

COSALT PLC
("Cosalt" or "the Group")

Preliminary Results for 52 weeks ended 27 August 2000

Cosalt, which specialises in industrial services and leisure products, announces increased pre-tax profits of £5.92 million.

- * Profit before tax increased to £5.92 million (1999: £5.84 million).
- * Turnover of £98.74 million (1999: £96.16 million)
- * Earnings per share rose to 33.45p (1999: 33.15p)
- * Final dividend of 10.6p per share, making a total dividend for the year of 15.75p, an 8.6% increase over 1999 (14.5p)
- * Significant improvement in operating efficiencies and product development at Workwear
- * Aggressive new business drive in career wear now producing tangible benefits
- * Excellent prospects for continued pattern of growth

Gerry Camamile, Chairman of Cosalt, said today:

"We have continued our growth pattern and, had it not been for a small number of isolated matters, profits would have been higher. Most of our businesses now look healthier - in particular, Workwear is making great strides in winning new business. This gives us every confidence for the future."

21 November 2000

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COSALT PLC

Preliminary Results for 52 weeks ended 27 August 2000

CHAIRMAN'S STATEMENT

The profit of the Group for the year ended 27 August 2000, at £5.92 million showed a marginal increase above that for the year ended 29 August 1999 (£5.84 million). Earnings per share at 33.45p were slightly higher than in the previous year (33.15p). This result, although somewhat disappointing in the context of the growth achieved in earlier years, was achieved after writing off several non-recurring items. These are described more fully in the Group Managing Director's review.

The underlying capacity of the Group's businesses is, however, intact and the management's ability to deal with difficult circumstances has again been tested and proved. The Board therefore feels sufficiently confident to recommend a further increase in the final dividend to 10.60p per ordinary share, giving a total dividend for the year of 15.75p, compared with 14.50p for the preceding year – an increase of 8.6%. That increased dividend still remains more than twice covered, and we have maintained our intention to provide a growing and well covered dividend for our shareholders.

The largest contributor to the Group's profit in the year to 27 August 2000 remains the Holiday Homes business. It operates in a relatively mature market, within which its design strengths and the quality of its customer service continue to be the key factors underpinning its success.

The particular strength of our Workwear business is also the high standard of its service to customers, leading to continuing growth in profits, but in this case, in an expanding market. Workwear is becoming more of a specialist, but is also adding to its product range to enable it to provide a more comprehensive package in its field of operations to customers who continue to require very high standards of quality and service. This business is now beginning to realise the potential which we had earlier forecast for it.

Much has been done to improve the results in the Fibres business and the service provided by the netting activity to the fish farming industry has brought significant rewards.

Our expectation for the future, therefore, is for a continued growth in the Group's profitability, notwithstanding the difficulties of the past year.

The Group's financial position at the year end showed further improvement, continuing the trend set over the last few years. Half of last year's profit after tax has been re-invested in the business and control over both capital expenditure and working capital continues to be tight.

We see a good future for our existing activities with the potential for rapid growth in one or two of them, offering scope for corresponding and continuing growth in dividends: as this happens, we expect the focus of the Group's activities to become much more clearly defined.

The management and employees of the Group have faced several difficulties in this past year but have overcome them, learnt from them and are firmly on the track of continued improvement. At the time of this statement, we are confident of a better year to come.

G.H. CAMAMILE
CHAIRMAN

21 November 2000

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Group Managing Director's Review of Operations

Overview

The Group's activities focus on two business areas: Industrial Services and Leisure Products.

£'000	Turnover Year Ended		Operating Profit Year Ended	
	August 2000	August 1999	August 2000	August 1999
Industrial Services	46,426	48,247	3,165	2,786
Leisure Products	52,310	47,910	3,779	4,064
Total	98,736	96,157	6,944	6,850

Whilst we can take comfort from the fact that the year to August 2000 represents the eighth consecutive year of improvement in profitability, we are disappointed that the improvement was not better. There were, however, several difficulties to overcome during the year, which included: a serious computer implementation problem at Workwear last winter; a depressed offshore market affecting our marine safety business; a further decline in volumes at Cosalt Lighting; and provision for a possible bad debt at Holiday Homes.

However, we have continued to improve margins in most activities through greater efficiencies and increased overseas procurement, and trading prospects generally are encouraging.

Review of Operations

Industrial Services

Our **Safety & Protection** business is involved in the manufacture, supply and servicing of marine and industrial safety products and apparel, with the principal brands being Cosalt, Youngs, Perry, Crewsaver, and Yak.

