

# Safety rules

**Cosalt plc**  
Annual report  
& financial statements 2008

**Cosalt** is focused on core safety and protection activities and becoming a leading provider for the Offshore Oil & Gas and Marine industries – driven by increasing regulatory obligations across our customer base.

## Financial highlights

### Revenue (£m)



### Headline earnings per share (pence)\*



### Headline profit before tax (£m)\*



\* Before special items. See note 12 for reconciliation between headline and statutory figures.



**Cosalt Offshore**  
 We provide testing, inspection and lifting equipment services for the Oil & Gas industries.

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**Cosalt Marine**  
 We provide inspection and maintenance services for liferafts, lifeboats, lifejackets and fire equipment.

Read more page 22



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# Our vision

**Our vision is to build on our leading European position and become a leading global provider of safety and protection services and products for people exposed to hostile environments.**



Inspection on a Subsea7 vessel

# International opportunities

## Opportunity for international expansion within the Marine and Oil & Gas sectors.



- Top 20 container ports by size
- Top 20 cruise ports by port calls
- Top concentration of offshore oil and gas rigs and platforms



# Our services

	Products/services	Inspection requirements
<b>Liferafts</b>	<ul style="list-style-type: none"> <li>• Commercial liferafts</li> <li>• Leisure liferafts</li> <li>• Mass Evacuation Systems (MES)</li> <li>• Inflatable rescue boats</li> </ul>	<ul style="list-style-type: none"> <li>• Annual test &amp; inspection</li> <li>• Regular inspection</li> <li>• Annual test &amp; inspection</li> <li>• Annual test &amp; inspection</li> </ul>
<b>Lifeboats</b>	<ul style="list-style-type: none"> <li>• Fully enclosed lifeboats</li> <li>• Open lifeboats</li> <li>• Free fall lifeboats</li> <li>• Davits and winches</li> <li>• GRP/Engine repair</li> <li>• Metal Fabrication facility</li> </ul>	<ul style="list-style-type: none"> <li>• Annual test &amp; inspection plus a five year major overhaul</li> </ul>
<b>Lifejackets</b>	<ul style="list-style-type: none"> <li>• Market leading 'Premier' inherently buoyant lifejackets</li> <li>• Commercial inflatable lifejackets</li> <li>• Leisure lifejackets</li> <li>• Buoyancy aids</li> <li>• Immersion suits</li> </ul>	<ul style="list-style-type: none"> <li>• Regular inspection</li> <li>• Annual test &amp; inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Annual inspection after three years</li> </ul>
<b>Fire safety</b>	<ul style="list-style-type: none"> <li>• Fire suppression systems</li> <li>• Breathing apparatus</li> <li>• Gas detection equipment</li> <li>• Fire hoses and accessories</li> <li>• Fire extinguishers</li> <li>• Fire suits</li> <li>• Specialist fire-protection clothing</li> </ul>	<ul style="list-style-type: none"> <li>• Annual test &amp; inspection</li> <li>• Annual test &amp; inspection</li> <li>• Annual test &amp; inspection</li> <li>• Annual test &amp; inspection</li> <li>• Annual test &amp; inspection</li> <li>• Regular Inspection</li> <li>• Regular Inspection</li> </ul>
<b>Lifting/tooling &amp; inspection</b>	<ul style="list-style-type: none"> <li>• On/offshore test and inspection services</li> <li>• Tool/lifting equipment hire</li> <li>• Pneumatic/hydraulic/electric tools</li> <li>• Non-destructive testing</li> <li>• Fall arrest equipment</li> <li>• Refurbishment services</li> </ul>	<ul style="list-style-type: none"> <li>• Annual/bi-annual &amp; inspection</li> <li>• Annual/bi-annual &amp; inspection</li> <li>• Annual/bi-annual &amp; inspection</li> <li>• Annual/bi-annual &amp; inspection</li> <li>• Annual/bi-annual &amp; inspection</li> <li>• Support service</li> </ul>
<b>Wire &amp; fibre ropes</b>	<ul style="list-style-type: none"> <li>• Specialist wire rope</li> <li>• Spooling services</li> <li>• Wire and fibre rope slings</li> <li>• Single point mooring systems (SPM's)</li> <li>• Specialist fibre ropes</li> <li>• Wire and fibre rope rigging services</li> </ul>	<ul style="list-style-type: none"> <li>• Regular inspection</li> <li>• Support service</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Support service</li> </ul>
<b>Safety workwear</b>	<ul style="list-style-type: none"> <li>• Nuclear/biological suits</li> <li>• Foul weather clothing</li> <li>• Flotation suits</li> <li>• Air crew coveralls</li> <li>• Cold weather clothing</li> <li>• Hi-visibility clothing</li> <li>• Masks and respirators</li> <li>• Boots/hats/gloves etc</li> </ul>	<ul style="list-style-type: none"> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> <li>• Regular inspection</li> </ul>
<b>Cosalt Compliance</b>	<ul style="list-style-type: none"> <li>• Independent Competent Person</li> <li>• Written Scheme of Examination</li> <li>• Compliance Audits (KP2)</li> <li>• Training &amp; Competence</li> </ul>	<ul style="list-style-type: none"> <li>• Support service</li> <li>• Support service</li> <li>• Support service</li> <li>• Support service</li> </ul>

# Cross-selling opportunities across our key Marine and Offshore services.

## Users

## Trends

- Cargo and passenger vessel
- Offshore Oil & Gas installations
- Emergency services
- Port and Harbour authorities
- Towing and workboat market
- Commercial fishing
- Leisure marine market
- Inland waterways and lakes

- Increased network of Marine safety businesses will improve customer service
- Continued growth in cruise market
- Wider range of services & products is more attractive to larger operators
- Recent acquisition will improve offshore market penetration



- Cargo and passenger vessel
- Offshore Oil & Gas installations

- New legislation is increasing demand
- Increased network of Marine safety businesses will improve customer service
- Recent acquisition will improve offshore market penetration
- Continued growth in cruise market



- Cargo and passenger vessel
- Offshore Oil & Gas installations
- Emergency services
- Port and Harbour authorities
- Towing and workboat market
- Commercial fishing
- Leisure marine market
- Inland waterways & lakes

- New legislation is providing significant opportunities for 'Premier' lifejacket
- Increased network of Marine safety businesses will improve customer service
- Continued growth in cruise market
- Recent acquisition will improve offshore market penetration



- Cargo and passenger vessel
- Offshore Oil & Gas installations
- Towing and workboat market
- Commercial fishing

- Increased network of Marine safety businesses will improve customer service
- Fire safety complements marine safety offering
- Recent acquisition will improve offshore market penetration



- Offshore Oil & Gas installations
- Large industrials
- Petrochemical industry
- Sub-sea sector
- Engineering Contractors
- Cargo and passenger vessels
- Defence and aviation markets

- Recent acquisition will improve offshore market penetration
- Significant opportunities to leverage unique pan-North Sea network
- Increasing potential for total integrated management packages



- Offshore Oil & Gas installations
- Sub-sea sector
- Mooring and anchor handling vessels
- Cargo and passenger vessels
- Towing and workboat market
- Crane and heavy-lift sectors

- Recent acquisition will improve offshore market penetration
- Increased network of Marine and Offshore businesses improving market penetration
- Major opportunity for specialist wire and fibre ropes in offshore markets



- Emergency services
- Offshore Oil & Gas installations
- Defence and aviation markets
- Large industrials
- Petrochemical industry
- Rail maintenance industry

- Further penetration of fire markets
- Increasing opportunity for packaged rentals and servicing
- Cross-sell into emergency services and local authorities



- Oil & Gas Operators
- Petrochemical industry
- Sub-sea sector
- Engineering Contractors

- Separate division demonstrating independence from internal and client operations
- Proven track record of incident and cost reduction will provide significant opportunities



# Chairman's statement

**Our vision is to build on our leading European position and become a global provider of safety equipment and protection services for companies operating in hostile environments.**

## 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 23.38p (2007: 1.76p).

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



Far left  
Offshore support vessel in rough weather

Left  
Offshore supply vessel and Cosalt liferaft

This page  
Crewsaver brand Lifejacket and Immersion Suit

# Our strategy

**Our strategy is to become a global player in the provision of critical safety equipment and services through a combination of acquisitions and organic growth.**

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## Delivering on our objectives

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- 1 A continued focus on Quality, Health Safety & Environment (QHSE) in 2009 with particular emphasis on increasing our safety performance. This drive is essential to the well-being of Cosalt and as a result will be driven by Cosalt Compliance.**
- 2 The Group continues to focus on margin improvement. This will be driven by the sales of added value products and services focused on offering our clients safety critical, regulation driven services.**
- 3 Sales growth will be achieved both organically and through selective partnerships and acquisitions. As our client base in both Offshore and Marine is international, we will seek to support them by expanding our supply of products and services across our different geographic locations.**

## Our Sectors

## Objectives

## Opportunities

### Marine

Development in our product and service offering in 2009 will come from a combination of the introduction of new services in existing locations (such as fire servicing in Spain), the expansion of our product offering, and increased market share.

Continue to examine suitable growth opportunities in new countries as well as looking to strengthen our product portfolio through the acquisition of, or partnership with, like minded companies. The Marine Division is also looking to expand the services it offers to Ship Owners, Industrial Organisations and Emergency Services with innovative hire, lease and managed services offerings, building upon existing management skills and infrastructure.

While the Marine market conditions through 2009 are expected to be challenging we see an opportunity in our businesses to expand our market share through our product and service offering (such as new developments in lifejackets). We remain well placed to service our customers as business develops.

### Offshore

In 2009 we plan to expand our product and service offering across all sites and provide both potential and current clients with a true pan-North Sea partner.

Continue to drive the expansion of Cosalt Compliance which will bring commonality of processes and systems across the entire Offshore Division. Externally, Cosalt Compliance will provide our current and prospective clients with technical, legislative and compliance support. This forms a key strand of the strategy for Cosalt Offshore being the partner of choice.

Cosalt Offshore is well placed to expand our client contracts from UK and Norway in to pan-North Sea agreements, also offering potential clients this extended North Sea agreement. Further opportunities exist in exporting additional products and services across all Offshore business units and cross-selling Marine products to our existing clients.

# Chief Executive's review

**We have made good progress during the year in implementing our strategy.**

## 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



**Mark Lejman**  
Chief Executive

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.



**Far left**  
Inspecting lifting equipment

**Left**  
Repairing a liferaft in a Cosalt service station

**This page**  
Servicing a marine fire suppression system

# How we measure ourselves

The Group's Management monitors the performance of the business by a comparison on a regular basis of actual results compared to budgets, forecasts and prior years.

## Key performance indicators

The following key performance indicators (including an explanation of each) are the principal measures:

### Revenue (£m)

Total revenues, excluding discontinued operations



### Cash generated from operations (£m)

Cash generated excluding special items



### Headline pre-tax profit (£m)

Pre-tax profit excluding special items and discontinued operations



### Number of accidents per 100 employees

The Board monitors monthly statistics on all accidents throughout the Group



### Headline EPS (pence)

Pre-tax profit excluding special items and discontinued operations



# Principal risks

We now explain the principal risks we may face in delivering our strategy.

## Key markets

The Cosalt businesses are well positioned to benefit from potential growth in their market sectors. However, a substantial downturn in one or more of these key markets could have a material adverse impact on the Group. The Marine markets are subject to local and global influences and the Offshore businesses are affected by the international oil price.

## Fluctuations in foreign currency

Many of the Cosalt businesses import a substantial amount of their products or raw material and hence have an exposure to foreign currency fluctuations, most notably the US Dollar and the Euro. In addition, particularly with the acquisition of businesses in Mainland Europe and Norway, there are increasing revenues in foreign currency. Whilst the Group seeks to mitigate the impact of these on the net cash flow, adverse movements in foreign currencies relative to Sterling may lead to significant adverse movements in profitability and the Group balance sheet.

## Competition

There are competing products and service providers in most of the Group's activities. Changing commercial circumstances or new entrants to the markets the Group operates in may have an adverse effect on the Group.

## Legislative changes

A significant and growing proportion of the Group's activities are in regulation driven markets. Whilst the tendency has been for regulation to increase, thereby increasing the requirement for goods and services the Group supply, any reduction in regulations could have a negative effect.

## Fluctuations in revenue and expenses

The Group is subject to a number of external factors beyond its control such as general economic conditions, adverse movements in interest rates, seasonal and cyclical changes in revenue and legislative changes, which could result in significant variations in the operating results from period to period. In addition, the strategic changes taking place in the Group may result in acquisitions and disposals of businesses, which would significantly alter the Group's revenue and operating position.

## Final Salary Pension Plan

The Group has an obligation to fund Final Salary Pension Plans and this creates an exposure to interest rates, inflation, investment returns and the longevity of the Plan members. The Group has eliminated these risks for future service by the closure of the Plan to future accrual from 31 December 2006; however, the funding of the past service liabilities remains and can create a significant variance in operating profits, cash flow and the balance sheet.

Whilst the risks noted above have been identified from the risk reviews undertaken throughout the Group, they do not comprise all the risks associated with the Group and there may be additional risks which have either been identified as not material or which are presently unknown which may have an adverse effect on the Group's businesses.



Inspecting a winch on an offshore support vessel



# Cosalt Offshore

We provide testing, inspection and lifting equipment services for the Oil & Gas industries.



Cosalt Offshore locations.

Revenue 2008

**£41.8m**

Headline EBIT 2008

**£8.3m**

Cosalt Offshore, which comprises the newly acquired 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.

The Division has been built around legislation-backed regulation and the requirement for third party verification for key lifting and inspection equipment, with a targeted client base predominantly operating in the downstream Oil & Gas sector.

With the integration of GTC, which was acquired in October 2007, and Myhre-Maritime in August 2008, we now offer a genuine pan-North Sea geographical spread covering the UK, Norwegian and Dutch oil and gas sectors, specialising in the provision of services in the following areas:

- Supply, repair, maintenance and management of lifting equipment
- Powered hand tools
- Marine safety equipment, liferafts, lifeboats, hydraulics
- Working at height equipment
- Gas detection and breathing apparatus
- The provision of technical and legislative support



Right  
Carrying out  
inspections offshore

Cosalt Offshore predominantly operates in the subsea, engineering and management sectors as well as the offshore platform operators. Our current client base includes Exxon Mobil, Shell, Talisman Oil, Wood Group Engineering, Amec, Petrofac, PSN, Subsea 7, Technip, Acergy and Halliburton.

Since its inception in the summer of 2008, the division has, with notable success, worked hard to expand the product and service offering across our geographical footprint. We plan to build on the strong relationships with our existing clients and, through a pan-North Sea approach, expand the scope of those contracts in providing clients with services across their entire North Sea asset base.

Significant contract wins in 2008 include Perenco, Aker Solutions, Taqa Britani, Wood Group, Exxon Mobil and Prosafe. Future tenders are due in 2009 and Cosalt Offshore believes strongly that with our strong current geographic footprint and service offering we are uniquely placed to further increase our market share.

In 2009 we expect to see a continued focus on expanding our product and service offering with the addition of complimentary products and services that fit the criterion of safety critical and operationally critical third party verification which, in all cases, will be driven by regulation.

We have already seen evidence from existing clients that the industry is moving towards a market characterised by fewer contracted partners providing an ever expanding range of complementary products and services, across an expanded geographic footprint together with providing a commonality of safety, quality and service.

With this trend in mind, we see significant growth potential in expanding our current contracts beyond their current locations, and we have already widened our scope for Exxon Mobil, Energy Cranes, Subsea 7, PSN and Vallourec & Mannesman to cover more than one geographical area.

In a sector where product safety and service quality is paramount, Cosalt Offshore has invested heavily, thereby adding to our resources and reforming our technical support business into a department called Cosalt Compliance.

Cosalt Compliance was created from existing expanding technical support functions and developing new elements of service provision to satisfy the need for both internal and external legislative and technical expertise.

The department provides the Cosalt Organisation with quality assurance, health, safety and environmental management, competence assurance and technical support in the form of procedures and work instructions.



**Calum Melville**  
Managing Director Cosalt Offshore

External functions include the provision of integrity management services directly to clients, including compliance auditing, document development and review, examination/inspection/maintenance strategy development. In essence, Cosalt Compliance offers comprehensive lifting operations integrity management as standard.

The growth in our product and service offering in 2009 will come from a combination of organic growth and selective acquisitions. Cosalt Offshore believes that 2009 will provide some attractive opportunities at realistic multiples across all the geographic areas we currently and intend to operate within.

We believe that a sustained low crude oil price will lead to a restructuring of the industry as our clients and the industry in general continue to look at reducing their supplier base and enter into longer-term contracts with partners who cover a wider geographic footprint providing a wide range of complementary services.

The division also plans to expand its geographic foot print beyond Europe into the Gulf of Mexico to take advantage of an increasing market supported by a number of our significant clients that already have significant operations in the region.

In summary, although we expect market conditions to be tougher in 2009, Cosalt Offshore firmly believes that the strategy set out and implemented in 2008 will continue to provide significant opportunity for revenue and margin improvement.



**Far left**  
Testing an offshore cargo unit

**Left**  
Servicing of portable lifting equipment in Cosalt's Aberdeen facility



Delivering liferafts



# Cosalt Marine

We provide inspection and maintenance services for liferafts, lifeboats, lifejackets and fire equipment.



Cosalt Marine locations

Revenue 2008

**£63.2m**

Headline EBIT 2008

**£2.1m**

Cosalt Marine reported turnover of £63.2 million and operating profit before special items of £2.1 million during the period.

Inaugurated in the summer of 2008, the Division is now focused into four main business units: UK Marine, Continental Marine, Crewsaver and Workwear. A breakdown of each unit is outlined in detail below.

The Division was established to deal in the areas of regulated and legislated safety and as such has positioned itself in resilient areas of operation such as Marine Safety Servicing, Fire Equipment, Rail Trackside Safety Clothing and Lifting Safety Testing.

Key achievements during the year have seen 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, improving the design and performance requirements of all foam lifejackets used by crews and passengers during an evacuation.

Operationally, 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 over the year ahead.

### UK Marine

The UK Marine business which operates from eleven locations services the needs of key customers such as P&O Cruises, The RNLI, Condor Ferries, The MOD and Airbus. Key activities are Marine Safety Sales and Servicing, Lifting Safety Testing and Rope Supply.

The sales operation has been reorganised during the year to focus on key marine supply markets and a strategic client base. This provides customers with a clearer structure and is well placed to offer advice and support in the key markets in which it operates.

The Cruise and Ferry Market worldwide is served from the UK and supplies the majority of the major cruise businesses with both marine safety equipment and fibre ropes. A key product development has been a new lifejacket, the Premier 2010, with unique patented features to meet new legislation in 2010. Being first to market with this product sees us very well placed to capitalize on sales to new build Cruise Ships and Ferries. RCL Cruise Lines have placed an order for the new Oasis of the Seas currently building in Finland and carrying over 14,000 of the new Premier 2010, Lifejackets.

Rope sales have continued their year-on-year growth and we have had a record year for the sale of specialist rope and mooring systems for the maritime oil and gas sector worldwide, and is a clear example of UK design and technical expertise being sold on all continents.

