

Cosalt plc

("Cosalt" or "the Group")

Preliminary results for the 52 weeks ended 29 October 2006

Financial Highlights

- Turnover of £124.00 million (2005: £117.64 million)
- Profit before tax of £1.91 million (2005: loss of £841,000)
- Earnings per share of 12.43p (2005: negative 6.58p)
- Final dividend of 12.75p resulting in maintained dividend for the year of 18.75p

Operational Highlights

- Strong performance in Marine Safety
- Appointment of Chief Executive
- Strategy in place to create more focused Group and expand geographic footprint
- EU market leader in marine safety following acquisition of Marine Safety Division of Bofort
- Share placing raising £1.7 million to fund growth

John Kelly, Chairman, commented:

"The market for our Marine Safety services and products looks set to remain firm and we will benefit from ten months of accretive earnings from the Bofort acquisition. Holiday Homes is gaining momentum and we expect improved results in Schoolwear. We are not projecting any improvement in Protective Clothing as we undertake the necessary initiatives to get the business back in shape.

"Our strategy is clear and focused. We will continue to manage cash carefully and we are confident that the 2006/2007 year will demonstrate a second year of marked recovery in the Group's profitability."

20 February 2007

ENQUIRIES:

Cosalt plc
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CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Introduction

These financial statements reflect, for the first time, the International Financial Reporting Standard (IFRS) adopted in the EU and the prior period information included in these results has been re-stated on a comparable basis.

Group turnover for the 52 weeks to 29 October 2006 was £124.00 million, compared with £117.64 million for the 52 weeks ended 30 October 2005. Profit before tax was £1.91 million (2005: loss of £841,000) after charging £1.21 million of exceptional costs and after taking credit for £1.12 million of exceptional property profit and revaluation. Earnings per share on continuing operations were 12.43p (2005: negative 6.58p).

These results reflect the continued strong performance in Marine Safety and early stages of recovery in the trading of Holiday Homes, but disappointing results from Protective Clothing (Cosalt:Ballyclare) as a result of the lower than anticipated order intake and delays in the planned move of the supply chain to the Far East.

Dividends

The Group's prospects are improving, recently reinforced by the acquisition, on 27 December 2006, of the Marine Safety Division of the Bofort Group which has strategically important businesses in Germany, the Netherlands, Belgium and Italy.

The Board is therefore pleased to recommend an unchanged final dividend of 12.75p per ordinary share, resulting in the total dividend for the year being maintained at 18.75p.

Group Strategy

Our vision is to become a leading European supplier and through life manager of critical safety equipment for people exposed to hostile environments. This is a bold undertaking that may require further acquisitions, which will be considered according to a number of strict criteria. We have taken an important first step towards delivering on our vision by acquiring the Marine Safety Division of the Bofort Group. This acquisition complements our market leading UK marine safety business and gives us an important presence in Rotterdam, Antwerp and Hamburg, three of the top ten ports worldwide, as well as in Italy's leading cruise ship ports. Cosalt is now the market leader in marine safety servicing in the EU and we are already working closely with the Bofort team to ensure that we maximise potential synergies.

Succession

The transition of control from Bill Wood to Per Jonsson has been well managed and we will continue to benefit from Bill's 35 years of experience with the Group through to his retirement from full-time employment on 31 December 2007.

Following his appointment, Per has started actioning the strategic review undertaken during the year which will result in a more focussed business with a wider geographical spread, both at home and abroad.

Acquisition and Placing

Subsequent to the year-end we completed the acquisition of the Marine Safety Division of Bofort Group for a consideration of €12 million in cash, which was funded from the Group's existing bank facilities. This business, headquartered in Belgium, is involved in the supply, maintenance and testing of marine safety equipment with operations in Belgium, the Netherlands, Germany and Italy.

We also announced the successful Placing of 663,758 new ordinary shares of 25p each at a price of 256 pence per share, raising approximately £1.7 million. The proceeds of the Placing were used to strengthen the Company's balance sheet and provide the Company with greater flexibility in pursuing further acquisition opportunities.

Financing and Pensions

We have continued to manage our cash well and gearing at the year-end was in line with management expectations at 45% (2005: 42%). This has increased subsequent to the year-end following the acquisition of Bofort.

The Group's defined benefits pension scheme has been closed to future accrual from 31 December 2006, with active members being transferred into a stakeholder defined contribution plan.

Operational Review

The Group consists of four distinct business streams: Marine Safety, Protective Clothing, Schoolwear and Holiday Homes. A summary of their performance is set out below.

Marine Safety

Turnover increased to £39.41 million (2005: £33.94 million) resulting in an improved operating profit of £2.56 million (2005: £2.02 million) pre exceptional items.

