

# Cosalt plc

(“Cosalt” or “the Group”)

## Preliminary Results for the fifty-three weeks ended 31 October 2004

*Cosalt, a market leading manufacturer and supplier of Industrial Services and Leisure Products in the UK, announces increases in turnover and operating profits from both its Divisions for the year to 31 October 2004 and another increase in its annual dividend.*

### Financial Highlights

- Turnover from continuing activities of £145.4 million (2003: £141.7 million), up 2.6%
- Operating profit of £8.68 million\* (2003: £8.25 million), up 5.2%
- Profit before tax of £7.28 million\* (2003: £6.76 million), up 7.7%
- Earnings per share of 38.14p\* (2003: 37.18p), up 2.6%
- Recommended final dividend of 12.75p per share (2003: 12.50p), making total dividend for the year of 18.75p (2003: 18.25p), up 2.7%

\* before goodwill and exceptional items and losses on discontinued activities

### Operational Highlights

- Good recovery at Cosalt:Ballyclare
  - Strong margin growth
  - Substantial improvement in working capital
- Group's re-organisation delivering improved quality of earnings
  - Closure of loss-making retail concessions and Distinctive Childrenswear fashions
  - Integration of Schoolwear businesses
- Building on market-leading position in marine safety and protection market
  - Acquisition of Aberdeen Inflatables
- Group's activities becoming more focused
  - Sale of Knox Fibres and Netting businesses
- Another good performance from Holiday Homes
  - Current year impacted by temporary slowdown in retail sales due to industry-wide over-supply
  - Signs of demand returning to more normalised levels

Commenting on the results, David Bolton, Chairman said:

***“I am pleased to report another year of good progress for the Group. However, as forecast previously, the result for the current year will be held back by the softening in the holiday home market. Having achieved a satisfactory exit from the non-core Knox businesses, closed the loss-making retail concessions and the Distinctive Childrenswear fashion business, and managed a speedy recovery at Cosalt:Ballyclare, the quality of the Group's earnings going forward is strengthened.”***

1 February 2005

**ENQUIRIES:**

**Cosalt plc**

Bill Wood, Managing Director  
Neil Carrick, Finance Director

**Tel: 020 7457 2020 (today)**

**Tel: 01472 504504 (thereafter)**

**College Hill**

Mark Garraway  
Matthew Gregorowski

**Tel: 020 7457 2020**

Email: [mark.garraway@collegehill.com](mailto:mark.garraway@collegehill.com)

Email: [matthew.gregorowski@collegehill.com](mailto:matthew.gregorowski@collegehill.com)

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**CHAIRMAN'S STATEMENT**

**INTRODUCTION**

I am pleased to report another year of good progress for the Group. Total turnover for the 53 weeks ended 31 October 2004 increased to £154.68 million (52 weeks to 26 October 2003 - £151.60 million). Turnover from continuing businesses increased to £145.37 million for the year ended 31 October 2004 (2003 - £141.70 million).

Profit before tax, excluding the amortisation of goodwill, exceptional items and losses on discontinued activities, increased to £7.28 million, compared to £6.76 million for the 52 weeks to 26 October 2003. This resulted in earnings per share of 38.14p (2003 - 37.18p). Pre-tax profit of the Group, after charging the amortisation of goodwill, exceptional items and losses on discontinued activities, was £5.05 million (2003 - £6.00 million). Earnings per share, after goodwill, exceptional items and losses on discontinued activities, were 27.74p (52 weeks to 26 October 2003 - 33.74p).

These results reflect both the good progress made in the Group's principal activities, in particular a strong recovery in Cosalt:Ballyclare following the disappointing results in 2003, and the further rationalisation of the Group's activities.

**DIVIDENDS**

We are pleased to recommend a final dividend increased to 12.75p per ordinary share (2003 - 12.50p), making the total dividend for the year 18.75p, compared with 18.25p for the 52 weeks to 26 October 2003. The total dividend is covered twice by profits on continuing activities.

**CORE ACTIVITIES**

The Group's activities focus on two business areas; Industrial Services, comprising Safety & Protection, Workwear/Corporatewear and Schoolwear/Childrenswear, and Leisure Products, being our holiday home activities. As detailed in the Group Managing Director's Review, good progress has been made in each of these areas. Turnover from continuing activities in Industrial Services increased from £81.76 million to £83.53 million and its operating profits to £4.25 million (2003 - £4.00 million). Likewise, the turnover of Leisure Products increased from £59.93 million to £61.84 million and its operating profits to £4.43 million (2003 - £4.25 million).

