

Cosalt plc

("Cosalt" or "the Group")

Preliminary results for the 52 weeks ended 26 October 2008

Cosalt, www.cosalt.com, the leading provider of critical safety equipment and services for the Offshore Oil & Gas and Marine industries, announces its full year results for the 52 weeks to 26 October 2008.

Summary Results (From Continuing Operations)

	2008	2007	% increase
Revenue	£105.0m	£66.90m	57%
Operating profit before special items*			
Safety & Protection	£10.4m	£4.1m	163%
Operating Margin	9.9%	6.1%	
Head Office costs	<u>(£0.9)m</u>	<u>(£1.4)m</u>	
	£9.5m	£2.7m	
Profit before tax and special items*	£7.2m*	£1.0m	656%
Statutory profit/(loss) after tax and before discontinued operations	£0.6m	(£0.5m)	
Headline earnings per share	23.38p	17.63p	
Dividends per share	6.0p	12.0p	

* Special items of £5.7 million (2007 - £0.9m) relate to significant restructuring and financing costs, the revaluation of the investment properties, abortive acquisition costs and the amortisation of intangible assets.
Note: The total loss from discontinued operations was £25.5 million.

Strategic & Operational Highlights

- Group wholly focussed on core Safety and Protection activities
- Exit from last remaining legacy business completed
- Regulatory obligations across customer base underpin order book
- Acquisitions during year fully integrated and making full contribution
- Contract wins with Perenco, Aker Solutions, Taqa Britani, Wood Group, Exxon Mobil and Prosafe
- Progress made in identifying potential areas for expansion

David Hobdey, Chairman of Cosalt, commented:

"It has been a period of significant change at Cosalt. Having now exited the last legacy business, the Group is now focused exclusively on building its core critical safety equipment and services activities.

"We have made excellent progress and have already established Cosalt as a leading European provider of critical safety equipment and services. Our goal over the longer-term is to become a major global player in a multi-billion dollar market underpinned by strict regulatory obligations which ensure robust demand for our services and provide good visibility for our order book. We are taking a pragmatic view of our expansion options, recognising that a step-by-step approach is best suited to the current economic climate.

“With the Group benefiting from our focused strategy, now that we are free from the costs of realigning the business and with current trading in line with our expectations, we expect to see further progress in 2009.”

26 February 2009

ENQUIRIES:

Cosalt plc

Mark Lejman, Chief Executive
Mike Reynolds, Finance Director

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College Hill

Adam Aljewicz
Mark Garraway

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CHAIRMAN'S STATEMENT

Overview

I am pleased to report that the Group made significant progress in implementing its strategy to become a leading provider of critical safety equipment and services for the highly regulated Offshore (Oil & Gas) and Marine (Commercial and Cruise) industries.

At the period end we announced the sale of Holiday Homes, our last remaining legacy business. This was a major step forward and allows us now to focus on our core activities and, from our leading European presence, to establish Cosalt over the longer-term as a global player in two very exciting sectors.

In his Chief Executive's Review, Mark Lejman sets out how the Group's strategy is being implemented and how it will deliver significant value to shareholders.

Our focus on the Offshore and Marine sectors is quite deliberate. Underpinned by strictly enforced national and international health and safety legislation, these sectors benefit from long-term order book visibility and committed expenditure programmes. Despite their global nature and size, the sectors are fragmented with a large number of companies serving single countries or individual ports. We see this as an opportunity to extend the Group's reach.

We completed two acquisitions over the course of the year, and these have been successfully integrated into the Group. The Group's development will continue to be driven primarily by organic growth across both the Offshore and Marine activities.

Results & Financing

Following the sale of the Holiday Homes and Banner legacy businesses, the divisions are treated as discontinued businesses in these results.

Group turnover from continuing operations for the period was £105.0 million (2007: £66.9 million), an increase of 57%.

Headline operating profit from continuing activities was up 252% to £9.5 million (2007: £2.7 million) while corresponding headline earnings per share were 20.56p (2007: 4.73p).

Special items totalled £5.7 million and after other financing costs and tax, the profit after tax from continuing operations was £0.6 million. Losses relating to the last of our discontinued legacy operations of Holiday Homes and Banner amounted to £25.5 million, resulting in a statutory loss for the financial period of £24.8 million.