### Continental Marine

Operating from five countries: Belgium, Germany, Italy, The Netherlands and Spain, the Continental Marine business is achieving the additional growth forecast at the time of acquisition. Key activities include Liferaft, Lifeboat, and Fire Equipment Servicing. Key Customers include MSC, Carnival Cruises, Damen Shipyards, and the Netherlands MOD. With a strong management team and excellent customer service this business is well placed to continue its growth.

The business continues to expand its external sales activity, and is growing its lifeboat and fire servicing activities into new locations to meet customer needs.

### Crewsaver

The Crewsaver Marine Business based in Gosport sells its own designed products worldwide. Key customers include the UK MOD, RNLI and the Environment Agency and in addition it exports Crewsaver products through an established network of distributors.

The business manages four brands: Crewsaver, Cosalt, Yak and CSR, with the primary being Crewsaver which supplies lifejackets, marine safety and sailing equipment. The past year has seen significant sales of a newly designed commercial inflatable lifejacket the Sea Crewsaver, into the Offshore Oil and Gas market via Cosalt's Marine division, and these sales are due to grow over the coming year. Crewsaver continues to develop new and innovative products and several new ranges are due to launch in 2009.



**Andrew Richards**  
Managing Director Cosalt Marine

### Workwear

The past year for the Workwear business saw the end of the restructuring process started in 2007 and a clear focus for the business in areas of Personal Safety and Protection. Key activities include the design and manufacture of Rail, Fire, Police and Military specialist clothing. The unit operates primarily in the UK from sites in Stockport and Barnsley, and focuses on its key customers in Network Rail, The UK MOD, and many Fire and Police Authorities, while retaining key contracts and winning new business during the year. The business returned to profitability in 2008 and achieved its budget which was particularly encouraging given the competitive tender-driven market it operates in.

### Summary

With a new management structure in place, the business is well placed to capitalise on the growth seen in the past 12 months. With the combination of improved sourcing, new product launches, new customer contracts and activity expansion by key customers, we are confident of the outlook for Workwear in the coming year.

In the Marine Division the development in our product and service offering in 2009 will come from a combination of the introduction of new services in existing locations (such as fire servicing in Spain), the expansion of our product offering and increased market share.

The Marine Division continues to examine suitable opportunities in existing and new countries as well as looking to strengthen its product portfolio through distribution with like minded companies. The Marine Division is also looking to expand the services it offers to Ship Owners, Industrial Organisations and Emergency Services with innovative hire, lease and managed services offerings, building upon existing management skills and infrastructure.

Despite the prospect of a reduction in shipping traffic, in 2009 we see an opportunity for the business to expand its market share through our product and service offering, and we remain well placed to service our customers as business develops.

# Financial review

**2008 was the year we exited our last legacy business. Our focus has turned to developing our Offshore and Marine businesses.**

## Special items

The Group incurred £5.7 million of special items in the year.

Redundancy and restructuring in Marine amounted to £0.4 million. Recruitment and compensation costs of £0.4 million were incurred on changes to Executive Management, abortive acquisition cost amounted to £0.6 million and costs in connection with re-branding and the relocation of the Head Office were £0.7 million in the year. The Group also incurred rebanking fees of £0.7 million during the year. The revaluation of investment property resulted in a reduction in value of £0.8 million. Following the acquisitions in the previous and current year the Group has assessed the intangible assets acquired and attributed a value and life to these assets. These assets are required to be amortised over their useful lives and consequently a charge has been made in the current year. The total charge this year is £2.1 million.

## Discontinued Operations

### Holiday Homes

The legacy Holiday Homes division was disposed of on 25 October 2008 to Endless Group for a nominal cash consideration.

As a result of the disposal, the Group incurred a total loss of £16.8 million including post tax losses in the accounts for the year ended 26 October 2008.

### Schoolwear

The Banner schoolwear business was disposed of on 13 May for a consideration of £4.5 million.

The Group received £1.5 million cash on completion with the balance in loan notes of which £0.5 million was received before 26 October 2008.

As a result of the sale, the Group incurred a total loss of £8.7 million including trading losses in the accounts for the year ended 26 October.

## Interest and borrowings

The Group's interest charge increased significantly due largely to increased levels of debt to fund the acquisition of Myhre-Maritime A/S and the net outflow of funds on discontinued businesses.

The year-end borrowings (including leasing) were £26.8 million compared to £14.3 million at the previous year end as a consequence of these major movements.

## Shareholders' returns

The Headline earnings per share for the year were 23.38p compared to 1.76p last year. The statutory basic earnings per share for the year were a loss of (98.70)p compared to earnings of 10.59 last year.

Due to the requirements of IAS 10 the dividends recognised in equity included in the accounts represent the final dividend from last year and the interim dividend paid during the year.

## Balance sheet

The Group net assets have reduced in the year by £21.3 million principally due to trading losses incurred in the discontinued business and the subsequent loss on the sale.

## Retirement benefits

The deficit has reduced at the year end by £2.5 million compared to the previous year, principally due to movements in the value of liabilities. The net deficit after allowance for deferred taxation was £4.5 million.

The main Group scheme was closed to future accrual on 31 December 2006 and current members were offered a defined contribution stakeholder arrangement in return. Whilst the effect of this will reduce the potential volatility for future service cost, the issues associated with past service remain and the Group continues to make an annual cash injection of £1.2 million to eliminate the Plan's deficit.

**Financial risks**

The main financial risks faced by the Group relate to the availability of funds to meet business needs, the risk of default by counter-parties in financial transactions, and fluctuations in interest and foreign exchange rates. These risks are managed as described below.

**Funding and liquidity**

The Group's operations are primarily financed from retained earnings, bank finance and leasing. It is the Group's policy not to trade in or enter into speculative transactions. The Group refinanced in August 2008 and as a result of adverse cash flows from trading in Holiday Homes and a reduction in expected sale proceeds further facilities were negotiated in February 2009 amounting to £39 million on a fully secured basis.

Debt is principally raised centrally and the Group aims to maintain a balance between flexibility and continuity of funding by having a range of maturities on its borrowings. The refinancing in August 2008 and subsequent additional facilities negotiated in February 2009 include 364-day facilities, revolving credit facilities with maturity of 3 years and term loans with scheduled repayments through to February 2012.

**Interest rate and foreign exchange risk management**

The Group's policy is to maintain a mixture of floating and fixed rate borrowings. In order to provide protection against significant interest rate rises in the future, the Board purchased a cap. The amount covered by the cap reduces in line with the repayments on the term loan. A floor transaction was taken out at the same time and on the same basis in order to minimise the up front premium for this cover. The Group's exposure to foreign currency fluctuations has increased with the acquisition of businesses in mainland Europe and Norway in the last two years. The Group's policy is to eliminate currency exposure by the use of forward currency contracts and foreign currency borrowings as a natural hedge against foreign investment value.



**Mike Reynolds**  
Finance Director

**Credit risk**

The objective is to reduce the risk of loss arising from default by parties to financial transactions across an approved list of counterparties of high credit quality. The Group's position with these counterparties and their credit ratings are routinely monitored, however, as highlighted by the global financial crisis there is the risk of sudden and unexpected changes in circumstances.

The Group mitigates the risk of losses on transactions with trade receivables by credit agency checks and credit insurance wherever possible.

On behalf of the Board

**Mike Reynolds**  
Finance Director

**Mark Lejman**  
Chief Executive



**Top left**  
Crane testing in Aberdeen

**Left**  
Rail-track repair engineers in high-viz specialist workwear

**This page**  
Specialist workwear for the emergency services

# Our responsibilities

## How we conduct our business responsibly.

### Our people

It comes as no surprise for a marine safety business that in our latest survey, our people gave the highest ratings for having pride in quality and service levels, job satisfaction and the quality of our teamwork. Indeed, our ethos is one in which we methodically and expertly strive to deliver failsafe solutions to protect the lives of those who operate in hostile environments. This value set informs all our human resources policies and gives us a framework for achieving our business objectives through our people.

### Our workforce – key statistics

Having pursued our core business driver of focusing on marine safety, we have progressively built up our human resources in this sector through both organic growth and acquisition, whilst disposing of non-core activity. This is reflected in our headcount, which in our Marine Safety Division has risen from 430 in 2006 to just over 900 at the end of 2008. The acquired businesses have enriched and broadened the range of technical and operational skills at our disposal. They have all been, and remain successful and well-respected enterprises in their own right. As such our core business retains the loyalty and commitment of all those whose companies have recently joined Cosalt, and we are able to share our diverse know-how and cultures to the benefit of all. This is perhaps reflected in our relatively low voluntary labour turnover, of below 20% per annum.

### Diversity

The very nature of our marine safety business requires us to serve our customers wherever they are. We have made good progress in developing a presence in principal ports across the UK and Continental Europe and have adopted the approach of 'if it ain't broke, don't fix it'. At each location there is a unique culture; there are core themes such as a shared commitment to quality and safety, and a meticulous and informed approach to the way we deliver our products and services. There are also subtly diverse styles which reflect our locations, their nationalities and their customers. Our aim is to ensure that we capitalise on the opportunities that having a diverse workforce offers us. Our workforces reflect the diversity of the location as we enforce a non-discriminatory recruitment policy and monitor closely our ethnic diversity.

### Recruitment

The bulk of our recruitment activity has always been to ensure that we are served by the most technically able, whether it be service engineers or sales and service staff. However, the composition of our workforce has changed to reflect the broadening nature of our work, and our emphasis has recently been to extend our competence at middle and senior management levels to bolster our capabilities in a period of rapid growth. This has been most evident in our Finance and Operations teams, where we have invested strongly. Our aim is to provide fulfilling and enriching careers and to support this we have been able to offer individuals far greater opportunities for personal development and growth.

### Development & training and employee engagement

At a time of rapid growth we have recognised the need to track the capabilities and development areas of our people to ensure that we can deliver on our promises to our customers. Our Personal Development Planning processes have been overhauled and now pervade the way we go about managing our people. Our recent survey showed that our people strongly share a clarity of precisely what is expected of them in their job roles, and this has been fostered by an open and involving management style in which objectives are discussed and agreed.

In support of this we are building our capability to deliver a comprehensive range of employee development programmes, from compliance training for our engineers, through intensive health and safety qualifications for our line managers to advanced sales training. As the vanguard of our initiatives in the marine safety sector we have established Cosalt Compliance, a new division within Cosalt which specialises on the delivery of technical excellence to our customers in both off- and on-shore marine environments. To this end we have recently attracted people with the requisite technical skills from both within and outside our businesses to provide leading-edge practical safety and operational solutions in what is a highly regulated environment. This further enriches the opportunities for career advancement within our business.

### Environment

Caring for the environment is an integral part of our business strategy. We endeavour to achieve a high standard of environmental performance and to make a positive contribution to society through our products.

Our policy is to:

- Comply with environmental legislation, regulations and other codes of practice (such as industry initiatives) adopted by the company and plan ahead for future requirements;
- Monitor, evaluate and continuously improve environmental performance;
- Respond to the needs and concerns of local communities;
- Strive towards sustainability, balancing today's needs with those of the future;
- Improve employee awareness of environmental issues and encourage the sharing of experience and expertise amongst our businesses;
- Minimise any adverse environmental impacts of the company's activities;
- Aim to conserve resources by reducing waste and by recycling of materials wherever this is appropriate and economically practicable.

This policy is intended to provide the framework for setting and reviewing environmental objectives and targets. It is applied as the minimum standard across our business. Where businesses identify a need for additional, more stretching requirements, they are encouraged to build upon this policy. This helps us to maintain standards without restricting the development of any division.

### Social and Community

The Group's businesses support a range of charitable and community projects consistent with the Company's interests.

Cosalt has conducted business in Grimsby since its formation in 1873. In recognition of that and in order to assist the local community, a local education project, the Havelock Academy, is sponsored by David Ross, a Non executive Director of Cosalt plc.

### Health and Safety

This Policy is applicable to all Divisions and locations of Cosalt plc.

The statement will be complemented by further Divisional Health and Safety Policy Statements and Divisional arrangements for Health and Safety.

The Company is committed to providing and maintaining a working environment and practices which are safe, without risk to health and afford due consideration to the welfare of employees and other persons who are or may be affected by Company activities.

The Company Policy will be implemented through: Ensuring that Divisional Health and Safety Policy and Arrangements for Health and Safety are in place, communicated, understood and implemented effectively.

Provision and maintenance of safe work locations, facilities, plant and equipment.

Ensuring that a safe working environment and safe systems of work are in place.

Ensuring the provision of adequate training, instruction and supervision for all employees in respect of Health, Safety, Welfare and general systems of work.

Ensuring controlled safe practices are in use for the handling, storage, processing and movement of materials and goods.

Periodic review of policy, procedures, practices and statistics to ensure acceptable standards are maintained and to further reduce Health, Safety and Welfare risks where appropriate.

Compliance with relevant Health, Safety and Welfare Legislation and Codes of Practice.

All employees are reminded that their co-operation in achieving the objectives of this and other Divisional policies for Health and Safety is essential and that there are legal obligations on them.

The Board of Directors shall appoint a Company Health and Safety Manager to assist Divisional Management with the implementation of this Policy and to report upon its effectiveness.

The Board of Directors shall consider on a regular basis the implementation of this Policy and any other Health and Safety matters as may be brought to their attention. Where deemed necessary, the Board of Directors shall instigate appropriate corrective actions through Divisional and/or Safety Management and shall further ensure that such actions are effective.

# Board of Directors

## David Hobdley BSc FCA\*\*†

### Chairman

David joined the Board on 23 September 2002 and was appointed as interim Chairman on 12 December 2008. He is a Chartered Accountant with a strong background in Corporate Finance gained from Henry Cooke Group, Hambros Bank and latterly as a Corporate Finance Partner with Brown Butler, a Leeds based firm of chartered accountants. David has also worked in industry and holds a number of private company directorships in addition to his role at Cosalt.

## Mark Lejman

### Chief Executive

Mark Lejman joined the Board as Chief Executive on 1 June 2008 and has a wealth of experience gained from an international industrial career spanning more than 30 years and in markets as diverse as Russia, China and Canada. He was formerly at The Morgan Crucible Co PLC as a Director and CEO of its Carbon Division where, between 2004 and earlier this year, he was instrumental in refocusing the group and building its presence in new growth market sectors.

From 1978 to 1998 he was at Courtaulds PLC where he held a number of senior management positions, latterly as CEO of its Tencel premium fibres division. In 1998, he was part of the team that led the management buy-out of Tencel from Akzo Nobel, which had acquired Courtaulds that year. At Acordis Group, as Tencel became known, he was CEO of the group's Cellulosic Fibres division and played a key role in both the successful growth and eventual sale of the group in 2004. Mark is also a Non executive Director at Delta PLC and Berkshire East NHS Trust.

## Mike Reynolds BSC ACA

### Group Financial Director

Mike joined Cosalt plc on 11 August 2008 as Finance Director. Mike was formerly at CAPE plc from 1991 to 2008, latterly as Group Finance Director, where he played a key role in their acquisition programme. He qualified as a Chartered Accountant with Arthur Andersen & Co in 1983.

## Neil Carrick FCA

### Group Company Secretary

Neil joined Cosalt Plc in 1995 as Company Secretary and was appointed Finance Director in 1996. In August 2008 he took on the combined roles of Group Company Secretary and Business Development Director. Prior to this between 1989 and 1995 he was Group Financial Controller and Company Secretary of William Cook Plc. He qualified as a Chartered Accountant with Price Waterhouse in 1985.

## David Ross ACA\*

### Non executive Director

David joined the Board on 12 April 2005. A Chartered Accountant, he was Chief Operating Officer of Carphone Warehouse between 1990 and July 2003 with responsibility for its activities in mainland Europe. He is the main sponsor for Havelock Academy in Grimsby.

## John Kelly RD LLB FCA\*\*†

### Non executive Director

John joined the Board in 1986 and was Chairman from August 2005 until June 2008. He is a Director within CBPE Capital (the former private equity arm of Close Brothers Group). His previous experience includes serving for over 20 years as a director with investment banks, Brown Shipley and Close Brothers, specialising in corporate finance. He also has experience in the food industry and stockbroking and currently is a Non executive Director of Clugston Group Limited.

## Matthew Peacock LLM\*

### Non executive Director

Matthew joined the Board on 27 March 2007. He is the founding partner of Hanover Investors Management LLP. He has led investments for over sixteen years in, amongst other sectors, manufacturing, outsourced business services, chemicals, financial services, textiles and logistics.

Prior to this, he ran the international M&A team in London at BZW, having started his career at Credit Suisse First Boston, in New York. He holds an LLM from Cambridge University. He currently is Non executive Chairman of Renold plc and Fairpoint Group Plc and is a Non executive Director of STV Group Plc.

## Rod Powell BSc CEng FCMA\*\*†

### Non executive Director

Rod joined the Board on 2 July 2007. He has industrial expertise in general management, operations and sales in senior positions with a range of companies including Invensys, ICL and Texas Instruments. At Invensys, Rod was chief executive of the \$3 billion controls division. He is a Non executive Director of Hanover Investors, Renold PLC, and Dust Networks Inc.

## Yarom Ophir\*

### Non executive Director

Yarom joined the Board on 3 June 2008. He resides in Geneva where he is the Managing Director of Katana SA, a document management company, he is also a Director of Societe Immobiliere IMS SA and Soverino Real Estate Management SA, both commercial real estate businesses, and on the board of International Maritime Services SA.

Yarom served, until recently, on the board of Bank of New York-Inter Maritime Bank, Geneva, a fully authorized Swiss bank. Yarom's experience also extends to diversified investment management through his directorship of Sovereign Holding Limited.

Yarom was schooled in Geneva and graduated with a BSc in Business Administration from Boston University's School of Management in 1997. He then worked as a trainee auditor at PwC in New York.

\* Member of Audit Committee

† Member of Remuneration Committee

‡ Member of Nomination Committee

## Directors' report

The Directors present their report with the accounts for the 52 weeks ended 26 October 2008.

### Business review

The results for the year to 26 October 2008 reflect strong trading from acquisitions made in Offshore. Further details can be found in the Business review on pages 10 to 27 including key performance indicators on page 14.

Revenue increased by 57% from £66.9 million to £105 million and profit before taxation and special items on continuing operations improved 252% from £2.7 million to £9.5 million.

The profit on continuing operations after tax, financing costs and special items was £0.6 million. Losses relating to the discontinued operations of Holiday Homes and Banner amounted to £25.5 million resulting in a statutory loss for the period of £24.8 million.

### Dividends

The dividends paid are set out in note 10 on page 56.

### Fixed assets

In note 14 on page 58 information is provided on assets used by the Group which are subject to lease agreements.

Investment properties are stated at fair value after undertaking professional valuations.

### Share and loan capital

Details of changes in share capital are shown in note 23 on page 65.

As at 26 February 2009 the Company had 26,403,397 ordinary shares of 25p each in issue. Save for the treasury shares and some shares held under the Performance Share Plan these ordinary shares carry equal rights to dividends, voting and return of capital on the winding up of the Company. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights other than those prescribed by law, nor is the Company aware of any arrangement between holders of its shares which may result in restrictions of the transfer of securities or voting rights.

Details of outstanding awards under the Cosalt Plc Share Option Scheme and the Performance Share Plan are set out within the Remuneration Committee Report on page 34. The scheme purchases shares to be granted to Senior Directors and Senior Executives subject to the achievement of performance targets. At 26 February 2009 the schemes held 105,273 ordinary shares in the company. No dividends are payable on these shares until they vest.