We expect to make further progress during the coming year in the Industrial Services businesses and we are reviewing the opportunity of pooling certain of the activities of the Cosalt:Ballyclare Workwear/Corporatewear business and Banner Schoolwear/Childrenswear. As we have previously announced, we anticipate weaker trading conditions in our Holiday Homes business in the first half of this year.

**DISPOSAL AND REORGANISATION**

In our pre-close period trading statement of 22 November 2004, we announced the sale of the Knox businesses and outlined other cost-saving initiatives at Cosalt:Ballyclare and Childrenswear.

**Disposal of Knox Businesses**

The Board had, for some time, been seeking a way to exit from the non-core Knox Fibres and Netting businesses. The sale of part of the Knox Group site in Ayrshire to Tesco Stores Limited earlier in the year for £1.2 million cash (realising a profit of £1 million, with proceeds being received in September) enabled this to take place in November, shortly after the year-end.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**CHAIRMAN'S STATEMENT (CONT'D)**

The businesses were sold to the Knox management team for £3.35 million, of which £2.03 million was received in cash on completion. A further £1 million of consideration is deferred, with the issue to the Group of £750,000 8% Redeemable Preference Shares 2007-2012 and £250,000 8% Loan Notes 2007-2012. The balance of £326,000 is payable shortly on the finalisation of completion accounts. Additionally, in the event that within the next six years the Knox management team sell all or part of the freehold of the Knox Group site, Cosalt will receive 30% of the profit on sale, subject to a cap of £2 million.

Prior to the sale of the Knox businesses, exceptional operating costs of approximately £1 million were incurred, arising largely from the strategic review undertaken earlier in the year. Whilst these costs were higher than originally anticipated, encompassing the impairment of the associated assets, the costs of preparing the business for sale and certain redundancy costs prior to sale, the Board is pleased with the outcome.

**Workwear/Corporatewear**

We outlined at the interim stage our strategy to improve customer service and exit from low margin business at Cosalt:Ballyclare. We have now effected a significant re-organisation of this business, the exceptional cost of which, all incurred in the second half, was £600,000. I am pleased to say that this initiative has led to a significant increase in Cosalt:Ballyclare's operating margin.

**Childrenswear**

We also indicated in the interim statement that we were examining ways of reducing the cost base of the Childrenswear activity. As a result, the Distinctive Childrenswear fashion business was closed in November 2004 and the 19 Michael De Leon retail concessions will close early in 2005. The closure of these two business segments has resulted in exceptional costs of £786,000.

**ACQUISITION**

On 1 November 2004 the Group completed the acquisition of Aberdeen Inflatables for an initial cash consideration of £807,000. Further consideration of up to £300,000 will be payable dependent upon the operating performance of Aberdeen Inflatables for the period ending 30 October 2005. In the 13 months ended 31 October 2004, Aberdeen Inflatables recorded a net profit, before tax, of £285,000. The acquisition of this marine safety business, based in Grimsby and Aberdeen, further strengthens the Group's expertise and leading position in the marine safety market.

**FINANCE**

Cash generation has continued to be good, resulting in gearing at 31 October 2004, in line with management expectations, at 37% (2003 - 58%). We have adequate facilities and cash management continues to be a top priority.

Further information on the key financial aspects of the Group is given in the report of the Group Finance Director.

**MANAGEMENT, STAFF AND EMPLOYEES**

I would like to thank Bill Wood and his management team, together with all staff, for their continued commitment to enhancing the level of service we provide to our customers and to the success of the Cosalt Group. My thanks also go to Jim Traynor, Roger Dehany and the Knox management team for their commitment over many years within the Group - I wish them every success in their new venture.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**CHAIRMAN'S STATEMENT (CONT'D)**

**OUTLOOK**

Fundamentally, the Group is in good order. However, as forecast previously, the result for the current year will be held back by the softening in the holiday home market. The Board believes that this is a temporary downturn, typical of the four to five year cyclical fluctuation experienced across the industry, and it is already seeing signs of an improvement in demand for the second half, albeit not at sufficient levels to make up the first half shortfall.

The Group's performance is highly seasonal with a concentration of profits in the second half. Since Cosalt Holiday Homes ordinarily accounts for the bulk of profits generated in the first half, it is expected that the result for the six months to 1 May 2005 will be significantly lower than in the prior period.

However, having achieved a satisfactory exit from the non-core Knox businesses, closed the loss-making retail concessions and the Distinctive Childrenswear fashion business, and managed a speedy recovery at Cosalt:Ballyclare, the quality of the Group's earnings going forward is strengthened.

**David Bolton**  
**Chairman**

31 January 2005

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS**

**OVERVIEW**

The Group's activities focus on two business areas: **Industrial Services** and **Leisure Products**. A summary of their financial performance is set out below.

