HCL and Wingrip, which will add value to our business.

World commodity prices, specifically stainless steel, have continued to increase sharply during the year, which has affected our product costs. However, we have so far maintained our ability to offset these higher costs through a mixture of product re-sourcing, modest price increases and improved operational efficiency.

Chairman's Statement

Social and Environmental matters

Latchways takes its responsibilities towards its stakeholders and the environment seriously.

I am pleased to report that Latchways achieved its ISO 14001 environmental accreditation during the year. As a result, a system of control is now in place addressing our waste management processes and energy efficiency measures.

People

As ever, much of the success of our business is down to the efforts of all our people, at every level. Once again I would like to thank and congratulate them all for a job well done.

As a fast growing company it is important not to take our people and their efforts for granted. During the year, the board instigated a detailed review of the group's provision for Human Resources and a number of recommendations were made. These are being addressed to ensure that we make the most of, and appropriately reward, all our people's talents.

Finally, our Senior non-executive director, James Joll, retired during the year. As I stated in our announcement at the time, James made many excellent contributions to the group during his nine years on the board. His successor, Per Troen, is an international corporate finance lawyer, and his contribution has already made a positive impact on our business.

Current Trading and Prospects

The new year has started well, with a healthy order book. Levels of enquiries and quotations continue to indicate a strong market for our products. With the increased investment now being made in new products, and the earlier investments in new markets beginning to show results, we are confident of continuing our record for delivering profitable growth both for the current year and the future.

Paul Hearson, Chairman



Operating and Financial Review

Financial Review

The board of Latchways plc is pleased to report these consolidated results for the year ended 31 March 2007.

This operating and financial review ("OFR"), together with the Chairman's Statement, has been compiled as a Business Review in accordance with the requirements of the Companies Act 1985 Regulations 2005. It is not intended to comply with Reporting Standard 1, "Operating and Financial Review".

Financial Results

Group revenue for the year was £31.9 million, an increase of 14% over the 2006 figure of £28.1 million. This resulted in an operating profit of £7.6 million, up 23% on 2006 (2006: £6.2 million), and a pre-tax profit of £7.8 million (2006: £6.2 million).

The consolidated gross margin was in line with last year at 54.1% (2006: 54.3%), with slightly lower product margins offset by improved efficiency in the service businesses.

Overheads increased by 6.5% in the year, considerably below the rate of increase in turnover. 2006 saw step-change investments in the support infrastructure for Latchways, and therefore 2007 saw more modest increases. Furthermore, the Safety Services business achieved further overhead efficiencies during the year. As a result, operating margins improved by 1.8% to 23.8%.

The effective rate of taxation for the year was 27.8% (2006: 29.3%). The reduction was due to corporation tax relief on share options exercised during the year.

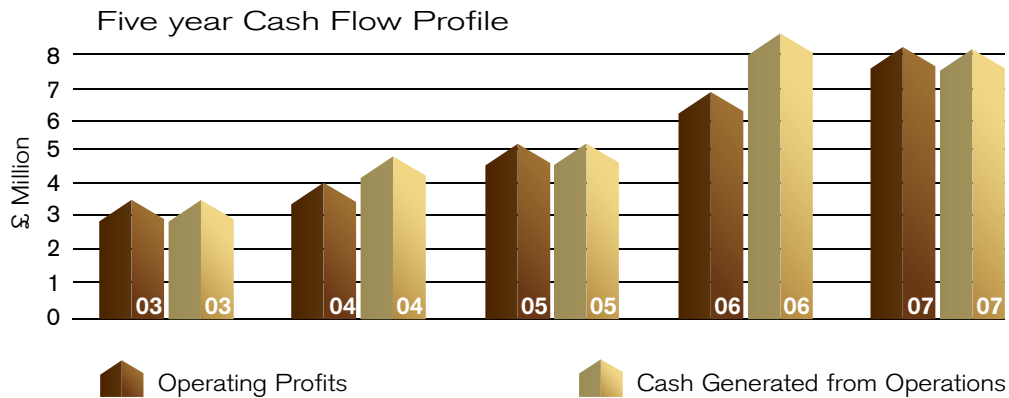
As a result, basic earnings per share increased by 27% to 50.97 pence (2006: 40.20 pence), whilst diluted earnings per share increased by 27% to 50.55 pence (2006: 39.79 pence).

On the balance sheet, non-current assets increased by £0.4 million to £6.6 million (2006: £6.2 million), reflecting increased expenditure on new product tooling. Other intangible assets of £1.3 million (2006: £1.4 million) comprise the intellectual property, brand and customer relationships acquired on the purchase of Wingrip in 2004, internally generated patents and trademarks and ongoing development costs capitalised. Tangible assets of £2.9 million (2006: £2.5 million) mainly represent the premises at Devizes, together with production plant and tooling. The premises consist of a 2,000 square metre warehouse and head office, 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 £2.5 million was £0.4 million higher than last year (2006: £2.1 million), reflecting a strong closing order book and inventory requirements for new product ranges. Trade and other receivables increased by £1.1 million to £6.6 million (2006: £5.5 million). Trade receivables were unusually low at the end of March 2006, reflecting the timing of shipments. Creditor days were 36 days (2006:42 days).

Cash generation is a key performance indicator for the group. Cash generated from operations as a proportion of operating profit was 98% (2006: 130%). On average over the past five years, cash generation has been over 110% of operating profit, demonstrating how cash generative the business is. Tax payments in the year increased by 59% to £2.4 million (2006: £1.5 million). Due to the growth in their profits over the past two years, both HCL businesses no longer qualify as smaller companies and therefore now have to make quarterly corporation tax payments in advance, resulting in higher payments in the year. Capital expenditure on tangible assets increased by £0.3 million in the year, reflecting tooling and machinery for new products, whilst dividend payments increased to £5.1 million (2006: £1.2 million), due to the special dividend and progressive dividend growth.

Operating and Financial Review



As a result of the strong operating cash flow, net cash, which represents cash and cash equivalents less bank and other borrowings, at the year end was broadly unchanged at £4.1 million (2006: £4.1 million).

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.

Our products are sold both directly and through a network of trained independent installation companies. We place significant importance on developing strategic partnerships with key customers around the world, and on developing products which address their needs. In addition, as demonstrated by the Wingrip acquisition in 2004, we continue to seek opportunities to acquire niche products to add to our offering.

Operating Review

The Latchways business is organised and run over three separate 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.

Safety Services The principal activity of this business is the installation and servicing of safety products.

Specialist Fixing This business is involved with a range of technical services including structural building refurbishment and specialist fixing solutions.

All three divisions have achieved record trading performances in the past year.

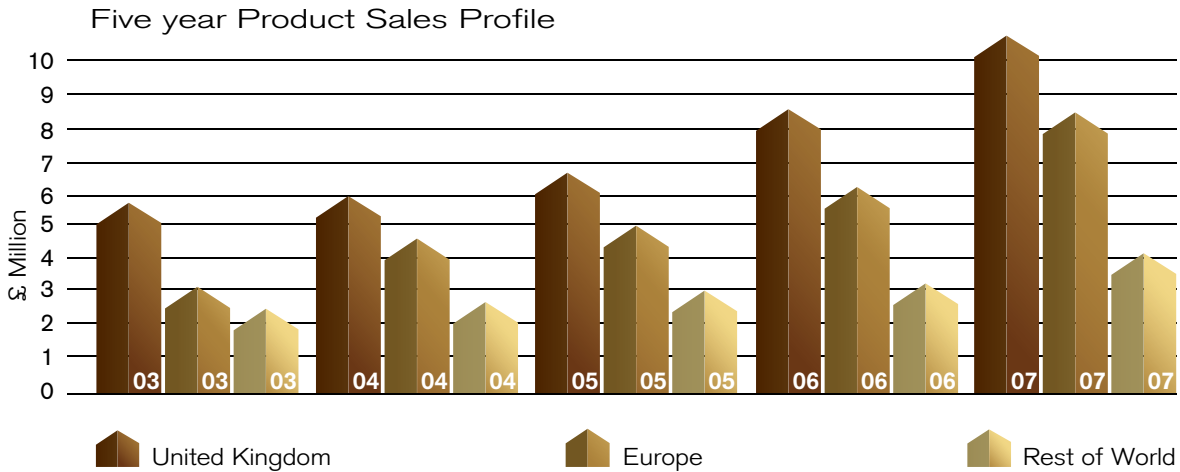
Safety Products

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 achieved revenue growth of 18% in the year, with the strongest growth in Europe and the Rest of the World. Operating profits also increased by 18% to £5.5 million.