As at 26 February 2009 a Trust held 27,436 of the 50,250 issued unquoted 7.50% preference shares in the Company. The rights attached to these shares are as follows:

- (i) in priority to ordinary shareholders, to a fixed cumulative preference dividend at a rate of 7.50% per annum;
- (ii) on a return of capital on a winding up, will carry the right to repayment of capital together with a sum equal to any arrears of dividend in priority to the rights of ordinary shareholders;
- (iii) to attend and vote at a general meeting of the Company only in certain limited circumstances where the special rights attaching to these shares might be varied or their interest affected.

### Articles of Association

The Company's Articles of Association give powers to the Board to appoint Directors. Specific rules regarding the re-election of the Directors are set out in the Corporate Governance report on pages 35 to 38.

The Board of Directors may exercise all powers of the Company subject to the provisions or relevant statutes and the Company's Memorandum and Articles of Association. These include specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are included in the Articles of Association and such authorities are renewed by shareholders each year at the Annual General Meeting.

The Articles of Association may be amended by Special Resolution of the shareholders.

As permitted by the Companies Act 2006, the Company has indemnified each of the Directors.

### Directors

The membership of the Board is shown on page 28.

Mr J A B Kelly retires in accordance with the Combined Code as he has been a Non executive Director of the Company for over nine years and being eligible, offers himself for re-election. He does not have a Service Contract with the Company.

Mr N R Carrick retires by rotation and being eligible, offers himself for re-election.

Mr M Lejman having been appointed as a Director since the last Annual General Meeting offers himself for re-election.

Mr M T Reynolds having been appointed as a Director since the last Annual General Meeting offers himself for re-election.

Mr Y Ophir having been appointed as a Non executive Director since the last annual General meeting offers himself for re-election.

Mr N R Carrick, Mr M Lejman and Mr M T Reynolds have rolling Service Contracts with Cosalt plc which are terminable upon one year's notice.

## Directors' report

continued

### Directors' interests

The Directors' interests in the share capital of the Company, as defined by the Companies Act 1985, on the relevant dates were:

Ordinary Shares	28 Oct 2007	26 Oct 2008	26 Feb 2009
D P J Ross	3,989,296	3,989,296	3,989,296
M R Peacock	3,565,453	2,907,953	2,907,953
R H E Powell	5,000	5,000	5,000
J A B Kelly	9,241	11,241	13,241
Non-beneficial	2,000	2,000	2,000
N R Carrick	2,067	2,067	2,067
D W Hobdey	1,521	1,521	1,521
M Lejman	–	36,425	36,425
M R Reynolds	–	–	–
Y Ophir	–	–	–

All shareholdings are beneficial unless otherwise stated.

Details of Directors' options may also be found in the report by the Remuneration Committee on page 34.

### Substantial shareholdings

At 26 February 2009 HSBC Global Custody Nominees Limited holds 5,888,569 (22.30%) ordinary shares. The Rappaport family Trusts controls the exercise of the voting power relating to these interests, Mr D P J Ross (Director) holds 3,989,296 (15.11%) ordinary shares, Hanover Investors Limited holds 2,907,953 (11.01%) ordinary shares, Aberdeen Asset Management holds 1,192,658 (4.52%) ordinary shares, the Melville family holds 2,586,916 (9.80%) ordinary shares and Henderson Global Investors holds 805,286 (3.05%) ordinary shares.

### Other shareholdings

Mr F W Wood and Mr N R Carrick are trustees of a Trust which has powers to acquire 7.50% preference shares of the Company. These shares, of which there are 50,250 in issue, are unquoted. At 26 February 2009 the Trust has acquired a total of 27,436 and will continue to acquire these shares as and when they are offered.

### Community support and charitable donations

Charitable donations made by the Group during the year amounted to £13,000.

### Employees

Details of the number of Employees by business are shown in note 8 on page 54.

By various means, efforts are made to encourage Employee involvement in the Group and to disseminate information to increase awareness of its activities and the decisions taken which affect Employees' interests.

The Group has for many years employed disabled persons whenever appropriate and has made special efforts in respect of existing Employees who have become disabled during their service. Full consideration is given to the career development of such individuals.

### Supplier payment policy

It is the policy of the Company and its UK subsidiaries to establish terms of payment with suppliers when agreeing the terms of business.

The aim is to despatch cheques to settle undisputed accounts on the due date, or where other means of payment are used, to deliver funds as if payment had been made by cheque.

The number of days' purchases outstanding at the end of the financial year was 97 days for the Group and 75 days for the Company.

### Forward-looking statements

This Annual Report may contain forward-looking statements based on current expectations of, and assumptions and forecast made by, Group management. Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual future results, financial situation development or performance of the Group and the estimates and historical results given herein. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

### Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Auditors

The Auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their appointment will be proposed at the Annual General Meeting.

By order of the Board

### N R Carrick

Secretary  
Fish Dock Road, Grimsby  
26 February 2009

## Remuneration Committee report to the Members of Cosalt plc

The parts of this report which are subject to audit are indicated with an asterisk.

### Remuneration Committee

The Remuneration Committee consists of Mr Hobday, Mr Kelly and is chaired by Mr Powell. The Committee met three times during the year with all Committee Members in attendance. The Committee determines the remuneration of Parent Board Directors and Senior Executives and makes recommendations to the main Board in connection with the various Share Option Schemes. In framing its remuneration policy, the Committee has given full consideration to Section B of the Combined Code and the report has been prepared in accordance with the Directors' Remuneration Regulations 2002. As required by these Regulations, a resolution to approve the report will be proposed at the Annual General Meeting.

### Remuneration policy

#### Basic policy

The remuneration policy is designed to attract, retain and incentivise Senior Executives with the appropriate managerial and professional expertise to realise the Group's business objectives.

Remuneration packages consist of fixed elements of basic salary, pension entitlements and benefits in kind, typically a car or car allowance and private health insurance, plus performance related elements being an annual cash bonus scheme linked to Group or individual business performance and personal objectives and participation in the Performance Share Plan.

The Remuneration Committee in setting basic salaries and fees has used market data on remuneration levels in companies which it considers to be comparable in the broad business sectors in which the Group operates and by reference to market capitalisation and annual turnover.

The remuneration of the Chairman is determined in his absence by the Remuneration Committee after consultation with the Chief Executive Officer and reflects the nature and extent of his part-time responsibilities.

The fees of Non executive Directors are determined by the Board with individual Non executive Directors abstaining from voting.

Bonus payments and benefits do not form part of pensionable salary.

### Annual performance related bonus scheme

Performance payments are based upon a combination of profit and working capital targets linked to base salaries. Targets are agreed each year with the Remuneration Committee.

### Share options

Two Executive Share Option Schemes and Long Term Incentive Plans were set up in January 1997. The Committee had made regular awards of options to Executive Directors and other Senior Executives. The schemes expired in February 2007 and no further options will be issued under the schemes.

Performance criteria have been attached to all options granted under these schemes. Options will not be exercisable until the Company's earnings per share have grown by 2% per annum above the Retail Price Index, over a rolling three-year period.

A deferred bonus plan involving the issue of matching shares to Executives was introduced in March 2006, but so far no awards have been made under this Scheme.

A Performance Share Plan was introduced following approval by Shareholders at the AGM in March 2007. It provides for awards of either nil (or nominal) cost share options or restricted shares. Two awards of restricted shares were made in the previous year but both awards have now lapsed. Awards of nil cost options were made during the year to Parent Board Directors and Senior Executives. The remuneration committee set a performance target in respect of these options over a fixed 3 year period ending in October 2011 that the annual adjusted EPS must increase by 5% plus RPI per annum for 25% of the award to vest and at 13% plus RPI per annum for 100% of the award to vest with a sliding scale operating in between these two levels.

## Remuneration Committee report to the Members of Cosalt plc

continued

### Directors' remuneration\*

The remuneration of the individual Directors is set out below:

	Salary £000	Performance related bonus £000	Taxable benefits £000	Termination payments £000	Fees £000	2008 Total £000	2007 Total £000
F W Wood*	56	–	10	–	–	66	94
N R Carrick	145	–	22	–	–	167	201
P A Jonsson**	128	–	–	240	–	368	240
J A B Kelly	–	–	–	–	50	50	65
D W Hobdey	–	–	–	–	30	30	30
D P J Ross	–	–	–	–	28	28	28
M R Peacock	–	–	–	–	28	28	16
R H E Powell	–	–	–	–	30	30	9
M Lejman***	115	–	–	–	–	115	–
Y Ophir****	–	–	–	–	11	11	–
M R Reynolds*****	59	–	–	–	–	59	–

\* Resigned 19 March 2008

\*\* Resigned 1 June 2008

\*\*\* Appointed 1 June 2008

\*\*\*\* Appointed 3 June 2008

\*\*\*\*\* Appointed 11 August 2008

Mr Jonsson is the highest paid Director. Total remuneration, including pension contributions of £19,000 (2007: £15,000), amounted to £387,000 (2007: £255,000).

During the period Mr Carrick exercised 23,235 share options and Mr Wood exercised 29,801 share options giving gains of £30,206 and £38,741 respectively.

£38,000 (2007:£65,000) of Mr Kelly's remuneration for 2008 relates to his services as Chairman. £12,000 of Mr Ross's remuneration for 2008 relates to his services as Chairman.

Mr Wood retired as a director at the conclusion of the Annual General Meeting in March 2008, after which he became a consultant to the Company receiving fees of £40,000 per annum until February 2011.

### Pension rights\*

Messrs Wood and Carrick participated in the Group's Defined Benefits Pension Scheme on the same terms as other Executives and Staff until its closure to future accrual on 31 December 2006.

Pension entitlements and corresponding transfer value changes during the year of the Executive Directors who were Members of the Defined Benefit Scheme were as follows:

	Accrued pension at 26 Oct 07 £pa	Accrued pension at 26 Oct 08 £pa	Increase in accrued Pension £pa	Transfer value at 26 Oct 08 £	Transfer value at 28 Oct 07 £	Changes in transfer value over the year less Director's contributions £
F W Wood**	96,295	100,079	29	1,460,181	1,991,282	(531,101)
N R Carrick*	18,634	19,368	7	194,256	320,877	(126,621)

\* The GN11 transfer values for N R Carrick include the value of transferred in benefits from previous schemes. These amounts are not included within the accrued pension.

\*\* FW Wood retired from the scheme as at 31 December 2007. As such the above figures for Mr Wood are as at 31 December 2007 and not at 26 October 2008 as indicated.

The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors such as stock market movements and gilt yields.

The GN11 transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme. The Trustees are currently reducing any transfer values from the Scheme due to the Scheme deficit based upon actuarial calculations.

Messrs Jonsson and Carrick received a contribution of 7% of their salary per annum to a personal pension arrangement. Messrs Lejman and Reynolds received 12% of their salary per annum to a personal pension arrangement.

### Performance graph

The following graph shows the Company's performance, measured by total shareholder return (TSR) compared with the performance of the FTSE All Share Index also measured by TSR. TSR is defined as share growth and reinvested dividend. The FTSE All Share Index has been selected for comparison as it represents a broad equity index without the inherent volatility of the FTSE Fledgling Index.



## Remuneration Committee report to the Members of Cosalt plc

continued

### Executive Share Option Scheme\*

Messrs Jonsson, Wood and Carrick had the following options under the 1987 and 1996 Executive Share Option Schemes:

Name	At 28 Oct 07**	Number of Options Granted	Number of Options During the Year Exercised	Lapsed**	At 26 Oct 08**	Exercise price**	Date from which exercisable	Expiry date
F W Wood	29,801	–	29,801	–	–	220p	26.04.04*	25.04.08
	20,204	–	–	20,204	–	287p	28.06.05*	27.06.09
	11,458	–	–	11,458	–	343p	04.08.06*	03.08.10
	8,746	–	–	8,746	–	343p	04.08.06*	03.08.13
	20,204	–	–	20,204	–	306p	01.07.07*	30.06.11
	26,770	–	–	26,770	–	266p	01.08.08*	31.07.12
	117,183	–	29,801	87,382	–			
N R Carrick	23,235	–	23,235	–	–	220p	26.04.04*	25.04.08
	20,204	–	–	–	20,204	287p	28.06.05*	27.06.09
	20,131	–	–	–	20,131	343p	04.08.06*	03.08.10
	73	–	–	–	73	343p	04.08.06*	03.08.13
	20,204	–	–	–	20,204	306p	01.07.07*	30.06.11
	26,770	–	–	–	26,770	266p	01.08.08*	31.07.12
	110,617	–	23,235	–	87,382			
P A Jonsson	–	10,378	–	10,378	–	289p	01.08.09*	31.07.16
	–	90,642	–	90,642	–	289p	01.08.09*	31.07.13
	–	101,020	–	101,020	–			

\* Performance criteria must be met before exercise.

\*\*Shares under option and price adjusted for the effects of the placing and open offer on 12 October 2007 in accordance with Scheme rules.

### Performance Share Plan\*

Name	Date of grant	Restricted shares granted	Nil cost options granted	Lapsed	At 26 Oct 2008	Market price at grant	Date shares vest*
P Jonsson	16.04.2007	55,458	–	(55,458)	–	379p	16.04.2010
M Lejman	27.07.2008		210,084	–	210,084	243p	31.10.2010
N R Carrick	27.07.2008		60,924	–	60,924	243p	31.10.2010
M Reynolds	13.08.2008		91,768	–	91,768	244.5p	31.10.2010

The market price of the shares at 26 October 2008 was 183p and the range during the year was 183p to 381p.

The report was approved by the Board of Directors on 26 February 2009 and has been signed on its behalf by:

#### N R Carrick

Secretary  
26 February 2009

## Corporate governance report

This report explains the Board's application of the Principles of Good Governance contained in the Combined Code on Corporate Governance.

In this report the Board has adopted the 'comply or explain' principle, and explains where the Group does not fully comply with the recommendations, giving reasons for such non-compliance.

### The Board

The Board consists of three Executive and six Non executive Directors and the role of Chairman and Chief Executive are clearly defined and separate. Mr Hobdey is the senior independent Non executive Director.

In accordance with the Articles of Association one-third of the Board is required to retire by rotation each year. In addition any Director appointed during the year will stand for re-election at the next Annual General Meeting. One of the Non executive Directors, John Kelly, will be standing for re-election on an annual basis to comply with the Revised Combined Code as he has been a member of the Board for over nine years. The Board recommends Shareholders to vote in favour of Mr Kelly's re-election as he continues to provide valuable experience and insight for the benefit of the Company, particularly from his own area of expertise. As a result of the formal evaluation procedure undertaken this year the Board is of the view Mr Kelly remains effective and committed to his role on the Board and its Committees. The Directors are of the view that Mr Kelly continues to be independent notwithstanding his service of more than nine years as he has no business or other relationship with the Company or Management which in any way affects his independence and he remains robustly independent of thought, expression and judgement. Similarly although Messrs Peacock and Powell, by virtue of their connection to Hanover Investors Limited, Mr Ophir by his connection to the Rappaport family and Mr Ross are significant Shareholders, due to their substantial investments and involvement in other companies the Board believes they are still able to exercise independent judgement. The Board considers Mr Hobdey to be independent.

The Board is responsible to Shareholders for the proper management of the Group and for the Group's system of corporate governance. It reviews trading performance forecasts and strategy and agrees future plans. The Non executive Chairman, David Hobdey, is responsible for the running of the Board. Executive responsibility for the running of the Company's business rests with three Executive Directors, Mark Lejman, Mike Reynolds and Neil Carrick. The Directors are provided with regular information on the Company's performance and activities and meet on a regular basis. Meetings include a formal schedule of matters specifically reserved for the Board's decision and additional meetings are arranged as necessary.

The Board met 15 times during the year and all of the meetings were attended by all Directors, with the exception of Mr Peacock who did not attend four meetings and Messrs Hobdey, Ross, Kelly and Powell who did not attend one meeting. Messrs Lejman, Ophir and Reynolds joined the Board on 1 June 2008, 3 June 2008 and 11 August 2008 respectively. The Non executive Directors periodically visit different parts of the Group and meet the local Management.

Through this procedure the Board is able to retain full control of the Group, determining strategy and monitoring performance of objectives and compliance with policies. Directors have access to the advice and services of the Company Secretary and may take independent professional advice if necessary, at the Company's expense. Appropriate training is available for all Directors as required. Executive and Non executive Directors are formally appointed by the Board as a whole on recommendation from the Nominations Committee. Whilst Non executive Directors have not been appointed for a specific term, their re-election is, along with all other Directors, submitted to the Shareholders in General Meeting on a rotational basis at least once every three years and at the first opportunity after their initial appointment. Non executive Directors do not benefit from share options or pension provisions.

### Board evaluation

The Board conducted a formal evaluation of its own performance and that of its Committees and individual Directors during the year. The evaluation consisted of questionnaires. All Directors, excluding the Chairman, took part in the evaluation of the Chairman.

All necessary actions will be implemented following the Board appraisal of the review findings.

### Board Committees

The Audit Committee of the Board is chaired by Mr Hobdey and is constituted by the six Non executive Directors.

The Audit Committee has written terms of reference which are available from the Company Secretary on request. Its main responsibilities are to review the financial statements integrity and announcements relating to the Group's performance and review the scope and findings of the Group's external Auditors and the Group's accounting controls and procedures through regular monitoring and a programme of internal audit reviews of controls of operating units. The Committee is also responsible for making recommendations to the Board in relation to the appointment of the external Auditor. During the financial year the Committee has reviewed the effectiveness of the external audit process and the audit strategy proposed by KPMG Audit Plc.

## Corporate governance report continued

The Committee has met with the external Auditors to review their independence procedures and received a letter from KPMG Audit Plc confirming that, in their opinion, they remained independent. The Committee has also reviewed the expertise, resources and qualifications of the external Auditor and approved the proposed audit fee for the 2008 audit. The Group also uses KPMG for non audit work, principally tax advice and due diligence, but the Committee and Board do not feel this undermines the Auditors' independence at all, and the cost benefits in terms of the Auditors' knowledge of the Group's businesses is significant. This balance remains under ongoing review by the Audit Committee. The Committee has recommended to the Board that it proposes to Shareholders that KPMG Audit Plc continue as the Company's external Auditor and a resolution to that effect is included in the notice of meeting for this year's Annual General Meeting. The Committee met prior to the Board Meeting at which the interim financial statements and the Annual Report and accounts were approved.

The Committee considered reports from the external Auditor, the internal audit function and the status of the Group's risk management and reporting processes in addition to the accounting policies and financial reporting issues and judgements.

The Committee is also charged with reviewing arrangements by which Staff may, in confidence, raise concerns about possible issues or improprieties with regard to financial reporting and in this regard the head of the Internal Audit function reports directly to the Chairman of the Audit Committee.

The Committee met twice during the year and the meetings were attended by all of the Members of the Committee. All Members were provided with reports in advance on which they were able to ask questions before the meetings.

The Remuneration Committee consists of Mr Powell as Chairman and Messrs Kelly and Hobdey. It determines the remuneration of Parent Board Directors and Senior Executives and makes recommendations to the Main Board in connection with the Performance Share Scheme. The Remuneration report is set out on pages 31 to 34.