We have recently agreed outline terms for increased and extended banking facilities of £39 million with HSBC and RBS. The new facility, along with recalibrated covenants, give the Group greater headroom and provide the Board with the time and flexibility to assess the optimal long-term financing structure for the business and the delivery of its strategy.

Our focus on managing our cost base down and our cash efficiently will remain a priority.

Dividend

The Board has given careful consideration to its dividend policy. It has concluded that in line with the current requirement to conserve cash, following the exit from the last of our legacy businesses, and for the purposes of pursuing the Group's growth strategy and enhancing shareholder value, it will not be recommending a final dividend.

The Board will continue to review on a regular basis, and taking into account current trading and strategic priorities, the level at which dividends should be paid.

Pensions

The Group's defined benefits pension scheme was closed to future accrual on 31 December 2006 and active members were transferred into a stakeholder defined contribution plan. The net deficit in the pension scheme has been reduced to £6.3 million (2007: £8.8 million).

Board & Management

The year saw a significant strengthening of the management team with the appointment of Mark Lejman as Chief Executive and Mike Reynolds as Finance Director. Cosalt now has the right executive team in place to drive the business forward.

At our last AGM, Bill Wood retired from the Board after 37 years service and Yarom Ophir joined the Board as a non executive Director. I was appointed as Chairman in December 2008, succeeding David Ross who remains a non executive Director.

Outlook

It has been a period of significant change at Cosalt. Having now exited the last legacy business, the Group is now focused exclusively on building its core critical safety equipment and services activities.

We have made excellent progress and have already established Cosalt as a leading European provider of critical safety equipment and services. Our goal over the longer-term is to become a major global player in a multi-billion dollar market underpinned by strict regulatory obligations which ensure robust demand for our services and provide good visibility for our order book. We are taking a pragmatic view of our expansion options, recognising that a step-by-step approach is best suited to the current economic climate.

With the Group benefiting from our focused strategy, now that we are free from the costs of realigning the business and with current trading in line with our expectations, we expect to see further progress in 2009.

David Hobdey
Chairman
26 February 2009

CHIEF EXECUTIVE'S REVIEW

Delivering on our objectives

We took a number of decisive management actions during the latter half of the year including the disposal of the last remaining legacy business. Along with a major overhaul of the management team, strengthening of controls, an ongoing focus on cost reduction and improvements to overall operational efficiency of the business, we have also taken steps to reinforce delivery of our strategic objectives.

Strategy

We made good progress during the year in implementing our strategy to become a leading player in the provision of critical safety equipment and services. We saw a combination of acquisitions and organic growth during the period.

Cosalt, which is increasingly recognised for its professionalism, quality and expertise, is now focused on two sectors: Offshore (Oil & Gas) and Marine (Commercial & Cruise). We chose to focus on these sectors having identified the following three key market forces which will underpin the Company's growth.

First, and most importantly, growth in these sectors, which globally are estimated to be worth some £4.5 billion and £1 billion respectively, is underpinned by national and international health and safety legislation. The Offshore industry is highly regulated by relevant national governments and to a common international platform whilst the international shipping industry is overseen by the International Maritime Organisation (IMO). These industries therefore operate under a stringent, strictly enforced and legislation-backed regulatory environment. The trend towards increased regulation in these industries, along with the punitive sanctions that can be applied, means there is growing demand for critical safety products and services. For owners and operators, the cost of running a safe operation is disproportionate to the risk of failure.

As well as growing demand, the regulation also provides for longer-term, stable and recurring order books. For example, oil rig operators and servicing companies work to strictly enforce maintenance and repair programmes whilst cruise ship operators face regular inspections and a requirement to test and / or replace critical equipment on a regular basis.

The second factor is that both sectors are concentrated in key hubs around the world. The oil and gas industries for instance are primarily located in the Gulf of Mexico, the North Sea, the Middle East and West Africa whilst the major cruise and commercial shipping hubs are in the Caribbean, Mediterranean and South East Asia. Today Cosalt is operating solely in European markets. However, as our international customers extend their geographic footprint to other locations such as, for example the Gulf of Mexico, Brazil or Kazakhstan, Cosalt has the opportunity to support them in their expansion through the provision of products and services.