		<b>53 weeks ended 31 October 2004</b>		52 weeks ended 26 October 2003	
		£m	£m	£m	£m
Turnover					
Industrial Services	- continuing	<b>83.53</b>		cont.	81.77
	- discontinued	<u>9.31</u>	<b>92.84</b>	discont.	<u>9.90</u> 91.67
Leisure Products			<b>61.84</b>		59.93
			<b>154.68</b>		151.60
Operating profit					
Industrial Services	- continuing	<b>4.25</b>		cont.	4.00
	- discontinued	<u>(0.31)</u>	<b>3.94</b>	discont.	<u>0.30</u> 4.30
Leisure Products			<b>4.43</b>		4.25
			<b>8.37</b>		8.55
Goodwill and exceptional items					
Industrial	- continuing	<b>(0.76)</b>		cont.	(1.09)
	- discontinued	<u>(1.80)</u>	<b>(2.56)</b>	discont.	- (1.09)
<b>Total operating profit</b>			<b>5.81</b>		7.46
Loss on disposal of business			<b>(0.23)</b>		(0.21)
Profit on disposal of fixed assets			<b>1.08</b>		0.47
<b>Profit before interest and tax</b>			<b>6.66</b>		7.72

**INDUSTRIAL SERVICES DIVISION**

**Safety & Protection**

This business is involved in the manufacture, supply and servicing of marine and industrial safety products and apparel, with the principal brands being Cosalt, Crewsaver, Yak and Perry.

Whilst turnover increased in the 53 weeks to 31 October 2004 to £35.36 million (52 weeks to 26 October 2003 - £33.70 million), operating profits were slightly reduced at £1.70 million (2003 - £1.88 million).

Had it not been for lower than expected margins on a large fire system installation, the profitability of this business would have continued its upward progression. Whilst this was an unexpected setback, as part of the Group's re-organisation, the focus of the marine fire safety activity has been strengthened with the formation of a new central team, which will look to further increase market share in marine fire servicing across our UK branch network.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS (CONT'D)**

Good progress is being made in providing packages of marine safety equipment for offshore projects and the level of activity in the defence market has been good. Additionally, Crewsaver, with its brand-leading lifejackets and safety apparel, had another good year.

The Safety & Protection business is widely spread geographically, offers a broad range of products and services and operates principally in the marine market. The quality of management information is paramount in this type of business and I am pleased to see the recent implementation of a first-class IT system and the adoption of Key Performance Indicators to drive business improvement across the spectrum of activities.

The acquisition, on 1 November 2004, of Aberdeen Inflatables, with businesses in Aberdeen and Grimsby, further strengthens Cosalt's market leading position in marine safety and we continue to appraise and seek other opportunities in this market. This, together with the strengthening of management in recent years, augers well for the future development of this business, albeit in an increasingly competitive international environment.

**Workwear/Corporatewear**

Cosalt:Ballyclare designs, manufactures and procures high visibility protective clothing, high tech fire protection garments, image workwear and corporatewear, which it supplies to a wide range of markets, including motor dealerships, the rail maintenance industry, the defence industry, regional fire brigades, police forces and utility companies .

Following the difficulties of the 2003 year, on which I reported in some detail twelve months ago, we undertook a significant re-organisation of this business which I am pleased to report has exceeded expectations in both the strength and speed of its recovery. As a result, whilst turnover is very similar to that of the previous year at £27.48 million (2003 - £27.43 million), operating profits increased significantly to £1.22 million (2003 - £498,000).

The management team has successfully exited most of its low margin contracts and negotiated significant price increases in both the fire and defence markets. Additionally, there has been a marked improvement in customer service, notwithstanding that stock levels in the business have been reduced by over £4 million.

We have continued to develop our market leading position in supplying motor dealerships and in the rail maintenance activity, where consolidation of the industry has taken place under the control of Network Rail. Our two long-term supply and management contracts in the fire market continue to operate well.

We now have a strong management team in this business and whilst we anticipate a period of consolidation in the current year, several important new contracts have recently been won which will impact favourably on the 2005/06 year. Going forward, we believe that this business will make an increasingly important contribution to the Group.

**Schoolwear/Childrenswear**

This activity, trading as Banner, Beau Brummel and Distinctive, is involved principally in the manufacture, procurement and distribution of Schoolwear and Childrenswear, together with the supporting Menswear and Ladieswear businesses.

Turnover of continuing activities in the 53 weeks to 31 October 2004 was £20.70 million (52 weeks to 26 October 2003 - £20.63 million). Operating profits of continuing businesses were £1.36 million (2003 - £1.68 million).