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

Operating and Financial Review



The UK business continues to perform well, with revenue up 11%. Our traditional installer business, our largest market, continued to grow, whilst our vertical business was also strong. Further vertical business has been won with new electricity transmission customers for 2007/08. This provides further evidence of Latchways' position as supplier of choice to the industry.

Our European business achieved further growth in the year, with revenue up 26%. Europe has been our most significant growth area for a number of years. We see sufficient opportunities in this market to provide continuing growth for many years to come. Germany remains a key market, and we are latterly beginning to see a return on our recent investment here. We are also continuing with our strategy of building partnerships in other European countries which is beginning to deliver incremental improvements.

The Rest of the World has provided strong growth this year, with revenues up 97%. We have seen increasing acceptance in key geographies of the need for fall protection, which we are exploiting both directly and through our local agents. Whilst legislation in such parts of the world is in its early stages, we are ideally placed to take advantage of opportunities as they arise.

North American revenues were in line with last year. This business is expected to benefit from a range of products being launched in 2007 and beyond.

The Wingrip product line, which we acquired in 2004, provides height safety solutions to the aircraft maintenance industry. Wingrip has had another excellent year, with revenues up 23%. Our systems are now used extensively in both commercial and military applications, and are accepted as the industry standard in both. We are confident of achieving further growth for this product line going forward.

Safety Services

Safety Services has had another strong year, with turnover up 13% to £8.6 million (2006: £7.6 million) and operating profits 53% higher at £1.2 million (2006: £0.8 million). The focus of this business remains on efficient installation and system certification, whilst continuing to provide the "one-stop shop" solution to customers such as telecommunications companies and wind power operators.

During the year, Safety Services, as the largest installer of Latchways products, purchased £2.6 million of product from Latchways, a 17% increase.

Specialist Fixing

Specialist Fixing revenues were 3% lower than last year at £3.8 million (2006: £3.9 million). 2006 revenues included around £0.5 million of low margin sub-contract business, which was not repeated this year. Therefore, despite the slightly reduced revenue, margins improved and operating profit increased by 33% to £1.0 million (2006: £0.7 million)

Operating and Financial Review

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 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 Latchways representatives on a number of key legislative standards committees, both in the UK and overseas.

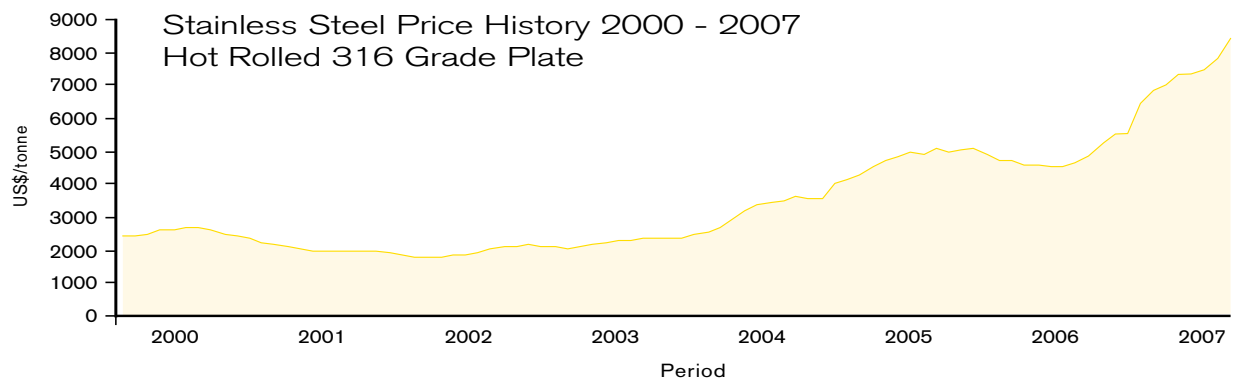
The Commercial Construction Market

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, a cyclical business which is currently enjoying a period of strong growth. The 2005 Working at Height Regulations, which increase the responsibilities of building owners to provide fall protection for personnel working in their buildings, together with the investments in infrastructure that will precede the 2012 London Olympics, give us confidence that growth opportunities will continue in the years ahead.

During 2007, as a result of high growth in overseas business, the degree to which Latchways is affected by the UK construction market reduced further.

Stainless Steel Commodity Prices

The majority of Latchways' products are made of Marine Grade Stainless Steel, which has seen significant increases in cost over the past four years, with the pace of increase rising more recently. Whilst to date we have been successful in offsetting these increases through a mixture of product resourcing and modest price increases, we have also begun to research alternative materials as a method of reducing our exposure to a single commodity. This research will continue alongside our ongoing cost reduction programmes.



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. Both risks are mitigated where possible using forward exchange contracts.

Operating and Financial Review

New Product Development

This year has been the most active year of new product development in Latchways' history. Whilst our existing product range continues to provide strong growth, we have identified a number of opportunities to introduce product ranges, for both existing applications and also new concepts. As a result, we have doubled our development team during the year, and also acquired the rights to some externally generated inventions. We expect to launch a number of new products during the coming year and beyond, which should make valuable contributions to revenue growth, as well as providing important new business for both domestic and overseas markets.

Prospects

Over the past five years, Latchways has generated outstanding returns for our shareholders by providing the best products and customer service in our industry. Significant investments have been and will continue to be made in ensuring that this continues.

Strategic partnerships, both in terms of geographic expansion and new product introduction, will remain at the centre of our strategy and we are confident that these will provide us with further profitable growth into the future.

David Hearson, Chief Executive



Directors and Advisers

Paul Hearson

(Non Executive Chairman)

Paul Hearson (age 56) 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 60) joined the board in May 1994. He was formerly Managing Director of Dunedin Capital Partners Ltd.

David Hearson

(Chief Executive Officer)

David Hearson (age 56) was appointed Chief Executive Officer in September 1995. He was formerly with IBM in both the UK and overseas.

Alastair Hogg

(Sales Director)

Alastair Hogg (age 31) 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 41) 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 51) 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

Secretary

R A Orton

Auditors

PricewaterhouseCoopers LLP,
1 Embankment Place, London WC2N 6RH

Solicitors

Olswang, 90 High Holborn,
London WC1V 6XX

Stockbrokers

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

Registrars

Lloyds TSB Registrars, The Causeway, Worthing,
West Sussex BN99 6DA

Bankers

Bank of Scotland, Bishopsgate Exchange,
155 Bishopsgate, London EC2M 3YB

Investor Relations

Threadneedle Communications,
107-111 Fleet Street, London EC4A 2AB

Directors' Report

The directors present their annual report and financial statements for the year ended 31 March 2007.

Principal activity

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

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 £5,641,000 (2006: £4,378,000).

The directors declared a special dividend of 30.00 pence per ordinary share which was paid on 12 January 2007.

The directors also declared an interim dividend of 5.92 pence (2006: 3.85 pence) per ordinary share which was paid on 2 March 2007.

The directors recommend a final dividend of 11.84 pence (2006: 9.80 pence) per ordinary share to be paid on 14 September 2007 to all those shareholders whose names appear on the register on 17 August 2007. In accordance with IFRS, this dividend has not been provided for in these financial statements (see note 5).

The retained profit, after dividends paid in the year of £555,000 (2006: £3,168,000) has been transferred to reserves.

Research and development

The group 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.

Share capital

Information relating to the share capital of the company is given in note 19 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 currency 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.

J A B Joll resigned from the board on 1 September 2006. P Troen was appointed to the board on 2 October 2006. All other directors served throughout the year ended 31 March 2007.

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' 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 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. 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.

Freehold property

The group's freehold properties have not been re-valued. In the opinion of the directors, there is no material difference between the historical cost and the market value of these properties.

Creditor payment policy

Whilst no formal code of payments is followed, it is the group'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 2007 (2006: 42 days). The Company had 32 days' purchases outstanding (2006: 37 days).

Donations

Charitable donations paid during the year in respect of community affairs amounted to £5,800 (2006: £9,482). There were no political contributions (2006: Nil).

