

Safety rules

Cosalt plc
Half year report 2009

Cosalt, the leading provider of critical safety and protection services and equipment to the offshore oil & gas and marine industries, announces its interim results for the 27 weeks ended 3 May 2009.

Contents

01	Strategic & operational highlights
02	Interim management statement
04	Condensed consolidated income statement
05	Condensed consolidated balance sheet
06	Condensed consolidated statement of recognised income and expense
07	Condensed consolidated cash flow statement
08	Notes to the condensed consolidated interim financial statements
12	Responsibility statement
13	Independent review report to Cosalt plc

Strategic & operational highlights

- Long-term resilience of business model underpinned by regulatory drivers and robust order pipeline
- Temporarily deferred H1 orders, post lower oil prices and economic downturn, coming through in second half
- Major tenders expected in Offshore in H2; Cosalt well-placed to win contracts and secure significant expansion opportunities
- Excellent contracts secured in Marine during H1
- Industry expertise and experience driving new, high margin service and consultancy operations
- Planned equity fund raising well advanced

Summary results

	2009	2008
Revenue		
Offshore	£20.26m	£20.33m
Marine	£32.59m	£29.24m
Total	£52.85m	£49.57m
Operating profit*		
Offshore	£2.03m	£3.62m
Marine	£1.29m	£0.57m
Head Office	(£1.00)m	(£1.08)m
Total	£2.32m	£3.11m
Loss/profit before tax	(£3.40)m	£0.78m
Earnings per share*	1.24p	6.90p

* Continuing operations before special items – see Note 9 for a reconciliation to headline figures

Interim management statement

Overview

We are pleased to report that the Group has made significant progress in its strategic objective of building a leading business in the safety and protection markets, serving the offshore and marine sectors and people exposed to hostile environments. The growth of these markets around the world continues to be driven by increasing regulatory and legislative requirements.

After Mark Lejman was appointed Chief Executive on 1 June 2008, the Board put in place four key objectives, including an exit from the holiday homes division, the Group's last remaining non-core legacy business; the strengthening of the management team; the refinement and increased focus of the Group's future growth strategy for its Offshore and Marine divisions; and putting in place an optimal financing structure for the Group. The Board has delivered against the first three of these objectives, with progress also made through the acquisition and successful integration of a number of businesses into the Group.

Conditions in the Group's markets became more difficult over the first half due to the general economic environment. In the oil and gas sector, as oil prices fell sharply from September 2008 onwards, customers deferred spend where possible within the confines of their regulatory obligations. Port activity, in particular the volume of container traffic, has also fallen due to low freight rates and widespread destocking.

The Board announced on 26 February 2009 that it had agreed outline terms for increased and extended banking facilities of £39 million on a fully secured basis with HSBC and RBS, and on 27 March, announced that the extension of these facilities had been formally completed. The facilities comprise a 364 day credit facility of £6 million, a £19.9 million revolving credit facility with a three year maturity and a £13.1 million term loan with scheduled repayments through to February 2012, including the first repayment of £3 million in October 2009. The new facility gave the Group greater headroom and, as previously indicated, provided the Board with the time and flexibility to consider the most appropriate long-term financing structure for the business.

In the Group's 20 March 2009 Interim Management Statement, we reported a degree of volatility in current trading. In our 30 April 2009 AGM statement, we further reported that trading during February and March 2009 had been below expectations, although there were signs of an improving order book for April at the time. By the time of our 26 May 2009 announcement, it had become clear that the improvement would not be wholly sufficient to offset the weaknesses earlier in 2009.

In light of these trends in recent trading, the Board has implemented a cost reduction programme across the Group. The actions taken are expected to deliver net savings of over £1 million during the current financial year and £3 million per annum from the financial year ending October 2010 onwards.

Whilst the Board remains confident in the longer-term outlook for Cosalt, it is of the view that its current facilities are insufficient for the Group's working capital needs. Indeed, in the short term, there is a material risk that the Group could breach the leverage covenant contained in the Group's banking facilities at the next test date of 31 July 2009. The Board, therefore, has concluded

that it is in the best interests of the Group and the Company's shareholders to raise additional equity funds and it is expected that this will be achieved through a Placing and Open Offer and Firm Placing. HSBC and RBS, the Group's principal bankers, remain fully supportive of the Group and are in final discussions about a number of amendments, conditional on the completion of a planned fundraising, to the banking terms which would provide an increased level of headroom.