The Nominations Committee consists of Mr Kelly as Chairman and Messrs Powell and Hobdey. The Committee met six times during the year and makes recommendations to the Board on Directors' appointments.

### Internal controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate risks and therefore can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has formally implemented a process to identify, evaluate and manage the Group's significant risks. The principal elements of the internal control system which accord with the Turnbull guidance and were in force throughout the period covered by the financial statements and to the date of signing the accounts are described below.

The Board has put in place an organisational structure where operating and restricted financial responsibility is clearly delegated to the divisional Management. This allows the Group to obtain maximum benefit from their skill in the relevant business sector. Identification and assessment of the risks inherent in each operating unit is carried out annually by means of a risk workshop incorporating a broad cross section of Management. Management have identified appropriate risk Management responses to the key risks generated by this exercise. Business risks are monitored at the monthly Management meetings of the operating units which are usually attended by the Chief Executive Officer and Finance Director. The Board reviews a report summarising the risks for each operating unit and the Group as a whole.

The Group operates a comprehensive budgeting and financial reporting system. Annual budgets are approved by the Board and actual results are formally reviewed against budget and the prior year every month. Divisional Management report monthly to the Board on their performance and any significant variances from budget and make revisions to forecasts as appropriate. Borrowings are controlled centrally and cash projections are prepared and monitored on a daily basis, if required, to ensure that the Group has adequate funds and resources for the foreseeable future.

Procedures and authorisation levels for all expenditure incurred throughout the Group have been defined. Capital expenditure in excess of £100,000 and all acquisitions are appraised and authorised by the Board.

There is a rolling programme of internal audit reviews of operating units which are documented and any significant findings or risks reported to the Audit Committee and appropriate action taken. The external Auditors, in carrying out their work in order to express an opinion on the financial statements, review and test the systems of internal financial control and the information contained in the financial statements. They report on weaknesses found when meeting with the Audit Committee.

### Going concern

The Group refinanced in August 2008 with its bankers and obtained unsecured total facilities of £34 million for a three year period. The additional facilities secured were used to finance the acquisition in August 2008 of Myhre-Maritime A/S, a company based in Norway (see note 28 on page 70). This acquisition, which resulted in a £10.6 million cash outflow, was an integral part of the Group's strategy of building a leading global business in the Safety and Protection markets serving the Marine Oil and Gas sectors.

At the same time, following the disposal of Banner in March 2008, the Group continued its strategy of disposing of non-core businesses with the progression of the sale of the remaining discontinued non-core Holiday Homes business.

During the late summer, as the global credit crisis intensified, these adverse market conditions resulted in adverse cash outflows from trading within the Holiday Homes business and a material reduction in the expected sale proceeds. The sale was finally completed on 25 October 2008. These negative cash flows were significantly in excess of those planned when the forecasts were put together in August 2008 to support the refinancing and the acquisition of Myhre-Maritime A/S.

The performance of the underlying business remained good, however the above factors led to a significant reduction in headroom on the facilities available to the Group and the need for additional funding. Consequently, the Directors sought additional facilities of £5 million from their bankers which were approved by their Credit Committees in the week ended 21 February 2009. The total bank facilities of £39 million will now be fully secured over the assets of the Group.

As part of their negotiations a share in the security over the assets will be given to the Trustees of the Cosalt plc Retirement Benefit Plan.

The bank facilities include the following:

- a £19,900,000 Revolving Credit facility with a maturity date of February 2012;
- a £13,100,000 Term Loan facility with the first repayment of £3 million in October 2009 and the final repayment in February 2012; and
- a 364 Day Credit facility of £6 million.

The Directors anticipate that on expiry of the 364 Day Credit facility in the next 12 months, these facilities will be extended or renegotiated, or that alternative or additional funding will be secured.

Having considered these facilities, and reviewed the profit and cash forecasts of the Group with appropriate sensitivities around operational performance the Directors are satisfied that the Group has sufficient funds for the foreseeable future and therefore the going concern basis of preparation of the financial statements remains appropriate.

### Relations with Shareholders

The Company, principally through the Chief Executive Officer and Finance Director, maintains a regular dialogue with institutional Shareholders and financial analysts, particularly following the interim and preliminary results announcements. The Chairman makes himself available for these regular investor meetings if requested to do so. The Non executive Directors and the remainder of the Board are kept informed of the view of Shareholders by regular reports from the Chief Executive Officer and Finance Director and independent feedback reports from brokers and the Group's financial PR Company. They also receive copies of independent research and brokers notes when published. The Company's Annual General Meeting is used as the main opportunity for the Directors to communicate with private investors. The Group maintains a website which gives additional information for Shareholders. At the Annual General Meeting in March 2008 the Chairman indicated the level of proxies received on all the resolutions following the vote by the meeting.

### Statement of Compliance with the Combined Code

The Directors believe the Company has complied with the provisions set out in Section 1 of the Combined Code.

### Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

## Corporate governance report

continued

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors' are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The Directors' are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, who are named on page 28 in the Board of Directors confirm that, to the best of each persons' knowledge and belief:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

### D W Hobdey

Chairman

26 February 2009

## Independent Auditors' report to the Members of Cosalt plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Cosalt plc for the 52 week period ended 26 October 2008 which comprise the Consolidated income statement, the Consolidated and Parent Company balance sheets, the Consolidated cash flow statement, the Consolidated statement of recognised income and expense, the Parent Company reconciliation of movement in Shareholders' funds 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.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements and the Directors' remuneration report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities on page 37.

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).

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, as regards the Group financial statements, Article 4 of the IAS Regulation. We also 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 Business review and Financial review sections that are cross-referred from the Business review section of the Directors' report.

In addition we 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 2006 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 the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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 EU, of the state of the Group's affairs as at 26 October 2008 and of its loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 26 October 2008;
- the Parent Company 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
- the information given in the Directors' report is consistent with the financial statements.

### KPMG Audit Plc

Registered Auditor  
Chartered Accountants  
Leeds

26 February 2009

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

	Notes	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	Before special items 52 weeks ended 28 Oct 2007† £000	Special items 52 weeks ended 28 Oct 2007† £000	After special items 52 weeks ended 28 Oct 2007† £000
<b>Revenue</b>	2	<b>105,007</b>	–	<b>105,007</b>	66,906	–	66,906
<b>Operating profit</b>	3	<b>9,498</b>	<b>(5,025)</b>	<b>4,473</b>	2,700	(915)	1,785
Financial income	7	89	–	89	101	–	101
Financing costs	6	(2,354)	(718)	(3,072)	(1,833)	–	(1,833)
<b>Profit before taxation</b>		<b>7,233</b>	<b>(5,743)</b>	<b>1,490</b>	968	(915)	53
Income tax expenses	9	(1,347)	476	(871)	(707)	171	(536)
<b>Profit/(loss) from continuing operations</b>		<b>5,886</b>	<b>(5,267)</b>	<b>619</b>	261	(744)	(483)
Post-tax (loss)/profit of discontinued operations	5	(25,461)	–	(25,461)	1,455	596	2,051
<b>(Loss)/profit for the financial period</b>	24	<b>(19,575)</b>	<b>(5,267)</b>	<b>(24,842)</b>	1,716	(148)	1,568
Earnings per share – total operations	11						
Basic		(77.77)p	–	(98.70)p	11.59p	–	10.59p
Diluted		(77.77)p	–	(98.70)p	11.53p	–	10.53p
Earnings per share – continuing operations							
Basic		23.38p	–	2.46p	1.76p	–	(3.26)p
Diluted		23.36p	–	2.46p	1.75p	–	(3.26)p

\* Special items relate to gains and losses on disposal of surplus properties and revaluation of investment properties, amortisation of acquisition intangibles, and exceptional costs relating to reorganisation, redundancy, rebranding and abortive acquisitions.

† Restated for discontinued activities.

## Consolidated balance sheet as at 26 October 2008

	Notes	As at 26 Oct 08 £000	Restated As at 28 Oct 07 <sup>†</sup> £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets – goodwill	13	33,059	26,980
Intangible assets – customer contracts and relationships	13	18,429	14,819
Intangible assets – computer software	13	894	1,241
Investment properties	14	3,100	3,900
Property plant and equipment	14	9,580	13,396
Investments	15	2,728	750
Deferred tax assets	19	2,588	2,525
		<b>70,378</b>	<b>63,611</b>
<b>Current assets</b>			
Inventories	16	19,384	25,375
Trade and other receivables	17	27,400	39,689
Derivative financial assets	18	622	–
Cash and cash equivalents		2,171	2,476
		<b>49,577</b>	<b>67,540</b>
<b>Total assets</b>		<b>119,955</b>	<b>131,151</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	20	27,616	1,205
Deferred tax liabilities	19	5,166	4,722
Deferred Government grants		7	41
Provisions	22	73	–
Retirement benefit obligations	27	6,280	8,796
		<b>39,142</b>	<b>14,764</b>
<b>Current liabilities</b>			
Bank overdrafts		–	7,709
Interest bearing loans and borrowings	20	1,373	7,916
Corporation tax payable		1,363	3,501
Provisions	22	42	617
Trade and other payables	21	40,099	37,738
Derivative financial liabilities	18	381	96
		<b>43,258</b>	<b>57,577</b>
<b>Total liabilities</b>		<b>82,400</b>	<b>72,341</b>
<b>Net assets</b>		<b>37,555</b>	<b>58,810</b>
<b>EQUITY</b>			
Share capital	23	6,587	6,157
Share premium account	24	34,558	31,985
Merger reserve	24	7,586	6,703
Other reserves	24	1,148	1,148
Translation reserve	24	857	256
Hedging reserve	24	241	(96)
Retained earnings		(13,422)	12,657
<b>Total equity attributable to equity holders of the parent</b>		<b>37,555</b>	<b>58,810</b>

<sup>†</sup> Restated for goodwill assessments and merger reserve.

The accounts were approved by the Board of Directors on 26 February 2009 and signed on its behalf by:

**M Lejman**  
Director

**M Reynolds**  
Director

The notes on pages 44 to 74 form part of these Consolidated financial statements.

## Consolidated statement of recognised income and expense for the 52 weeks ended 26 October 2008

	Notes	52 weeks ended 26 Oct 08 £000	52 weeks ended 28 Oct 07 £000
Effective portion of changes in fair value of cash flow hedges net of recycling		337	196
Currency translation differences		601	256
Actuarial gains on defined benefit scheme	27	1,420	3,602
Taxation on items taken directly to equity		(167)	(1,264)
Net income recognised directly in equity		2,191	2,790
(Loss)/profit for the financial period		(24,842)	1,568
<b>Total recognised income and expense attributable to the equity shareholders of the parent</b>		<b>(22,651)</b>	<b>4,358</b>

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

	Notes	52 weeks ended 26 Oct 08 £000	52 weeks ended 28 Oct 07 £000
<b>Cash flows from operations</b>			
(Loss)/Profit for the period		(24,842)	1,568
<b>Adjustments for:</b>			
Income tax expense		(945)	262
Depreciation	14	4,931	2,633
Amortisation of intangible assets	13	2,691	1,027
Deferred government grants released		(14)	(11)
Net finance costs		2,983	2,255
Share based payment (credit)/charge	23	(28)	55
Investment property (losses)/gains		800	(1,063)
Pension contributions in excess of charge		(680)	(810)
Loss/(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		(3,364)	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		6,687	(6,003)
Increase in provisions		2,735	79
Net cash from operations		4,424	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		(1,261)	(119)
<b>Net cash from operating activities</b>		<b>541</b>	<b>1,707</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries net of cash acquired		(11,198)	(28,384)
Proceeds from sale of subsidiary undertakings		2,000	–
Sale of investments		250	250
Proceeds from sale of property, plant and equipment		48	2,049
Purchase of property, plant and equipment		(4,100)	(1,406)
Purchase of intangible assets – software		(416)	(260)
<b>Net cash used in investing activities</b>		<b>(13,416)</b>	<b>(27,751)</b>
<b>Cash flows from financing activities</b>			
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)
<b>Net cash (used in)/from financing activities</b>		<b>26,096</b>	<b>25,522</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,221</b>	<b>(522)</b>
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 the 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.

#### Statement of compliance

The Consolidated financial statements have been prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The Company has elected to continue to prepare its Parent Company financial statements in accordance with UK GAAP, these are presented on pages 75 to 84.

#### a Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and investment properties.

The preparation of financial statements in conformity with Adopted IFRSs requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or if in the period of the revision and future periods if the revision affects both current and future periods.

The Group refinanced in August 2008 with its bankers and obtained unsecured total facilities of £34 million for a three year period. The additional facilities were used to finance the acquisition in August 2008 of Myhre-Maritime A/S, a company based in Norway (see note 28 on page 70). This acquisition, which resulted in a £10.6 million cash outflow, was an integral part of the Group's strategy of building a leading global business in the Safety and Protection markets serving the Marine Oil and Gas sectors.

At the same time, following the disposal of Banner in March 2008, the Group continued its strategy of disposing of non-core businesses with the progression of the sale of the remaining discontinued non-core Holiday Homes business.

During the late summer, as the global credit crisis intensified, these adverse market conditions resulted in adverse cash outflows from trading within the Holiday Homes business and a material reduction in the expected sale proceeds. The sale was finally completed on 25 October 2008. These negative cash flows were significantly in excess of those planned when the forecasts were put together in August 2008 to support the refinancing and the acquisition of Myhre-Maritime A/S.

The performance of the underlying business remained good, however the above factors led to a significant reduction in headroom on the facilities available to the Group and the need for additional funding. Consequently, the Directors sought additional facilities of £5 million from their bankers which were approved by their Credit Committees in the week ended 21 February 2009. The total bank facilities of £39 million will now be fully secured over the assets of the Group.

As part of these negotiations a share in security over the assets will be given to the Trustees of the Cosalt plc Retirement Benefit Plan.

The bank facilities include the following:

- a £19,900,000 Revolving Credit facility with a maturity date of February 2012.
- a £13,100,000 Term Loan facility with the first repayment of £3 million in October 2009 and the final repayment in February 2012.
- a 364 Day Credit facility of £6 million.

The Directors anticipate that on expiry of the 364 Day Credit facility in the next 12 months, these facilities will be extended or renegotiated, or that alternative or additional funding will be secured.

Having considered these facilities, and reviewed the profit and cash forecasts of the Group with appropriate sensitivities around operational performance the Directors are satisfied that the Group has sufficient funds for the foreseeable future and therefore the going concern basis of preparation of the financial statements remains appropriate.

#### b Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### c Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date control passes of equity instruments issued, of assets given, less liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

#### d Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, measured annually (see page 57).

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS was tested for impairment at the transition date and, subject to the results of those impairment tests, have been retained at their previous UK GAAP value.

#### e Other intangible assets

##### (a) Computer software costs

Acquired computer software licences and software development costs, are capitalised and amortised over the shorter of their estimated useful lives and the contracted term.

##### (b) Other intangible assets (arising on business combinations)

###### Trade names:

Trade names are measured as the present value of any royalty payments saved as a result of ownership of the trade name. Trade names are amortised over the estimated useful life of the asset, typically 10-20 years.

###### Customer and supplier contracts and relationships:

Customer and supplier relationships are measured as the present value of cash flows attributable to the relationship after deduction of appropriate contributory assets charges. The relationship is amortised over its expected useful life, typically 6-12 years.

#### f Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

#### g Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date.

Foreign currency differences are recognised directly in equity. Since 1 November 2004, the Group's date of transition to IFRSs, such differences have been recognised in the translation reserve (TR). When a foreign operation is disposed of, in part or in full, the relevant amount in the TR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the TR.

## Notes to the financial statements

continued

### h Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

### i Operating profit and special items

In order for users of the accounts to better understand the underlying performance of the Group, the Board have separately disclosed transactions which, whilst falling within the ordinary activities of the Group, are, by virtue of their size or incidence, considered to be one-off in nature. In addition they include the amortisation of intangible assets.

Such items include gains and losses and costs on revaluation of investment properties and sale of assets, amortisation of intangible assets and exceptional costs relating to restructuring, refinancing and abortive acquisition costs.

### j Employee benefits

The Group operates several occupational pension schemes, of both the defined benefit and defined contribution type.

#### (a) Defined contribution pension schemes

Contributions to the Group's defined contribution schemes are recognised as an Employee benefit expense when they fall due.

Prepaid contributions are recognised as an asset to the extent that they result in either a cash refund or reduction in future payments.

Outstanding contributions are recognised as a liability within accruals.

#### (b) Defined benefit pension scheme

The liability recognised in the balance sheet for the Group's defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the scheme assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and by discounting the estimated future cash flows using interest rates on high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme. Pension expense for the Group's defined benefit schemes is recognised as follows:

##### 1. Within operating profit:

- Current service cost – representing the increase in the present value of the defined benefit obligation resulting from Employee service in the current period;
- Past service cost – representing the increase in the present value of the defined benefit obligation resulting from Employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, otherwise they are recognised on a straight line basis over the vesting period; and
- Interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes in liabilities during the period; and
- Expected return on the assets of the scheme – calculated by reference to the scheme assets and long term expected rate of return at the beginning of the period and allowing for changes in assets during the period.
- Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

##### 2. Within the statement of recognised income and expense:

- Actuarial gains and losses arising on the assets and liabilities of the scheme.

The Group previously adopted the amendment to IAS 19 and full actuarial gains or losses are recognised direct to equity.

*(c) Share based payments*

Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, with a corresponding increase in equity.

For share options where there are no market based vesting conditions, fair value is measured using the Black-Scholes pricing model.

*k Taxation*

The current tax is based on taxable profit for the period and any adjustments to tax in respect of previous periods. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities or when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*l Property, plant and equipment*

Freehold land and buildings are carried at cost less accumulated depreciation and impairment losses.

Other assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are capitalised only when it is probable that they will result in future economic benefits flowing to the Group and when they can be measured reliably. All other repairs and maintenance expenditure is charged to the income statement in the period in which it is incurred.

Freehold land is not depreciated as it has an indefinite life.

Depreciation on other assets is calculated using the straight-line method to write off their cost less their residual value over their estimated useful lives as follows:

Freehold property	2%
Buildings on land leased short-term tenancy agreements	2%
Leasehold land and buildings	over the expected term of the lease
Plant and machinery (excluding leased garments)	5-20%
Vehicles	20-25%
Leased garments	20-50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Residual values and estimated useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

## Notes to the financial statements

### continued

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses arising on disposals are determined by comparing net sales proceeds with carrying amount and are recognised in the income statement in the period of the disposal.

#### m Investment properties

Investment properties are held to yield rentals and are carried at fair value.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

#### n Impairment of tangible and intangible assets

##### (a) Goodwill

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

##### (b) Other tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Reversal of an impairment loss for tangible and intangible assets other than goodwill is recognised immediately in the income statement to the extent that the original impairment loss was recognised in the income statement.

##### (c) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individual significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### o Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### (a) Finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

*(b) Operating leases*

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

*(c) Rental garments*

Garments hired out under rental contracts where the Group retains substantially all of the risks and rewards of ownership are capitalised and accounted for as operating leases. The garments are depreciated on a straight-line basis over their estimated useful lives (typically two to five years). Revenue from these rental contracts accrues on a straight-line basis over the life of the contract.

*p Financial instruments**(a) Trade receivables*

Trade receivables are initially measured at fair value, do not carry any interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the income statement.