The year finished strongly on the back of new legislation requiring every crew member on commercial cargo vessels from 1 July 2006 to be equipped with an immersion suit. During the year we shipped over 60,000 immersion suits throughout the world giving us a leading global market share for this product. Although demand for immersion suits will be substantially less in 2007, our buoyant sales over the last two years will give us a regulatory inspection and service opportunity every three years for customers who are geographically close to our expanding service network. As an important by-product of the immersion suit initiative, we have also captured a database of over 40,000 marine contacts across the globe. We expect to benefit from this through the direct marketing of our comprehensive product and service offering via our integrated CRM system.

Marine leisure sales had another record year with sales of the award winning Crewsaver brand of lifejackets and buoyancy aids, increasing market share in both the UK and Europe despite a difficult trading environment.

Additional regulations came into force on 1 July 2006 requiring that the annual inspection and service of lifeboats be performed by a certified third party and no longer the ship's own crew. This requirement is now the same as that for liferafts, our core marine safety business. We intend to expand our service capability to lifeboats where we expect strong demand in the next few years to catch up with past neglect. Lifeboats rest on davits that also require annual inspection and we anticipate our experience in lifting and testing services will give us a competitive advantage in this area.

The acquisition of Bofort has given us access to a combined network of marine safety businesses based in the key ports of Europe. Bofort's business is predominantly service based providing us with an opportunity to increase turnover and profits using our successful UK business model to sell a broad range of products. We have just completed a record year for rope sales and this activity in particular will benefit from our expanded European network. In Bofort we also have an expanding lifeboat service capability in the port of Antwerp and a well established fire safety servicing business. Bofort's business expertise and experience in these two activities will be used to develop opportunities in the other countries in which we now operate as well as supporting Cosalt's UK activities.

Another important area of opportunity arising from the acquisition is the expansion of management contracts for marine safety products, where service support can now be offered to existing and new customers across the whole network in the expanding shipping and cruise markets.

Protective Clothing

Turnover was £18.84 million (2005: £18.39 million) which resulted in an operating loss of £496,000 (2005: profit of £572,000) pre exceptional items.

Cosalt:Ballyclare has performed well below plan in the year due to poor pricing management, an incomplete shift of manufacturing overseas and an overly complex business model. We remain committed to this business because of its obvious fit with our vision and its size advantage compared to its UK competitors. We changed leadership in October 2006, provided process redesign expertise and merged the Cosalt:Ballyclare legal entity with our Marine Safety business on 31 December 2006. Much work still has to be done but these measures will eliminate unnecessary structural duplication, will promote design and marketing synergies with our Crewsaver life jacket business, and will facilitate the use of the European footprint provided by the Bofort acquisition in terms of marketing protective clothing.

As a consequence of stock write-downs on unprofitable contracts already terminated, the Group made an exceptional provision in October 2006 of £350,000. Further stock write-downs are anticipated in the current financial year but are likely to be offset by Group property revaluations.

Schoolwear

Turnover was £19.11 million (2005: £19.64 million) with operating profit of £1.04 million (2005: £1.09 million) pre exceptional items.

The new management team which was put in place in May 2006 has reappraised its activities and has now set in train a number of improvements. These improvements include better overseas procurement and logistics, a more proactive sales approach, better internal planning and teamwork giving an altogether more active customer-focussed operation. We expect better financial results emanating from these initiatives in the coming year.

Holiday Homes

Turnover increased to £46.64 million (2005: £45.67 million) resulting in an operating profit of £187,000 (2005: loss of £1.19 million) pre exceptional items

In a market that remains difficult we continue to improve the quality of our products and gain market share. As reported last year we have reorganised our production process along lean manufacturing principles and further efficiency improvements continue to be made. We have recently strengthened the management team with the appointment of an Operations Director thoroughly experienced in lean manufacturing. He has overseen the introduction of a Kanban supply system and the multi-skilled work force can now provide small batches to suit the current order profile.

In the second half of the year we returned the business to profitability achieving an operating profit of £981,000 compared to a loss of £1.32 million in the second half of the previous year. We draw further encouragement from the fact that our market leading Custom Homes business, which had a difficult year in 2006, entered the 2007 season with a full order book through to the Spring.

Outlook

The market for our Safety & Protection services and products looks set to remain firm and we will benefit from ten months of accretive earnings from the Bofort acquisition. Holiday Homes is gaining momentum and we expect improved results in Schoolwear. We are not projecting any improvement in Protective Clothing as we undertake the necessary initiatives to get the business back in shape.