In producing a similar profit to last year, this business has generated excellent cash flow and achieved a good return on capital in a year that has suffered from depressed activity in the offshore marine market. However, with a higher oil price, and a consequent uplift in the oil services market, prospects have improved.

Crewsaver, the manufacturer of the leading brand of inflatable life jackets, made good progress and continues to benefit from contracts with the Ministry of Defence and the RNLI for life-saving equipment.

Our **Workwear** business designs, manufactures and distributes workwear, career wear and high visibility protective clothing under the brand names of Cosalt Workwear and Cosalt Clothing Solutions.

Operating profits, at £1.11 million, were 35% up on last year, in spite of having to address serious problems with the fully integrated computer system. Thanks to the commitment and dedication of the management team and staff, these problems are now firmly behind us.

The Barnsley factory, which produces a great variety of garments in small batches, with a quick response time, is working well, with much improved efficiencies.

We continue to maintain our position as market leader in supplying workwear to motor retailers and high visibility protective garments to the rail maintenance industry. Additionally, following sound preparation over the last eighteen months, we are now becoming an important provider of career wear. New business in this area has recently been won with Post Office Counters, Virgin and Christian Salvesen – all against established competitors. This new activity is now beginning to contribute strongly, and with improving design, warehousing and logistical support, and the ability to provide a ‘one-stop shop’ for image clothing and safety wear for multi-site customers, growth prospects for the year 2001 are excellent.

Our **Knox Netting and Fibres** business manufactures and supplies industrial, sporting, camouflage, safety and fish farming nets, in addition to processing synthetic carpet yarns and fibres.

Knox Fibres has experienced another difficult year and has incurred losses, but excellent work has been done in improving production methods and flexibility, leading to a much lower cost operation. Some 90% of production is presently being directed to the more stable contract carpet market and prospects are consequently better.

Knox Netting has become the market leader in providing net cages to the U.K. fish farming industry. Excellent progress has been made in this highly technical operation, giving customers a complete supply and service package, following strategic investment in its highly regulated net washing and servicing plant. We anticipate further improvements in market penetration

Leisure Products

Cosalt Holiday Homes designs and manufactures caravan holiday homes, custom homes, chalets and residential park homes. A small business – Kingsform – makes furniture doors and panels both for internal use and for third parties.

Operating profits at Holiday Homes at £4.10 million were similar to last year, in spite of a £180,000 provision against a potential bad debt just before the financial year end.

We continue to improve our presence in the U.K. holiday caravan market, with imaginative designs, excellent customer service and improving manufacturing efficiencies.

Additionally, the leisure custom home business, where batch production is a rarity, has increased its contribution to profitability.

Cosalt Lighting designs, manufactures and sells commercial lighting and décor, complemented by stained and coloured glass windows and door furniture.

Although this business' principal customers are such companies as Whitbread, Scottish & Newcastle and Bass, as well as other operators in the leisure industry, turnover fell for the second year in succession in a very difficult market place, and operating losses this year were in excess of £300,000.

However, new product and new market development is progressing well and following the recent re-organisation of this activity, we anticipate that the current year will be significantly better. The committed and enthusiastic management team, together with all employees in the business, have agreed to make pay sacrifices, overheads have been reduced significantly, and the break even point of the business is now at a much lower level.

Sales to a highly prestigious U.S.A. based group of theme parks are increasing, and six U.S.A. distributors have recently been appointed following a successful debut for our products at the Las Vegas Hospitality Show.

North Shields Development

It is ten years since this property development commenced. Management are continuing to deal with the technical problems but it will be some time before matters are fully resolved and we can withdraw from this activity.

Significant provisions are carried forward in the accounts and we are hopeful that these will cover rectification expenditure and the fees of experts as they are incurred.

Capital Expenditure

Capital Expenditure in the year to August 2000 was £1.45 million compared with £1.79 million spent in 1999. The depreciation charge was £1.39 million.

We anticipate a similar level of expenditure in the coming year.

Balance Sheet

The balance sheet of the Group continues to strengthen and shareholders' funds increased during the year by £2,275,000 to £23,919,000. Cash control continues to be first class and whilst the Group has significant borrowings in the winter and spring months to fund the seasonality at Holiday Homes, the gearing at the year end improved further to 15% from 22%.

Outlook

As I said last year, the key strength of the Cosalt Group is the way in which it operates – achieving the very best of effort from loyal, highly motivated and committed management teams across the activities, linked to prudent cash control and judicious financial planning.