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS (CONT'D)**

The 2004 year has been challenging for the management teams of both Schoolwear and Childrenswear in a deflationary price environment. However, market share has been maintained, the supporting businesses of Menswear and Ladieswear are doing better and the closure of the retail concessions and the loss making Distinctive Childrenswear fashion business at North Shields, will result in a lower risk operation going forward.

The Distinctive Schoolwear brand is now being developed from within our Banner/Beau Brummel Schoolwear business.

Schoolwear continues to be the principal business, with a market leading position supplying independent schools through specialist retailers. The outlook is promising, albeit in a highly seasonal activity.

**Fibres and Netting**

It was a difficult trading year for the Knox Group, resulting in an operating profit for the 53 weeks to 31 October 2004 of £60,000 (52 weeks to 26 October 2003 - £526,000).

As Shareholders will have read in the Chairman's Statement, we sold the non-core Knox businesses to the Knox management team shortly after the end of the financial year on 22 November 2004. The catalyst for this disposal was the sale of part of the Kilbirnie freehold site to Tesco Stores Limited in May 2004.

I enjoyed working with Jim Traynor, the Knox Group Managing Director, and his able team but believe that their cyclical businesses, which have recently been very much on the periphery of Cosalt Group activities, are better suited to private ownership. I thank the team for their efforts and contribution over the years and wish them well for the future.

**LEISURE PRODUCTS DIVISION**

**Cosalt Holiday Homes**

This business designs and manufactures caravan holiday homes, leisure custom homes and residential park homes. Kingsform is a small business which makes bedroom and kitchen furniture, doors and panels for Cosalt Holiday Homes and other customers.

Turnover for the 53 weeks to 31 October 2004 was £61.84 million, compared with £58.59 million in the 52 weeks to 26 October 2003. With a much improved contribution from the leisure custom homes activity in the 53 weeks to 31 October 2004, operating profits increased to £4.43 million (2003 - £4.30 million).

As the Chairman outlined in the interim statement, and we reinforced in the trading update of 22 November 2004, the holiday home market has been buoyant for several years but, as predicted, the retail market is showing signs of a temporary slowdown. As a result, Cosalt Holiday Homes, following another good year, is currently experiencing a more difficult trading environment. Whilst we have concluded the 2004 season with stocks under control, the market has been over-supplied resulting in higher levels of stock this winter in the hands of dealers and park operators. This is a natural cyclical fluctuation and is likely to result in a temporary drop off in demand.

We have, therefore, planned winter production of caravan holiday homes at reduced levels but anticipate that following a difficult first half, industry stocks will reduce in the spring and early summer months and production will return to previous levels.

Looking forward, the market for our product remains buoyant and we expect a return to normal levels of demand in the second half of this year. Forward orders for leisure custom homes, where new parks continue to be developed, are good.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS (CONT'D)**

**OUTLOOK**

The key strength of the Group is the way in which it is structured with a small central team encouraging the very best of effort from loyal, motivated and committed teams of people across our activities. Prudent cash control and judicious financial planning continue to be vital.

Over the past few years the Group has seen some significant change which has resulted in a more focused business with a much improved earnings profile. The 2003-04 year has been challenging but the sale of the Knox Group, re-organisation of Cosalt:Ballyclare, the closure of our loss making retail concessions and of the Distinctive Childrenswear fashion business has further enhanced the focus and balance of the Group. We continue to review the quality of all the Group's businesses and, where appropriate, will take management action to ensure that the quality of earnings is strengthened still further.

We have important and market leading brands in holiday homes, marine safety, fire protection, workwear and schoolwear. Whilst the coming year is going to be more difficult in the caravan holiday home market, resulting in a higher concentration of the Group's profits in the second half, with a combination of the drive and ambition of the Divisional teams and the disciplines imposed from the centre, I believe the Group will continue to make progress.

**Bill Wood**  
**Group Managing Director**

31 January 2005

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**FINANCE DIRECTOR'S REPORT**

**PROFIT & LOSS ACCOUNT**

Turnover increased by 2% to £154.68 million in the year ended 31 October 2004, and by 2.6% excluding the turnover of discontinued operations.

The operating profit, before charging goodwill and exceptional items, was down 2.1% overall but excluding the operating losses of £307,000 on discontinued operations there was a 5.2% increase in the year to £8.68 million (2003 - £8.25 million). Earnings per share, before charging goodwill and exceptional items and discontinued activities increased by 2.6% to 38.14p (2003: 37.18p).

The profit and loss account has been presented in a columnar form over two pages to show the impact of exceptional items and discontinued activities, and the underlying performance of the Group separately.

