

Safety critical

Cosalt plc
Annual report
& financial statements 2009

Company Registration No 019628



Safety critical

Cosalt's objective is to become a leading provider of critical safety equipment and services for the highly regulated Offshore and Marine industries for people exposed to hostile work environments

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Strategic & operational highlights

Key objectives met for restructuring the business:

- Schoolwear and Holiday Homes businesses exited
- Group's long-term capital structure addressed with the raising of £17 million net
- A greater focus on executing our core strategy

Ongoing market focus:

- Products and services portfolio extended
- Long-term resilience of business model underpinned by regulatory drivers
- Number of key contracts won and extended including:
 - A three-year contract extension with PSN worth £18 million
 - A three-year contract win with BP worth £1.5 million per annum
 - A three-year contract with Subsea7 in Norway

Other actions:

- Reduction in net debt to £18.6 million (2008 £26.8 million)
- Pension scheme issues being addressed
- Annualised cost savings of £3 million already implemented; further action being taken in 2010

Divisions

Cosalt Offshore

Read more on page 14

Cosalt Marine

Read more on page 18

Revenue 2009 (2008 £105.0m)

£107.8m

At a glance

Our vision

To be the specialist global provider and through life manager of critical safety equipment for people exposed to hostile environments

Our objectives

- **Becoming a specialist provider of critical safety equipment and services for the highly regulated Offshore and Marine industries for people exposed to hostile work environments**
- **Becoming a major global player in a market underpinned by strict regulatory obligations**
- **Providing equipment and services to the renewable energy sector**

Our strategy

- **Build our core critical safety equipment and services activities**
- **Build a high quality blue-chip customer base**
- **Broaden our existing products and services**
- **Expand the Group's geographic coverage**

Our divisions

Offshore

Cosalt Offshore aims to consolidate its market leading North Sea position and build presence in an estimated £4.5 billion global arena

Opportunities

- Expansion of specialist ropes sales via Bndon agreement
- Non destructive examination of wire rope
- Introduction of lifeboat inspection and services in Offshore
- Establishment of technical compliance operation
- New facility at Kristiansund, Central Norway
- Introduction of tool facilities at Stavanger, Norway
- Opportunity to tender on new contracts

Read more on page 14

Marine

Cosalt Marine aims to build on its existing strong European base and leverage its existing global market share

Opportunities

- Expanding fire protection and lifeboat services across Europe using successful model in Antwerp operation
- Exploiting opportunity to improve margin performance
- Developing lifejacket markets
- Increasing sales of liferafts and an increase of long term liferaft hire
- Improving the product range offering relation HS&E added value technologies

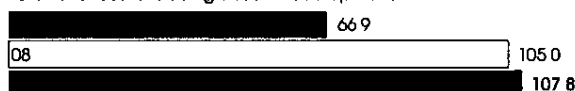
Read more on page 18

How we measure ourselves

The Group's management monitors the performance of the business by regular comparison of actual results compared to budgets, forecasts and prior years. It is also developing a wider range of Key Performance Indicators (KPI's)

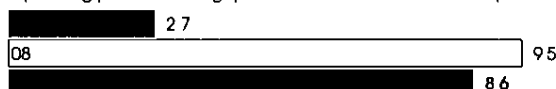
Revenue (\$m)

Total revenues excluding discontinued operations



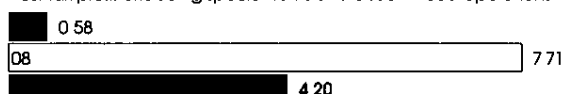
Headline operating profit (\$m)

Operating profit excluding special items and discontinued operations



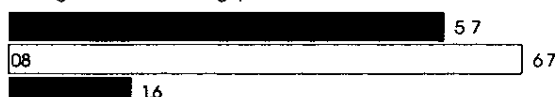
Headline EPS (pence)

Post-tax profit excluding special items and discontinued operations



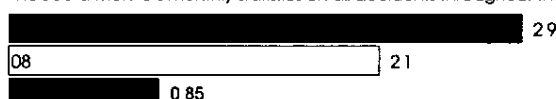
Cash generated from operations (\$m)

Cash generated excluding special items



Number of accidents per 100 employees

The Board monitors monthly statistics on all accidents throughout the Group



What we do

Liferafts

Commercial liferafts, Leisure liferafts, Marine Evacuation Systems (MES), Inflatable rescue boats