Directors' Report

Substantial interests

At 11 June 2007 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
Merrill Lynch Investment Managers Group Limited	1,316,565	11.8
Jupiter Asset Management Limited	1,304,396	11.7
Axa Investment Managers UK Limited	1,160,638	10.4
Standard Life Investments Limited	942,805	8.5
Schroder Investment Management Limited	924,210	8.3
Merrill Lynch UK Special Situations Fund*	782,367	7.0
Amvescap plc	595,700	5.4

*This holding is included in the Merrill Lynch Investment Managers Group Limited holding shown above.

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 and the renewal of the company's authority to purchase its own shares.

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 companies' auditors in connection with preparing their report) of which the companies' 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 companies' auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the group will be proposed at the 2007 annual general meeting.

R A Orton

Company Secretary

Corporate Governance

During the year the Financial Reporting Council ("FRC") issued an updated version of the Combined Code on Corporate Governance ('Combined Code 2006'). The amendments to the code will apply for accounting periods beginning on or after 1 November 2006 and have not been adopted in these financial statements, which continue to be presented in accordance with the existing 2003 Code.

The group is committed to high standards of Corporate Governance. The board endorses the main and supporting principles and the provisions of the 2003 Combined Code on Corporate Governance of the Financial Reporting Council (the Code), subject to the few limited exceptions 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.

During the year, the board, having regard to the requirements of the Combined Code and to constructive suggestions received from shareholders, appointed a new non executive director, Per Troen, and James Joll retired from the board. At the same time, Paul Hearson, Chairman, stepped down from the audit committee, although, along with all directors, he still attends those meetings by invitation. These steps have significantly improved Latchways' compliance with the Code.

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 B.2.1

The remuneration committee comprises the two independent non executive directors, and the Chairman. The board is of the view that two members are insufficient to ensure open debate and hence the Chairman is included, despite being de facto non-independent. As a result, the remuneration of the Chairman is set by the board, along with that of the non executive directors.

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 individual director's performances to identify those to himself or the Senior Independent Director at any time.

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

Corporate Governance

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

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

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

Membership of the board committees is as follows:

- Audit Committee: Brian Finlayson (Chairman), Per Troen.
- 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 2007, 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.

Corporate Governance

(b) Chairman and Chief Executive

The group recognises the differing roles of the Chairman and the Chief Executive Officer, 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 Officer. 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.

(c) Board Balance and Independence

As allowed by provisions A.3.1 and 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. The composition of the board is the subject of frequent review and discussion, but at this time is considered appropriate to the needs of the business. Brian Finlayson will, under the terms of the Code, be subject to annual re-election at the annual general meeting.

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 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 met three times to address the retirement and subsequent replacement of James Joll as non executive director. The appointment began with an appraisal of the existing skills, knowledge and experience available to the board. A description of the requirements for the new non executive was agreed with an external search consultant, who then presented a shortlist of candidates to the Chairman and the Chief Executive. Further candidates were also identified by the groups' lawyers, investors and other advisers. Where appropriate, interviews were then held with committee members and a final evaluation meeting was held to determine the appointment.

For executive appointments, the process would be similar except in the circumstances of an appropriate internal candidate being identified. The latter was the case with the appointment of Alastair Hogg, who was promoted to the board in 2004 to reflect the progress that group sales had made under his management.

Corporate Governance

(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 takes place 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 advisors.

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.

(g) Re-election

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

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

Accountability and Audit

(a) Directors' responsibilities

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

(b) Going Concern

After making enquiries, and reviewing the preliminary budget and cash flow forecast for the forthcoming year, 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.

Corporate Governance

(c) Internal Control and Risk Management

The group maintains a comprehensive system of internal control, including financial, operational and compliance controls. 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 2007, with specific reviews at other times where necessary. 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 2007, 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.

Corporate Governance

(e) Auditor Independence

The group uses its external auditors, PricewaterhouseCoopers LLP, for additional tasks such as corporate tax advice and acquisition due diligence. Given the small size of the non-audit fees paid by the group in relation to the total fee income of PricewaterhouseCoopers, 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 Officer 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.

The annual general meeting, which this year takes place on Friday 7 September 2007, 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. A separate resolution is proposed on each substantially separate issue.

We have an Investor Relations component on our website: www.latchways.com

Directors' Remuneration Report

This report has been compiled in accordance with the Directors' Remuneration Report regulations contained in Schedule 7A to the Companies Act 1985 and also in accordance with Schedule B of the Combined Code on Corporate Governance (the Code).

Remuneration policy

This part of the remuneration report is unaudited.

The group's policy on remuneration is to attract, retain and incentivise employees, recognising that they are key to the ongoing success of the business.

Consistent with this policy, Latchways sets levels of salary and other benefits for the executive directors which are intended to be competitive and appropriate to the duties and responsibilities undertaken by each director. Individual contracts comprise a mixture of fixed and performance-related remuneration designed to motivate directors of the quality required by the group.

The board delegates all responsibility for setting executive remuneration, including pension contributions and contractual terms, to the remuneration committee, which is described below. Given the size of the group, responsibility for setting the remuneration of senior management rests with the Chief Executive.

The performance related elements of the executive directors' contracts comprise a mix of share options and bonuses. Share option awards are reviewed annually by the remuneration committee, taking into account existing shareholdings, option entitlements and total compensation, and are normally subject to performance criteria related to earnings per share. Options are awarded at market value.

Bonus payments are based solely on the performance of the group. Levels of bonus and target performance are determined annually by the remuneration committee, and are related to diluted earnings per share. The level of bonus achievable is significant in relation to non-performance related pay. The maximum bonus achievable is capped at various levels currently not exceeding 115% of the executive's basic salary. The remuneration committee feels that this is the most appropriate mechanism for aligning management and shareholders' interests.

Non executive directors' remuneration, including that of the Chairman, is determined annually by the board as a whole. It is paid only as salary and is not subject to pension or bonus. The level of remuneration reflects the time commitment and responsibilities of the role. Non executive directors are not eligible to participate in the group's share option schemes.

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

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	08.06.07	07.06.08	6 months
Brian Finlayson	08.06.07	07.06.08	6 months
Per Troen	01.10.06	30.09.09	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

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. The committee met twice during the year, with all members attending both meetings.

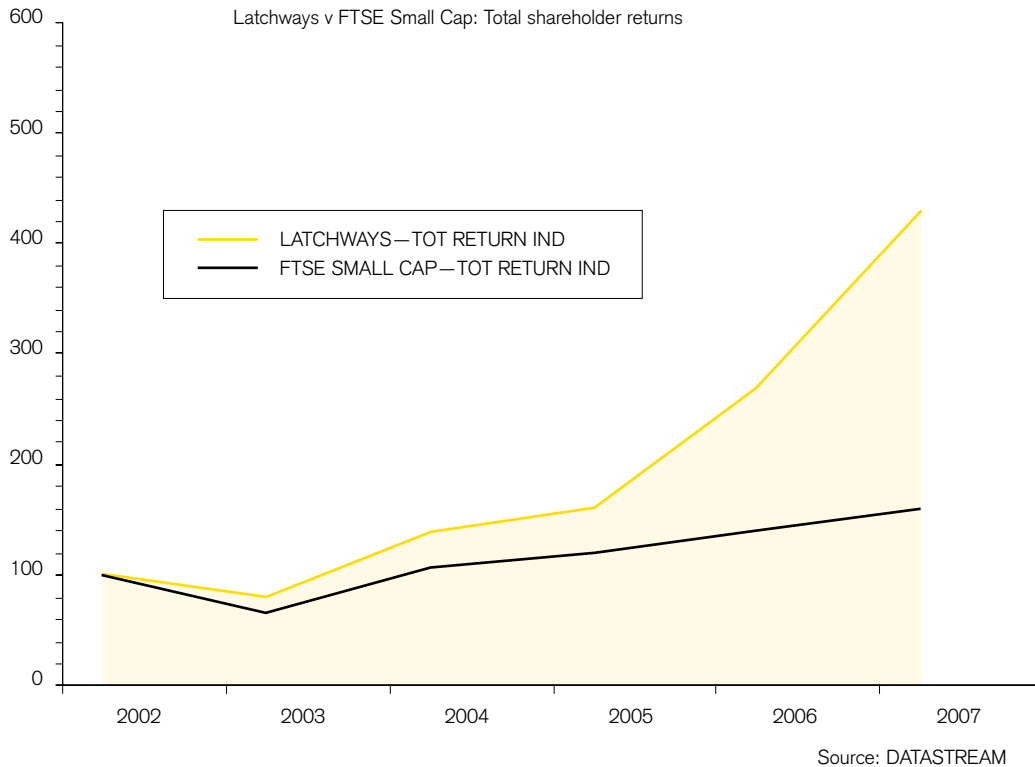
Written terms of reference for the committee exist and can be obtained on request from the Company Secretary.