Planned Fundraising

The planned fundraising, the preparations for which are well advanced, will provide the Group with a very much more stable financial base from which to grow the business. It will also improve the Group's ability to renew its debt facilities in the future on more favourable terms than would otherwise be the case, and reduce the Group's ongoing debt financing cost.

Results and Dividend

Group turnover for the period was £52.9 million (2008: £49.6 million), an increase of 7%. Headline operating profit before special items was £2.32 million (2008: £3.11 million). Following various exceptional costs and write downs totalling £3.9 million, including £1 million fees in respect of the extended banking facilities, the Group recorded a loss before taxation on continuing activities of £3.4 million (2008: profit of £0.8 million) with a corresponding loss per share of 10.53p (2008: earnings of 1.77p).

The Board has given careful consideration to its dividend policy. It has concluded that in line with the current requirement to conserve cash and for the purposes of pursuing the Group's growth strategy and enhancing shareholder value, it will not be recommending an interim dividend.

The Board is committed to a progressive dividend policy and, following the planned fund raising, intends to resume dividend payments subject to market conditions and the Group's earnings, cashflow and financial position.

Operations

Cosalt Offshore

Turnover was £20.26 million (2008: £20.33 million), and headline operating profit of £2.03 million (2008: £3.62 million) reflecting a full period of trading for Myhre Maritime but weaker market conditions in the oil and gas sector.

Volatility in the oil price in the first half resulted in our key customers looking to save costs and defer projects within the constraints of their regulatory obligations and this impacted both our sales pricing and volumes. However, we are now seeing deferred orders coming through in the second half which is traditionally the stronger period of trading for this business. In both Norway and the UK, operations associated with new exploration have been and remain quiet but sales of products and services associated with the maintenance of existing assets are now also recovering.

A number of major contracts for the supply of safety services are currently coming up for tender and, on the basis of discussions to date, the Directors believe Cosalt Offshore is well positioned to win a significant share of this new business.

Cosalt Offshore recently announced an exclusive agreement with specialist rope manufacturer, Bridon, which give the Group access to the £30 million UK market for wire rope. Bridon's share of this market has historically been in excess of 10%. The new agreement will allow us to further develop this business by boosting the services that we are able to offer to existing and new customers and will give us the opportunity to extend our relationships with our customers and to generate important new incremental business.

Cosalt Offshore has also recently introduced lifeboat inspection as a new service, which builds on the existing expertise in Cosalt Marine, with lifeboat servicing and sales expected to be added in the second half of the year.

Cosalt Compliance was launched in May 2009, providing technical support to customers to help ensure compliance with the growing burden of health and safety legislation in the areas of lifting equipment and maintenance.

Tooling facilities are also to be introduced at Cosalt Offshore's Stavanger site to further broaden the range of services provided by the Group in Norway.

The Directors are also at the planning stage of extending Cosalt Offshore's services to oil and gas rigs off the coast of Central Norway.

Cosalt Marine

Turnover rose to £32.59 million (2008: £29.24 million) with headline operating profit of £1.29 million (2008: £0.57 million) reflecting a stable underlying business and growing demand for our branded products.

The UK servicing sector has remained resilient and our European Marine business has improved over the same period last year, despite softening in activity levels at the ports of Antwerp, Rotterdam and Hamburg.

In particular, we are seeing strong demand for our branded Crewsaver lifejackets, including a major £240,000 order for lifejackets for the largest cruise liner ever built, "Oasis of the Seas", which is scheduled to enter service later in 2009. We have also recently received an award for innovation for this product line. Sales of our protective workwear have also done well in the first half with large orders from UK fire brigades, Network Rail and a £500,000 contract from West Midlands Police for protective clothing. However, sales of our commodity product lines, such as ropes, have been subject to weaker demand during the period.

Cosalt Marine plans to launch new fire protection services for customers in Germany, Italy and Spain. The division is also targeting sales of life jackets for new-build vessels in the cruise line sector with typical requirements being 4000-5000 units per vessel, an area where the Group has a strong track record, as well as the supply of life jackets to the oil and gas industry outside of the North Sea, building on the Group's relationships in the Offshore division.