Lifeboats

Fully enclosed lifeboats, Open lifeboats, Free fall lifeboats, Davits and winches, GRP/Engine repair, Metal fabrication facility

Lifejackets

Market leading 'Premier 2010', inherently buoyant lifejackets, Commercial inflatable lifejackets including SeaCrewsader offshore lifejacket, Leisure lifejackets, Buoyancy aids, Immersion suits

Fire safety

Fire suppression systems, Breathing apparatus, Gas detection equipment, Fire hoses and accessories, Fire extinguishers, Fire suits, Specialist fire-protection clothing

Lifting/tooling & inspection

On/offshore test and inspection services, Tool/lifting equipment hire, Pneumatic/hydraulic/electric tools, Non-destructive testing, Fall arrest equipment, Working at Height equipment, Refurbishment services

Wire & fibre ropes

Exclusive offshore distributor for Bridon wires, Specialist wire rope, Spooling services, Wire and fibre rope slings, Single point mooring systems (SPM's), Specialist fibre ropes, Wire and fibre rope rigging services

Safety workwear

Complex PPE, Structural fire fighting kit, Technical Rescue suits, High visibility garments, Flame retardant Public Order coveralls, MOD cold weather garments and aircrew coveralls, Bespoke branded workwear

Cosalt Compliance

Independent Competent Person, Written Scheme of Examination, Compliance Audits (KP2), Training & competence, Funis Veritas wire rope management system

Chairman's statement

We are making good progress in growing our business in the Offshore and Marine industries

Overview

I am pleased to report that the Group continues to make progress towards its strategic objectives of becoming a specialist provider of critical safety equipment and services for the Offshore and Marine industries

In August we announced a placing and fundraising to raise £17 million, net of expenses, which has provided the Group with financial stability and security to conduct its business and enable us to pursue our strategy

Since our exit from the Holiday Homes business in November 2008, we have focused on our core activities and aim to establish Cosalt over the longer-term in the international Offshore and Marine sectors. Given the geographical proximity between our European branch network and recent franchise awards for the Offshore renewable energy sector, we are hopeful we can offer our existing services into this growing Offshore activity

In May, the Company entered into an agreement with Bridon International Limited, a major specialist wire rope manufacturer, to develop and expand its Aberdeen based activity serving the UK North Sea Offshore sector. Since the year end we have also secured a number of key contracts in both the Offshore and Marine divisions. The Group's development will continue to be driven primarily by organic growth across both divisions where there remains scope for us to increase our market share

Results & financing

As previously reported, conditions in the Group's markets became more difficult over the course of 2009. In the Oil and Gas sectors, the falling oil prices at the beginning of 2009 prompted customers to defer spending. Similarly in the Marine sector, port activity and the volume of container traffic (particularly in Northern Europe) reduced. Market conditions in both the Offshore and Marine sectors in the first half of 2010 continue to prove challenging

Group turnover from continuing operations for the year was £107.8 million (2008: £105.0 million), a 2.6% increase

Headline operating profit from continuing activities was £8.6 million (2008: £9.5 million) while corresponding headline earnings per share were 4.2p (2008: 7.71p). Statutory loss for the period was £2.6 million (2008: £24.8 million) with corresponding loss per share of 2.93p (2008: loss 32.52p)

Following the approval of the Placing and Open Offer and Firm Placing at the General Meeting on 1 September 2009, the Group received net proceeds of £17 million which enabled it to reduce net indebtedness and achieve a more stable, long term funding structure. The strengthened financial position of the Company will facilitate the long term implementation of the Group's strategy. Net debt at November 2009 stood at £18.6 million (2008: £26.8 million)

The Company issued 180,000,000 New Ordinary Shares through the Placing and Open Offer and 198,000,000 New Ordinary Shares through the Firm Placing at a price of five pence per New Ordinary Share

We continue to manage our cost base down and cash management remains a priority. We have implemented a cost reduction programme across the Group which delivered net savings of approximately £1 million during the last financial year and annualised savings of £3 million. In addition to this, further cost cutting is being implemented in 2010.

Dividend

The Board has concluded that the current priority must be to conserve cash, and maintain a robust financial base from which to pursue the Group's strategy and increase shareholder value. Accordingly, it is not recommending a final dividend be paid. The Board will continue to review its dividend policy on a regular basis, and will take account of the trading and strategic priorities in considering the level of future dividends.