The board notes the Code requirement that all members of the committee should be independent non executives. However, the board has taken the view that a committee of two members is insufficient to ensure appropriate debate and thus Paul Hearson, the board Chairman, is included. Paul Hearson does not participate in discussions regarding the remuneration of David Hearson.

Directors' Remuneration Report

Performance graph

This part of the remuneration report is unaudited.



April 2002 = 100%

The graph shows the performance of Latchways shares over the five years since April 2002, including dividends. During this period, Latchways has significantly out-performed the FTSE Small Cap Index, giving a total shareholder return of 335% compared to 57% by the FTSE Small Cap index. In the twelve months to 31st March 2007, Latchways out-performed the same index, returning 83% against 11% for the FTSE Small Cap Index.

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' Remuneration Report

Directors' detailed emoluments

This part of the remuneration report is audited.

	Fees	Salary	Bonus	Pension	Benefits	Total	Total	Pension
	£'000	£'000	£'000	£'000	£'000	2007 £'000	2006 £'000	2006 £'000
N P Hearson	31	–	–	–	–	31	24	–
B Finlayson	22	–	–	–	–	22	18	–
D N Hearson	–	177	220	35	33	465	372	29
A J Hogg	–	122	115	24	16	277	211	19
J A B Joll								
(Resigned 1 September 2006)	18	–	–	–	–	18	18	–
R A Orton	–	136	115	27	15	293	230	23
P Troen								
(Appointed 1 October 2006)	11	–	–	–	–	11	–	–
	82	435	450	86	64	1,117	873	71
2006	60	359	320	71	63	873		

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, fuel (excluding R A Orton), medical and life insurance for all executive directors.

In line with his contract, J A B Joll received 6 months fees in lieu of notice on his retirement.

No director waived emoluments in the year ended 31 March 2007 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 2007 Ordinary 5p	31 March 2006 Ordinary 5p
N P Hearson	54,480	54,480
B Finlayson	88,024	103,074*
D N Hearson	308,043	411,166
A J Hogg	7,000	2,000
R A Orton	20,000	5,000

*15,050 ordinary shares held in a family trust at 31 March 2006 were distributed during the year to 31 March 2007.

There were no changes in the interests of directors between 31 March 2007 and 11 June 2007.

Gains made by directors on share options

This part of the remuneration report is audited.

Gains made by individual directors from the exercise of share options are shown below. The gains are calculated as at the exercise date, although some of the shares were retained.

	2007 £'000	2006 £'000
R A Orton	632	–
A J Hogg	244	–
	876	–

Directors' Remuneration Report

Interests in share options

This part of the remuneration report is audited.

Share options are granted according to individual merit.

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

	1 April 2006	Number		31 March 2007	Exercise price (pence)	Grant Date	Date from which exercisable	Expiry Date
		Granted in the year	Exercised/ lapsed					
R A Orton	34,782	–	(34,782)	–	349.0	28.06.99	28.06.02	28.06.09
	34,090	–	(34,090)	–	352.5	04.02.00	04.02.03	04.02.10
	69,782	–	(69,782)	–	287.5	31.07.01	31.07.04	31.07.11
D N Hearson	34,782	–	–	34,782*	287.5	31.07.01	31.07.04	31.07.11
A J Hogg	5,290	–	(5,290)	–	472.5	01.07.00	01.07.03	01.07.10
	17,391	–	(17,391)	–	287.5	31.07.01	31.07.04	31.07.11
	50,000**	–	(33,333)	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 31st 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 are not subject to performance criteria, and vest in three equal tranches on the first, second and third anniversaries of the grant. The remaining 25,000 are 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. The first tranche for the year ended 31 March 2005 vested on 24 June 2005, and the second tranche for the year ended 31 March 2006 vested on 24 June 2006. The final tranche for the year ended 31 March 2007 will vest on 24 June 2007.

***50,000 options were granted to Alastair Hogg on 21 June 2006. These will vest 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 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 will therefore vest on 21 June 2007.

The market value of the company's ordinary shares as at 31 March 2007 was 1121p, and the range of market prices during the year was 610p to 1320p.

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

The closing market price of the company's shares on the date of all director's option exercises in the year was 805p. The price at which the sale of those options took place was 775p.

On behalf of the board.

P Troen

Chairman of the Remuneration Committee

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether the financial statements comply with IFRSs as adopted by the European Union; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

R A Orton

Company Secretary

11 June 2007

Independent Auditors' Report to the Members of Latchways plc

We have audited the group and parent company financial statements (the "financial statements") of Latchways plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of 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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement.

Independent Auditors' Report to the Members of Latchways plc

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

11 June 2007

Group Income Statement

for the year ended 31 March 2007

	Note	2007 £'000	2006 Restated £'000
Revenue	1	31,938	28,079
Cost of sales		(14,648)	(12,821)
Gross profit		17,290	15,258
Administrative expenses		(9,672)	(9,079)
Operating profit		7,618	6,179
Interest payable and similar charges	2	(86)	(140)
Interest receivable	2	280	158
Profit before taxation	3	7,812	6,197
Taxation	4	(2,171)	(1,819)
Profit for the year attributable to equity shareholders		5,641	4,378
Earnings per share expressed in pence per share			
- Basic	6	50.97	40.20
- Diluted	6	50.55	39.79

The results for the year arose wholly from continuing operations.

Balance Sheets

as at 31 March 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Assets					
Non-current assets					
Goodwill	7	2,208	2,208	453	453
Other intangible assets	8	1,336	1,386	1,260	1,257
Property, plant and equipment	9	2,900	2,537	2,845	2,480
Investment in subsidiaries	10	–	–	2,662	2,662
Deferred income tax assets	18	201	65	164	41
		6,645	6,196	7,384	6,893
Current assets					
Inventories	11	2,474	2,102	2,164	1,883
Financial assets					
– Derivative financial instruments	17	14	–	14	–
Trade and other receivables	12	6,587	5,454	4,539	3,599
Cash and cash equivalents	13	4,819	5,554	4,043	4,960
		13,894	13,110	10,760	10,442
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	16	(652)	(652)	(652)	(652)
– Derivative financial instruments	17	–	(28)	–	(28)
Trade and other payables	14	(4,043)	(3,402)	(2,926)	(2,229)
Current tax liabilities	15	(960)	(1,205)	(568)	(716)
		(5,655)	(5,287)	(4,146)	(3,625)
Net current assets		8,239	7,823	6,614	6,817
Non-current liabilities					
Financial liabilities					
– Borrowings	16	(117)	(768)	(117)	(768)
Deferred income tax liabilities	18	(265)	(212)	(265)	(212)
		(382)	(980)	(382)	(980)
Net assets		14,502	13,039	13,616	12,730
Shareholders' equity					
Ordinary shares	19	556	545	556	545
Share premium	21	1,780	1,072	1,780	1,072
Other reserves		221	156	221	156
Retained earnings	22	11,945	11,266	11,059	10,957
Total shareholders' equity		14,502	13,039	13,616	12,730

The financial statements, which comprise the group income statement, the group and company balance sheets, the group and company statements of changes in shareholders' equity, the group and company cash flow statements and the related notes, were approved by the Board of Directors on 8 June 2007 and were signed on its behalf by:

N P Hearson, Chairman

R A Orton, Financial Director

Statements of Changes in Shareholders' Equity

Group	Notes	Share Capital	Share Premium	Retained Earnings	Capital Redemption Reserve	Share Based Payments	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2005		544	999	8,098	111	25	9,777
Net profit		–	–	4,378	–	–	4,378
Share options							
– Proceeds from shares issued		1	73	–	–	–	74
– Value of employee services		–	–	–	–	20	20
Dividends	5	–	–	(1,210)	–	–	(1,210)
At 31 March 2006		545	1,072	11,266	111	45	13,039
Net profit		–	–	5,641	–	–	5,641
Share options							
– Proceeds from shares issued		11	708	–	–	–	719
– Value of employee services		–	–	–	–	65	65
Deferred taxation on share options		–	–	124	–	–	124
Dividends	5	–	–	(5,086)	–	–	(5,086)
At 31 March 2007		556	1,780	11,945	111	110	14,502