Pension

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 increased to £7.6 million (2008: £6.9 million).

Board & Management

On 30 April 2009, Matthew Peacock and Rod Powell stepped down from the Board as directors at the conclusion of the Annual General Meeting.

Outlook

Whilst it has been a challenging first six months, due primarily to the impact of lower oil prices on demand for our offshore services and a generally more difficult economic climate for freight and port activity, we are now seeing an increase in order levels at Cosalt Offshore going into the second half of the year, the traditionally stronger trading period for this business and we have been encouraged by the resilience of our Cosalt Marine business.

Cosalt Offshore is at the forefront in providing crucial technical compliance services to offshore rig operators and the addition of services such as lifeboat inspection and premium liferaft and lifejacket products gives an increasingly attractive offering to our customers. Our recent exclusive distribution agreement with Bridon allows us to expand our product offering to both existing and new customers. Cosalt Marine has performed well in the first half with a steady underlying business in both the UK and Europe boosted by growing demand for our branded marine safety products.

We believe that the increasingly stringent regulatory requirements concerning safety and protection provide a significant growth opportunity and are actively extending our comprehensive range of products and services, to take advantage of those requirements, for both the offshore and marine markets. From our stronghold in the North Sea, there are also substantial opportunities for geographic expansion through our international client base.

The Board is confident of the long term prospects for Cosalt and believes that the Group should now seek to strengthen its balance sheet with an equity fundraising to ensure that the Group will be well placed to take advantage of both specific opportunities in its offshore and marine markets and a general upturn in economic activity.

David Hobdey
Chairman

Mark Lejman
Chief Executive

3 July 2009

Condensed consolidated income statement

for the 27 weeks ended 3 May 2009

	Before special items 27 weeks ended 3 May 2009 £000	Special items* 27 weeks ended 3 May 2009 £000	After special items 27 weeks ended 3 May 2009 £000	Before special items 26 weeks ended 27 April 2008 £000	Special items* 26 weeks ended 27 April 2008 £000	After special items 26 weeks ended 27 April 2008 £000	52 weeks ended 26 Oct 2008 £000
Revenue	52,852	-	52,852	49,567	-	49,567	105,007
Operating profit/(loss)	2,323	(2,461)	(138)	3,109	(1,333)	1,776	4,473
Financial income	95	-	95	89	-	89	89
Financing costs	(1,960)	(1,394)	(3,354)	(1,088)	-	(1,088)	(3,072)
Profit/(loss) before taxation	458	(3,855)	(3,397)	2,110	(1,333)	777	1,490
Income tax (expense)/credit	(131)	749	618	(407)	66	(341)	(871)
Profit/(loss) from continuing operations	327	(3,106)	(2,779)	1,703	(1,267)	436	619
Post-tax (loss) of discontinued operations	-	-	-	(14,294)	-	(14,294)	(25,461)
Profit/(loss) for the period	327	(3,106)	(2,779)	(12,591)	(1,267)	(13,858)	(24,842)
Earnings per ordinary share							
- total operations							
Basic	1.24p		(10.53)p	(51.00)p	-	(56.12)p	(98.70)p
Diluted	1.21p		(10.53)p	(51.00)p	-	(56.12)p	(98.70)p
Earnings per ordinary share							
- continuing operations							
Basic	1.24p		(10.53)p	6.90p	-	1.77p	2.46p
Diluted	1.21p		(10.53)p	6.89p	-	1.76p	2.46p