Pensions

The Group's defined benefits pension scheme was closed to future accrual on 31 December 2006 and active members were transferred into a stakeholder defined contribution plan. The deficit in the pension scheme according to International Accounting Standards has risen to £11.8 million (2008: £6.3 million), largely as a result of falling bond yields. Addressing the pension deficit is of primary importance for the Group.

Board & management

During the course of the year we have made three new additions to the Board. Calum Melville, currently responsible for our Offshore division, joined the Board as an Executive Director. We also appointed two new Non-Executive Directors. Maurice White is a mechanical engineer with a wealth of experience in the Oil and Gas industry, and Simon Gilbert has worked in a number of operational and investing roles and is a Managing Partner with Hanover Investments. I was re-appointed as Chairman, replacing David Hobdey who stepped down from the Board in November 2009. John Kelly, who was Chairman of the Group between 2005 and 2008, retired in January 2010 after 22 years with the Group. On behalf of everyone at Cosalt I would like to thank David and John for the contribution they have made to the Group.

David Ross
Chairman

Current trading & outlook

Last year was one of consolidation for our core businesses and above all, we established a strong platform from which to develop the business. The Group is now focused on building its core critical safety equipment and services activities. We continue to make progress in establishing Cosalt as a specialist provider of critical safety equipment and services for the Offshore and Marine industries.

The market environment continues to be challenging as our customers delay investment decisions. However, we have taken action to reduce costs in response to the resulting lower revenues. Importantly, we have been successful in renewing and winning a number of new contracts which will contribute to an improvement in trading in the second half of the year.

David Ross
Chairman
2 February 2010

Placing and Open Offer and Firm Placing (net of expenses)

£17.3m

Chief Executive's review

We are a strongly focused and streamlined business, in good shape to deliver on our strategic objectives

Strategy

I am pleased to report that we continue to benefit from the implementation of our strategy to become a specialist provider of critical safety equipment and services for the highly regulated Offshore and Marine industries

Through our two core divisions, Offshore (Oil and Gas) and Marine (Commercial & Cruise), the Company has developed a reputation for quality and reliability, and we have made great strides in targeting companies in highly regulated industries overseen by national governments and a common international platform. We work closely with advisory regulators such as the International Maritime Organisation (IMO).

Globally, the Offshore and Marine sectors we serve have an annual worth of approximately £4.5 billion and £1 billion respectively. Working within the frameworks of these markets is expected to underpin the Company's growth prospects going forward.

We are building a high quality blue-chip customer base and focusing on larger operators who are increasingly wishing to work with fewer contractors on a longer-term partnership basis, in order to meet their global needs. In meeting our customers' needs with their own development plans we are broadening our existing product range.

Today, Cosalt is predominantly a European operator but as our markets improve and our customers seek to extend their geographic reach then we will have the opportunity to support them in their expansion through the provision of products and services.

Not only are we looking to expand our product and service offering but, due to the fragmented nature of the industry, we are also looking for opportunities to identify and make selective value enhancing moves to bolster our business portfolio. In addition, we intend to expand our businesses into emerging markets wherever they fit in with our core areas of expertise.

Operations

Cosalt Offshore

Cosalt Offshore reported turnover of £44.3 million (2008 £41.8 million) and operating profit before special items of £5.3 million (2008 £8.3 million) for the year.

Cosalt Offshore operates out of three sites – Aberdeen, Stavanger and Lowestoft – and this gives us a pan-North Sea network of service and rigging centres. The division supplies, inspects, tests, maintains and manages a wide range of safety equipment from portable lifting equipment to lifeboats and liferafts. We also supply and service powered hand tools, Dräger gas detection and breathing apparatus, working at height equipment and provide inspections on offshore fixed platforms and portable rigs.

We have experienced difficult trading conditions in the North Sea Oil and Gas sector over the past 12 months, with most clients tightening their investment commitments, particularly on capital expenditure projects. We have introduced new services to our client base such as wire rope and lifeboat services and this is going some way to make up for the shortfall in traditional business.