Thirdly, due to the hub concentration referred to above, the industry remains highly fragmented. This provides Cosalt with the opportunity to identify and make over the longer-term selective acquisitions that meet our strict criteria.

We have already established a blue-chip customer base and our focus will remain on targeting larger operators who increasingly are looking to work with fewer contracting organisations on a longer-term partnership basis who can provide a joined up solution to their global needs. In meeting our customers' needs, it is clear that we must broaden our existing product range and expand the Group's geographic coverage.

Operations

Cosalt Offshore

Cosalt Offshore, which comprises GTC Group, Myhre Maritime and two existing Cosalt operations, reported turnover of £41.8 million and operating profit before special items of £8.3 million during the period.

With the integration of GTC, which was acquired in October 2007, and Myhre Maritime in July 2008, we now offer a genuine pan-North Sea geographical spread covering the UK, Norwegian and Dutch oil and gas sectors. Since its inception, we have expanded the product and service offering across the expanded geographic footprint and have achieved notable success in doing so.

Contract wins in 2008 include Perenco, Aker Solutions, Taqa Britani, Wood Group, Exxon Mobil and Prosafe. A number of significant tenders are due in 2009 and the Company is confident that with our geographic footprint and service offering we are uniquely placed to increase our market share across our geographic locations.

In addition to winning new clients, during 2009 we also plan to build on the strong relationships with our existing clients and expand the scope of those contracts by providing clients with a full service offering across their entire North Sea asset base through our comprehensive coverage of the region.

The growth in our product and service offering in 2009 will primarily come from organic growth, following the successful acquisitions last year. Cosalt Offshore believes that 2009 will provide some attractive acquisition opportunities at realistic multiples across all the geographic areas in which we currently, and intend to, operate within.

The division also plans in due course to expand its geographic footprint beyond Europe in to the Gulf of Mexico to take advantage of a highly developed and growing market supporting a number of our significant customers that already have significant operations in the region.

Cosalt Marine

The Marine Division delivered turnover of £63.2 million and operating profit before special items of £2.1 million during the period as the business focuses on its core activity of protecting people in hostile environments.

Inaugurated during the summer of 2008, we have positioned the division in resilient areas of regulated and legislated safety such as Marine Safety Servicing, Fire Equipment, Rail Trackside Safety Clothing and Lifting Safety Testing.

The division is focused on four distinct business units: Continental Marine, UK Marine, Crewsaver and Workwear. Key achievements during the year have been a 14% increase in the division's revenues, the development of new key accounts through a targeted move towards key account management and the introduction of new value added products such as patented lifejackets ahead of new legislation in 2010.

The division's structure has over the past year seen significant change including a realignment of overheads and individual roles to improve the effectiveness and competitiveness of the business. This process will continue during the year ahead with a particular emphasis on increasing margins.

Summary

We have achieved a great deal in a short period.

I put in place on my arrival a significant restructuring process. I had four key objectives: the Group had to exit from its last remaining legacy businesses; we needed to strengthen the management team; we had to refine and bring greater focus to our strategy; and, we had to address the Group's optimal long-term financing structure.

In just six months, we have so far delivered on the first three. We fully recognise that if Cosalt is to deliver anywhere near its full potential, the financing structure for the business is key. Following the extension and increase in our banking facilities, we now have the time and flexibility to successfully address this issue in the way that best assists us to deliver our strategy.

We are looking to the future with great confidence and I too look forward to reporting on future progress.

Mark Lejman
Chief Executive
26 February 2009

**Consolidated income statement
for the 52 weeks ended 26 October 2008**

	Before special items 52 weeks ended 26 Oct 2008 £000	Special items* 52 weeks ended 26 Oct 2008 £000	After special items 52 weeks ended 26 Oct 2008 £000	(Restated) Before special items 52 weeks ended 28 Oct 2007 £000	(Restated) Special items* 52 weeks ended 28 Oct 2007 £000	(Restated) After special items 52 weeks ended 28 Oct 2007 £000
Revenue	105,007	-	105,007	66,906	-	66,906
Operating profit	9,498	(5,025)	4,473	2,700	(915)	1,785
Financial income	89	-	89	101	-	101
Financing costs	(2,354)	(718)	(3,072)	(1,833)	-	(1,833)
Profit before taxation	7,233	(5,743)	1,490	968	(915)	53
Income tax expenses	(1,347)	476	(871)	(707)	171	(536)
Profit/(loss) from continuing operations	5,886	(5,267)	619	261	(744)	(483)
Post-tax (loss) / profit of discontinued operations	(25,461)		(25,461)	1455	596	2,051
(Loss)/ Profit for the financial period	(19,575)	(5,267)	(24,842)	1716	(148)	1,568
Earnings per share						
Basic	(77.77)p		(98.70)p	11.59p		10.59p
Diluted	(77.77)p		(98.70)p	11.53p		10.53p