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

Condensed consolidated balance sheet

as at 3 May 2009

	3 May 2009 £000	27 Apr 2008 £000	26 Oct 2008 £000
ASSETS			
Non-current assets			
Intangible assets – goodwill	34,437	25,602	33,059
Intangible assets – customer contracts and relationships	17,822	14,160	18,429
Intangible assets – computer software	901	1,026	894
Investment properties	2,638	3,750	3,100
Property plant and equipment	9,479	11,167	9,580
Investments	1,145	575	2,728
Deferred tax assets	2,852	1,920	2,588
	69,274	58,200	70,378
Current assets			
Inventories	17,453	14,392	19,384
Trade and other receivables	29,092	32,205	27,400
Derivative financial assets	–	106	622
Cash and cash equivalents	1,772	2,785	2,171
Assets classified as held for sale	–	25,709	–
	48,317	75,197	49,577
Total assets	117,591	133,397	119,955
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	25,662	900	27,616
Deferred tax liabilities	4,184	4,462	5,166
Deferred Government grants	7	37	7
Provisions	115	–	73
Retirement benefit obligations	7,644	6,858	6,280
	37,612	12,257	39,142
Current liabilities			
Bank overdrafts	–	22,366	–
Interest bearing loans and borrowings	9,505	7,383	1,373
Corporation tax payable	2,469	–	1,363
Provisions	–	38	42
Trade and other payables	33,039	31,877	40,099
Derivative financial liabilities	1,058	–	381
Liabilities classified as held for sale	–	13,257	–
	46,071	74,921	43,258
Total liabilities	83,683	87,178	82,400
Net assets	33,908	46,219	37,555
EQUITY			
Share capital	6,574	6,190	6,587
Share premium	34,558	32,116	34,558
Merger reserve	7,586	6,703	7,586
Other reserves	1,148	1,148	1,148
Translation reserve	1,986	976	857
Hedging reserve	(1,058)	106	241
Retained earnings	(16,886)	(1,020)	(13,422)
Total equity attributable to equity holders of the parent	33,908	46,219	37,555

Condensed consolidated statement of recognised income and expense

for the 27 weeks ended 3 May 2009

	27 weeks ended 3 May 2009 £000	26 weeks ended 27 April 2008 £000	52 weeks ended 26 October 2008 £000
Effective portion of changes in cashflow hedges net of recycling	(1,299)	202	337
Currency translation differences	1,129	720	601
Actuarial (losses)/gains on defined benefit scheme	(996)	1,424	1,420
Taxation on items taken directly to equity	-	(399)	(167)
Net income recognised directly in equity	(1,166)	1,947	2,191
(Loss)/profit for the period	(2,779)	(13,858)	(24,842)
Total recognised income and expense attributable to equity holders of the parent	(3,945)	(11,911)	(22,651)

Condensed consolidated cash flow statement

for the 27 weeks ended 3 May 2009

	27 weeks ended 3 May 2009 £000	26 weeks ended 27 April 2008 £000	52 weeks ended 26 October 2008 £000
Cash generated from operations			
(Loss)/profit for the period	(2,779)	(13,858)	(24,842)
Adjustments for:			
Income tax (credit)/expense	(618)	341	(945)
Depreciation	1,440	1,628	4,931
Amortisation of intangible assets	1,514	1,303	2,691
Impairment of assets held for sale	-	12,315	-
Deferred government grants released	-	(4)	(14)
Net finance costs	3,259	1,245	2,983
Share based payment charge	30	40	(28)
Investment property losses	335	150	800
Pension contributions in excess of charge	(61)	(426)	(680)
Profit/(loss) on disposals of property, plant and equipment	25	(15)	2,579
Loss on disposal of discontinued undertakings	-	-	9,161
Cash flow before changes in working capital	3,145	2,719	(3,364)
(Decrease)/increase in inventories	2,207	(2,110)	(3,330)
(Increase)/decrease in trade and other receivables	(1,087)	(10,034)	1,696
(Decrease)/increase in trade and other payables	(7,416)	(677)	6,687
(Increase)/decrease in provisions	123	(4)	2,735
Net cash (used in)/from operations	(3,028)	(10,106)	4,424
Operating activities			
Interest received	95	77	161
Interest paid	(2,668)	(994)	(2,748)
Interest element of finance lease rentals	(22)	(35)	(31)
Dividends paid on preference shares	(2)	(2)	(4)
Income tax paid	(918)	(284)	(1,261)
Net cash (used in)/from operating activities	(6,543)	(11,344)	541
Cash flows from investing activities			
Acquisitions of subsidiaries (net of cash acquired)	19	(238)	(11,198)
Sale of investments	1,328	175	2,250
Proceeds from sale of property, plant and equipment	868	86	48
Purchase of property, plant and equipment	(1,063)	(1,414)	(4,100)
Purchase of intangible assets – software	(205)	(172)	(416)
Purchase of intangible assets – other	(5)	-	-
Net cash used in investing activities	942	(1,563)	(13,416)
Cash flows from financing activities			
Dividends paid to shareholders	-	(884)	(2,462)
Finance lease principal payments	(272)	(309)	(534)
Exercise of share options and share issues	-	164	2,901
New loans and facilities	36,701	-	27,171
Repayment of bank borrowing	(31,331)	(514)	(980)
Net cash (from)/used in financing activities	5,098	(1,543)	26,096
Net(decrease)/increase in cash and cash equivalents	(503)	(14,450)	13,221
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period	2,171	(11,179)	(11,179)
Effect of exchange rate fluctuations on cash held	104	99	129
Cash and cash equivalents at period end	1,772	(25,530)	2,171
Balance sheet figures			
Cash	1,772	2,792	2,171
Overdrafts	-	(22,366)	-
Factoring advances	-	(5,956)	-
Cash and cash equivalents	1,772	(25,530)	2,171