**EXCEPTIONAL ITEMS**

The Cosalt:Ballyclare business incurred £600,000 of re-organisation and redundancy costs in the second half of the year, which was outlined by the Chairman at the interim stage in 2004. These costs related to the exit from low margin business and as a large proportion of this related to stock write downs there was little effect upon cash.

There was a cost of £211,000 incurred on exiting an investment in Spain, where previous management had unsuccessfully attempted to expand the fire activity of Cosalt:Ballyclare in to Continental Europe.

The sale of part of the Knox site to Tesco in September 2004 generated a profit of £1.08 million and £1.2 million of cash proceeds.

**DISCONTINUED ACTIVITIES**

As noted in the Group's pre-close period statement on 22 November 2004, the Knox businesses were sold in November and the discontinuance of two segments of business was announced, being the Michael De Leon retail concessions and the Distinctive Childrenswear fashion business. £1 million of costs were incurred in preparing the Knox businesses for sale but a large proportion of this involved the impairment in value of assets, which did not have cash implications in the second half of the year. The costs of discontinuing the other two businesses were £786,000 and in total discontinued activities produced an operating loss of £307,000 in the year to October 2004, compared with an operating profit in the 2003 year of £296,000.

**INTEREST**

The charge to the accounts for interest payable was £1.60 million (2003 - £1.71 million).

The interest charge has fallen as a result of the improved level of Group borrowings during the year.

Interest was covered six times by the profit on continuing activities before charging exceptional items.

**TAXATION**

The effective rate of taxation on continuing activities was 30.4% pre-goodwill and exceptional earnings. Taxation has been allowed for on the exceptional costs, where applicable, but the capital gains on the property profit should be covered by capital losses generated in earlier years.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**FINANCE DIRECTOR'S REPORT (CONT'D)**

**SHAREHOLDERS' RETURNS**

The earnings per share for the year on continuing activities, before charging exceptional items and goodwill, were 38.14p, compared to 37.18p in the previous year, with the FRS3 earnings per share 27.74p, compared to 33.74p last year.

As a result of the performance from continuing activities and the strong cash-flow performance, the Directors have proposed a final dividend of 12.75p, resulting in a total dividend for the year of 18.75p, compared with 18.25p last year - a 2.7% increase. If the final dividend is approved at the Annual General Meeting, the total cost of this year's ordinary dividend will amount to £2.49 million. The dividend is twice covered by profits on continuing activities before charging exceptional items.

**CASH FLOW AND BORROWINGS**

Cash generation from operating activities was £13.3 million for the year (2003 - £3.8 million).

A very strong working capital reduction in Cosalt:Ballyclare, where over £5 million was generated from the reduction in stock and debtors, has contributed to a significant improvement in the Group's borrowings. This, coupled with the normal level of cash generated from the Group's activities, has resulted in Group gearing falling to 37% at 31 October 2004, compared to 58% at 26 October 2003.

**PENSIONS**

The FRS17 deficit has increased slightly this year to £8.09 million (2003 - £7.58 million) after deferred tax credit. This increase is due largely to the reduction in gilt yields, which has increased liabilities, and is despite an improvement in the valuation of the Scheme's assets.

The FRS17 figures are shown in the Notes to the Accounts this year, and the Group has used SSAP24 for the accounting figure.

Profit and loss account charges on both bases have been similar in each of the last two years.

The Board has decided to fully adopt FRS17 a year early from the start of the October 2005 financial year in order to provide some stability in the profit and loss account charge for the future. This will, however, result in the deficit in the Scheme being included in the Group's balance sheet which will therefore be subject to valuation fluctuations and potential volatility in the future.

A new actuarial valuation is being prepared as at 31 December 2004. The Defined Benefits Plan was closed to new members in 2000. Pensionable salaries have been frozen for three years from April 2002, and a further reduction in future early retirement benefits was implemented in April 2003, at which date employed members' contributions were increased significantly.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Group will adopt IFRS for the year to October 2006. Analysis of the differences between these Reporting Standards and the current UK GAAP indicates that the areas of pensions, intangible fixed assets, share based payments and foreign exchange hedging activities are likely to have the greatest impact on the Group accounts.

**TREASURY MANAGEMENT**

The Group's operations are primarily financed from retained earnings, bank overdrafts, leasing and longer term loans. It is the Group's policy not to trade in or enter into speculative transactions.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**FINANCE DIRECTOR'S REPORT (CONT'D)**

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. Flexibility is provided by overdrafts and debtor financing which, due to the seasonal nature of many of its businesses, fulfils a requirement for significant short-term funding for these seasonal peaks. The Group's policy is to maintain a mixture of floating and fixed rate borrowings. Although the Group does not have significant sales in foreign currency, there is an increasing amount of purchases made in foreign currency. The Group's policy is to eliminate currency exposure by the use of forward currency contracts.