Company	Notes	Share Capital	Share Premium	Retained Earnings	Capital Redemption Reserve	Share Based Payments	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2005		544	999	7,329	111	25	9,008
Net profit	29	–	–	4,838	–	–	4,838
Share options							
– Proceeds from shares issued		1	73	–	–	–	74
– Value of employee services		–	–	–	–	20	20
Dividends	5	–	–	(1,210)	–	–	(1,210)
At 31 March 2006		545	1,072	10,957	111	45	12,730
Net profit	29	–	–	5,064	–	–	5,064
Share options							
– Proceeds from shares issued		11	708	–	–	–	719
– Value of employee services		–	–	–	–	65	65
Deferred taxation on share options		–	–	124	–	–	124
Dividends	5	–	–	(5,086)	–	–	(5,086)
At 31 March 2007		556	1,780	11,059	111	110	13,616

Cash Flow Statements

Cash flow statements for the year ended 31 March 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash flows from operating activities					
Cash generated from operations	23	7,484	8,013	5,586	5,921
Interest paid		(79)	(121)	(79)	(121)
Tax paid		(2,376)	(1,498)	(1,589)	(1,279)
Net cash from operating activities		5,029	6,394	3,918	4,521
Cash flows from investing activities					
Interest received		283	148	233	106
Purchase of property, plant and equipment		(658)	(359)	(620)	(330)
Sale of property, plant and equipment		4	–	4	–
Purchase of intangible assets		(185)	(174)	(169)	(107)
Development expenditure capitalised		(182)	(95)	(182)	(95)
Dividend received		–	–	925	1,550
Net cash used in investing activities		(738)	(480)	191	1,124
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		719	74	719	74
Repayment of borrowings		(659)	(658)	(659)	(658)
Dividends paid to shareholders	5	(5,086)	(1,210)	(5,086)	(1,210)
Net cash used in financing activities		(5,026)	(1,794)	(5,026)	(1,794)
Net (decrease)/increase in cash and cash equivalents		(735)	4,120	(917)	3,851
Cash and cash equivalents at 1 April		5,554	1,434	4,960	1,109
Cash and cash equivalents at 31 March	13	4,819	5,554	4,043	4,960

Accounting Policies

Latchways plc is domiciled in England.

Accounting policies for the year ended 31 March 2007

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

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 1985 which are applicable to companies reporting under IFRS. They have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value through the income statement.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2006 but they are not relevant to the group's operations:

- IAS 21 (Amendment), Net investment in a foreign operation;
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions;
- IAS 39 (Amendment), The fair value option;
- IAS 39 and IFRS 4 (Amendment), Financial guarantee contracts;
- IFRS 6, Exploration for and evaluation of mineral resources;
- IFRIC 4, Determining whether an arrangement contains a lease;
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds; and
- IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment.

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

- IFRS 7, Financial instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The group will apply IFRS 7 from 1 April 2007, but it is not expected to have any impact on the classification and valuation of the group's financial instruments.
- IFRS 8, Operating segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 extends the scope of segmental reporting, but is not expected to have any impact on the group's accounts.
- IFRIC 8, Scope of IFRS 2 (effective from annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The group will apply IFRIC 8 from 1 April 2007, but it is not expected to have any impact on the group's accounts.
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The group will apply IFRIC 10 from 1 April 2007 but it is not expected to have any impact on the group's accounts.

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.

Accounting Policies

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.

Critical estimates and judgements

To be able to prepare accounts according to generally accepted accounting principles, management and the Board of directors must make estimates and assumptions that affect the asset and liability items and revenue and expense items recorded in the final accounts as well as other information, such as that provided on contingent liabilities. These estimates are based on historical experience and various other assumptions that management and the Board believe are reasonable under the circumstances, the results of which form the basis for making 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 financial position are valuation of intangible assets, share based payments, income taxes, and litigation and contingent liabilities, all of which are discussed in the respective notes.

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. As permitted by IFRS 1, goodwill arising on acquisitions prior to 1 April 2004 (the date of transition to IFRS) was frozen at the UK GAAP carrying value at that date.

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 income statement. 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.

Patents, trademarks and registered designs, and acquired intangible assets

Patents, trademarks and registered designs 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, inter alia, 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.

Development costs

All ongoing research expenditure is expensed in the income statement 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.

Accounting Policies

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 a maximum of three years.

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.

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 income statement.

Accounting Policies

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 income statement as they fall due. 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 income statement 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 income statement in the period to which they relate.

Share capital and reserves

Equity comprises issued capital, share premium and 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 income statement 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, which excludes VAT, represents the net invoiced sales of goods and services supplied.

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.

Accounting Policies

Segmental reporting

The group recognises three business segments for reporting purposes.

Safety Products – fall protection products sold directly to third parties.

Safety Services – installation and inspection of fall protection and other equipment.

Specialist Fixing – safety critical structural refurbishment services.

The group also recognises geographical segments as follows:

United Kingdom	Europe
North America	Other

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 dependant 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 income statement.

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 income statement 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.

Notes to the Financial Statements

1. Segmental reporting

Primary reporting format—business segments

At 31 March 2007, the group is organised into three main business segments.

Safety Products

Safety Services

Specialist Fixing

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 2007	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Consolidation Adjustments £'000	Group £'000
Continuing operations					
Revenue	22,163	8,551	3,795	(2,571)	31,938
Segment result	5,488	1,170	996	(36)	7,618
Interest expense					(86)
Interest income					280
Profit before tax					7,812
Income taxes					(2,171)
Profit for the year from continuing operations					5,641
Segment assets	18,144	3,144	950	(1,699)	20,539
Segment liabilities	(4,528)	(1,828)	(654)	973	(6,037)
Other segment items					
Capital expenditure (including acquisitions)	971	35	19		1,025
Depreciation (note 9)	255	13	26		294
Amortisation of intangible assets (note 8)	348	68	1		417
Impairment of trade receivables	88	90	24		202

Sales from the Safety products segment to the Safety Services segment were £2,571,000 (2006: £2,192,000).

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 2006	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Consolidation Adjustments £'000	Group £'000
Continuing operations					
Revenue	18,802	7,562	3,907	(2,192)	28,079
Segment result	4,642	767	747	23	6,179
Interest expense					(140)
Interest income					158
Profit before tax					6,197
Income taxes					(1,819)
Profit for the year from continuing operations					4,378
Segment assets	17,335	2,556	897	(1,482)	19,306
Segment liabilities	(4,605)	(1,684)	(754)	776	(6,267)
Other segment items					
Capital expenditure (including acquisitions)	532	70	26		628
Depreciation (note 9)	315	22	16		353
Amortisation of intangible assets (note 8)	277	55	–		332
Impairment of trade receivables	64	90	24		178

Secondary format – geographical segments

The group manages its business segments in the UK, which is the home country of the parent.

The sales analysis in the table below is based on the location of the customer. All significant assets are located in the UK, which is where all orders are received. All capital expenditure is incurred in the UK.

	Group	
	2007 £'000	2006 £'000
Continuing operations		
UK	20,086	18,576
Europe	8,151	6,459
North America	2,395	2,382
Other	1,306	662
	31,938	28,079

Notes to the Financial Statements

2. Finance costs — net

	Group	
	2007	2006
	£'000	£'000
Interest expense:		
Interest payable on bank borrowings	(79)	(134)
Amortisation of issue costs of bank loan	(7)	(6)
Interest payable on other loans	–	–
Interest and similar charges payable	(86)	(140)
Interest income	280	158
Finance costs – net	194	18

3. Profit before taxation

	Group	
	2007	2006
	£'000	£'000
The following items have been included in arriving at operating profit		
Staff costs (restated – note 24)	7,238	6,309
Inventories		
– Cost of inventories recognised as an expense (included in cost of sales)	9,249	7,628
Movement on inventory reserve	41	105
Depreciation of property, plant and equipment:		
– Owned assets	294	353
Amortisation of intangibles (included in administrative expenses)	417	332
Profit on disposal of property, plant and equipment	4	–
Other operating lease rentals payable		
– Plant, machinery and vehicles	404	351
– Property	160	146
Repairs and maintenance expenditure on property, plant and equipment	35	96
Research and development expenditure	771	598
Trade receivables impairment	202	178
Net loss/(gain) on foreign exchange	117	(109)

During the year the group reclassified certain expenditure from administrative expenses to cost of sales. The effect of this was to increase 2006 cost of sales and reduce administrative expenses by £427,000.