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Cosalt plc (the "Company") is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the 27 weeks ended 3 May 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

2. Basis of preparation

This half-yearly financial report comprises the interim management report, a responsibilities' statement and condensed consolidated interim financial statements of the Group for the 27 weeks ended 3 May 2009. It has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 Interim Financial Reporting as adopted by the European Union.

The half-yearly financial report 2008/09 was approved by the Board of Directors on 3 July 2009.

The half-yearly financial report 2008/09 does not constitute financial statements as defined in section 435 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual report and financial statements for the 52 weeks ended 26 October 2008, copies of which can be obtained from the Company's registered office or website.

The financial information contained in this half-yearly report in respect of the 52 weeks ended 26 October 2008 has been extracted from the Annual report and financial statements 2008 which have been filed with the Registrar of Companies. The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The auditors have reported on those financial statements; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

On page 9 of the 2008 Annual Report and financial statements our Chairman, David Hobdey, stated that the Board would be assessing the optimal long term financing structure of the business. As a result, the Group is at the advanced stages of a placing and open offer and firm placing to raise equity from shareholders. The Directors expect this placing and open offer and firm placing to be fully underwritten, on an irrevocable basis, at the time the Prospectus is issued, before 31 July 2009.

On this basis, the banks have been asked to include any proceeds of the fundraising in the covenant tests at 31 July 2009. Assuming that the banks agree to this and should the fundraising be fully underwritten by that time, the Directors consider that the covenant tests should as a result be passed. If these proceeds cannot be included in the tests at 31 July 2009, then the directors expect that the covenants will be breached resulting in the facilities becoming repayable on demand. The cash funds are expected to be received by 31 August 2009.

As set out in pages 3 to 6, and in the Trading Statement issued on 26 May 2009, trading has continued to be challenging in the last four months. Consequently, sales, margins and cash flow have been below the forecasts made in February 2009 and in order to comply with the existing covenants in its debt facility agreements with the banks at their next test date (31 July) and subsequently, the Group needs to secure additional funding.

As discussed above, the processes to put this additional funding in place are at an advanced stage and a further announcement will be made as appropriate. However, there can be no certainty that the fundraising will be completed successfully.

The Directors have concluded that since the Disclosure and Transparency Rules require the interim financial statements to be announced today, in advance of the fundraising being finalised, the above matters represent a material uncertainty at the date of these interim financial statements that casts significant doubt upon the Group's ability to continue as a going concern. The Group may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after having considered the current status of the preparations for the fundraising, their current banking facilities and reviewed the profit and cash forecasts of the Group with appropriate sensitivities around operational performance, the Directors believe the going concern basis of preparation of the financial statements continues to be appropriate.

3. Principal risks

The basis of preparation highlights the liquidity risk to the Group which was identified along with other financial risks in the financial review in the Annual Report and financial statements for the year ended 26 October 2008. The principal risks remain the same for the half year report 2008/9 and the remainder of the current financial year.

Those risks are as follows:

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.

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 rates.

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.

4. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its financial statements as at and for the 52 weeks ended 26 October 2008.