The acquisition of SEET plc in April 2001 substantially increased the Group's borrowings and in order to provide protection against significant interest rate rises in the future, the Board decided at that time to purchase a cap to cover the consideration money on the SEET purchase of £6.3 million, plus an element of core borrowings of £4 million.

The amount covered by the cap reduces in line with the repayments on the medium-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 weighted average interest rate on the fixed rate borrowings during the year was 5.62%, with an average maturity period of 2 years 2 months. Interest on floating rate liabilities is based on bank base rate or LIBOR. The interest rate cap is at 6.75% and the floor at 4.98% - both mature in May 2008.

At the end of the year, the Company had £17.5 million of undrawn facilities relating to bank overdrafts and £3.5 million relating to an amortising revolving credit.

**BALANCE SHEET**

The Group balance sheet has been strengthened in the year with the addition of £1.2 million of retained profits.

The net asset value per share at October 2004 was 249p.

**Neil Carrick**  
**Group Finance Director**

31 January 2005

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Consolidated Profit and Loss Account**

**53 weeks ended 31 October 2004**

	Continuing activities		Total	Discontinued activities	Group Total
	Before goodwill amortisation and exceptional items	Goodwill amortisation and exceptional items			
	£000s	£000s	£000s	£000s	£000s
<b>Turnover</b>	145,371	-	145,371	9,314	154,685
<b>Operating Profit/(loss)</b>					
Operating profit before /(loss) before goodwill amortisation and exceptional items	8,676	-	8,676	(307)	8,369
Goodwill amortisation	-	(163)	(163)	-	(163)
Reorganisation, Redundancy and impairment costs	-	(600)	(600)	(1,797)	(2,397)
<b>Total operating profit/(loss)</b>	8,676	(763)	7,913	(2,104)	5,809
Loss on disposal of business	-	(228)	(228)	-	(228)
Profit on disposal of fixed assets	-	1,075	1,075	-	1,075
<b>Profit on ordinary activities before interest</b>	8,676	84	8,760	(2,104)	6,656
Interest payable and similar charges (net)	(1,396)	-	(1,396)	(208)	(1,604)
<b>Profit/(loss) on ordinary activities before taxation</b>	7,280	84	7,364	(2,312)	5,052
Taxation on ordinary activities	(2,213)	185	(2,028)	663	(1,365)
<b>Profit/(loss) after taxation</b>	5,067	269	5,336	(1,649)	3,687
Preference dividends	(4)	-	(4)	-	(4)
<b>Profit/(loss) attributable to ordinary shareholders</b>	5,063	269	5,332	(1,649)	3,683
Ordinary dividends paid and proposed (Equity shares)	(2,491)	-	(2,491)	-	(2,491)
<b>Retained profit/(loss)</b>	2,572	269	2,841	(1,649)	1,192
<b>Basic earnings per ordinary share</b>	38.14p				27.74p
<b>Diluted earnings per ordinary share</b>	37.97p				27.62p
<b>Dividend per share</b>	18.75p				18.75p

There are no recognised gains and losses other than the profit for the period.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and the historical costs equivalents.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Consolidated Profit and Loss Account**

**52 weeks ended 26 October 2003**

	Continuing activities			Discontinued activities	Group Total
	Before goodwill amortisation and exceptional items £000s	Goodwill amortisation and exceptional items £000s	Total £000s		
<b>Turnover</b>	141,698	-	141,698	9,905	151,603
<b>Operating Profit/(loss)</b>					
Operating profit before /(loss) before goodwill amortisation and exceptional items	8,250	-	8,250	296	8,546
Goodwill amortisation	-	(152)	(152)	-	(152)
Reorganisation, Redundancy and impairment costs	-	(930)	(930)	-	(930)
<b>Total operating profit/(loss)</b>	8,250	(1,082)	7,168	296	7,464
Loss on disposal of business	-	(215)	(215)	-	(215)
Profit on disposal of fixed assets	-	468	468	-	468
<b>Profit on ordinary activities before interest</b>	8,250	(829)	7,421	296	7,717
Interest payable and similar charges (net)	(1,492)	-	(1,492)	(223)	(1,715)
<b>Profit/(loss) on ordinary activities before taxation</b>	6,758	(829)	5,929	73	6,002
Taxation on ordinary activities	(2,047)	343	(1,704)	(22)	(1,726)
<b>Profit/(loss) after taxation</b>	4,711	(486)	4,225	51	4,276
Preference dividends	(4)	-	(4)	-	(4)
<b>Profit/(loss) attributable to ordinary shareholders</b>	4,707	(486)	4,221	51	4,272
Ordinary dividends paid and Proposed (Equity shares)	(2,383)	-	(2,383)	-	(2,383)
<b>Retained profit/(loss)</b>	2,324	(486)	1,838	51	1,889
<b>Basic earnings per ordinary share</b>	37.18p				33.74p
<b>Diluted earnings per ordinary share</b>	37.00p				33.58p
<b>Dividend per share</b>	18.25p				18.25p

There are no recognised gains and losses other than the profit for the period.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and the historical costs equivalents.