Our strategy is clear and focussed. We will continue to manage cash carefully and we are confident that the 2006/2007 year will demonstrate a second year of marked recovery in the Group's profitability.

J A B Kelly
Chairman

P A Jonsson
Chief Executive

20 February 2007

FINANCIAL REVIEW

The results for the year to 29 October 2006 reflect an improved trading position for the Group, largely as a result of improvements in the Holiday Homes business and strong trading in Marine Safety.

Turnover increased by 5.4% from £117.64 million to £124.00 million and profit before taxation improved from a loss of £841,000 to a profit of £1.91 million.

Exceptional costs

The Group incurred £1.2 million of exceptional costs in the year. Redundancy costs as a result of management restructuring at Protective Clothing, Schoolwear and Holiday Homes amounted to £260,000. In Cosalt:Ballyclare and Banner, provisions for stock write downs in areas of business which strategically have been identified as unprofitable and will be exited, amounted to £450,000. The change from Group Managing Director to the new CEO took place in the year and the cost of recruitment and compensation in relation to this amounted to £320,000. Further expenditure was incurred on the exit from an old leasehold and on abortive sale costs which amounted to £152,000.

Exceptional gains

The Group had exceptional gains of £1.12 million in total. The Atherton premises of Protective Clothing were disposed of in the first half of the year realising a profit of £280,000 and generating cash of £1.1 million. The revaluation of investment properties resulted in an uplift in value of £835,000 which was included within operating profit in accordance with IAS 40.

Interest and borrowings

The Group's interest charge reduced by almost 13% reflecting strong working capital control particularly in the peak months in the Holiday Homes business. Group gearing at the year end was almost unchanged at 45% compared to 42% last year.

Whilst cash generation before working capital changes showed a marked improvement of nearly £2 million there was an increase in debtors at Holiday Homes reflecting a strong start to the 2007 model sales and also at Marine Safety as a result of significant immersion suit sales in response to the legislative change effective from 1 July 2006. There were also increases in debtors at Protective Clothing and Schoolwear due to seasonal trading patterns. Most of the increase in debtors was offset by increased creditors. Stocks increased by approximately £1 million, mainly immersion suits, to cover sales into the current financial year. Cash expended as a result of provisions made at the end of the last financial year amounted to £1 million and represented principally redundancy costs on restructuring. Capital expenditure at £1.9 million was partially matched by £1.4 million cash received on property and asset disposals. The net effect of these movements was that overall borrowings remaining relatively unchanged at £13.3 million compared to £12.8 million last year.

The Group borrowings increased by approximately £8 million on the purchase of Bofort on 27 December 2006 partially offset by a share placing which raised £1.7 million.

Taxation

The overall effective rate of taxation is low at 14% due to the availability of capital losses brought forward and indexation on the majority of the property realisations and revaluations.

Shareholders' returns

The basic earnings per share for the year were 12.43p compared to negative 6.58p last year.

Due to the adoption of IFRS accounting the dividends included in the accounts represent the final dividend from last year and the interim dividend paid during the year. The Board is recommending an unchanged final dividend of 12.75p which, if approved at the Annual General Meeting, will be paid on 4 April 2007.

Balance sheet

The Group Net Assets have reduced in the year by £1.16 million principally due to dividend payments in the year being greater than the retained earnings and due to movements on the hedging reserve in respect of forward currency contracts which have been offset by the slight reduction in the deficit on the Cosalt plc Retirement Benefit Plan.

Retirement Benefits

The adoption of IAS 19 has not had a significant effect on the Group accounts as it is similar in its application to FRS 17 which the Group adopted last year. The net deficit has reduced slightly at the year-end by £367,000 due to positive investment movements and a slightly higher gilt yield which reduces the value of liabilities. The net deficit after allowance for deferred taxation was £9.2 million.

The main Group scheme was closed to future accrual on 31 December 2006 and current members were offered a defined contribution stakeholder arrangement in return. Whilst the effect of this will reduce the potential volatility for future service cost the issues associated with past service remain and the Group continues to make an annual cash injection of £1.12 million increasing each year at the rate of inflation to eliminate the Plan's deficit.