5. New IFRS and amendments to IAS

The financial statements for the 53 weeks ending 01 November 2009 will be impacted by the following new standards and interpretations:

- IFRIC 12 Service Concession Arrangements*
- IFRIC 13 Customer Loyalty Programmes*
- IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IAS 39 – Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition
- IAS 39 – Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments*
IFRIC 16 Hedges of a Net Investment in A Foreign Operation*

* These standards and interpretations have been endorsed by the European Union.

The application of these standards and interpretations will not have a material effect on the Group's financial statements except for additional disclosure.

6. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the 52 weeks ended 26 October 2008.

Notes to the condensed consolidated interim financial statements

continued

7. Analysis by business segment

At 3 May 2009 the Group is organised into two main business segments: Offshore and Marine.

The primary segment reporting format is determined to be the business segments 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.

Operating profits are shown before head offices charges.

27 weeks ended 3 May 2009	Continuing operations			Total £000	Discontinued operations	
	Marine £000	Offshore £000	Head office/ unallocated £000		£000	Total £000
Revenue	32,592	20,260	–	52,852	–	52,852
Operating profit/(loss) before special items	1,295	2,030	(1,002)	2,323	–	2,323
Special items	(207)	(480)	(1,774)	(2,461)	–	(2,461)
Operating profit/(loss)	1088	1,550	(2,776)	(138)	–	(138)

26 weeks ended 27 April 2008	Continuing operations			Total £000	Discontinued operations	
	Marine £000	Offshore £000	Head office/ unallocated £000		£000	Total £000
Revenue	29,243	20,324	–	49,567	28,709	78,276
Operating profit/(loss) before special items ⁵⁷²	3,622	(1,085)	3,109	(1,733)	1,376	
Special items	(229)	–	(1,104)	(1,333)	–	(1,333)
Operating profit/(loss)	343	3,622	(2,189)	1,776	3,744	43

52 weeks ended 26 October 2008	Continuing operations			Total £000	Discontinued operations	
	Marine £000	Offshore £000	Head office/ unallocated £000		£000	Total £000
Revenue	63,161	41,846	–	105,007	43,106	148,113
Operating profit/(loss) before special items ^{2,095}	8,336	(933)	9,498	(17,492)	(7,994)	
Special items	(455)	(150)	(4,420)	(5,025)	–	(5,025)
Operating profit/(loss)	1,640	8,186	(5,353)	4,473	(17,492)	(13,019)

8. Summary of movements in equity

27 weeks ended 03 May 2009	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 26 October 2008	6,587	34,558	7,586	1,148	857	241	(13,422)
Loss for the period							(2,779)	(2,779)
Treasury shares	(13)							(13)
Share option charge							30	30
Currency translation differences					1,129			1,129
Change in value of hedged items						(1,299)		(1,299)
Movement in pension deficit and related taxation							(715)	(715)
Balance as at 03 May 2009	6,574	34,558	7,586	1,148	1,986	(1,058)	(16,886)	33,908

26 weeks ended 27 April 2008	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 28 October 2007	6,157	31,985	6,703	1,148	256	(96)	12,657
Profit for the period	–	–	–	–	–	–	(13,858)	(13,858)
Share option charge	–	–	–	–	–	–	40	40
Exercise of share options and share issues	33	131	–	–	–	–	–	164
Currency translation differences	–	–	–	–	720	–	–	720
Change in value of hedged items	–	–	–	–	–	202	–	202
Movement in pension deficit and related taxation	–	–	–	–	–	–	1,025	1,025
Dividends	–	–	–	–	–	–	(884)	(884)
Balance as at 27 April 2008	6,190	32,116	6,703	1,148	976	106	(1,020)	46,219

8. Summary of movements in equity continued

52 weeks ended 26 October 2008 (see note 3)	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 28 October 2007	6,157	31,985	6,703	1,148	256	(96)	12,657	58,810
Loss for the period	-	-	-	-	-	-	(24,842)	(24,842)
Shares issued in year	430	2,573	883	-	-	-	-	3,886
Share option charge	-	-	-	-	-	-	(28)	(28)
Currency translation differences	-	-	-	-	601	-	-	601
Change in value of hedged items	-	-	-	-	-	337	-	337
Movements in pension deficit and related taxation	-	-	-	-	-	-	1,253	1,253
Dividends	-	-	-	-	-	-	(2,462)	(2,462)
Balance as at 26 October 2008	6,587	34,558	7,586	1,148	857	241	(13,422)	37,555