* Special items relate to gains and costs on disposal of surplus properties and revaluation of investment properties, amortisation of acquisition intangibles, and exceptional costs relating to the disposal of discontinued operations and reorganisation, redundancy, rebanking and abortive acquisitions.

Consolidated balance sheet
as at 26 October 2008

	As at 26 Oct 08 £000	Restated As at 28 Oct 07 £000
ASSETS		
Non-current assets		
Intangible assets – goodwill	32,191	24,273
Intangible assets – customer contracts and relationships	18,429	14,819
Intangible assets – computer software	894	1,241
Investment properties	3,100	3,900
Property plant and equipment	9,580	13,754
Investments	3,112	750
Deferred tax assets	1,747	2,525
	<u>69,053</u>	<u>61,262</u>
Current assets		
Inventories	19,384	25,526
Trade and other receivables	27,016	41,324
Derivative financial assets	622	–
Cash and cash equivalents	2,171	2,476
	<u>49,193</u>	<u>69,326</u>
Total assets	<u>118,246</u>	<u>130,588</u>
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	27,616	1,205
Deferred tax liabilities	3,504	4,722
Deferred Government grants	7	41
Provisions	73	–
Retirement benefit obligations	6,280	8,796
	<u>37,480</u>	<u>14,764</u>
Current liabilities		
Bank overdrafts		7,709
Interest bearing loans and borrowings	1,373	7,916
Corporation tax payable	(1363)	3,501
Provisions	42	617
Trade and other payables	40,099	37,175
Derivative financial liabilities	381	96
	<u>43,258</u>	<u>57,014</u>
Total liabilities	<u>80,738</u>	<u>71,778</u>
Net assets	<u>37,508</u>	<u>58,810</u>
EQUITY		
Share capital	6,587	6,157
Share premium account	34,558	31,985
Merger reserve	7,586	6,703
Other reserves	1,148	1,448
Translation reserve	810	256
Hedging reserve	241	(96)
Retained earnings	(13,422)	12,657
Total equity attributable to equity holders of the parent	<u>37,508</u>	<u>58,810</u>

Consolidated cash flow statement
for the 52 weeks ended 26 October 2008

	52 weeks ended 26 Oct 08 £000	52 weeks ended 28 Oct 07 £000
Cash flows from operations		
(Loss) / Profit for the period	(24,842)	1,568
Adjustments for:		
Income tax expense	(945)	262
Depreciation	4931	2,633
Amortisation of intangible assets	2691	1,027
Deferred government grants released	(14)	(11)
Net finance costs	2907	2,255
Share based payment charge	(28)	55
Investment property gains	800	(1,063)
Pension contributions in excess of charge	(680)	(810)
Profit on disposal of property, plant and equipment	2,579	(513)
Loss on disposal of subsidiary undertakings	9,161	-
Cash flow before changes in working capital and provisions	(3,440)	5,403
Increase/(decrease) in inventories	(3,330)	684
Decrease in trade and other receivables	1,696	3,778
Decrease/(increase) in trade and other payables	6,821	(6,003)
Increase in provisions	2,735	79
Net cash from operations	4,482	3,941
Interest received	161	112
Interest paid	(2,748)	(2,169)
Interest element of finance lease rentals	(31)	(54)
Dividends paid on preference shares	(4)	(4)
Income tax (paid)/received	(1,261)	(119)
Net cash (used in)/from operating activities	599	1,707
Cash flows from investing activities		
Acquisition of subsidiaries net of cash acquired	(11,198)	(28,384)
Proceeds for sale of subsidiary undertakings	2000	-
Sale of investments	250	250
Proceeds from sale of property, plant and equipment	48	2,049
Purchase of property, plant and equipment	(4,098)	(1,406)
Purchase of intangible assets – software	(476)	(260)
Net cash used investing activities	(13,474)	(27,751)
Cash flows from financing activities		
Dividends paid to Shareholders	(2,462)	(2,674)
Finance lease principal payments	(534)	(433)
Exercise of share options and share placings	2,901	29,706
New loan	27,171	561
Repayment of bank borrowings	(980)	(1,638)
Net cash (used in)/from financing activities	26,096	25,522
Net decrease in cash and cash equivalents	13,221	(522)
Cash and cash equivalents at beginning of period	(11,179)	(10,667)
Effects of exchange rate fluctuations on cash held	129	10
Cash and cash equivalents at end of period	2,171	(11,179)
Cash	2,171	2,476
Overdrafts	-	(7,709)
Factoring advances	-	(5,946)
Cash and cash equivalents	2,171	(11,179)