Consolidated income statement for the fifty-two weeks ended 29 October 2006

	52 weeks ended 29 October 2006 £000	52 weeks ended 30 October 2005 £000
Revenue	123,995	117,645
Operating profit before exceptional gains and costs and revaluation of investment properties	3,294	2,491
Redundancy, reorganisation and impairment	(1,209)	(1,853)
Profit on disposal of surplus properties	284	-
Gain on revaluation of investment properties	835	-
Operating profit	3,204	638
Financial income	85	40
Financing costs	(1,375)	(1,519)
Profit/(loss) before taxation	1,914	(841)
Income tax (expense)/credit	(263)	88
Profit/(loss) from continuing operations	1,651	(753)
Loss on sale and post tax loss of discontinued business	-	(117)
Profit/(loss) for the financial period attributable to the equity holders of the parent	1,651	(870)
Earnings per ordinary share		
Basic (total)	12.43p	(6.58p)
Diluted (total)	12.40p	(6.58p)
Basic (continuing operations)	12.43p	(5.70p)
Diluted (continuing operations)	12.40p	(5.70p)
Dividend per ordinary share		
Paid in the year	18.75p	18.75p
Arising in respect of the year (paid)	6.00p	6.00p

Consolidated balance sheet as at 29 October 2006

	As at 29 October 2006 £000	As at 30 October 2005 £000
ASSETS		
Non- current assets		
Intangible assets - goodwill	3,268	3,267
Intangible assets - other	1,319	1,421
Investment properties	2,062	1,281
Property plant and equipment	12,906	14,338
Investments	1,000	1,000
Deferred tax assets	4,060	4,146
	24,615	25,453
Current assets		
Inventories	21,216	20,181
Trade and other receivables	31,809	23,436
Cash and cash equivalents	151	232
	53,176	43,849
Total assets	77,791	69,302
LIABILITIES		
Non-current liabilities		
Interest bearing loans and borrowings	801	2,155
Deferred tax liabilities	655	824
Deferred Government grants	52	66
Provisions	146	290
Retirement benefit obligations	13,179	13,546
	14,833	16,881
Current liabilities		
Bank overdrafts	5,473	6,234
Interest bearing loans and borrowings	7,174	4,677
Corporation tax payable	760	114
Provisions	392	1,283
Trade and other payables	28,741	18,834
Other financial liabilities	297	-
	42,837	31,142
Total liabilities	57,670	48,023
Net assets	20,121	21,279
EQUITY		
Share capital	3,322	3,369
Share premium account	4,573	4,547
Other reserves	1,148	1,148
Hedging reserve	(292)	-
Retained earnings	11,370	12,215
Total equity attributable to equity holders of the parent	20,121	21,279

**Consolidated statement of recognised income and expense
for the fifty-two weeks ended 29 October 2006**

	52 weeks ended 29 October 2006 £000	52 weeks ended 30 October 2005 £000
Effective portion of changes in fair value of cash flow hedges net of recycling	(408)	-
Actuarial losses on defined benefit scheme	(45)	(2,356)
Taxation on items taken directly to equity	14	707
Net expense recognised directly in equity	(439)	(1,649)
Profit/(loss) for the financial period attributable to the equity shareholders of the parent	1,651	(870)
Total recognised income and expense	1,212	(2,519)

Effect of change in accounting policy (2005: not restated)

Effect of adoption of IAS32 and IAS39, net of tax,
on 30 October 2005

Share capital	(50)	-
Hedging reserve	116	-
Retained earnings	(13)	-
	53	-
	1,265	(2,519)

Consolidated cash flow statement for the fifty-two weeks ended 29 October 2006

	52 weeks ended 29 October 2006 £000	52 weeks ended 30 October 2005 £000
Cash flows from operations		
Profit/(loss) for the period	1,651	(870)
Adjustments for:		
Income tax expense	263	(88)
Depreciation	2,304	1,923
Amortisation of intangible assets	298	232
Deferred government grants released	(14)	(84)
Net finance costs	1,290	1,479
Share based payment charge	25	17
Property gains	(1,119)	-
Pension contributions in excess of charge	(412)	(406)
Loss on disposal of discontinued operations	-	72
Operating profit of discontinued operations	-	62
Cash flow before changes in working capital and provisions	4,286	2,337
(Increase)/decrease in inventories	(1,035)	4,923
(Increase)/decrease in trade and other receivables	(8,421)	6,176
Increase/(decrease) in trade and other payables	9,946	(9,311)
(Decrease)/increase in provisions	(1,039)	515
Net cash from operations	3,737	4,640
Interest received	85	40
Interest paid	(1,327)	(1,551)
Interest element of finance lease rentals	(30)	(52)
Dividends paid on preference shares	(4)	(4)
Income tax received/(paid)	313	(140)
Net cash from operating activities	2,774	2,933
Cash flows from investing activities		
Acquisitions of subsidiaries (net of cash acquired)	-	(772)
Disposal of subsidiaries (net of cash disposed)	-	2,344
Proceeds from sale of property, plant and equipment	1,444	84
Purchase of property, plant and equipment	(1,738)	(1,738)
Purchase of intangible assets – software	(196)	(910)
Net cash from/(used) in investing activities	(490)	(992)
Cash flows from financing activities		
Dividends paid to shareholders	(2,490)	(2,489)
Finance lease principal payments	(345)	(338)
Exercise of share options	30	-
Repayment of bank borrowing	(1,702)	(2,220)
Net cash used in financing activities	(4,507)	(5,047)
Net decrease in cash and cash equivalents	(2,223)	(3,106)
Cash and cash equivalents at beginning of period	(8,444)	(5,338)
Cash and cash equivalents at end of period	(10,667)	(8,444)
Cash	151	232
Overdrafts	(5,473)	(6,234)
Factoring advances	(5,345)	(2,442)
Cash and cash equivalents	(10,667)	(8,444)