Notes to the Financial Statements

3. Profit before taxation (continued)

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	
	2007	2006
	£'000	£'000
Auditors' remuneration		
– Fees payable to the company's auditor for the audit of parent company and consolidated accounts	31	31
– Fees payable to the company's auditor for the audit of the company's subsidiaries pursuant to legislation	28	28
– Fees payable to the company's auditor for other services	–	33
– Services relating to taxation	11	10
	70	102

4. Taxation

Analysis of charge in the year

	Group	
	2007	2006
	£'000	£'000
Current tax on income for the year at 30% (2006: 30%)	2,103	1,979
Adjustments in respect of prior periods	28	(48)
Total current tax	2,131	1,931
Deferred tax for current year	24	(22)
Adjustments in respect of prior periods	16	(90)
Total deferred tax	40	(112)
Total taxation charge	2,171	1,819

The tax for the period is lower (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Group	
	2007	2006
	£'000	£'000
Profit before taxation	7,812	6,197
Profit before taxation multiplied by rate of corporation tax in the UK of 30% (2006: 30%)	2,344	1,859
Effects of:		
Adjustments to tax in respect of prior period	44	(138)
Schedule 23 corporation tax relief on share options exercised	(278)	–
Expenses not deductible for tax purposes	59	125
Deferred tax movement on unexercised share options	2	(27)
Total taxation (continuing operations)	2,171	1,819

Notes to the Financial Statements

5. Dividends

Group and company	2007	2006
	£'000	£'000
Final Paid: 9.80p (2006: 7.26p) per 5p share	1,089	790
Special Paid: 30.00p (2006: Nil) per 5p share	3,338	–
Interim paid: 5.92p (2006: 3.85p) per 5p share	659	420
	5,086	1,210

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 March 2007 of 11.84p (2006: 9.80p) per share which will absorb an estimated £1,317,000 of shareholders' funds (2006: £1,069,000). It will be paid on 14 September 2007 to shareholders who are on the register of members on 17 August 2007.

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 937.1p (2006: 516.3p).

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

Group	2007			2006		
	Earnings	Weighted	Per-share	Earnings	Weighted	Per-share
	£'000	average	amount	£'000	average	amount
		number of	pence		number of	pence
		shares			shares	
		Thousand			Thousand	
Basic EPS						
Earnings attributable to ordinary shareholders	5,641	11,067	50.97	4,378	10,891	40.20
Effect of dilutive share options	–	91	(0.42)	–	115	(0.41)
Diluted EPS	5,641	11,158	50.55	4,378	11,006	39.79

Notes to the Financial Statements

7. Goodwill

	Group £'000	Company £'000
Cost		
At 1 April 2006 and 31 March 2007	2,208	453
Aggregate impairment		
At 1 April 2006 and 31 March 2007	–	–
Net book amount at 31 March 2007	2,208	453

	Group £'000	Company £'000
Cost		
At 1 April 2005 and 31 March 2006	2,208	453
Aggregate impairment		
At 1 April 2005 and 31 March 2006	–	–
Net book amount at 31 March 2006	2,208	453

The carrying amounts of goodwill by division are as follows:

	Safety Products £'000	Safety Services £'000	Specialist Fixing £'000	Total £'000
UK	453	1,193	562	2,208

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. It also represents the goodwill carried in the company.

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 2007.

The above assumptions resulted in a discount rate of 8.76%.

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.

Notes to the Financial Statements

8. Intangibles

Group	Patents & Trademarks £'000	Computer Software £'000	Brands £'000	Intellectual Property £'000	Customer Relationships £'000	Order Book £'000	Development Costs £'000	Total £'000
Cost								
At 1 April 2006	851	636	173	216	293	61	539	2,769
Disposals	–	(27)	–	–	–	–	–	(27)
Additions – internally generated	107	78	–	–	–	–	182	367
At 31 March 2007	958	687	173	216	293	61	721	3,109
Aggregate amortisation and impairment								
At 1 April 2006	409	407	28	72	74	61	332	1,383
Disposals	–	(27)	–	–	–	–	–	(27)
Charge for the period	38	140	14	36	36	–	153	417
At 31 March 2007	447	520	42	108	110	61	485	1,773
Net Book Amount at 31 March 2007	511	167	131	108	183	–	236	1,336
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 2005	785	528	173	216	293	61	444	2,500
Additions – internally generated	66	108	–	–	–	–	95	269
At 31 March 2006	851	636	173	216	293	61	539	2,769
Aggregate amortisation and impairment								
At 1 April 2005	372	285	14	36	37	61	246	1,051
Charge for the period	37	122	14	36	37	–	86	332
At 31 March 2006	409	407	28	72	74	61	332	1,383
Net Book Amount at 31 March 2006	442	229	145	144	219	–	207	1,386

Notes to the Financial Statements

8. Intangibles

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 2006	851	381	173	216	293	61	539	2,514
Disposals	–	(27)	–	–	–	–	–	(27)
Additions – internally generated	107	62	–	–	–	–	182	351
At 31 March 2007	958	416	173	216	293	61	721	2,838
Aggregate amortisation and impairment								
At 1 April 2006	409	281	28	72	74	61	332	1,257
Disposals	–	(27)	–	–	–	–	–	(27)
Charge for the period	38	71	14	36	36	–	153	348
At 31 March 2007	447	325	42	108	110	61	485	1,578
Net Book Amount at 31 March 2007								
	511	91	131	108	183	–	236	1,260
Company								
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 2005	785	340	173	216	293	61	444	2,312
Additions – internally generated	66	41	–	–	–	–	95	202
At 31 March 2006	851	381	173	216	293	61	539	2,514
Aggregate amortisation and impairment								
At 1 April 2005	372	214	14	36	37	61	246	980
Charge for the period	37	67	14	36	37	–	86	277
At 31 March 2006	409	281	28	72	74	61	332	1,257
Net Book Amount at 31 March 2006								
	442	100	145	144	219	–	207	1,257

Notes to the Financial Statements

8. Intangibles (continued)

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

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.

Development costs are capitalised, where appropriate, in accordance with IAS 38. It is 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 2006	2,200	1,160	1,057	4,417
Additions at cost	24	546	88	658
Disposals	–	(1)	(178)	(179)
At 31 March 2007	2,224	1,705	967	4,896
Accumulated depreciation				
At 1 April 2006	222	816	842	1,880
Charge for the year	35	135	124	294
Disposals	–	–	(178)	(178)
At 31 March 2007	257	951	788	1,996
Net book amount at 31 March 2007	1,967	754	179	2,900

Group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 April 2005	2,191	1,118	948	4,257
Additions at cost	17	197	145	359
Disposals	(8)	(155)	(36)	(199)
At 31 March 2006	2,200	1,160	1,057	4,417
Accumulated depreciation				
At 1 April 2005	189	812	725	1,726
Charge for the year	41	159	153	353
Disposals	(8)	(155)	(36)	(199)
At 31 March 2006	222	816	842	1,880
Net book amount at 31 March 2006	1,978	344	215	2,537

There are no assets held under finance leases.

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Company	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 April 2006	2,200	1,043	904	4,147
Additions at cost	24	518	78	620
Disposals	–	–	(104)	(104)
At 31 March 2007	2,224	1,561	878	4,663
Accumulated depreciation				
At 1 April 2006	222	701	744	1,667
Charge for the year	35	136	84	255
Disposals	–	–	(104)	(104)
At 31 March 2007	257	837	724	1,818
Net book amount at 31 March 2007	1,967	724	154	2,845

Company	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 April 2005	2,191	1,025	800	4,016
Additions at cost	17	173	140	330
Disposals	(8)	(155)	(36)	(199)
At 31 March 2006	2,200	1,043	904	4,147
Accumulated depreciation				
At 1 April 2005	189	722	640	1,551
Charge for the year	41	134	140	315
Disposals	(8)	(155)	(36)	(199)
At 31 March 2006	222	701	744	1,667
Net book amount at 31 March 2006	1,978	342	160	2,480

Notes to the Financial Statements

10. Investments

	Company	
	2007 £'000	2006 £'000
Investment in subsidiary undertakings		
As at 1 April 2006 and 31 March 2007	2,662	2,662

The subsidiary undertakings, all of which are wholly owned and registered in England and Wales 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%

*denotes a subsidiary of HCL Group Plc

11. Inventories

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Raw materials and consumables	1,698	1,447	1,464	1,338
Finished goods	776	655	700	545
	2,474	2,102	2,164	1,883

12. Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Amounts falling due within one year:				
Trade receivables	6,792	5,488	3,944	3,036
Less: Provision for impairment of receivables	(636)	(505)	(336)	(258)
Trade receivables – net	6,156	4,983	3,608	2,778
Amounts owed by group companies	–	–	627	456
Other receivables	5	152	5	152
Prepayments and accrued income	426	319	299	213
	6,587	5,454	4,539	3,599

Notes to the Financial Statements

13. Cash and cash equivalents

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash and cash equivalents				
Cash at bank and in hand	4,819	5,554	4,043	4,960

14. Trade and other payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	1,922	1,599	1,645	935
Other tax and social security payable	189	151	106	64
Other creditors	293	403	33	54
Accruals	1,639	1,249	1,142	1,176
	4,043	3,402	2,926	2,229

15. Current tax liabilities

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current tax liabilities	960	1,205	568	716

Notes to the Financial Statements

16. Financial liabilities — Borrowings

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current				
Bank loans due within one year or on demand:				
Secured	652	652	652	652
Non-Current				
Bank loans:				
Secured	117	768	117	768
Due within 1 to 2 years	117	653	117	653
Due within 2 to 5 years	–	115	–	115
	117	768	117	768

In 2007, the Group had two loans outstanding. The first of these, which was used to fund the HCL Group acquisition, is secured against Latchways' premises at Hopton Park, Devizes, Wiltshire, by a fixed and floating charge over the net assets of the company, and by a fixed and floating charge over the share capital of HCL Group Plc. This loan was subject to a two year payment holiday, with payments commencing in November 2003. The second loan is secured against Latchways' premises, and by a fixed and floating charge over the net assets of the company. Both loans are subject to an interest rate that varies by reference to LIBOR.

These loans are stated net of £8,000 (2006: £16,000) in respect of loan issue costs which are being amortised over the period of the loans.

The effective interest rates at the balance sheet dates were as follows:

	2007	2006
Bank borrowings	6.45%	6.45%

Notes to the Financial Statements

17. Financial instruments

Financial risk management strategy

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

Foreign exchange risk

The group invoices export customers within the Euro Zone in Euros. In addition, certain other overseas customers are invoiced in local currency.

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 export sales. The group hedges approximately 60% of expected Euro sales for the following six months. US Dollar sales are hedged when confirmed orders are received.

The group has not applied hedge accounting to its foreign exchange hedges due to the immateriality of the balances involved.

At the year end, the group had trade receivables denominated in Euros of £1,392,000 (2006: £812,000) and in US Dollars of £335,000 (2006: £275,000).

Interest rate risk – Financial liabilities

The group has both interest bearing assets and interest bearing liabilities. The interest bearing liabilities are the subject of an interest rate swap which, at the year end, resulted in 95% (2006: 85%) of the group's interest bearing liabilities being at a fixed rate. The effect of the interest rate swap is to fix the interest rate at 5.2% plus 1.25%. Due to immateriality the group has not applied hedge accounting to the interest rate swap.

Interest rate risk – Financial assets

The weighted average interest yield on Sterling and Euro balances during the year was 4.4% (2006: 3.6%). Interest yields on other currencies were not material.

As at 31 March 2007, the group had cash balances denominated in Euros of £210,000 (2006: £216,000), and in US Dollars of £97,000 (2006: £141,000).

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 £250,000 overdraft facility which next falls due for review in May 2008, which was not utilised at 31 March 2007. Interest on this facility is charged at LIBOR plus 1.25%. This is considered by management to provide adequate flexibility given the current liquidity of the business.

Numerical financial instruments disclosures are set out below.

Notes to the Financial Statements

17. Financial instruments (continued)

Group and Company	2007		2006	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
At 31 March 2007				
Interest rate swaps	3	–	–	(8)
Forward foreign currency contracts	11	–	–	(20)
	14	–	–	(28)

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.

Net fair values of derivative financial instruments

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

Group and Company	2007 £'000	2006 £'000
Contracts with positive fair values:		
Interest rate swaps	3	–
Forward foreign currency contracts	11	–
Contracts with negative fair values:		
Interest rate swaps	–	(8)
Forward foreign currency contracts	–	(20)

The net fair value gains at 31 March 2007 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales are £11,000 (2006: losses of £20,000). Due to immateriality these have been charged to the income statement. There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges (2006: none).

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2007 was £720,000 (2006: £1,200,000).

At 31 March 2007 the fixed interest rate was 6.45% (2006: 6.45%) including 1.25% margin, and floating rate was 6.50% (LIBOR plus 1.25%) (2006: 5.75%). The gain has been taken to the income statement.

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.

Notes to the Financial Statements

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 30%).

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

Non-Current	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 April	147	259	171	279
Transferred to Reserves	(124)	—	(124)	—
Charged/(Credited) to income statement	41	(112)	54	(108)
At 31 March	64	147	101	171

Deferred tax assets have been recognised in respect of all tax losses and other 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 and Company

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2006	(50)	(162)	(212)
(Charged)/Credited to income statement	(81)	28	(53)
At 31 March 2007	(131)	(134)	(265)

Deferred tax assets—Group

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2006	19	46	65
Transferred to Reserves	—	124	124
Credited/(Charged) to income statement	13	(1)	12
At 31 March 2007	32	169	201

Deferred tax assets—Company

	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 April 2006	—	41	41
Transferred to Reserves	—	124	124
Charged to income statement	—	(1)	(1)
At 31 March 2007	—	164	164

Notes to the Financial Statements

19. Called up share capital

Authorised	2007	2006
	£'000	£'000
12,821,603 (2006:12,821,603) ordinary shares of 5p each	641	641
Issued and fully paid		
	shares	shares
Ordinary shares of 5p each		
At 1 April	10,904,763	545 10,879,801
Allotted under share option schemes	220,806	11 24,962
At 31 March	11,125,569	556 10,904,763

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. Options on 220,806 shares were exercised in 2007 generating cash proceeds of £719,000. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Group and Company

Date of grant	Exercise dates	Number of options 2007	Number of options 2006	Exercise price
28.06.99	28.06.02 – 28.06.09	–	34,782	349.0p
06.07.99	06.07.02 – 06.07.09	3,582	21,246	353.0p
04.02.00	04.02.03 – 04.02.10	–	34,090	352.5p
01.07.00	01.07.03 – 01.07.10	–	5,290	472.5p
31.07.01	31.07.02 – 31.07.11	–	22,486	287.5p
31.07.01	31.07.04 – 31.07.11	39,877	104,564	287.5p
26.11.01	26.11.02 – 26.11.11	–	8,474	295.0p
24.06.04	24.06.05 – 24.06.14	16,667	50,000	345.0p
21.06.06	21.06.07 – 21.06.16	50,000	–	759.0p

Notes to the Financial Statements

20. Share based payments

The Enterprise Management Incentive (EMI) scheme was introduced in July 2001. Under the EMI scheme the remuneration committee can grant options over shares in the company to employees of the company. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the EMI 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 as these were expected to be achieved. 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

The expected volatility is based on historical volatility over the last five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2007 is shown below.

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	280,932	£3.19	314,589	£3.19
Granted	50,000	£7.59	–	–
Forfeited	–	–	(8,695)	£2.88
Exercised	(220,806)	£3.26	(24,962)	£2.98
Outstanding at 31 March	110,126	£5.12	280,932	£3.22
Exercisable at 31 March	43,459	£2.93	247,599	£3.19

Range of exercise prices	Weighted average exercise price	2007		Range of exercise price	Weighted average exercise price	2006	
		Number of shares	Weighted average remaining life: Contractual			Number of shares	Weighted average remaining life: Contractual
£2.88	£2.88	39,877	4.3	£2.87 – £2.95	£2.88	135,524	5.3
£3.45 – £3.53	£3.46	20,249	6.4	£3.45 – £3.53	£3.49	140,118	5.2
£7.59	£7.59	50,000	9.3	£4.72	£4.72	5,290	4.3

The weighted average share price during the period for options exercised over the year was £7.80 (2006: £5.45). The total charge for the year relating to employee share based payment plans was £65,000 (2006: £20,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £45,000 (2006: £14,000).

The expected life of all share options is 5 years (2006: 5 years). Therefore the weighted average expected remaining life is, on average, five years less than the contractual remaining lives shown above.