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Consolidated Balance Sheet**

	31 October 2004		26 October 2003	
	£000s	£000s	£000s	£000s
<b>Fixed assets</b>				
Intangible assets – goodwill		2,740		2,974
Tangible fixed assets		18,201		18,408
		<b>20,941</b>		<b>21,382</b>
<b>Current assets</b>				
Stocks	25,673		25,325	
Debtors	32,144		35,165	
Bank and cash balances	1,743		467	
		<b>59,560</b>		<b>60,957</b>
<b>Creditors</b>				
Amounts falling due within one year		40,832		41,269
<b>Net current assets</b>		<b>18,728</b>		<b>19,688</b>
<b>Total assets less current liabilities</b>		<b>39,669</b>		<b>41,070</b>
<b>Creditors</b>				
Amounts falling due after more than one year		4,413		7,413
		<b>35,256</b>		<b>33,657</b>
Provisions for liabilities and charges		2,027		1,644
<b>Deferred income:</b>				
Grants not yet credited to profit	150	2,177	173	1,817
Net assets		<b>33,079</b>		<b>31,840</b>
<b>Capital and reserves</b>				
Called up share capital		3,369		3,363
Share premium account		4,547		4,506
Revaluation reserve		443		443
Investment property revaluation reserve		67		67
Other reserves		1,148		1,148
Profit and loss account		23,505		22,313
<b>Shareholders' funds</b> (including non-equity interests)		<b>33,079</b>		<b>31,840</b>

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Consolidated Cash Flow Statement**

	<b>53 weeks ended</b>		52 weeks ended	
	<b>31 October 2004</b>		26 October 2003	
	£000s	£000s	£000s	£000s
<b>Net cash inflow from operating activities</b>		<b>13,291</b>		3,843
<b>Returns on investments and servicing of finance</b>				
Interest paid	(1,604)		(1,576)	
Interest received	27		21	
Interest element of finance lease payments	(70)		(95)	
Non-equity dividends paid	(4)		(4)	
		<b>(1,651)</b>		(1,654)
<b>Taxation</b>				
Corporation tax paid		<b>(1,610)</b>		(1,539)
<b>Capital expenditure and financial investment</b>				
Government grants	-		67	
<b>Purchase of tangible fixed assets</b>	<b>(3,667)</b>		(2,239)	
Sale of tangible fixed assets	2,586		436	
		<b>(1,081)</b>		(1,736)
<b>Acquisitions and disposals</b>		<b>(15)</b>		(1,692)
<b>Equity dividends paid</b>		<b>(2,456)</b>		(2,223)
<b>Net cash inflow/(outflow) before use of financing</b>		<b>6,478</b>		(5,001)
<b>Financing:</b>				
New loan	41		-	
Issue of share capital	47		2,370	
Issue of loan notes	-		338	
New bank borrowings	-		3,200	
Repayment of bank and other borrowings	(2,383)		(1,626)	
Capital element of finance lease rental payments	(647)		(716)	
		<b>(2,942)</b>		3,566
<b>Increase/(decrease) in cash</b>		<b>3,536</b>		(1,435)
<b>Reconciliation of net cash flow to movement in net debt</b>				
Increase/(decrease) in cash		<b>3,536</b>		(1,435)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<b>2,989</b>		(1,196)
Change in net debt from cash flows		<b>6,525</b>		(2,631)
Finance leases on acquisition of subsidiary undertakings		-		(21)
Arrangement fees amortised		(19)		(19)
Inception of new finance leases		(320)		(418)
Movement in net debt in year		<b>6,186</b>		(3,089)
Net debt as at 26 October 2003		<b>(18,468)</b>		(15,379)
Net debt as at 31 October 2004		<b>(12,282)</b>		(18,468)