The division has been awarded a number of contracts including a three-year contract with BP, worth up to £4.5 million to supply all lifting equipment to BP and its subcontractors in the North Sea. We have also secured a three-year extension to our existing contract with CNR for lifting and inspection services in the North Sea and a one-year contract for crane inspection services with Subsea7 in Norway. We have also agreed a three-year contract extension with PSN, our largest customer, worth up to £18 million to supply lifting and tooling equipment in the North Sea. Group revenue increased in the year as a result of a full year's trading of the Norwegian acquisition. Margins were however, impacted as drilling projects were curtailed.

Headline operating profit (2008 £9.5m)

£8.6m

We launched Funis Veritas, a wire rope integrity management system, which complements our new business with Bridon International and includes the supply of specialist wire ropes. The initial response to this system, which monitors and controls the through-life integrity of large wire ropes, has been very positive with orders for both the management system and wires already in place.

Market conditions in 2010 are expected to continue to be challenging, however our product and service offering should give us an advantage over our competitors to secure new contracts in 2010, whilst cost reductions will form an important factor in maintaining profitability.

Cosalt Marine

The Marine division delivered turnover of £63.6 million (2008: £63.2 million) and operating profit before special items of £4.9 million (2008: £2.1 million) through a number of significant contract wins and contract renewals.

The division, which comprises four main business units, namely UK Marine, Continental Marine, Crewsaver and Workwear, has a particular focus on regulated and legislated safety.

Cosalt Marine secured and extended major contracts within all business areas including Netherlands MOD, UK MOD lifejackets and buoyancy aids, further cruise vessel lifejacket and liferaft hire contracts, a two-year extension with Network Rail for hi-visibility workwear, and a three-year contract with Babcock Rail for hi-visibility workwear. Additionally, the division won several other new contracts within the marine and industrial sectors that have excellent potential for further development.

During the year we launched several key new products in the marine sector including Crewsaver designed inherent and inflatable lifejackets. The recently introduced SeaCrewsader lifejacket achieved particular success in the North Sea offshore market and the new Premier 2010 lifejacket aimed at the cruise and ferry market won a Safety at Sea innovation award. This product was introduced to the market with advanced orders in line with the Board's expectations. In the coming year, Crewsaver is launching a new range of Crewfit 190N single and twin chamber inflatable lifejackets. These products have already been well received by both customers and distributors.

Our Workwear business has developed a number of new products including hi-visibility clothing for use on the UK rail network and police public order clothing. It is currently working on a number of key competitive tenders including several major fire clothing fully managed service contracts, and we are looking to develop our product range offering across all business sectors. In particular, we are aiming to expand our lifeboat and fire equipment servicing on the continent and our existing liferaft hire contracts. We are also looking to secure the supply of new safety equipment to the cruise and ferry market with our new product designs and proven service model, we are well placed to secure further new business.

Mark Lejman

Chief Executive

In Marine, whilst shipping activity is still low, this is, in part, compensated by increased demand for Crewsaver branded products and some signs of renewed activity on UK lifting projects.

The actions which are being taken to align the cost base with current trading conditions will support the profitability of the Company in anticipation of an upturn in market activity.

Summary

We have achieved a number of key objectives over the past 12 months, in particular exiting from the Company's legacy businesses, strengthened the Group's management team, focused our long-term strategy, and addressed the Group's optimal long-term financing structure.

Although there is still much to do, we are now a more streamlined business, with a much improved capital structure and despite the challenging market conditions we can look to the future with momentum in our chosen market sectors. We are now well positioned to implement the next phase of our strategic development and I look forward to reporting on further progress in due course.

Mark Lejman

Chief Executive

2 February 2010

Group revenue (2008: £105.0m)

£107.8m

Financial review

The fundraising was a key milestone for Cosalt and represented a new chapter in our development

Results

Revenue

The revenue for the Group from continuing operations was £107.8 million, an increase of £2.8 million from the previous year. The change reflects the positive effect of a full year of the acquisition of Myhre-Maritime, an increase from the movement of the euro versus the pound being offset by activity reductions arising from the economic environment.

Operating profit

Operating profit reduced from £9.5 million to £8.6 million. This significantly reflects the difficult economic environment which has put volumes and margins under pressure.

In the last part of the year there has been a significant cost reduction exercise which has saved approximately £3 million on a full year basis. This was instigated as a reaction to the decline in demand and pressure on margins.

Finance costs

Financing costs are principally interest (including interest rate hedges) on bank debt and the financing cost of the defined benefit pension schemes.