COSALT PLC
PRELIMINARY RESULTS FOR THE FIFTY-TWO WEEKS ENDED 29 OCTOBER 2006

Notes to the Accounts

1) The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 29 October 2006 or 52 weeks ended 30 October 2005 but is derived from those accounts. Statutory Accounts for 2005 have been delivered to the Registrar of Companies, and those for 2006 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 29 October 2006 will be sent to shareholders during February 2007 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

Analysis by business segment

2) The Group is organised into four main business segments: Marine Safety, Protective Clothing, Schoolwear and Holiday Homes.

	52 weeks ended 29 October 2006							
	Marine Safety	Protective Clothing	Schoolwear	Holiday Homes	Head Office/ * unallocated	Continuing Activities	Discontinued Activities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<i>Revenue</i>	39,407	18,840	19,112	46,636	-	123,995	-	123,995
Operating profit/(loss) before exceptional items and gain on revaluations	2,559	(496)	1,044	187	-	3,294	-	3,294
Reorganisation, redundancy and impairment	-	(460)	(195)	(82)	(472)	(1,209)	-	(1,209)
Surplus on property disposals	-	284	-	-	-	284	-	284
Gain on revaluations	-	-	-	-	835	835	-	835
Operating profit/(loss)	2,559	(672)	849	105	363	3,204	-	3,204
Total assets	20,256	15,598	11,149	26,834	9,445	83,282	-	83,282
Total liabilities	(11,514)	(6,404)	(3,660)	(15,730)	(25,853)	(63,161)	-	(63,161)
Total net assets	8,742	9,194	7,489	11,104	(16,408)	20,121	-	20,121
Capital expenditure	451	548	533	300	99	1,931	-	1,931
Depreciation	410	1,182	201	377	134	2,304	-	2,304

	52 weeks ended 30 October 2005							
	Marine Safety	Protective Clothing	Schoolwear	Holiday Homes	Head Office/ * unallocated	Continuing Activities	Discontinued Activities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<i>Revenue</i>	33,944	18,390	19,642	45,669	-	117,645	1,364	119,009
Operating profit/(loss) before exceptional items	2,016	572	1,089	(1,186)	-	2,491	62	2,553
Reorganisation, redundancy and impairment	(300)	(179)	(450)	(924)	-	(1,853)	-	(1,853)
Operating profit/(loss)	1,716	393	639	(2,110)	-	638	62	700
Total assets	17,102	12,657	10,414	22,058	11,635	73,866	-	73,866
Total liabilities	(9,089)	(4,124)	(4,121)	(10,145)	(25,108)	(52,587)	-	(52,587)
Total net assets	8,013	8,533	6,293	11,913	(13,473)	21,279	-	21,279
Capital expenditure	513	120	281	152	709	1,775	-	1,775
Depreciation	363	886	136	369	143	1,897	26	1,923

*unallocated assets and liabilities principally represent investment properties, taxation, dividends and pension plan liability

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

Diluted earnings per share amounts are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year (adjusted for the effects of potentially dilutive options).

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.

	2006			2005		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit (£000)						
Continuing operations	1,651	-	1,651	(753)	-	(753)
Discontinuing operations	-	-	-	(117)	-	(117)
Total	1,651	-	1,651	(870)	-	(870)
Weighted average number of shares (thousands)						
	13,279	33	13,312	13,275	55	13,330
Earnings per share (pence)						
Continuing operations	12.43	(0.03)	12.40	(5.70)	-	(5.70)
Discontinuing operations	-	-	-	(0.88)	-	(0.88)
Total	12.43	(0.03)	12.40	(6.58)	-	(6.58)

4) A final dividend of 12.75p per share is proposed and if approved will be payable on 4 April 2007 to shareholders on the register as at 9 March 2007, absorbing £1.74 million.

5) This preliminary announcement was approved by the Board on 19 February 2007.