*(b) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*(c) Trade payables*

Trade payables are not interest bearing and are initially measured at their fair value, thereafter amortised cost.

*(d) Borrowings*

Bank overdrafts, short-term fixtures and interest bearing loans are initially measured at fair value, and obligations under finance leases are dealt with in accordance with the Group's policy on leases (note o). These items are subsequently carried at a amortised cost.

*(e) Equity instruments*

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

*(f) Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial instruments issued by the Group are treated as equity (ie forming part of Shareholders' funds) only to the extent that they meet the following conditions:

- they include no contractual obligation to deliver cash or other financial assets or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial instrument for a fixed number of its own equity instruments.

Dividends on non-equity shares are recognised as a liability and expensed on an accrual basis. Equity dividends are recognised as a liability in the period in which they are paid or approved by Shareholders, and recorded directly in equity.

*(g) Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Forward exchange contracts are valued at their quoted market price at the balance sheet date.

Where a derivative financial instrument is designated as a hedge of the variability of cash flows of a recognised asset or liability or highly probable forecast transactions, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. Any cumulative gain or loss on the hedging instrument in equity remains there until the forecast transaction occurs.

## Notes to the financial statements

### continued

#### q Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### r Discontinued operations

Discontinued operations are separate major lines of business that have been disposed of or classified as held for sale.

#### s Inventories

Inventories are stated at the lower of cost including an appropriate proportion of production overheads and net realisable values.

#### t Long-term contracts

The amount of profit attributable to the stage of completion of a long-term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated appropriate to the stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### u Government grants

Capital grants received for additions to buildings and plant are taken to deferred income and are released to the income statement in instalments relating to the relevant asset lives.

Other grants are recognised in the profit and loss account in the same period as the related expenditure.

#### v Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to review of work completed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs for the possible return of goods, or if there is continuing managerial involvement with goods.

#### w New standards and interpretations not applied

The Directors have considered new standards and interpretations issued by the IASB and IFRIC, with effective dates after the date of these financial statements. The Directors do not anticipate that adoption of these standards will have a material impact on the Group.

The main standards to be applied in future are as follows:

- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC will become mandatory for the Group's 2009 financial statements with retrospective application required. The Group does not expect this to impact on the financial statements.

The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material affect on the financial statements except for additional disclosure:

- Revised IAS 23 'Borrowing Costs' (mandatory for the year commencing on or after 1 January 2009).
- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009).
- Revised IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009).
- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations' (mandatory for the year commencing on or after 1 January 2009).
- IFRS 8 Operating Segments (Applicable for periods beginning on or after 1 January 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.

	Continuing operations				52 weeks ended 26 Oct 08 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	5,958	37,148	148,113
Operating profit/(loss) before special items	2,095	8,336	(933)	9,498	(2,552)	(14,940)	(7,994)
Special items	(455)	(150)	(4,420)	(5,025)	–	–	(5,025)
Operating profit/(loss)	1,640	8,186	(5,353)	4,473	(2,552)	(14,940)	(13,019)
Total assets	36,230	29,526	52,490	118,246	–	–	118,246
Total liabilities	(22,999)	(11,608)	(46,131)	(80,738)	–	–	(80,738)
<b>Total net assets</b>	<b>13,231</b>	<b>17,918</b>	<b>6,359</b>	<b>37,508</b>	–	–	<b>37,508</b>
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

	Continuing operations				52 weeks ended 28 Oct 07 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)	–	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	23,296	130,588
Total liabilities	(18,336)	(9,268)	(23,415)	(51,019)	(5,587)	(15,172)	(71,778)
<b>Total net assets</b>	<b>9,882</b>	<b>14,979</b>	<b>20,135</b>	<b>44,996</b>	<b>5,690</b>	<b>8,124</b>	<b>58,810</b>
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.

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

### (b) Secondary

Geographical segments:

Segment information for the years ended 26 October 2008 and 28 October 2007 is as follows:

	2008 £000	Revenue 2007 £000	2008 £000	Assets 2007 £000	2008 £000	Capital 2007 £000
UK continuing	70,222	43,265	103,048	87,661	2,469	852
UK discontinuing	42,309	66,999	–	34,573	820	434
<b>UK total</b>	<b>112,531</b>	<b>110,264</b>	<b>103,048</b>	<b>122,234</b>	<b>3,289</b>	<b>1,286</b>
Rest of Europe continuing	34,785	23,641	15,198	8,354	811	609
Rest of Europe discontinuing	797	1,225	–	–	–	–
<b>Rest of Europe total</b>	<b>35,582</b>	<b>24,866</b>	<b>15,198</b>	<b>8,354</b>	<b>811</b>	<b>609</b>
<b>Total</b>	<b>148,113</b>	<b>135,130</b>	<b>118,246</b>	<b>130,588</b>	<b>4,100</b>	<b>1,895</b>

Revenue is based on the region in which the customer is located. Total assets and capital expenditure are based on the region in which the assets are located.

## Notes to the financial statements

continued

### 3. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2008 Group total £000	2007 Group total £000
Change in stocks of finished goods and work in progress	973	(3,516)
Other operating income	(151)	(235)
Government grants	(14)	(11)
Raw materials and consumables	50,085	29,524
Other external charges	15,287	16,813
Operating lease charges		
– plant	831	1,025
– other	807	1,219
Staff costs (note 8)	24,367	16,423
Amortisation of intangible fixed assets (note 13)	518	331
Depreciation of owned assets	2,585	2,321
Depreciation of assets held under finance leases	221	312
	<b>95,509</b>	<b>64,206</b>
Special items		
– staff costs – redundancy (note 8)	525	409
– other external charges – other reorganisation costs	1,437	122
– raw material and consumables – stock writedowns and onerous contracts	180	1,271
Amortisation of acquired intangibles	2,083	689
Profit on disposal of surplus properties	–	(513)
Loss /(Gain) on revaluation of investment properties	800	(1,063)
	<b>5,025</b>	<b>915</b>
	<b>100,534</b>	<b>65,121</b>

### 4. Auditors' remuneration

Auditors' remuneration is included within other external charges and consists of the following:

	2008 £000	2007 £000
Audit of these financial statements	64	59
Audit of subsidiaries pursuant to such legislation	52	86
Other services pursuant to such legislation	–	–
Other services relating to taxation	111	40
All other services	55	46
	<b>282</b>	<b>231</b>

In addition due diligence fees of £375,000 and taxation fees of £10,000 were included within costs of acquisition and form part of the cost of investment or are included in special items.

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

## 5. Discontinued operations

Banner, the Group's Schoolwear segment, was sold on 13 May 2008 to IDP (Holdings) Ltd for a total consideration of £4.5 million, of which £1.5 million was received in cash on completion. The remaining £3.0 million was satisfied by 2008 – 2020 loan notes repayable by the end of 2010 and paying interest of 7% per annum from 13 May 2009. The fair value of these loan notes has been assessed as £2,738,000 at 13 May 2008 based on net present value calculations. £500,000 of the loan notes had been repaid as at 26 October 2008.

In addition, in the event that IDP (Holdings) Ltd disposes of Banner within 18 months, Cosalt will be entitled to 30% of the sales proceeds attributable to shareholders and, if the remaining Seaham property is sold within two years, Cosalt will receive 50% of the sale proceeds. The Directors have assessed the fair value of the financial assets as £nil given the unknown probability and potential outcomes. The fair value of this financial asset will continue to be assessed.

Holiday Homes, the Group caravan and custom home lodge manufacturing business was sold on 25 October 2008 for a nominal consideration to entities within the Endless Group. The sale included the freehold properties the business operated from.

Losses attributed to the discontinued operations for the 52 weeks ended 26 October 2008 were as follows:

	Schoolwear £000	52 weeks ended 26 October 2008 Holiday Homes £000	Total £000
<b>Results from discontinued operations</b>			
Revenue	5,958	37,148	43,106
Expenses	(8,510)	(52,712)	(61,222)
<b>Loss before income tax</b>	<b>(2,552)</b>	<b>(15,564)</b>	<b>(18,116)</b>
Income tax credit	–	1,816	1,816
<b>Loss from operating activities, net of income tax</b>	<b>(2,552)</b>	<b>(13,748)</b>	<b>(16,300)</b>
Loss from sale of discontinued operations	(6,139)	(3,022)	(9,161)
<b>Loss for the period</b>	<b>(8,691)</b>	<b>(16,770)</b>	<b>(25,461)</b>

	Schoolwear £000	52 weeks ended 28 October 2007 Holiday Homes £000	Total £000
<b>Results of discontinued operations</b>			
Revenue	18,475	49,749	68,224
Expenses	(16,812)	(49,635)	(66,447)
<b>Profit before income tax</b>	<b>1,663</b>	<b>114</b>	<b>1,777</b>
Income tax credit	69	205	274
<b>Profit for the period</b>	<b>1,732</b>	<b>319</b>	<b>2,051</b>

### Cash flows from discontinued operations

	Schoolwear 52 weeks ended 26 October 2008 £000	52 weeks ended 28 October 2007 £000
Cash flows from discontinued operations		
Net cash from operating activities	3,042	(1,968)
Net cash from investing activities	(9)	(221)
Net cash from financing activities	–	–
<b>Net cash generated from/(used in) discontinued operations</b>	<b>3,033</b>	<b>(2,189)</b>

	Holiday Homes 52 weeks ended 26 October 2008 £000	52 weeks ended 28 October 2007 £000
Cash flows from discontinued operations		
Net cash from operating activities	7,648	(3,155)
Net cash from investing activities	(812)	(393)
Net cash from financing activities	(6,574)	653
<b>Net cash generated from/(used in) discontinued operations</b>	<b>262</b>	<b>(2,895)</b>

## Notes to the financial statements

continued

### 5. Discontinued operations continued

Effect of disposal on the financial position of the Group

	52 weeks ended Schoolwear £000	26 October 2008 Holiday Homes £000
Goodwill	640	–
Property, plant and equipment	1,001	222
Inventories	6,497	3,611
Trade and other receivables	3,986	6,674
Cash and cash equivalents	–	534
Deferred tax	–	(3,254)
Trade and other payables	(2,340)	(4,231)
<b>Net identifiable assets and liabilities</b>	<b>9,784</b>	<b>3,556</b>
Consideration received	3,645	–
Cash disposed of	–	534
Net cash outflow	6,139	534
<b>Loss on disposal</b>	<b>6,139</b>	<b>3,022</b>

### 6. Financing costs

	2008 £000	2007 £000
Bank borrowings	1,737	1,736
Finance leases	31	54
On shares classified as financial liabilities	4	4
Debt factoring	561	502
Pension scheme	150	–
Other interest	495	60
Refinancing costs – special items	718	–
	<b>3,696</b>	<b>2,356</b>
Discontinued activities	(624)	(523)
Continuing activities	3,072	1,833

### 7. Financial income

	2008 £000	2007 £000
Interest receivable	89	101

### 8. Directors and Employees

	Continuing Operations £000	Discontinued Operations £000	Total 2008 £000	Continuing 2007 £000
Staff costs:				
Wages and salaries	22,164	14,816	36,980	14,645
Share based payments	(28)	–	(28)	55
Social security costs	2,300	1,167	3,467	1,535
Other pension costs	456	558	1,014	652
	<b>24,892</b>	<b>16,541</b>	<b>41,433</b>	<b>16,832</b>

The division of Staff costs in arriving at operating profit is as follows:

	2008 £000	2007 £000
Normal costs	24,367	16,423
Redundancy costs	525	409
	<b>24,892</b>	<b>16,832</b>

The average number of Employees of the Group during the year was:

	2008 Number	2007 Number
Head Office and Directors	9	9
Marine UK	527	523
Marine Europe	89	99
Offshore UK	222	19
Offshore Europe	30	–
Schoolwear	116	157
Holiday Homes	414	461
	<b>1,407</b>	<b>1,268</b>

Details of Directors' emoluments and interests are given in the Remuneration report on pages 31 to 34.

### 9. Income tax expense

	2008 £000	2007 £000
<b>Current tax expense</b>		
Current year	1,798	106
Adjustments in respect of prior year	–	32
	<b>1,798</b>	<b>138</b>
Overseas tax	569	560
	<b>2,367</b>	<b>698</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences		
Current year	(1,484)	(184)
Adjustments in respect of prior year	(12)	22
<b>Total tax expense</b>	<b>871</b>	<b>536</b>

### Reconciliation of effective tax rate

	2008 %	2008 £000	2007 %	2007 £000
Profit before taxation	–	1,490	–	53
Tax using domestic corporation tax rate	28.9	430	30.0	16
Effect of overseas tax rates	(1.4)	(21)	47.2	25
Net items not taxable	16.3	243	1801.9	955
Utilisation of capital losses	–	–	(309.4)	(164)
Revaluation of investment properties	15.5	231	(601.8)	(319)
Accounting base cost not deductible for tax purposes	–	–	13.2	7
Adjustments in respect of prior year	(0.8)	(12)	101.9	54
Re-measurement of deferred tax balances	–	–	(71.7)	(38)
	<b>58.5</b>	<b>871</b>	<b>1011.3</b>	<b>536</b>

### Deferred tax recognised directly in equity

	2008 £000	2007 £000
Relating to actuarial gains on pension schemes	167	1,264
	<b>167</b>	<b>1,264</b>

## Notes to the financial statements

continued

### 10. Dividends

	2008 per share	2008 £000	2007 per share	2007 £000
Ordinary shares 2007 Final: paid 4 April 2008	6.00p	884	12.75p	1,790
2008 Interim: paid 10 September 2008	6.00p	1,578	6.00p	884
	<b>12.00p</b>	<b>2,462</b>	<b>18.75p</b>	<b>2,674</b>

### 11. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year (adjusted for the effects of potentially dilutive options). Losses on basic earnings per share cannot be diluted and so where a loss has arisen this has not been diluted in calculating the diluted earnings per share

The Group has only one category of dilutive potential ordinary shares which is that of share options granted to Employees.

	Basic	2008 Potentially dilutive share options	Diluted	Basic	2007 Potentially dilutive share options	Diluted
<b>Profit after tax (£000)</b>						
Headline figure – Continuing operations	5,886	–	5,886	261	–	261
Statutory figure	(24,842)	–	(24,842)	1,568	–	1,568
Weighted average number of shares (thousands)	25,170	28	25,198	14,807	77	14,884
<b>Earnings per share (pence) – Total operations</b>						
Headline figure	23.38	(0.02)	23.36	1.76	(0.01)	1.75
Statutory figure	(98.70)	–	(98.70)	10.59	(0.06)	10.53
<b>Earnings per share (pence) – Continuing operations</b>						
Headline figure	23.38	(0.02)	23.36	1.76	(0.01)	1.75
Statutory figure	2.46	–	2.46	(3.26)	–	(3.26)
<b>Earnings per share (pence) – Discontinued operations</b>						
Statutory figure	(101.16)	–	(101.16)	13.85	(0.07)	13.78

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements which would significantly change the earnings per share calculations shown above.

### 12. Reconciliation of headline information to statutory information

	2008 £000	2007 £000
Headline operating profit before tax and special items	9,498	2,700
Reorganisation cost (see note 3)	(2,142)	(1,277)
Loss on disposal of surplus properties	–	(12)
(Loss)/gain on revaluation of investment properties	(800)	1,063
Amortisation of acquisition intangibles	(2,083)	(689)
Statutory operating profit before tax	4,473	1,785
Financial income	89	101
Financing costs	(3,072)	(1,833)
Statutory profit before tax	1,490	53

### 13. Intangible assets

	Goodwill £000	Customer and supplier contracts and relationships £000	Computer software £000	Total £000
<b>Cost</b>				
At 29 October 2006	3,759	–	2,944	6,703
Additions	23	–	260	283
Acquisition of subsidiary undertakings	23,404	15,417	–	38,821
Exchange differences	285	117	–	402
At 28 October 2007	27,471	15,534	3,204	46,209
Additions	–	–	416	416
Acquisition of subsidiary undertakings	5,976	5,638	27	11,641
Disposals	(773)	–	(1,246)	(2,019)
Exchange differences	743	189	1	933
At 26 October 2008	33,417	21,361	2,402	57,180
<b>Accumulated amortisation</b>				
At 29 October 2006	491	–	1,625	2,116
Amortisation charge for the year	–	689	338	1,027
Exchange differences	–	26	–	26
At 30 October 2007	491	715	1,963	3,169
Amortisation charge for the year	–	2,083	608	2,691
Disposals	(133)	–	(1,064)	(1,197)
Exchange differences	–	134	1	135
At 26 October 2008	358	2,932	1,508	4,798
<b>Net Book value</b>				
<b>At 26 October 2008</b>	<b>33,059</b>	<b>18,429</b>	<b>894</b>	<b>52,382</b>
At 28 October 2007	26,980	14,819	1,241	43,040
At 29 October 2006	3,268	–	1,319	4,587

#### Goodwill

As at 26 October 2008, the Consolidated balance sheet included Goodwill of £32,191,000. Goodwill is allocated to the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows:

Cash Generating Units (CGU)	Primary reporting segment	2008 £000	2007 £000
GTC Group	Offshore	17,184	17,184
Bofort SSM	Marine	7,389	6,505
Marine safety	Marine	1,823	1,808
Safety workwear	Marine	827	827
Myhre-Maritime	Offshore	5,836	–
Schoolwear	Schoolwear	–	656
		<b>33,059</b>	26,980

#### Impairment of goodwill

Goodwill arising on business combinations is not amortised, being reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to cash-generating units.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections for two years. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Discount rates are estimate using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units.

The forecasts are extrapolated beyond two years based on estimated growth rates (generally 3% – 4%).

The pre-tax discount rates used to calculate the value in use range from 10% – 12% (2007: 10% – 12%). This discount rate is derived from the Group's pre-tax weighted average cost of capital, which at 26 October 2008 was 10.3%.

## Notes to the financial statements

continued

### 13. Intangible assets continued

#### Impairment of goodwill continued

In 2008 and 2007 impairment reviews were performed by comparing the carrying value of goodwill with the recoverable amount of cash-generating units to which goodwill has been allocated. There has been no impairment as a result of these reviews.

The GTC Group's impairment test was based on future cash flows generated which were estimated at the time of acquisition, with further years included with a 5% growth rate. These cash flows have been discounted using Cosalt Group's weighted average cost of capital of 10.3%. The future discounted cash flows exceed the carrying value of goodwill with a 5 year timescale so no impairment of goodwill is necessary. Similarly the Bofort/SSM impairment calculation was based on future cash flows, but with an assumed growth rate of 4% in this case discounted cash flows exceed the carrying value of goodwill within a 7 year timescale.