Notes to the Financial Statements

21. Share premium account

Group and company	£'000
At 1 April 2005	999
Premium on shares issued during the year under the share option schemes	73
At 1 April 2006	1,072
Premium on shares issued during the year under the share option schemes	708
At 31 March 2007	1,780

22. Retained earnings

	Group £'000	Company £'000
At 1 April 2006	11,266	10,957
Profit for the year	5,641	5,064
Deferred taxation on share options transferred to reserves	124	124
Dividends paid	(5,086)	(5,086)
At 31 March 2007	11,945	11,059

	Group £'000	Company £'000
At 1 April 2005	8,098	7,329
Profit for the year	4,378	4,838
Dividends paid	(1,210)	(1,210)
At 31 March 2006	11,266	10,957

23. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash generated from operations				
Continuing operations				
Net profit (excluding dividends received)	5,641	4,378	4,139	3,288
Adjustments for:				
Tax	2,171	1,819	1,496	1,333
Depreciation	294	353	255	315
Profit on disposal of tangible assets	(4)	–	(4)	–
Amortisation of intangible assets	264	246	195	191
Amortisation of development costs	153	86	153	86
Share option charge	65	20	65	20
Interest income	(280)	(158)	(233)	(119)
Interest expense	86	140	86	140
Movement on financial instruments	(42)	49	(42)	49
Changes in working capital:				
Increase in Inventories	(372)	(61)	(281)	(103)
(Increase)/decrease in Trade and other receivables	(1,133)	1,340	(940)	813
Increase/(decrease) in Trade and other payables	641	(199)	697	(92)
Cash generated from continuing operations	7,484	8,013	5,586	5,921

Notes to the Financial Statements

24. Employees and directors

Staff costs for the group during the year	Group	
	2007 £'000	2006 Restated £'000
Wages and salaries	6,180	5,450
Social security costs	691	543
Other pension costs	367	316
	7,238	6,309

The 2006 staff costs shown above have been restated to include amounts paid which were excluded from the staff cost note in the prior year.

Average monthly number of people (including executive directors) employed	2007 No.	2006 No.
By business group		
Safety Products	77	63
Safety Services	92	90
Specialist Fixing	63	63
	232	216

Directors	2007 £'000	2006 £'000
Aggregate emoluments	1,031	802
Company contributions to money purchase pension schemes	86	71
	1,117	873

Three directors (2006: three) have retirement benefits accruing under money purchase pension schemes.

Key management compensation

	Group	
	2007 £'000	2006 £'000
Salaries and short-term employee benefits	1,246	980
Post-employment benefits	101	82
Share based payments	65	20
Social security costs	175	106
	1,587	1,188

The key management figures given above includes executive directors and general managers of subsidiary companies.

	Company	
	2007 £'000	2006 £'000
Salaries and short-term employee benefits	1,031	802
Post-employment benefits	86	71
Share based payments	65	20
Social security costs	151	89
	1,333	982

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

Notes to the Financial Statements

25. Operating lease commitments — minimum lease payments

Group	2007		2006	
	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	120	366	109	316
Payable between one and five years	125	305	163	175
	245	671	272	491

Company	2007		2006	
	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	13	90	13	76
Payable between one and five years	5	89	15	50
	18	179	28	126

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 2007 (2006:none).

27. Capital and other financial commitments

At 31 March 2007 capital expenditure authorised by the board and contracted for but not provided in these financial statements was £nil (2006: £nil) in both the group and the company.

28. Post balance sheet events

There have been no significant post balance sheet events.

29. Company income statement

The company has taken advantage of the exemption in Section 230 of the Companies Act from publishing a separate income statement. A profit of £5,064,000 (2006: £4,838,000) before dividends paid has been dealt with in the books of Latchways plc. This includes £925,000 (2006: £1,550,000) in respect of dividend income received from subsidiary companies in the year.

30. Related party transactions

During the year, Latchways plc made sales of £2,571,000 (2006: £2,192,000) to HCL Safety Limited. At the year end the balance outstanding to Latchways plc from HCL Safety Limited was £627,000 (2006: £456,000). A dividend of £925,000 (2006: £1,550,000) was received by Latchways plc from HCL Group Plc.

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 should consult your stockbroker, bank manager, solicitor, accountant or other professional independent adviser authorised under the Financial Services and Markets Act 2000.

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 7 September 2007 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 2007.
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 N P Hearson, Chairman, as a director.
5. To re-elect P Troen as a director.
6. To receive and adopt the Directors' Remuneration Report for the year ended 31 March 2007.
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 and 11 as special resolutions:

9. 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 £84,801 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.
10. The directors be and are hereby empowered (pursuant to section 95 of the Act within the meaning of section 94 of the Act) to allot equity securities wholly for cash, either pursuant to the authority conferred upon them by resolution 9 above or by an allotment of equity securities such as is referred to in section 94(3A) of the Act as if section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:
 - 10.1 the allotment of equity securities in connection with a rights issue; and
 - 10.2 the allotment (otherwise than pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £27,814;

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 the 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.

Notice of Annual General Meeting

In this resolution 10:

- (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 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.

11. The Company be and is hereby generally and unconditionally authorised, in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 5 pence each in the capital of the Company ("ordinary share") on such terms and in such manner as the directors may from time to time determine, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 15% of the Company's issued share capital;
- (b) the minimum price which may be paid for an ordinary share is 5 pence per share;
- (c) the maximum price which may be paid for share is an amount equal to 105% of the average middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
- (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
- (e) the authority hereby conferred shall expire on the earlier of the next annual general meeting of the Company and the date following eighteen months from the date of the passing of this resolution (unless revoked, varied or extended by the Company in general meeting by special resolution); and
- (f) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the board
Rex Orton
Company Secretary

Registered office:
Hopton Park
Devizes
Wiltshire
SN10 2JP

11 June 2007

Notes

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, The Causeway, Worthing, West Sussex, BN99 6ZR, 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. Short biographies of each of the directors offering themselves for re-election are on page 8 of the annual report and accounts.
 - 4.1 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. In the opinion of the board, both these directors continue to be effective and significantly enhance 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.
5. The following is an explanation of the resolutions relating to special business:
 - 5.1 The right of the directors to allot relevant securities 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 9 will be put to members as special business to authorise the directors to allot ordinary shares with a nominal value of £84,801 out of the Company's unissued ordinary share capital representing approximately 15.2 per cent of the Company's current issued ordinary share capital. The authority shall expire 5 years from the date of passing the resolution.
 - 5.2 New regulations which came into force in December 2003 now permit the Company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares, in which case they would carry no voting rights and no entitlement to any dividend for as long as they are held as treasury shares. The Company does not currently hold any of its own shares as treasury shares. The authority provided by resolution 10 would permit the directors to allot for cash equity securities or sell any shares held as treasury shares with an aggregate nominal value of £27,814 equal to approximately 5 per cent of the Company's issued ordinary share capital for cash without first offering them pro rata 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 equity securities or the sale of any shares held as treasury 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. The authority will expire immediately following the annual general meeting next following the resolution of, if earlier, 15 months following the resolution being passed.

In exercising the authority to purchase ordinary shares, the directors may treat the shares that have been bought back as either cancelled or held in treasury (or a combination of both) and to the extent that any such shares are held in treasury, earnings per share will only be increased on a temporary basis, until such time as the shares are re-sold out of treasury.
6. The board considers that the resolutions numbered 1 to 11 to be proposed at the AGM are in the best interests of the shareholders as whole and recommends you to vote in favour of them. Directors who hold shares in the company intend to vote in favour of these resolutions in respect of their holdings.

Form of Proxy for use at Annual General Meeting

Latchways plc (Registered number 1189060)

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 7 September 2007 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 N P Hearson		
5. To re-elect P Troen		
6. To receive the remuneration report and adopt it		
7. To re-appoint the auditors		
8. To authorise the directors to fix the auditors' remuneration		
9. To authorise the directors under section 80		
10. To authorise the directors under section 95		
11. To authorise the Company under section 166		

Dated this _____ day of _____ 2007

(Signature) _____

Notes

1. 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.
2. To be valid this proxy must be lodged with the Company's registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZR, not later than 48 hours before the time for which the meeting has been convened.
3. Any alterations made in the form of proxy should be initialled.
4. 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.
5. 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.
6. 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.

Notes

Notes

Latchways plc, Hopton Park, Devizes, Wiltshire, SN10 2JP, England
Tel: +44 (0)1380 732700 Fax: +44 (0)1380 732701
Email: info@latchways.com Website: www.latchways.com