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

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

	<b>2004</b>	<b>2003</b>
	<b>£000s</b>	<b>£000s</b>
<b>Turnover</b>		
Industrial Services	<b>92,845</b>	91,667
Leisure Products	<b>61,840</b>	59,936
	<b>154,685</b>	151,603
<b>Profit on ordinary activities before interest</b>		
<b>Industrial Services</b>		
Operating profit before exceptional items	<b>3,936</b>	4,302
Exceptional items	<b>(2,397)</b>	(930)
Goodwill amortisation	<b>(163)</b>	(152)
Operating Profit	<b>1,376</b>	3,220
Loss on disposal of business	<b>(211)</b>	-
Profit on disposal of fixed asset	<b>1,075</b>	74
Total Industrial Services	<b>2,240</b>	3,294
<b>Leisure Products</b>		
Operating profit before exceptional items	<b>4,433</b>	4,244
Loss on disposal of business	<b>(17)</b>	(215)
Profit on disposal of fixed asset	<b>-</b>	394
Total Leisure Products	<b>4,416</b>	4,423
Profit on ordinary activities before interest	<b>6,656</b>	7,717

**Operating assets**

The operating assets of the main activities at 31 October 2004 were as follows:

Operating capital employed

	<b>2004</b>	<b>2003</b>
	<b>£000s</b>	<b>£000s</b>
Industrial Services	<b>30,645</b>	36,032
Leisure Products	<b>16,138</b>	13,091
	<b>46,783</b>	49,123
Non-operating assets and liabilities*	<b>(2,467)</b>	(187)
Net borrowings	<b>(11,237)</b>	(17,906)
Total net assets	<b>33,079</b>	31,840

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

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Reconciliation of operating profit to cash flow from operating activities**

	<b>2004</b>	2003
	<b>£000s</b>	£000s
Operating profit	<b>5,809</b>	7,464
Depreciation	<b>2,564</b>	2,628
Impairment	<b>816</b>	-
Amortisation of goodwill	<b>163</b>	152
Capital grants income release	<b>(23)</b>	(33)
Increase in stocks	<b>(397)</b>	(3,309)
Decrease/(increase) in debtors	<b>3,302</b>	(1,629)
Increase / (decrease) in creditors	<b>917</b>	(1,063)
Increase / (decrease) in provisions	<b>140</b>	(367)
<b>Net cash inflow from operating activities</b>	<b>13,291</b>	3,843

**Analysis of changes in net debt**

	At 26 October 2003	Cash Flows	Other Non Cash Changes	<b>At 31 October 2004</b>
	£000s	£000s	£000s	£000s
Cash in hand and at bank	467	1,276	-	<b>1,743</b>
Overdrafts	(4,207)	2,031	-	<b>(2,176)</b>
Advances due within one year	(5,134)	229	-	<b>(4,905)</b>
	<b>(8,874)</b>	<b>3,536</b>	<b>-</b>	<b>(5,338)</b>
Debt due within one year	(1,596)	2,375	(2,946)	<b>(2,167)</b>
Debt due after one year	(6,626)	(33)	2,927	<b>(3,732)</b>
Finance leases	(1,372)	647	(320)	<b>(1,045)</b>
<b>Total</b>	<b>(18,468)</b>	<b>6,525</b>	<b>(339)</b>	<b>(12,282)</b>

**COSALT PLC**  
**PRELIMINARY RESULTS FOR THE FIFTY-THREE WEEKS ENDED 31 OCTOBER 2004**

**Notes to the Accounts**

1. The financial information set out above does not constitute the Company's statutory accounts for the 53 weeks ended 31 October 2004 or 52 weeks ended 26 October 2003 but is derived from those accounts. Statutory Accounts for 2003 have been delivered to the Registrar of Companies, and those for 2004 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 period ended 31 October 2004 will be sent to shareholders during March 2005 and will be available after that time from the Company Secretary, Cosalt plc, Fish Dock Road, Grimsby, North East Lincolnshire DN31 3NW. Copies of this announcement are available from the same address and both the accounts and this announcement will be available on the Company's website [www.cosalt.plc.uk](http://www.cosalt.plc.uk).
2. The figures of basic earnings per share are calculated on the profit attributable to ordinary shares of £3,683,000 (2003: £4,272,000), divided by the average number of shares in issue during the period, being 13,274,989 (2003: 12,660,543).

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 period are considered dilutive.

	<b>31 October 2004</b>	<b>26 October 2003</b>
Weighted average number of shares in issue	13,274,989	12,660,543
Weighted average number of dilutive share options	59,032	61,656
<hr/> Total number of shares for calculating diluted earnings per share	<hr/> 13,334,021	<hr/> 12,722,199

3. A final dividend of 12.75p per share is proposed and if approved will be payable on 6 April 2005 to shareholders on the register on 18 March 2005, absorbing £2,491,000.
4. This preliminary announcement was approved by the Board on 31 January 2005.