### 14. Tangible fixed assets

	Freehold properties £000	Short leasehold properties £000	Freehold investment properties £000	Plant £000	Total £000
<b>Cost and valuation</b>					
At 29 October 2006	6,735	1,638	2,062	17,476	27,911
Subsidiaries at acquisition	32	123	–	3,349	3,504
Additions	67	–	4	1,824	1,895
Revaluations and adjustments	(1,932)	–	2,995	–	1,063
Disposals	(107)	–	(1,161)	(639)	(1,907)
Exchange differences	12	8	–	109	129
At 28 October 2007	4,807	1,769	3,900	22,119	32,595
<b>Aggregate depreciation</b>					
At 29 October 2006	1,130	751	–	11,062	12,943
Amount charged to profit and loss account	119	67	–	2,447	2,633
Revaluations and adjustments	–	–	–	27	27
On disposals	(19)	–	–	(358)	(377)
Exchange differences	12	4	–	57	73
At 28 October 2007	1,242	822	–	13,235	15,299
<b>Net book values</b>					
At 28 October 2007	3,565	947	3,900	8,884	17,296
At 29 October 2006	5,605	887	2,062	6,414	14,968
<b>Cost and valuation</b>					
At 28 October 2007	4,807	1,769	3,900	22,119	32,595
Subsidiaries at acquisition	–	–	–	299	299
Additions	651	221	–	3,228	4,100
Revaluations and adjustments	–	–	(800)	–	(800)
Disposals	(3,255)	(334)	–	(7,141)	(10,730)
Exchange differences	47	31	–	99	177
At 26 October 2008	2,250	1,687	3,100	18,604	25,641
<b>Aggregate depreciation</b>					
At 28 October 2007	1,242	822	–	13,235	15,299
Amount charged to profit and loss account	149	66	–	4,716	4,931
On disposals	(600)	(227)	–	(6,676)	(7,503)
Exchange differences	48	16	–	170	234
<b>At 26 October 2008</b>	<b>839</b>	<b>677</b>	<b>–</b>	<b>11,445</b>	<b>12,961</b>
<b>Net book values</b>					
<b>At 26 October 2008</b>	<b>1,411</b>	<b>1,010</b>	<b>3,100</b>	<b>7,159</b>	<b>12,680</b>
At 28 October 2007	3,565	947	3,900	8,884	17,296

(a) Valuations of trading properties in 1988 were at open market value on an existing use basis.

(b) Short leaseholds are those with a term of under 50 years to run. Plant includes vehicles.

(c) Group assets costing £4,868,000 (2007: £7,524,000) have been fully depreciated and are still in use.

(d) Group plant includes assets at cost of £16,175,000 (2007: £14,605,000) and accumulated depreciation of £11,259,000 (2007: £9,344,000) which are leased to third parties and have generated income of £13,802,000 (2007: £3,314,000,) during the year.

The following tangible fixed assets held under finance leases are included in plant:

	2008 £000	2007 £000
Cost	3,729	5,610
Depreciation	2,392	3,653
Net book values	1,337	1,957

The depreciable amount of trading properties is:

	Freehold £000	Short Leasehold £000
<b>26 October 2008</b>	<b>3,981</b>	<b>1,831</b>
28 October 2007	4,671	1,623

#### Future capital expenditure

	2008 £000	2007 £000
Contracted for but not provided for in the accounts	76	85

#### Investment properties

The Group holds investment properties with a fair value of £3,100,000 as at 26 October 2008 (2007: £3,900,000). The properties were revalued by a suitably qualified independent valuer at market value and in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th Edition). Following the revaluations a loss of £800,000 has been recognised in the period to 26 October 2008 (period to 28 October 2007: profit £1,063,000).

#### 15. Investments

	2008 £000	2007 £000
Other investments	2,728	750

Other investments consist of preference shares and loan stock held in respect of the Knox business disposed of in November 2004 and loan stock in respect of the disposal of the Banner business in May 2008.

#### 16. Inventories

	2008 £000	2007 £000
Raw materials	5,769	3,640
Work in progress	2,310	1,890
Finished goods and goods for resale	11,305	19,845
	<b>19,384</b>	<b>25,375</b>

Inventories are presented net of provision for inventory write downs, based on management's estimate of the net realisable value of inventories. The cumulative effect of those write downs was to reduce inventories by £2,237,000 (2007: £2,316,000). The amount charged to income statement in the year in respect of write downs net of credits for reversals was £19,000 (2007: credit £578,000).

#### 17. Trade and other receivables

	2008 £000	2007 £000
Trade receivables	24,257	34,063
Other receivables and prepayments	3,143	5,626
	<b>27,400</b>	<b>39,689</b>

Trade receivables are presented net of provisions for impairment of £872,000 (2007: £768,000) estimated by management based on previous experience of default.

## Notes to the financial statements

continued

### 17. Trade and other receivables continued

The ageing of trade receivables based on due date is as follows:

	2008 £000	2007 £000
Not overdue	14,420	9,237
Less than one month	4,177	5,114
Between one and four months	3,798	4,661
Over four months	1,862	1,392
Discontinued businesses	–	13,659
	<b>24,257</b>	<b>34,063</b>

Trade and other receivables are non-interest bearing and there is no material difference between the carrying amount and fair value.

### 18. Derivative financial instruments

	2008 £000	Assets 2007 £000	2008 £000	Liabilities 2007 £000	2008 £000	Net 2007 £000
Forward foreign currency contracts	622	–	–	96	622	(96)
Interest rate cap and floor	–	–	381	–	(381)	–
	<b>622</b>	–	<b>381</b>	96	<b>241</b>	<b>(96)</b>

The fair value of derivative financial instruments is equal to the carrying value. The fair value of forward foreign current contracts represents the gain or loss resulting from translation of those contracts at forward rates applicable at the balance sheet date compared to actual contract rates. The fair value of interest rate cap and floor contracts represent the market value of a comparable instrument at the balance sheet date.

### 19. Deferred taxation

Recognised deferred taxation assets and liabilities

	2008 £000	Assets 2007 £000	2008 £000	Liabilities 2007 £000	2008 £000	Net 2007 £000
Intangible assets	–	–	(5,166)	(4,146)	(5,166)	(4,146)
Property, plant and equipment	841	–	–	(576)	841	(576)
Employee benefits	1,747	2,463	–	–	1,747	2,463
Other items	–	62	–	–	–	62
Tax assets/(liabilities)	<b>2,588</b>	<b>2,525</b>	<b>(5,166)</b>	<b>(4,722)</b>	<b>(2,578)</b>	<b>(2,197)</b>

The deferred taxation asset of £1,747,000 (2007: £2,463,000) in relation to Employee benefits is in respect of the liability for the defined benefit obligations of £6,280,000 (2007: £8,796,000) (note 27 on page 68) calculated at 28% (2007: 28%). Deferred tax assets have not been recognised in respect of capital losses of £1,754,000 in 2007. In so far as they are used to cover revaluation gains on investment properties.

Movement in net deferred tax assets/(liabilities) are as follows:

	Property, plant and equipment £000	Intangible assets £000	Retirement benefit obligations £000	Other items £000	Total £000
At 29 October 2006	(655)	–	3,954	106	3,405
Credited/(charged) to income statement	175	193	(227)	(44)	97
Charged to equity	–	–	(1,264)	–	(1,264)
Acquisition	(96)	(4,314)	–	–	(4,410)
Exchange differences	–	(25)	–	–	(25)
At 28 October 2007	(576)	(4,146)	2,463	62	(2,197)
At 28 October 2007	(576)	(4,146)	2,463	62	(2,197)
Credited/(charged) to income statement	807	558	(307)	502	1,560
Charged to equity	–	–	(409)	–	(409)
Acquisition	46	(1,578)	–	–	(1,532)
Exchange differences	–	–	–	–	–
<b>At 26 October 2008</b>	<b>277</b>	<b>(5,166)</b>	<b>1,747</b>	<b>564</b>	<b>(2,578)</b>

## 20. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see page 25.

	2008 £000	2007 £000
<b>Non-current liabilities</b>		
Secured bank loans	–	117
Unsecured bank loans	26,940	15
Shares classified as liabilities	50	50
Finance lease liabilities	626	1,023
	<b>27,616</b>	<b>1,205</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	–	48
Current portion of unsecured bank loans	1,111	1,424
Factored invoices	–	5,946
Finance lease liabilities	262	498
	<b>1,373</b>	<b>7,916</b>

### Terms and debt repayment schedule as at 26 October 2008

	Fixed or Variable rate	Effective interest rate %	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 3 years £000	3 to 4 years £000	5 years + £000
Secured bank loans		–	–	–	–	–	–	–
Unsecured bank loans	<b>Variable</b>	<b>7.57%</b>	<b>28,051</b>	<b>1,111</b>	<b>3,500</b>	<b>23,440</b>	–	–
Factored invoices		–	–	–	–	–	–	–
Finance lease liabilities	<b>Variable</b>	<b>5.75%</b>	<b>888</b>	<b>262</b>	<b>250</b>	<b>190</b>	<b>85</b>	<b>101</b>
		<b>7.50%</b>	<b>28,939</b>	<b>1,373</b>	<b>3,750</b>	<b>23,630</b>	<b>85</b>	<b>101</b>

### Terms and debt repayment schedule as at 28 October 2007

	Fixed or Variable rate	Effective interest rate %	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 3 years £000	3 to 4 years £000	5 years + £000
Secured bank loans	Variable	6.00	165	48	48	48	21	–
Unsecured bank loans	Variable	6.07	1,439	1,424	15	–	–	–
Factored invoices	Variable	6.40	5,946	5,946	–	–	–	–
Finance lease liabilities	Variable	5.25	1,521	498	350	350	233	90
		6.15	9,071	7,916	413	398	254	90

### Financial instruments

The Group operations are primarily financed from retained earnings, bank finance and leasing. It is the Group's policy not to trade in or enter into speculative transactions. The Group refinanced in August 2008 and as a result of adverse cash flows from trading in Holiday Homes and a reduction in expected sale proceeds further facilities were negotiated in February 2009 amounting to a total of £39 million on a fully secured basis.

Debt is principally raised centrally and the Group aims to maintain a balance between flexibility and continuity of funding by having a range of maturities on its borrowings. The refinancing in August 2008 and subsequent additional facilities negotiated in February 2009 include 364-day facilities, revolving credit facilities with maturity of 3 years and term loans with scheduled repayments through to February 2012.

The Group's policy is to maintain a mixture of floating and fixed rate borrowings. In order to provide protection against significant interest rate rises in the future, the Board purchased a cap. The amount covered by the cap reduces in line with the repayments on the term loan. A floor transaction was taken out at the same time and on the same basis in order to minimise the up front premium for this cover. The Group's exposure to foreign currency fluctuations has increased with the acquisition of businesses in mainland Europe and Norway in the last two years. The Group's policy is to eliminate currency exposure by the use of forward currency contracts and foreign currency borrowings as a natural hedge against foreign investment value.

## Notes to the financial statements

continued

### 20. Interest bearing loans and borrowings continued

#### Financial risk management

##### (a) Credit Risk

The groups exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date which are set out below:

	2008 £000	2007 £000
Cash and cash equivalents	2,171	2,476
Trade receivables	24,557	34,063
	<b>26,728</b>	<b>36,539</b>

Potential customers are credit checked prior to an account being created for them and before any orders for product are accepted and processed. All debts are closely controlled and monitored by management. The group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. The group policy is to deal only with credit worthy companies.

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

£nil (2007: £5,946,000) of the groups financial assets are subject to a debt factoring arrangement.

None of the Group's financial assets are secured by collateral or other credit enhancements at the year end date of 26 October 2008.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds is not considered significant, since the counterparty is a reputable bank with a high quality external credit rating.

##### (b) Liquidity Risk

The Group manages its liquidity needs by carefully monitoring all scheduled cash outflows, through a process of cash flow forecasting, daily and weekly monitoring and monthly review the group monitors working capital and capital expenditure requirements. Liquidity risk is further managed by the agreement of term loans and working capital facilities, when necessary.

The Group's financial liabilities are detailed as follows:

	2008 £000	2007 £000
Trade payables	<b>(21,324)</b>	(23,718)
Short term debt and current portion of long term debt	<b>(1,373)</b>	(15,625)
Long term debt	<b>(27,616)</b>	(1,205)
	<b>(50,313)</b>	(40,548)

Trade payables mature within 6 months of the date shown.

The Group has recently renegotiated its banking facilities, the maturity profile of the groups external borrowings at 26 October 2008 are shown in note 20 – Interest bearing loans and borrowings.

The Group had undrawn committed borrowing facilities, under its three-year facilities agreement at 26 October 2008 of £6,339,000.

The Group has complied with its banking covenants throughout the year and at its year end.

## (c) Interest Rate Risk

The Group finances its operations through a combination of shareholders funds and when appropriate, bank loans and overdrafts. The interest rate profile of the groups' interest bearing financial instruments is shown in note 20.

**Sensitivity Analysis**

A change of 100 basis points in interest rates at the reporting date would change profit and loss by the amounts shown below, this analysis assumes all other variables, including foreign exchange rates remain constant.

	2008 £000	2007 £000
100 basis points in interest rates	317	91

## (d) Foreign Currency Risk

The Group faces currency exposure on trading transactions undertaken by its subsidiaries in foreign currencies. The Group coordinates the hedging of specific exposures by taking out forward foreign exchange contracts, against its anticipated known sales and purchases. The decision to hedge is influenced by the size of exposure, the certainty of it arising, the trading and market position of the subsidiary in which the exposure arises and the current exchange rate. All of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward contracts are rolled over at maturity.

The Group classifies its forward exchange contracts as cash flow hedges and states them at fair value and adjusts them against the hedging reserve on an ongoing basis.

The Group's exposure to forward exchange contracts, measured at fair value, is as follows:

	2008 £000	2007 £000
Forward contracts	622	(96)

The Group's balance sheet translation exposure is managed by substantially matching currency assets with currency borrowings. The Group has borrowings denominated in Euro's and Norwegian Kroner, which are matched against similar denominated assets.

**Sensitivity Analysis**

In managing interest rate and currency risks the group aims to reduce the impact of short-term fluctuations over the Groups' earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would impact on consolidated earnings.

## (e) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to Shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total shareholders' equity as shown below:

	2008 £000	2007 £000
Continuing and discontinued operations		
Cash and cash equivalents	2,171	2,476
Short term debt and current portion of long term debt	(1,373)	(15,625)
Long term debt	(27,616)	(1,205)
Net debt	(26,818)	(14,354)
Total Shareholders equity	37,508	58,810
Gearing ratio	71.5%	24.4%

## Notes to the financial statements

continued

### 20. Interest bearing loans and borrowings continued

#### Fair value of financial instruments (2008)

	Book amount £000	At 26 Oct 08 Fair value £000
Cash	2,171	2,171
Short-term debt and current portion of long-term debt	(1,373)	(1,373)
Long-term debt	(27,616)	(27,616)
Interest rate cap and floor	(381)	(381)
Forward contracts	622	622
Trade receivables	24,557	24,557
Trade payables	(21,324)	(21,324)
Total financial instruments	(23,344)	(23,344)

#### Fair value of financial instruments (2007)

	Book amount £000	At 28 Oct 07 Fair value £000
Cash	2,476	2,476
Short-term debt and current portion of long-term debt	(15,625)	(15,625)
Long-term debt	(1,205)	(1,205)
Forward contracts	(96)	(96)
Trade receivables	34,063	34,063
Trade payables	(23,718)	(23,718)
Total financial instruments	(4,105)	(4,105)

£1,910,000 (2007: £1,840,000) of the cash at bank and in hand is held in foreign currency deposits and is subject to banking set offs.

The assumptions used to estimate fair values are as follows:

- for cash and short-term debt the book value approximates to fair value due to the short maturity period;
- the fair value of long-term debt has been calculated by discounting the estimated cash flows at the appropriate market discount rate at the balance sheet date;
- the fair values of the interest rate cap and floor and forward contracts are the market values at the balance sheet date.

### 21. Trade and other payables

	2008 £000	2007 £000
Trade payables	21,324	23,718
Non trade payables and accrued expenses	18,775	14,020
	40,099	37,738

### 22. Provisions

	Other provisions £000	Total £000
At 26 October 2007	617	617
Utilised	(1,082)	(1,082)
Subsidiaries at acquisition	77	77
Subsidiaries at disposal	(3,310)	(3,310)
Charged to the income statement during the year	3,813	3,813
<b>At 26 October 2008</b>	<b>115</b>	<b>115</b>
Due within one year	42	42
Due after one year	73	73

Other provisions in the Group include rectification cost, product warranty and liability provisions.

### 23. Called up share capital

	Note	2008 £000	Authorised 2007 £000	Issued and fully paid 2008 £000	2007 £000
7.50% Cumulative Preference Shares of £1 each		250	250	50	50
Ordinary Shares of 25p each		7,750	7,750	6,601	6,157
Treasury Shares		(55)	–	(14)	–
		<b>7,945</b>	8,000	<b>6,637</b>	6,207
Shares classified as liabilities	20	–	–	50	50
Shares classified in Shareholders' funds		–	–	<b>6,587</b>	6,157
		–	–	<b>6,637</b>	6,207

7.50% Cumulative Preference Shareholders (non-equity interests) have the following rights:

- (i) in priority to ordinary Shareholders, to a fixed cumulative preference dividend at a rate of 7.50% per annum;
- (ii) on a return of capital on a winding up, will carry the right to repayment of capital together with a sum equal to any arrears of dividend in priority to the rights of ordinary Shareholders;
- (iii) to attend and vote at a general meeting of the Company only in certain limited circumstances where the special rights attaching to these shares might be varied or their interest affected.

The following issues of ordinary shares occurred during the year:

- (i) On 30 November 2007 49,815 were issued under an Employee share trust.
- (ii) On 19 March 2008 Share options were exercised creating 70,209 new ordinary shares at 220p.
- (iii) On 19 March 2008 Share options were exercised creating 10,102 new ordinary shares at 287p.
- (iv) On 18 July 2008 1,233,500 new ordinary shares were issued at 240p, by placing.
- (v) On 28 July 2008 410,468 new ordinary shares were issued at 240p as part consideration to purchase Myhre-Maritime AS.

#### Share based payments

The Group operated an Inland Revenue approved and an unapproved share option plan the details of which are provided below. Both Plans have now reached their 10 year life and no further options will be granted under these arrangements. In accordance with IFRS 2, only costs relating to options issued after 7 November 2002 and not vested at 1 January 2005 have been charged to the income statement.

A deferred bonus plan was approved in 2006 whereby eligible Employees are able to take up to 100 per cent of their post-tax bonus in the form of ordinary shares and, subject to certain performance criteria, matching shares are awarded after a three year performance period. No awards have yet been made under these arrangements.

A new Performance Share Plan (PSP) was approved by Shareholders at the 2006 Annual General Meeting. 612,804 nil cost options have been issued in the financial year. Details of the performance criteria attaching to these shares are set out in the Remuneration report.

The Performance Share Plan provides for Nil (or nominal) cost share options or restricted shares (where the shares are forfeited if performance conditions are not met) to be issued in any financial year up to 100 per cent of basic salary. In circumstances deemed exceptional by the Remuneration Committee this can be increased to 200 per cent. Awards are subject to the achievement of performance targets measured over a fixed period of three financial years determined by the Remuneration Committee.

Share options and restricted shares have been issued to senior management, including the Executive Directors, and also regional Management of the operating businesses. Vesting of share option awards is dependent on growth in earnings per share of at least 2 per cent per annum above the Retail Price Index over a rolling three-year period.

Share options and restricted shares have been valued by an external third party using the binominal option-pricing model, based on publicly available market data at the time of grant, which the Directors consider to be the most appropriate method of determining fair value.