The financing costs for bank debt was £2.5 million, an increase over the prior of £800,000. This reflects the increased borrowings throughout the year and the increased margin following renegotiation of facilities during the year.

Details of the financing cost to the pension scheme are set out in note 27.

Special items

Details of the special items are set out in notes 3 and 6 to the accounts.

Special items charged to operating profit are £71 million. These include £3.1 million of intangible write-downs in respect of customer contracts relating to acquisitions. The balance of £4.0 million are significantly generated from reorganisation within the Group to reduce the cost base and eliminate loss-making activities.

The special item relating to financing costs represents renegotiating bank facilities (both fees paid to banks and professional fees) and a discount to secure early payment of loan notes arising on the sale of Banner.

Tax

The income tax charge on the profit before taxation (excluding special items) is £1.8 million (2008: £1.3 million) which represents an effective rate of 32.5% (2008: 18.6%). Cash tax payments in the year were £2 million.

Based on the loss before tax, after special items the tax credit for the current year is £0.8 million (2008: charge £0.9 million).

Earnings per share

The dilutive earnings per share from continued operations, before special items, were 4.17p (2008: 7.70p). This reflects the dilutive effect of the placing and the decrease in profitability.

The dilutive earnings per share from total operations after special items represented a loss of 2.93p (2008: a loss of 32.52p). The significant loss in the previous year was due to the write-offs arising from the sale of Holiday Homes and Banner.

Dividend

No dividend has been proposed for 2009. The board is, however, committed to a progressive dividend policy and intends that Cosalt will resume dividend payments, when the markets have stabilised and they believe it is prudent to do so, taking into account the Group's earnings, cash flow and balance sheet position.

Balance sheet

Shareholders' funds

The consolidated shareholders' funds are £49.4 million (2008: £37.6 million). The increase reflects the impact of the placing, more than offsetting decreases arising from the overall result for the year and an increase in the pension deficit.

Bank facility

As described in last year's accounts the Group had agreed with its bankers to increase its facilities from £34 to £39 million and granted security to the banks. Since then as part of the placing the facility has been reduced to £33 million – details of this facility are in note 20.

Interest rate and foreign exchange risk management

In order to provide protection against significant interest rate changes, as reported in the previous year's accounts, the board purchased a cap. The amount covered by the cap reduces in line with repayments on the then term loan. A floor transaction was taken out at the same time and on the same basis in order to minimise the upfront premium for this cover. As part of the refinancing done in the current year two additional hedging instruments have been taken out that are relatively immaterial to the cap referred to earlier.

The Group takes out a series of forward exchange contracts to cover purchases overseas – principally US dollars. In addition the Group carries a euro loan to cover the balance sheet risk as a natural hedge against its investment in the European Marine business.

Placing

During the year the Group carried out the Placing and Open Offer and Firm Placing to raise approximately £17 million net of expenses.

Cash flow

The movement in net debt can be summarised set out in the table below.

	£m 08/09	£m 07/08
From operations	(6.3)	1.8
Taxes paid	(2.0)	(1.3)
Net cash from operating activities	(8.3)	0.5
Acquisitions	–	(11.2)
Net cash from other investing activities	–	(2.2)
Proceeds from share placings	17.3	2.9
Movement in loans	(9.4)	26.2
Dividends	–	(2.5)
Net cash from other financing activities	(0.4)	(0.3)
Net cash movement	(0.8)	13.4
Movement in loans	9.4	(26.2)
Other	(0.4)	0.4
Opening net debt	(26.8)	(14.4)
Closing net debt	(18.6)	(26.8)

	£m 08/09	£m 07/08
Profit before tax	(3.3)	1.4
Depreciation	2.2	4.9
Amortisation	3.8	2.7
Inventory	0.5	(3.3)
Debtors	5.1	1.7
Payables	(14.4)	6.7
Loss on disposal	0.0	(11.7)
Other	(0.2)	(0.6)
Total	(6.3)	1.8

£17.3 million fund raising

£8.2 million reduction in net debt

£14.4 million reduction in payables

Mike Reynolds

Finance Director

Defined benefit schemes

The Group has one significant and a number of small defined benefit schemes.

The year end deficit (net of tax) is £8.5 million (2008: £4.5 million). The increase principally relates to the fall in bond yields between the valuation dates which has increased the present value of the liabilities.