9. Reconciliation of Headline figures to statutory figures

	27 weeks ended 3 May 2009 Special items £000	27 weeks ended 3 May 2009 Total £000	26 weeks ended 27 April 2008 Special items £000	26 weeks ended 27 April 2008 Total £000	52 weeks ended 26 October 2008 Special items £000	52 weeks ended 26 October 2008 Total £000
Headline operating profit before tax	-	2,323	-	3,109	-	9,498
Redundancies, reorganisation and impairment	(857)	-	(229)	-	(2,142)	-
(Loss)/gain on impairment of investment properties	(335)	-	(150)	-	(800)	-
Amortisation of acquisition intangibles	(1,269)	-	(954)	-	(2,083)	-
	-	(2,461)	-	(1,333)	-	(5,025)
Statutory operating profit before tax	(2,461)	(138)	(1,333)	1,776	(5,025)	4,473
Financial income	-	95	-	89	-	89
Financial costs						
- other	-	(1,960)	-	(1,088)	-	(2,354)
- special items	(1,394)	(1,394)	-	-	(718)	(718)
Statutory profit/(loss) before tax	(3,855)	(3,397)	(1,333)	777	(5,734)	1,490

10. Earnings per share

Headline EPS is calculated based on headline operating profit less net financial costs and assuming taxation at 28% and the average number of shares in issue in the period being 26,403,397 for April 2009 and 24,690,200 for April 2008.

The basic earnings on total operations are calculated on the basis of total losses of £2,779,000 (losses of £13,858,000 for 27 April 2008 and losses of £24,842,000 for 26 October 2008) attributable to ordinary shareholders and the average number of shares in issue for the period, being 26,403,397 for 3 May 2009 (24,690,200 for 27 April 2008 and 25,169,690 for 26 October 2008).

The basic earnings per share on continuing operations are calculated on the basis of losses of £2,779,000 (profits of £436,000 for 27 April 2008 and profit of £5,886,000 for 26 October 2008) attributable to ordinary shareholders and the average number of shares in issue for the period, being 26,403,397 for 3 May 2009 (24,690,200 for 27 April 2008 and 25,169,690 for 26 October 2008).

Losses on basic earnings per share cannot be diluted and so where a loss has arisen this has not been diluted in calculating diluted earnings per share.

The diluted earnings per share are based upon the average number of shares in issue for the period plus the average maximum potential number of shares which could be issued under the various Executive Share Option Schemes. The total number of shares used to calculate the diluted earnings are 26,978,969 (24,728,424 for 27 April 2008 and 25,198,150 for 26 October 2008).

11. Taxation

The taxation charge for the interim period is based upon the estimated rate for the full year. The effective tax rate of 18% is lower compared to the standard rate of 28% due to disallowable items.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and
 - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

N R Carrick
Secretary

3 July 2009

Independent review report to Cosalt plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 27 weeks ended 3 May 2009 which comprises the Condensed consolidated income statement, Condensed consolidated balance sheet, Condensed consolidated cash flow statement, Condensed consolidated statement of recognised income and expense and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 27 weeks ended 3 May 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Emphasis of matter – going concern

In forming our conclusion on the interim financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the interim financial statements concerning the group's ability to continue as a going concern; in particular that the company expects to complete a placing and open offer and firm placing by 31 August 2009 and is currently seeking the agreement of its banks to amendment to the calculation of certain covenant tests at 31 July 2009, by which time the directors expect the proposed placing and open offer and firm placing to be fully underwritten. Until such time as the banks have agreed to amend the covenant tests, the placing and open offer and firm placing is completed successfully, or additional funds are raised through alternative means, these matters indicate the existence of material uncertainties which may cast significant doubt on the group's ability to continue as a going concern.

DJ Hutchinson (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds

3 July 2009

Cosalt plc
Fish Dock Road
Grimsby
North East Lincolnshire
DN31 3NW
Telephone 01472 504 504
Facsimile 01472 504 369
www.cosalt.com
Registered Number 19628