## Notes to the financial statements

continued

### 23. Called up share capital continued

#### Share based payments continued

Reconciliations of share options outstanding during each period, under each type of share option is as follows:

	Share options 2008		Share options 2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year*	453,579	283.9p	647,500	270.9p
Granted during the year	–	–	–	–
Lapsed during the year	(188,402)	289.5p	(103,500)	288.0p
Exercised during the year	(80,311)	228.6p	(85,000)	179.5p
Outstanding at the end of the year	184,866	294.8p	459,000	283.9p
Exercisable at the end of the year	34,346	294.8p	279,500	285.2p

\* Shares under option and price has been adjusted for the effects of the placing and open offer on 12 October 2007 in accordance with the Scheme rules.

The options outstanding at 26 October 2008 have a range of exercise price of 220.3p to 343.0p and a weighted average remaining contractual life of 2.5 years.

	2008	PSP 2007
Outstanding at the beginning of the year	55,458	–
Restricted shares issued during year	612,804	55,458
Forfeited during the year	(55,458)	–
Outstanding at end of year	612,804	55,458

The inputs into the Black-Scholes pricing model were as follows:

	2008	2008	2007	PSP 2007	2006	2005	Share options 2004
Grant date	13 August	21 July	26 October	17 April	1 August	1 August	1 July
Risk free interest rate	4.5%	4.5%	4.5%	5.9%	5.0%	4.9%	4.7%
Exercise price	–	–	–	–	292.0p	269.0p	309.0p
Share price at date of grant	244.5p	243.0p	368.5	378.7p	292.0p	269.0p	309.0p
Expected dividend yield	4.5%	4.5%	4.5%	4.5%	5.8%	5.8%	5.8%
Expected life	3.75 years	3.75 years	3.75 years	5 years	6 years	6 years	6 years
Vesting period	3.75 years	3.75 years	3.75 years	3 years	5 years	5 years	5 years
Expected volatility	30%	30%	30%	26%	20%	26%	26%
Fair value of option	206.5p	205.3p	311.3p	332.6p	33.17p	43.67p	49.22p

Expected volatility was determined by calculating the historical volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates to reflect exercise restrictions and behavioural considerations.

In 2008 the Group recognised a total credit of £28,000 (2007: charge £55,000) in relation to equity-settled share-based payment transactions.

## 24. Summary of movements in equity

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Translation Reserve £000	Hedging reserve £000	Retained earnings £000	Total* £000
Balance brought forward at 29 Oct 06	3,322	4,573	–	1,148	–	(292)	11,370	20,121
Profit for the year	–	–	–	–	–	–	1,568	1,568
Shares issued in year	2,835	27,412	6,703	–	–	–	–	36,950
Share option charge	–	–	–	–	–	–	55	55
Currency translation differences (net of tax)	–	–	–	–	256	–	–	256
Change in value of hedged items	–	–	–	–	–	196	–	196
Movement in pension deficit and taxation thereon	–	–	–	–	–	–	2,338	2,338
Dividends	–	–	–	–	–	–	(2,674)	(2,674)
Balance as at 28 Oct 07	6,157	31,985	6,703	1,148	256	(96)	12,657	58,810
Loss for the year	–	–	–	–	–	–	(24,842)	(24,842)
Shares issued in year	430	2,573	883	–	–	–	–	3,886
Share option credit	–	–	–	–	–	–	(28)	(28)
Currency translation differences (net of tax)	–	–	–	–	601	–	–	601
Change in value of hedged items	–	–	–	–	–	337	–	337
Movement in pension deficit and taxation thereon	–	–	–	–	–	–	1,253	1,253
Dividends	–	–	–	–	–	–	(2,462)	(2,462)
<b>Balance as at 26 Oct 08</b>	<b>6,587</b>	<b>34,558</b>	<b>7,586</b>	<b>1,148</b>	<b>857</b>	<b>241</b>	<b>(13,422)</b>	<b>37,555</b>

\* Restated for creation of merger reserve.

Other reserves consist of a Capital Redemption Reserve £814,000, a Capital Reserve £197,000 and a pre-acquisition profit and loss reserve £438,000.

The Directors have reconsidered the appropriateness of the recognition of an increase in share premium on shares issued as part of the consideration for the acquisition of GTC Group on 12 October 2007. Consequently, the premium of £6.7 million which arose on these shares has been credited to a merger reserve by restating opening balances.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign subsidiaries together with those from the translation of liabilities that hedge the Groups net investment in foreign subsidiaries.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net charge in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## 25. Contingent liabilities

Cosalt plc has guaranteed leasing and other arrangements of subsidiary undertakings in the ordinary course of business.

## Notes to the financial statements

continued

### 26. Operating leases

The future minimum lease payments of commitments due under non-cancellable operating leases are:

#### (i) Land and buildings

	2008 £000	2007 £000
Leases which expire within one year	1,821	1,599
Between two and five years	5,313	5,009
In five years or more	2,311	2,623
	<b>9,445</b>	<b>9,231</b>

#### (ii) Plant

	2008 £000	2007 £000
Leases which expire within one year	393	159
Between two and five years	2,742	1,074
In five years or more	17	–
	<b>3,152</b>	<b>1,233</b>
Total leases	<b>12,597</b>	<b>10,464</b>

The majority of leases of land and buildings are subject to rent reviews.

#### (iii) Operating lease receivables

The Group both rents out its Investment properties and also sub-lets various leased buildings under operating leases.

At the Balance Sheet date, the following future minimum lease payments are contractually receivable from tenants:

	2008 £000	2007 £000
Within one year	62	107
Between two and five years	–	–
After five years	–	–
Total minimum lease payments	<b>62</b>	<b>107</b>

### 27. Retirement benefit obligations

As at 26 October 2008, the assumption adopted regarding the life expectancy of Members was in line with the following tables:

Deferreds/actives: PA92 (YOB=1965) mc rated up 1 year.

Pensioners: PA92 (YOB=1935) mc rated up 1 year.

The above equates to an average life expectancy from age 65 for male deferreds/actives of 22.5 years and an average life expectancy from age 65 for male pensioners of 21.2 years.

The assets of the defined benefit scheme have been calculated at fair value and the liabilities, at each balance sheet date under IAS 19 (revised) have been calculated based on the following financial assumptions:

	26 October 2008 % pa	28 October 2007 % pa
Discount rate	7.4	5.8
General pay increases	n/a	n/a
Inflation assumption	3.5	3.3
Pension increases – Limited Price Indexation	3.4	3.2
Expected return on Scheme assets		
Equities	8.2	7.8
Bonds	4.7	5.8
Cash	4.0	4.8
Property	7.2	7.3

The major categories of Scheme assets as a percentage of the total fair value of Scheme assets are as follows:

	2008 %	2007 %
Equities	37.4	48.0
Bonds	55.2	43.5
Property	7.0	7.5
Cash	0.4	1.0

The amounts recognised in income are as follows:

	2008 £000	2007 £000
Current service cost	–	200
Interest cost	2,372	2,239
Expected return on Scheme assets	(2,222)	(1,998)
Total interest cost (included in Staff costs 2007)	150	441
Actuarial gain	(1,420)	(3,602)
Total credit recognised in the SORIE in the period	(1,420)	(3,602)
Total defined benefit Scheme gains recognised in the period	(1,270)	(3,161)

The overall expected rate of return on Scheme assets is a weighted average of the individual expected rates of return on each asset class.

The cumulative credit to the SORIE since the adoption of IAS 19 (revised) is £1.8 million (2007: credit of £0.4 million).

	2008 £000	2007 £000
Expected return on Scheme assets	2,222	1,998
Actuarial loss on Scheme assets	(7,597)	(1,374)
Actual return on Scheme assets	(5,375)	624

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit scheme is as follows:

	2008 £000	2007 £000
Present value of funded obligations	32,672	41,529
Fair value of Scheme assets	(26,392)	(32,733)
Deficit in the Scheme and net liability in the balance sheet	6,280	8,796

A deferred tax asset totalling £1.76 million (2007: £2.46 million) has been recognised on the balance sheet in relation to the net pension obligation.

Movement in the liability recognised on the balance sheet is as follows:

	2008 £000	2007 £000
At 28 October 2007	8,796	13,179
Total expenses – as shown above	(1,270)	(3,161)
Company contributions paid in the period	(1,246)	(1,222)
At 26 October 2008	6,280	8,796

## Notes to the financial statements

continued

### 27. Retirement benefit obligations continued

Changes in the present value of the defined benefit obligation were as follows:

	2008 £000	2007 £000
At 28 October 2007	41,529	45,300
Current service cost	–	200
Interest cost	2,372	2,239
Actuarial gains	(9,057)	(4,976)
Contribution by members	–	70
Benefits paid	(1,890)	(1,304)
At 26 October 2008	32,954	41,529

Changes in the fair value of Scheme assets were as follows:

	2008 £000	2007 £000
At 28 October 2007	32,733	32,121
Expected return	2,222	1,998
Actuarial losses on assets	(7,597)	(1,374)
Contributions	1,206	1,292
Benefits paid	(1,890)	(1,304)
At 26 October 2008	26,674	32,733

A four year history of experience adjustments is as follows:

	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligation	(32,954)	(41,529)	(45,300)	(41,797)
Fair value of Scheme assets	26,674	32,733	32,121	28,251
Deficit in Scheme	(6,280)	(8,796)	(13,179)	(13,546)
Experience adjustments on Scheme liabilities	–	766	1,753	5,487
Percentage of Scheme liabilities	0.0%	1.8%	3.9%	13.1%
Experience adjustments on Scheme assets	(7,597)	(1,374)	1,708	1,991
Percentage of Scheme assets	28.5%	4.2%	5.3%	7.0%

The expected employer contributions to the defined benefit scheme during 2009 are £1,200,000.

### 28. Acquisitions

On 1 August 2008 the Group acquired 100% of the ordinary share capital and associated voting rights of the Offshore business Myhre-Maritime A/S. The consideration and cash flows of this acquisition are summarised below.

	Total £000
<b>Net identifiable assets and liabilities</b>	6,500
Goodwill on acquisition	5,976
Consideration payable	12,476
<b>Satisfied by</b>	
Cash consideration (including expenses)	10,565
Deferred consideration	926
Equity shares issued	985
	12,476
<b>Net cash</b>	
Cash consideration	10,565
(Cash)/overdraft acquired	(229)
Net cash outflow	10,336

The effects on the Group's assets and liabilities are detailed below.

From the date of acquisition, Myhre-Maritime contributed £2,093,000 to Group revenue and £434,000 to Group operating profit, after deducting amortisation of intangible assets acquired totalling £155,000. Details of the assets and liabilities acquired are given below:

	Book value £000	Provisional fair value adjustments £000	Value to Group £000
<b>Non-current assets</b>			
Property, plant and equipment	299	–	299
Intangible assets	–	5,638	5,638
<b>Current assets</b>			
Inventories	1,668	(300)	1,368
Trade and other receivables	1,804	(100)	1,704
Cash and cash equivalents	229	–	229
	3,701	(400)	3,301
<b>Current liabilities</b>			
Trade and other payables	980	–	980
	980	–	980
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	103	–	103
Provisions	77	–	77
Deferred taxation	–	1,578	1,578
<b>Net assets acquired</b>	<b>2,840</b>	<b>3,660</b>	<b>6,500</b>

The provisional fair value adjustment reflects the adjustment required to assets and liabilities to align these with their fair values, Group accounting policies and to recognise intangible assets identified on acquisition and their associated deferred tax.

Goodwill arising on acquisition represents the geographical strategic benefit of obtaining pan-European coverage.

The contribution of the acquisition to the consolidated revenue and net profit had it occurred at the beginning of the year has not been disclosed as it would be impractical to determine these amounts. This is because the acquisition (i) had a different year end to the Group, and (ii) was a privately held company and prepared financial statements under local European accounting standards in the country of origin which is different to the IFRS accounting policies adopted by the Group.

During 2007 the Group acquired the Marine safety businesses of Bofort and SSM, and GTC Group. The consideration and cash flows of these acquisitions are summarised below.

	Bofort and SSM £000	GTC Group £000	Total £000
Net identifiable assets and liabilities	3,956	8,632	12,588
Goodwill on acquisition	6,220	17,184	23,404
Consideration payable	10,176	25,816	35,992
<b>Satisfied by</b>			
Cash consideration (including expenses)	10,275	15,150	25,425
Deferred consideration	–	3,422	3,422
Equity shares issued	–	7,244	7,244
	10,275	25,816	36,091
<b>Net cash</b>			
Cash consideration	10,275	15,150	25,425
(Cash)/overdraft acquired	(233)	4,429	4,196
Net cash outflow	10,042	19,579	29,621

## Notes to the financial statements

continued

### 28. Acquisitions continued

The effects on the Group's assets and liabilities are detailed below.

#### (a) GTC Group

On 12 October 2007 the Group acquired the Aberdeen-based GTC Group of companies involved in the supply, repair and management of lifting equipment for many of the large off-shore oil and gas companies in the North Sea. The principal subsidiaries acquired, are listed in note 29 and 100% of the voting rights were acquired for all of these companies.

During the financial year, amortisation of intangible assets acquired totalling £1,047,000 (2007: £50,000) was charged in respect of GTC. Due to the integration of the business it is not possible to separate the original trade of the business acquired for further disclosures. Details of the assets and liabilities acquired are given below:

	Book value £000	Fair value adjustments £000	Value to Group £000
<b>Non-current assets</b>			
Property, plant and equipment	2,254	(358)	1,896
Intangible assets	–	12,559	12,559
<b>Current assets</b>			
Inventories	3,282	(551)	2,731
Trade and other receivables	14,016	(2,235)	11,781
	17,298	(2,786)	14,512
<b>Current liabilities</b>			
Bank overdrafts	4,429	–	4,429
Trade and other payables	12,576	(332)	12,244
	17,005	(332)	16,673
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	145	–	145
Deferred taxation	–	3,517	3,517
<b>Net assets acquired</b>	<b>2,402</b>	<b>6,230</b>	<b>8,632</b>

The fair value adjustment reflects the adjustment required to assets and liabilities to align these with their fair values, Group accounting policies and to recognise intangible assets identified on acquisition and their associated deferred tax. In 2007 provisional fair value adjustments were recognised. During the current financial year the Group has performed further investigations around the acquisition balances. As a result adjustments have been made to stock and debtors to bring these into line with the Group's accounting policies.

Following the initial assessment of fair value adjustments on the acquisition of GTC just before the October 2007 year end, further analysis has now been undertaken which has resulted in additional adjustments to bring the assets and liabilities into line with the Group's accounting policies. The adjustments required are noted below.

	Original fair value adjustments £000	Final fair value adjustments £000	Movement £000
<b>Non-current assets</b>			
Property, plant and equipment	–	(358)	(358)
Intangible assets	12,559	12,559	–
<b>Current assets</b>			
Inventories	(400)	(551)	(151)
Trade and other receivables	(600)	(2,235)	(1,635)
	(1,000)	(2,786)	(1,786)
<b>Current liabilities</b>			
Trade and other payables	(468)	(332)	136
<b>Non-current liabilities</b>			
Deferred taxation	3,517	3,517	–
<b>Adjustment to net assets acquired</b>	<b>8,510</b>	<b>6,230</b>	<b>(2,280)</b>

Goodwill arising on acquisition represents the anticipated operating synergies, expected industry growth and the assembled workforce.

**(b) Bofort and SSM**

On 27 December 2006 the Group acquired the Marine safety business of Bofort with operations in Belgium, Germany, Netherlands and Italy. On 25 July 2007 the Group also acquired a further service station operation in Spain (SSM). The principal subsidiaries acquired are listed in note 29 and 100% of the voting rights were acquired for all of these companies.

During the financial year, amortisation of intangible assets acquired of £ 881,000 (2007: £639,000) was charged in respect of Bofort. Due to the integration of the business into the Marine Division it is not possible to separate the original trade of the business acquired for further disclosures.

**28. Acquisitions continued**

Details of the assets and liabilities acquired are given below:

	Book value £000	Fair value adjustments £000	Value to Group £000
<b>Non-current assets</b>			
Property, plant and equipment	1,678	(70)	1,608
Intangible assets	–	2,849	2,849
<b>Current assets</b>			
Inventories	2,039	–	2,039
Trade and other receivables	5,819	(35)	5,784
Cash and cash equivalents	493	–	493
	8,351	(35)	8,316
<b>Current liabilities</b>			
Bank overdrafts	260	–	260
Trade and other payables	7,243	130	7,373
	7,503	130	7,633
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	387	–	387
Deferred taxation	–	797	797
<b>Net assets acquired</b>	<b>2,139</b>	<b>1,817</b>	<b>3,956</b>

The fair value adjustments reflects the adjustments required to assets and liabilities to align these with their fair values, Group accounting policies and to recognise intangibles assets identified on acquisition and their associated deferred tax.

**29. Related party transactions**

Detailed disclosure of the individual remuneration of Board Members is included in the remuneration report on pages 31 to 34. There is no difference between transactions with Key Management Personnel of the Company and the Group.

With regard to the placing of 1,233,500 of new ordinary shares at 240p on 18 July 2008 Mr Ross and the Rappaport family trusts represented by Mr Ophir underwrote the share issue and each received a fee of £29,604.

There have been no other transactions between Key Management Personnel and the Company.

The Company has entered into transactions with its subsidiary undertakings in respect of the following:

- Internal funding loans
- Provision of Group services (including senior management, IT, accounting, marketing and purchasing services)

Recharges are made to subsidiary undertakings for Group loans based on funding provided at an interest rate linked to the prevailing base rate. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries.

Recharges are made for Group services based on utilisation of those services.

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance.

These are recharged based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 26 October 2008 totalled £36.0 million (2007: £31.5 million). Amounts owed to subsidiary undertakings by the Company at 26 October 2008 totalled £6.9 million (2007: £6.2 million).

The Company provides the Group's defined benefit pension scheme. Expected service costs are charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the charge. Experience and actuarial gains and losses are recognised in the Company.

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2007: £nil).

## Notes to the financial statements

continued

### 30. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

#### Key sources of estimation uncertainty

Note 13 contains information about the assumptions and their risk factors relating to goodwill impairment. In note 20 detailed analysis is given of the foreign exchange exposure of the Group and risks in relation to foreign exchange movements.

#### Pension assumptions

The assumptions used are the best estimates from a range of possible assumptions which due to the timescales may not necessarily be borne out in practice. Assumptions include inflation, future salary increases, discount rates and mortality rates.

#### Deferred taxation

The likelihood that assets are received is based on assumptions of future actions.

#### Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

#### Investment property

Investment properties are valued at fair value based upon professional valuations. Given the Group's strategy for development and its progress, a revaluation model is appropriate.

#### Provisions

The Group's reorganisation provisions are based on the best information available at the balance sheet date. However future costs are only estimates which may differ from those actually incurred.

#### Finance and operating leases

The inception of the leases of the Group took place many years ago. They are combined leases of land and buildings. It is not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception. Therefore, in determining lease classification the Group evaluated whether both parts are clearly operating leases or finance leases. Firstly, land title does not pass. Secondly, because the rent paid to the landlord for the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building it is judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it is concluded that the leases are operating leases.

#### Intangible assets

The valuation of intangible assets is based on a number of assumptions which includes future discounted cash flows in respect of customer and supplier relationships over the expected useful lives of those relationships.