The main Group scheme was closed to future accrual on 31 December 2006 and all current members were offered membership of a defined contribution scheme. The Group is currently making payments of £100,000 per month to the Trustees to reduce the deficit.

On behalf of the Board

Mike Reynolds

Finance Director

2 February 2010

Our responsibilities

We strive to deliver failsafe solutions to protect the lives of those who operate in hostile environments

Our people

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

Our workforce – key statistics

The difficult economic conditions have proved to be challenging over the last year. As a result, and in order to increase our effectiveness we have undertaken a careful review and streamlined our workforce to an optimum level. This has resulted in a decrease in our total employee headcount from 1,407 to 822 over the past 12 months. However, 90% of this reduction was as a result of the disposal of our Schoolwear and Holiday Homes businesses. Despite the necessary changes, we are confident that we retain the loyalty and commitment of all our remaining staff and we believe that a “team spirit” has developed as everyone has pulled together. We are firmly of the opinion that our employees are our key resource and we value them very highly.

Diversity

The very nature of our marine safety business requires us to serve our customers wherever they are. We have developed a presence in principal ports across the UK and Continental Europe. At each location there is a unique culture, there are core themes such as a shared commitment to quality and safety, and a meticulous and informed approach to the way we deliver our products and services. There are also subtly diverse styles which reflect our locations, their nationalities and their customers. Our aim is to ensure that we capitalise on the opportunities that having a diverse workforce offers us, and that our workforce reflects the diversity of our locations.

Recruitment

The bulk of our recruitment activity has always been to ensure that we are served by the most technically able, whether it be service engineers or sales and service staff. The composition of our workforce has therefore changed to reflect the broadening nature of our work. Our aim is to provide fulfilling and enriching careers and to support this we offer our employees opportunities for training, personal development and growth.

Development, training and employee engagement

We have recognised the need to track the capabilities and development areas of our people to ensure that we can deliver on our promises to our customers. Our Personal Development Planning processes continue to develop and help us to manage our people. A survey showed that our people strongly share a clarity of precisely what is expected of them in their job roles, and this has been fostered by an open and collaborative management style in which objectives are discussed and agreed.

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

Environment

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

Our policy is to

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

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

Social and community

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

Health and safety

The policy is applicable to all divisions and locations of Cosalt plc.

The statement is complemented by further Divisional Health and Safety Policy Statements and divisional arrangements for health and safety.

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

The Company Policy will be implemented through

- Ensuring that Divisional Health and Safety Policies and appropriate arrangements for Health and Safety are in place, communicated, understood and implemented effectively
- Ensuring that a safe working environment and safe systems of work are in place
- Ensuring the provision of adequate training, instruction and supervision for all employees in respect of Health, Safety, Welfare and general systems of work
- Ensuring controlled safe practices are in use for the handling, storage, processing and movement of materials and goods
- Periodic review of policy, procedures, practices and statistics to ensure acceptable standards are maintained and to further reduce Health, Safety and Welfare risks where appropriate
- Compliance with relevant Health, Safety and Welfare Legislation and Codes of Practice

All employees are reminded that their co-operation in achieving the objectives of this and other divisional policies for health and safety is essential and that there are legal obligations placed on them.

The Board considers on a regular basis the implementation of this policy and any other health and safety matters as may be brought to their attention. Where deemed necessary, the Board of Directors shall instigate appropriate corrective actions through divisional and/or safety management and shall further ensure that such actions are effective.

No. of accidents per 100 employees

0.85

Cosalt's own specialist service stations inspect, test, service and repair liferafts and other safety critical equipment.

Principal risks

The Cosalt businesses are well positioned to benefit from potential growth in their market sectors

Key markets

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

Fluctuations in foreign currency

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

Safety issues

Because of the markets in which we operate and the customers we provide services and products to, we must (and do) place every emphasis on the safety of our products and services. We therefore control safety both externally and internally and it is treated as an absolute priority, with stringent monitoring and testing and the highest level of training for our staff.

IT systems

The company is currently reviewing its IT systems and taking steps to ensure that it is robust and able to meet our developing needs.

Fluctuations in revenue and expenses

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

Final Salary Pension Plan

The Group has an obligation to fund Final Salary Pension Plans and this creates an exposure to interest rates, inflation, investment returns and the longevity of the Plan members. The Group has eliminated these risks for future service by the closure of the Plan to future accrual from 31 December 2006.