Notes to financial statements

1 Significant accounting policies

Cosalt plc (the 'Company') is a company domiciled in England. The Consolidated financial statements of the Company for the year ended 26 October 2008 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements were authorised for issue by the Directors on 26 February 2009.

2 Segment reporting

(a) Primary

The Group is organised into two main business segments: Marine and Offshore.

The primary segment reporting format is determined to be Business as the Group's risks and returns are predominantly affected by differences in the products and services provided by these different activities. The operating business segments are organised and managed separately.

	52 weeks ended 26 Oct 08							
	Continuing operations				Discontinued operations			
	Marine £000	Offshore £000	Head office /unallocated £000	Total £000	Schoolwear £000	Holiday Homes £000	Total £000	
Revenue	63,161	41,846	-	105,007	7,909	37,148	150,064	
operating profit/(loss) before special items	2,095	8,336	(933)	9,498	(2,430)	(13,063)	(2,329)	
Special items	(455)	(150)	(4,419)	(5,205)	-	-	(5,025)	
Operating profit /(loss)	1,640	8,186	(5,352)	4,474	(1,372)	(10,455)	(7,354)	
Total assets	37,526	30,187	56,856	124,569	-	-	124,569	
Total liabilities	(22,120)	(11,541)	(50,988)	(84,649)	-	-	(84,649)	
Total net assets	15,406	18,646	5,868	39,920	-	-	39,920	
Capital expenditure	1,532	1,560	188	3,280	12	808	4,100	
Depreciation	1,762	927	117	2,806	102	2,023	4,931	
Amortisation of intangible assets	1,388	1,206	7	2,601	26	64	2,691	

	52 weeks ended 28 Oct 07							
	Continuing operations				Discontinued operations			
	Marine £000	Offshore £000	Head office /unallocated £000	Total £000	Schoolwear £000	Holiday Homes £000	Total £000	
Revenue	55,467	11,439	-	66,906	18,475	49,749	135,130	
operating profit/(loss) before special items	2,346	1,773	(1,419)	2,700	1,248	1,004	4,952	
Special items	(1,966)	0	1,051	-915	415	(367)	(867)	
Operating profit /(loss)	380	1,773	(368)	1,785	1,663	637	4,085	
Total assets	28,218	24,247	43,550	96,015	11,277	23,597	130,889	
Total liabilities	(18,336)	(9,268)	(23,415)	(51,019)	(5,587)	(15,172)	(71,778)	
Total net assets	9,882	14,979	20,135	44,996	5,690	8,425	59,111	
Capital expenditure	1,248	152	64	1,464	40	391	1,895	
Depreciation	1,807	122	129	2,058	207	368	2,633	
Amortisation of intangible assets	860	49	7	916	59	52	1,027	

Operating profits are shown before Head Office charges. The comparative figures have been adjusted to reflect this disclosure.

*Unallocated assets and liabilities principally represent investment properties, taxation, dividends, and pension scheme liability.

The financial information set out above does not constitute the Company's consolidated statutory accounts for the periods ended 26 October 2008 or 28 October 2007 but is derived from those accounts. Statutory accounts for the 52 weeks ended 28 October 2007 have been delivered to the Registrar of Companies, and those for the 52 weeks ended 26 October 2008 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.