### 31. Group entities

The principal subsidiary undertakings at 26 October 2008 were as follows:

Company	Country of incorporation	Proportion of issued ordinary shares held
Cosalt International Limited	United Kingdom	100
GTC Holdings Limited*	United Kingdom	100
GTC Group Limited*	United Kingdom	100
Cosalt GmbH**	Germany	100
Cosalt NV**	Belgium	100
Cosalt BV**	Netherlands	100
Cosalt Sistemas Maritima SL**	Spain	100
Cosalt Srl**	Italy	100
Cosalt Offshore Norway A/S	Norway	100

All subsidiary undertakings are consolidated within the Consolidated financial statements.

\* Subsidiary companies acquired with the GTC Group acquisition.

\*\* Subsidiary companies acquired with the Bofort and SSM acquisitions.

## Company balance sheet

	Notes	28 October 2008		29 October 2007	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	35	–	4,704	–	7,978
Investments	36	–	64,412	–	49,827
		–	69,116	–	57,805
<b>Current assets</b>					
Debtors	37	36,236		32,406	
Bank and cash balances		–		3,671	
Derivative financial assets	40	622		–	
		36,858		36,077	
<b>Creditors</b>					
Amounts falling due within one year	38	24,289		22,153	
Derivative financial liabilities		381		–	
		24,670		22,153	
<b>Net current assets</b>		–	12,188	–	13,924
<b>Total assets less current liabilities</b>		–	81,304	–	71,729
<b>Creditors</b>					
Amounts falling due after more than one year	39	–	26,983	–	50
		–	54,321	–	71,679
<b>Provisions for liabilities</b>	41	763		668	
<b>Deferred income</b>					
Grants not yet credited to profit		7		20	
		–	770	–	688
<b>Net assets</b>		–	53,551	–	70,991
<b>Capital and reserves</b>					
Called up share capital	42	–	6,587	–	6,157
Share premium account	43	–	34,558	–	31,985
Merger reserve	43	–	7,586	–	6,703
Revaluation reserve	43	–	618	–	618
Investment property revaluation reserve	43	–	455	–	1,255
Translation reserve	43	–	(844)	–	(213)
Hedging reserve	43	–	241	–	–
Other reserves	43	–	814	–	814
Profit and loss account	43	–	3,536	–	23,672
<b>Shareholders' funds</b>		–	53,551	–	70,991

The accounts were approved by the Board of Directors on 26 February 2009 and signed on its behalf by:

**M T Reynolds**  
Director

**M Lejman**  
Director

The notes on pages 77 to 84 form part of these Company financial statements.

## Company reconciliation of movements in Shareholders' funds for the 52 weeks ended 26 October 2008

	2008 £000	2007 £000
(Loss)/profit for the financial year	(17,646)	1,696
Dividends (2007: including non-equity)	(2,462)	(2,674)
Retained loss for the financial year	(20,108)	(978)
Share option (charge)/credit	(28)	55
Shares issued	3,900	36,950
Treasury shares	(14)	-
Revaluation of investment properties	(800)	1,063
Currency translation difference	(631)	(213)
Derivative financial instruments	241	-
Net increase/(decrease) in Shareholders' funds for year	(17,440)	36,877
Opening Shareholders' funds	70,991	34,114
Closing Shareholders' funds	53,551	70,991

The notes on pages 77 to 84 form part of these Company financial statements.

## Notes to the Company financial statements

### 32. Statement of accounting policies

The following paragraphs summarise the main accounting policies of the Company, which have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### Basis of preparation

The accounts have been prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties including investment properties at market value and in accordance with applicable accounting standards and the Companies Act 1985 except as stated below under 'tangible fixed assets and depreciation'. As permitted by Section 230(4) of the Companies Act 1985 the profit and loss account of the Company is not presented.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Consolidated cash flows for all Group companies are included within the Consolidated financial statements.

As these Parent Company financial statements are presented together with the Consolidated financial statements, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The Consolidated financial statements of Cosalt plc within which this Company is included are set out on pages 40 to 74.

#### Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

#### Tangible fixed assets and depreciation

In accordance with Statement of Standard Accounting Practice No 19 Accounting for investment properties:

- i) investment properties are revalued annually at open market values (determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors). Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and
- ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Fixed assets are stated at cost, except that the Group has applied the provisions of FRS 15 and retained the book values of freehold and leasehold land and buildings which reflect the valuations up to August 2000. The valuations have not been updated since that date.

Tangible fixed assets, except freehold land and investment properties, are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Freehold buildings	2%
Buildings on land leased from Associated British Ports on short-term tenancy agreements	2%
Other leasehold land and buildings	At rates based on life of lease
Plant and machinery	5%-20%
Motor vehicles	20%-25%

Assets subject to finance leases giving rights approximating to ownership are treated as though they have been purchased outright and are included in tangible fixed assets at a value equal to the present value of the minimum lease payments to be made during the term of the lease. The total amount of the future obligations is included in creditors. The amount included in tangible fixed assets is written off over the shorter of the useful life of the asset or the term of the lease.

## Notes to the Company financial statements

continued

### 32. Statement of accounting policies continued

The rental costs of all operating leases is charged to the profit and loss account on a straight line basis over the lives of the leases.

Profit or loss arising on the sale of properties represents the difference between the net carrying amount and proceeds of sale.

#### Government grants

Capital grants received for additions to buildings and plant are taken to deferred income and are released to profit and loss account in instalments relating to the relevant asset lives.

Other grants are recognised in the profit and loss account in the same period as the related expenditure.

#### Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Pension costs

The Company participates in a Group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

For defined contribution schemes all contributions are charged directly to the profit and loss account in the periods in which they are payable.

#### Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. The exchange difference arising on the translation of investments in foreign operations is taken to reserves to the extent that there is an effective hedge in place. Monetary assets and liabilities denominated in foreign currency are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### Share based payments

Equity settled share based payments are measured at fair value (excluding the effect of non market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest.

For share options where there are no market based vesting conditions, fair value is measured using the Black-Scholes pricing model.

#### Share capital

##### (i) Share capital

Share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on share capital are classified as a liability if it is redeemable on a specific date or at the option of the Shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the Consolidated income statement as a financial expense.

##### (ii) Dividends

Dividends on non-equity shares are recognised as a liability at the date and expensed on an accruals basis. Equity dividends are recognised as a liability in the period in which they are paid or approved by Shareholders and recorded directly in equity.

#### Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect the Company treats the guarantee contracts as a contingent liability until payment under the guarantee becomes probable.

### 33. Employees

	2008 £000	2007 £000
Staff costs:		
Wages and salaries	841	1,048
Share based payments	(28)	55
Social security costs	11	92
Other pension costs	500	546
	<b>1,324</b>	<b>1,741</b>

The average number of Employees of the Company during the year was:

	2008 Number	2007 Number
Management and administration	9	9

Details of Directors' remuneration, share options, long term incentive plans and Directors' pension entitlements are disclosed in the Directors' remuneration report on pages 31 to 34.

### 34. Dividends

	per share	2007 £000	per share	2007 £000
2007 Final: paid 4 April 2008	6.00p	884	12.75p	1,790
2008 Interim: paid 10 September 2008	6.00p	1,578	6.00p	884
	<b>12.00p</b>	<b>2,462</b>	<b>18.75p</b>	<b>2,674</b>

### 35. Tangible fixed assets

	Freehold properties £000	Short leasehold properties £000	Freehold investment properties £000	Plant £000	Total £000
Cost and valuation					
At 28 October 2007	4,580	1,009	3,900	155	9,644
Additions	144	-	-	44	188
Reclassification	-	-	-	-	-
Group transfers	-	-	-	-	-
Revaluation	-	-	(800)	-	(800)
Disposals	(3,079)	-	-	(76)	(3,155)
<b>At 26 October 2008</b>	<b>1,645</b>	<b>1,009</b>	<b>3,100</b>	<b>123</b>	<b>5,877</b>
Aggregate depreciation					
At 28 October 2007	1,141	423	-	102	1,666
Amount charged to profit and loss account	84	18	-	21	123
Group transfers	-	-	-	-	-
On disposals	(566)	-	-	(50)	(616)
<b>At 26 October 2008</b>	<b>659</b>	<b>441</b>	<b>-</b>	<b>73</b>	<b>1,173</b>
Net book values					
<b>At 26 October 2008</b>	<b>986</b>	<b>568</b>	<b>3,100</b>	<b>50</b>	<b>4,704</b>
At 28 October 2007	3,439	586	3,900	53	7,978

(a) Short leaseholds are those with a term of under 50 years to run. Plant includes vehicles.

(b) Company assets costing £144,000 (2007: £142,000) have been fully depreciated and are still in use.

(c) On the adoption of FRS 15 in August 2000 the book value of land and buildings has been retained at the valuation at this date.

## Notes to the Company financial statements

continued

### 35. Tangible fixed assets continued

The following tangible fixed assets held under finance leases are included in plant:

	2008 £000	2007 £000
Cost	41	38
Depreciation	(3)	(15)
Net book values	38	23

If land and buildings had not been revalued subsequent to 1978, they would have been included at the following amounts:

	2008 £000	2007 £000
At valuation or cost at 31 December 1978	1,984	1,984
Subsequent additions at cost	2,747	7,755
At 27 August 2000	4,731	9,739
Accumulated depreciation	798	1,613
	<b>3,933</b>	<b>8,126</b>

The Group also valued its land and buildings in 1971, 1973 and 1978. In the opinion of the Directors unreasonable expense and delay would be incurred in obtaining the original cost of the assets valued in those years.

The depreciable amount of trading properties is:

	Freehold £000	Short leasehold £000
<b>26 October 2008</b>	<b>1,174</b>	<b>909</b>
28 October 2007	4,162	909

### Future capital expenditure

	2008 £000	2007 £000
Contracted for but not provided for in the accounts	-	-

### Investment properties

The company holds investment properties with a fair value of £3,100,000 as at 26 October 2008. The properties were revalued by a suitably qualified independent value at market value and in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th edition). Following the revaluation a loss of £800,000 has been recognised in the period to 26 October 2008 (period to 28 October 2007: gain £1,063,000).

**36. Investments**

	2008 £000	2007 £000
Shares in subsidiary undertakings at cost	65,456	52,849
Less amounts written off	3,772	3,772
Investment in shares of subsidiary undertakings	61,684	49,077
Other investments	2,728	750
	<b>64,412</b>	<b>49,827</b>

The movement in costs and amounts written off are as follows:

	2008 £000	2007 £000
At 28 October 2007	52,849	17,284
Additions	32,889	35,565
Disposals	(20,282)	–
<b>At 26 October 2008</b>	<b>65,456</b>	<b>52,849</b>
Amounts written off		
At 26 October 2008 and 28 October 2007	3,772	3,772
Net book value	<b>61,684</b>	<b>49,077</b>

During the year the Company acquired Myhre-Maritime A/S and disposed of Banner Limited and Cosalt Holiday Home Limited.

Details of additions to investments are shown in the Group acquisition notes on page 70 and disposals on page 53.

Details of the principal subsidiary undertakings, including those acquired during the year, are shown in the Group activities note 20.

**37. Debtors: amounts falling due within one year**

	2008 £000	2007 £000
Trade debtors	45	67
Amounts due from subsidiary undertakings less provisions	35,739	31,028
Other taxation recoverable	176	23
Other debtors	82	1,257
Prepayments and accrued income	194	31
	<b>36,236</b>	<b>32,406</b>

**38. Creditors: amounts falling due within one year**

	2008 £000	2007 £000
Loans other than from banks	557	557
Bank loans and overdrafts	5,616	7,266
	<b>6,173</b>	<b>7,823</b>
Trade creditors	260	300
Amounts owed to subsidiary undertakings	6,940	6,220
Corporation tax	500	1,201
Social security	524	428
Other creditors	4,612	4,471
Accruals and deferred income	5,260	1,702
Obligations under finance leases (note 43)	20	8
	<b>24,289</b>	<b>22,153</b>

## Notes to the Company financial statements

continued

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

	2008 £000	2007 £000
Bank loans	26,917	–
Preference shares	50	50
Obligations under finance leases (note 20)	16	–
	<b>26,983</b>	<b>50</b>

7.50% Cumulative Preference Shareholders (non-equity interests) have the following rights:

- (i) in priority to ordinary Shareholders, to a fixed cumulative preference dividend at a rate of 7.50% per annum;
- (ii) on a return of capital on a winding up, will carry the right to repayment of capital together with a sum equal to any arrears of dividend in priority to the rights of ordinary Shareholders;
- (iii) to attend and vote at a general meeting of the Company only in certain limited circumstances where the special rights attaching to these shares might be varied or their interest affected.

	2008 £000	2007 £000
Analysis of gross borrowings		
Loans repayable within 5 years:		
Unsecured loans		
Undated debenture held by a subsidiary undertaking, interest at 12% deferred	557	557
2001/2008 at 1.25% above bank base rate	–	466
2008/20011 term loan	11,100	–
	<b>11,657</b>	<b>1,023</b>
Total loans	<b>11,657</b>	<b>1,023</b>
Bank overdrafts/revolving credit facility	21,433	6,800
Total gross borrowings	<b>33,090</b>	<b>7,823</b>
Repayment of gross borrowings		
Bank borrowings		
Between two and five years	26,033	–
Between one and two years	3,500	–
Within one year or on demand	3,000	7,266
Gross bank borrowings	<b>32,533</b>	<b>7,266</b>
Other loans		
Between two and five years	–	–
Between one and two years	–	–
Within one year or on demand	557	557
Gross other borrowings	<b>557</b>	<b>557</b>
Total gross borrowings	<b>33,090</b>	<b>7,823</b>
Net borrowings		
Gross borrowings	<b>33,090</b>	<b>7,823</b>
Cash at bank and in hand	–	(3,671)
	<b>33,090</b>	<b>4,152</b>

### 40. Derivative financial instruments

	2008 £000	Assets 2007 £000	2008 £000	Liabilities 2007 £000	2008 £000	Net 2007 £000
Forward foreign currency contracts	622	–	–	–	622	–
Interest rate cap and floor	–	–	381	–	(381)	–
	<b>622</b>	<b>–</b>	<b>381</b>	<b>–</b>	<b>241</b>	<b>–</b>

The fair value of derivative financial instruments is equal to the carrying value. The fair value of forward foreign current contracts represents the gain or loss resulting from translation of those contracts at forward rates applicable at the balance sheet date compared to actual contract rates. The fair value of interest rate cap and floor contracts represent the market value of a comparable instrument at the balance sheet date.

**41. Provisions for liabilities**

	Deferred taxation £000
At 28 October 2007	668
Deferred taxation	95
<b>At 26 October 2008</b>	<b>763</b>

Analysis of deferred taxation:

	2008 £000	2007 £000
Accelerated capital allowances	353	325
Other timing differences	(133)	(8)
Retirement benefit obligations	543	351
	<b>763</b>	<b>668</b>

**42. Called up share capital**

	2008 £000	Authorised 2007 £000	Issued and fully paid 2008 £000	2007 £000
7.50% Cumulative Preference Shares of £1 each	250	250	50	50
Ordinary Shares of 25p each	7,750	7,750	6,601	6,157
Treasury shares	(55)	–	(14)	–
	<b>7,945</b>	<b>8,000</b>	<b>6,637</b>	<b>6,207</b>
Shares classified as liabilities	–	–	50	50
Shares classified in Shareholders' funds	–	–	<b>6,587</b>	<b>6,157</b>
	–	–	<b>6,637</b>	<b>6,207</b>

7.50% Cumulative Preference Shareholders (non-equity interests) have the following rights:

- (i) in priority to ordinary Shareholders, to a fixed cumulative preference dividend at a rate of 7.50% per annum;
- (ii) on a return of capital on a winding up, will carry the right to repayment of capital together with a sum equal to any arrears of dividend in priority to the rights of ordinary Shareholders;
- (iii) to attend and vote at a general meeting of the Company only in certain limited circumstances where the special rights attaching to these shares might be varied or their interest affected.

**43. Reserves**

	Share premium account £000	Merger Reserve £000	Revaluation reserve £000	Investment property revaluation reserve £000	Translation Reserve £000	Hedging Reserve £000	Other Reserves £000	Profit and loss account £000	Total £000
At 28 Oct 07	31,985	6,703	618	1,255	(213)	–	814	23,672	64,834
Exercise of share options	–	–	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	(631)	–	–	–	(631)
Derivative financial instruments	–	–	–	–	–	241	–	–	241
Shares issued	2,573	883	–	–	–	–	–	–	3,456
Share option credit	–	–	–	–	–	–	–	(28)	(28)
Revaluation uplift	–	–	–	(800)	–	–	–	–	(800)
Transfer to profit on disposal	–	–	–	–	–	–	–	–	–
Loss for the financial year	–	–	–	–	–	–	–	(17,646)	(17,646)
Dividends	–	–	–	–	–	–	–	(2,462)	(2,462)
<b>At 26 Oct 08</b>	<b>34,558</b>	<b>7,586</b>	<b>618</b>	<b>455</b>	<b>(844)</b>	<b>241</b>	<b>814</b>	<b>3,536</b>	<b>46,964</b>

Other reserves include Capital Redemption Reserve £814,000 (2007: £814,000).

The Directors have reconsidered the appropriateness of the recognition of an increase in share premium on shares issued as part of the consideration for the acquisition of GTC Group on 12 October 2007. Consequently, the premium of £6.7 million which arose on these shares has been credited to a merger reserve by restating opening balances.

Details of share based payment arrangements are shown in the Group Share Capital note 23 on page 65.

## Notes to the Company financial statements

continued

### 44. Contingent liabilities

	2008 £000	2007 £000
(a) Under guarantee of overdrafts and loans of subsidiary undertakings	21	9,680
(b) Deferred interest under a debenture held by a subsidiary undertaking	2,267	2,200
(c) Cosalt plc has also guaranteed leasing and other arrangements of subsidiary undertakings in the ordinary course of business		

### 45. Leasing obligations

(a) Future commitments due under finance leases are:

	2008 £000	2007 £000
Within one year	20	8
Between two and five years	16	–
	36	8
Less: future finance charges	–	–
	36	8
Shown in creditors as:		
Amounts falling due within one year	20	8
Amounts falling due after more than one year	16	–
	36	8

(b) Annual commitments due under non-cancellable operating leases are:

	2008 £000	2007 £000
(i) Land and buildings:		
Leases which expire within one year	32	17
Between two and five years	543	275
In five years or more	16	210
	591	502
(ii) Plant:		
Leases which expire within one year	5	–
Between two and five years	5	9
	10	9

The majority of leases of land and buildings are subject to rent reviews.

### 46. Pension scheme

The Company is a member of the Group's pension scheme, details of which are given in note 27.

It is not practical for the Company to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. Accordingly as permitted by FRS 17, 'Retirement benefits', the Scheme has been accounted for in these Company financial statements as if the Scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out as at December 2006 and was updated for FRS 17 purposes to 26 October 2008 by a qualified independent actuary. Certain Employees are Members of a Company defined contribution scheme which invests funds in which the contributions for each individual member are separately identifiable and the benefits calculated accordingly.

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Chartered Accountants  
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### Brokers

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## Financial calendar

### 2009

January

Half-year's dividend on 7.50% Cumulative Preference Shares

February

Preliminary announcement of 2008 results

February

Publication of Annual Report for 2008

April

Annual General Meeting (provisional)

### Acknowledgements

Cosalt would like to thank all those who participated in producing this report, particularly the members of staff for their contributions.

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