We have just completed our eighth consecutive year of profit growth. Over the course of the last few years we have continued to invest prudently, increased dividends to shareholders and significantly strengthened the Group's balance sheet.

We have established important positions in the markets of caravan holiday homes, marine safety, fish farming and workwear. Given that there is still significant potential to grow market share in all these activities, I am confident of our ongoing capacity to continue to increase Group profitability.

F. W. Wood
Group Managing Director

21 November 2000

COSALT PLC

Consolidated Profit and Loss Account Preliminary Results for 52 weeks ended 27 August 2000

	52 weeks ended 27 August 2000 £000s	52 weeks ended 29 August 1999 £000s
Turnover	98,736	96,157
Net operating expenses	(91,792)	(89,382)
Operating Profit	6,944	6,775
Profit on investment disposal	-	84
Profit on ordinary activities before interest	6,944	6,859
Interest payable (net)	(1,028)	(1,016)
Profit on ordinary activities before taxation	5,916	5,843
Taxation on ordinary activities	(1,751)	(1,728)
Profit for the financial year	4,165	4,115
Preference dividends (non-equity shares)	(4)	(3)
Profit attributable to ordinary shareholders	4,161	4,112
Ordinary dividend (equity shares)	(1,967)	(1,801)
Transferred to retained profits	2,194	2,311
Earnings per share (Note 3)	33.45p	33.15p
Diluted earnings per share (Note 3)	33.40p	32.98p
Dividend per share	15.75p	14.50p

All items dealt with in arriving at operating profit for both the 52 week periods ended 27 August 2000 and 29 August 1999 relate to continuing operations.

There is no material difference between the reported results and those prepared on a historical cost basis.

Consolidated Statement of Total Recognised Gains and Losses

	52 weeks ended 27 August 2000	52 weeks ended 29 August 1999
Profit for the financial year	4,165	4,115
Prior year adjustments (see note 2)	-	(288)
Total gains and losses recognised since last annual report	4,165	3,827

COSALT PLC

**Consolidated Balance Sheet
Preliminary Results for 52 weeks ended 27 August 2000**

	27 August 2000		29 August 1999	
	£000s	£000s	£000s	£000s
Fixed assets				
Tangible fixed assets		15,561		15,641
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Current assets				
Stocks	13,862		11,048	
Debtors	19,607		19,293	
Bank and cash balances	4,184		4,283	
		37,653		34,624
Creditors				
Amounts falling due within one year	25,490		23,728	
Net current assets		12,163		10,896
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Total assets less current liabilities		27,724		26,537
Creditors				
Amounts falling due after more than one year		2,722		3,607
		25,002		22,930
Provisions for liabilities and charges	902		1,106	
Deferred income				
Grants not yet credited to profit	181	1,083	180	1,286
Net assets		23,919		21,644
Capital and reserves				
Called up share capital		3,167		3,152
Share premium account		2,321		2,255
Revaluation reserve		470		470
Investment property revaluation reserve		67		67
Other reserves		1,148		1,148
Profit and loss account		16,746		14,552
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Shareholders' funds				
(including non-equity interests)		23,919		21,644

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Consolidated Cash Flow Statement Preliminary Results for 52 weeks ended 27 August 2000

	52 weeks ended 27 August 2000	52 weeks ended 29 August 1999
	£000s	£000s
Net cash inflow from operating activities	6,756	7,792
Returns on investments and servicing of finance:		
Interest paid	(886)	(890)
Interest received	14	17
Interest element of finance lease payments	(178)	(193)
Non-equity dividends paid	(4)	(3)
	(1,054)	(1,069)
Taxation:		
Corporation tax paid	(1,498)	(2,200)
Capital expenditure and financial investment:		
Sale of investment	42	63
Government grants	30	39
Purchase of tangible fixed assets	(1,019)	(1,577)
Sale of tangible fixed assets	121	490
	(826)	(985)
Equity dividends paid	(1,855)	(1,675)
Net cash inflow before use of liquid funds and financing	1,523	1,863
Financing:		
Issue of share capital	81	28
New bank borrowings	500	403
Repayment of bank and other borrowings	(1,917)	(1,860)
Capital element of finance lease rental payments	(679)	(825)
	(2,015)	(2,254)
Decrease in cash	(492)	(391)
Reconciliation of net cash flow to movement in net debt		
Decrease in cash	(492)	(391)
Cash outflow from decrease in debt and lease financing	2,096	2,282
Change in net debt from cash flows	1,604	1,891
Inception of new finance leases	(517)	(406)
Movement in net debt in year	1,087	1,485
Net debt as at 29 August 1999	(4,701)	(6,186)
Net debt as at 27 August 2000	(3,614)	(4,701)