The Company has now established a Pensions Review Committee who are considering ways to improve the investment strategy of the pension fund as well as ways to mitigate and manage liability. The Committee is taking expert external advice.

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

Excellence in critical equipment management

Managing lifting equipment to ensure it is fit for purpose and fully traceable is critically important. Under legislation, loose lifting equipment and that for carrying persons must be examined every six months and fixed lifting every 12 months as a minimum. This applies to onshore and offshore platforms, onshore sites or vessels in UK waters. Cosalt has fully trained and competent specialist engineers to ensure that all requirements are complied with and the client is not exposed to risk.

Cosalt Offshore

We will continue to focus on developing new and innovative products by working in close partnership with our customers

Calum Melville
Chief Executive Cosalt Offshore

Our core business is to supply, inspect, test, maintain and manage a wide range of safety equipment from portable lifting equipment to lifeboats and liferafts. We also supply and service powered hand tools, Dräger gas detection and breathing apparatus, as well as working at height equipment and we carry out inspections on offshore fixed platforms and portable rigs.

Objectives and strategy

Our objective is to become the leading provider in our specialist field. We will achieve this by delivering excellent customer service, comprehensive technical support and ongoing product innovation. This will drive our business forward and enable us to become the industry supplier of choice.

Our strategy for the year ahead is to grow our servicing capabilities and our service offerings. This will be achieved by focussing on developing new and innovative products and services by working in close partnership with our customers. Our overall strategy is one of growing market share through key account management and growth and development.

This year's performance

Cosalt Offshore reported a turnover of £44.3 million (2008: £41.8 million) and an operating profit before special items of £5.3 million (2008: £8.3 million) during the period. The business was generated through the division's three sites in Stavanger, Lowestoft and Aberdeen.

Although the past year has seen difficult trading conditions in the North Sea oil and gas sector, with most clients tightening their spending particularly on capital expenditure projects, it has been encouraging to see that our focus on the downstream oil production sector has helped maintain like-for-like revenue. With our core services built around legislation-backed regulatory requirements, we are well positioned to sustain services and defend margins.

Offshore revenue

£44.2m

Offshore operating profit

£5.3m

Cosalt Offshore locations:

- 1 **Aberdeen**
- 2 **Lowestoft**
- 3 **Stavanger**
- 4 **Rotterdam**

Key people

Cosalt Offshore employs over 300 people in the UK and Norway. Key individuals within the business are:

- Calum Melville (40) Chief Executive Cosalt Offshore
- Mark Grant (42) Finance Director Offshore Division (appointed January 2010)
- Sandy Gowing (55) Technical Director
- Stuart Melville (44) Operations Director Offshore Division
- Lisa Mitchell (36) Commercial Director Offshore Division
- Jack Bråten (48) Managing Director Cosalt Norway
- Winston Phillips (56) Commercial Director (Energy & Cables)

What we do

- **Lifting equipment** – We are the market leader in the inspection, maintenance and hire of owned and client equipment. In conjunction with suppliers and academic institutions we have also developed products for the offshore market that have become industry benchmarks. We can deploy over 40 experienced engineers offshore or onsite.
- **Powered hand tools** – We supply, inspect and maintain a wide range of powered hand tools and have developed a comprehensive HAV's capability in-house.
- **Hydraulics** – Our experienced engineers can inspect and maintain a range of hydraulic equipment at our dedicated facility in Aberdeen.
- **Working at height equipment** – Having recently acquired the Aberdeen servicing unit of Capital Safety we have a dedicated workshop in Aberdeen that can inspect, maintain, hire and supply Fall Arrest products through all our offshore sites.
- **Liferafts** – We are approved to inspect and repair the world's leading brands of commercial and leisure liferafts and Marine Evacuation Systems (MES).
- **Lifeboats** – We have the expertise and ability to service, inspect and repair lifeboats, commercial rescue and man-overboard boats. We supply new lifeboats and rescue boats, davits and our own-brand lifeboat release hooks.
- **Lif jackets** – Our flexibility and expertise allows lif jackets to be serviced at branch level or onsite at offshore oil and gas rigs.
- **Cosalt Compliance** – We have a unique and market-leading compliance and technical support division with proven ICP expertise and direct involvement with the leading industry bodies.
- **Wire and fibre ropes** – We have comprehensive rigging facilities at all our sites and have an exclusive wire distribution agreement with Bridon. We supply technical fibre rope solutions to the offshore and SPM markets.