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Preliminary Results for 52 weeks ended 27 August 2000

The turnover and results of the main activities were as follows:

	Turnover		Operating profit/(loss)	
	2000 £000s	1999 £000s	2000 £000s	1999 £000s
Industrial Services	46,426	48,247	3,165	2,786
Leisure Products	52,310	47,910	3,779	4,064
	98,736	96,157	6,944	6,850
Allocation to Employees' Profit Sharing Scheme			-	(75)
Operating profit			6,944	6,775
Profit on investment disposal			-	84
Interest payable (net)			(1,028)	(1,016)
Profit on ordinary activities before taxation			5,916	5,843

The operating assets of the main activities were as follows:

	Operating capital employed	
	2000 £000s	1999 £000s
Industrial Services	17,876	16,317
Leisure products	11,798	10,986
	29,674	27,303
Non-operating assets and liabilities *	(4,410)	(3,389)
Net borrowings	(1,345)	(2,270)
Total net assets	23,919	21,644

* Non-operating assets and liabilities principally represents taxation, dividends and finance leases.

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Preliminary Results for 52 weeks ended 27 August 2000

Reconciliation of operating profit to cash flow from operating activities

	2000 £000s	1999 £000s
Operating profit	6,944	6,775
Depreciation	1,381	1,359
Loss on property disposal	30	-
Capital grants income release	(29)	(28)
Increase/(decrease) in stocks	(2,814)	591
Increase/(decrease) in debtors	(388)	2,122
Increase/(decrease) in creditors	1,926	(2,422)
Decrease in provisions	(294)	(605)
Net cash inflow from operating activities	6,756	7,792

Analysis of changes in net debt

	At 30 August 1999 £000s	Cash Flows £000s	Other Non Cash Changes £000s	At 27 August 2000 £000s
Cash in hand and at bank	4,283	(99)	-	4,184
Overdrafts	(809)	(74)	-	(884)
Advances due within one year	(1,914)	(318)	-	(2,232)
	1,560	(492)	-	1,068
Debt due within one year	(1,930)	1,917	(1,225)	(1,238)
Debt due after one year	(1,900)	(500)	1,225	(1,175)
Finance leases	(2,431)	679	(517)	(2,269)
Total	(4,701)	1,604	(517)	(3,614)

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Preliminary Results for 52 weeks ended 27 August 2000

Notes to the Accounts

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 27 August 2000 or 29 August 1999 but is derived from those accounts. Statutory Accounts for 1999 have been delivered to the Registrar of Companies, and those for 2000 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985. Full accounts for Cosalt plc for the year ended 27 August 2000 will be sent to shareholders during December 2000 and will be available after that time from the Company Secretary, Cosalt plc, Fish Dock Road, Grimsby, N.E. Lincolnshire, DN31 3NW. Copies of this announcement are available from the same address.
2. In accordance with FRS 12 Provisions, Contingent Liabilities and Contingent Assets, the Group changed its accounting policy for warranty costs in 1999. Previously warranty costs were charged against the profit and loss account in the year incurred. FRS 12 requires such amounts to be provided for in the balance sheet and consequently the prior period figures have been adjusted.
3. The figures of basic earnings per share are calculated on the profit attributable to ordinary shares of £4,161,000 (1999: £4,112,000), divided by the average number of shares in issue during the year, being 12,440,265 (1999: 12,404,266).

For diluted earnings per share, the weighted average number of ordinary shares is adjusted for the dilutive effect of potential ordinary shares. The Group has only one category of dilutive potential ordinary shares which is that of share options granted to employees. Those options which have an exercise price which is less than the daily average mid-market price of the Company's ordinary shares during the year are considered dilutive.

	27 August 2000	29 August 1999
Weighted average number of shares in issue	12,440,265	12,404,266
Weighted average number of dilutive share options	17,981	64,121
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Total number of shares for calculating diluted earnings per share	12,458,246	12,468,387

4. A final dividend of 10.60p per share is proposed and if approved will be payable on 24 January 2001 to shareholders on the register on 22 December 2000, absorbing £1,321,645
5. This preliminary announcement was approved by the Board on 20 November 2000.