Where we operate

Cosalt Offshore operates out of three sites – Aberdeen, Stavanger and Lowestoft, which form an unique pan-North Sea network of service and rigging centres.

Aberdeen

Following a major refurbishment to our Denmore Road facilities, two traditional Cosalt marine businesses were successfully incorporated into the main site during the year. This means that as well as liferaft and lif jacket servicing, we can now offer a lifeboat sales, refurbishment and inspection service. Our ability to leverage these additional products and services through our existing contracts has helped us achieve significant wins in both lif jacket sales and lifeboat sales and inspections.

As part of a new agreement with Bridon, signed in June 2009, their rigging workshop at Inverberrie was amalgamated into the existing facilities at Aberdeen.

Stavanger

The Norwegian market activity decline was earlier and more severe than in the UKCS. With this business more susceptible to the peaks and troughs of the exploration sector the two main focus areas for the team in Norway in 2009 was to increase the tooling/lifting equipment hire and management activity and to gain additional business in the subsea sector.

Following the contract win for inspection and support for Subsea7 vessels in Norway, the Stavanger operation was awarded the main lifting equipment hire and management contract for Subsea7. This is a tangible example of the competitive advantage of our pan-North Sea network as Subsea7 are an important client for us in Aberdeen.

This win gives the Norwegian operation repeat business which is underpinned by regulation and provides a solid base from which to expand this activity to both the subsea sector and the main offshore operators and engineering companies.

Lowestoft

Having secured the Perenco contract last year for management/hire of tooling/lifting equipment, the Lowestoft business has continued to develop this activity to other offshore clients in the Southern sector.

The market

Market activity declined significantly in 2009 as the oil price went from \$140/barrel to under \$40/barrel. This had an immediate impact on the upstream exploration sector where seismic activity was much reduced earlier on in the year followed by a decrease in drilling by the main drilling companies and the platform operators.

The market situation in general has put pressure on margins as operators look to reduce their cost base. This environment is likely to remain well in to 2010 although the recent stability of oil prices at around \$75-\$80/barrel gives some level of optimism that the market will improve in the third and fourth quarters.

Having said that, Cosalt Offshore's revenue stream is more resilient than most suppliers, with the majority of our service and product offering underpinned by regulation and long-term contracts. Despite this we have taken positive action to reduce overheads and to leverage our increased volumes to gain better buying prices.

Cosalt Offshore continued

New products and services

2009 saw the successful launch of Funis Ventas – a wire rope integrity management system – that complements our new partnership with Bridon International which includes the supply of specialist wire ropes. The initial response to this unique system, which monitors and controls the through-life integrity of large wire ropes, has been very positive with orders for both the management system and wires already in place.

The lifeboat sales, servicing and refurbishment activity has also been well received and is seen by our existing and potential clients as a natural extension to our current competencies and quality processes. We have won several inspection and maintenance contracts and have carried out several surveys for clients who are upgrading to the new HSE guidelines on lifeboat capacity. A recent such survey for Dolphin Drilling resulted in the supply of four new lifeboats for one of their rigs with several more rigs to be equipped.

To complement our range of Cosalt branded lifeboats we have also developed an approved lifeboat hook, the Cosalt H50, which meets the latest IMO guidelines.

A major lifejacket replacement programme allowed us to leverage our existing client contracts and relationships to win a major share of the market with sales of over 10,000 of the market leading SeaCrewsader lifejacket designed specifically for the offshore market.

Initiatives during the year

One of the key initiatives of 2009 was the signing of the Bridon agreement which gives us exclusive distribution of Bridon wire to the UK offshore market. Bridon is the leading global brand for specialist wire rope and we see this as a major opportunity for both businesses. In 2010 we will also be offering Bridon wire in the Norwegian sector through our Stavanger operation.

Following the reforming of our technical department into Cosalt Compliance this has brought new focus and initiatives. In 2009 Cosalt Compliance were successful in obtaining the ISO-14001 Environmental standard for businesses in our class. Cosalt Compliance also initiated the Funis Ventas wire rope integrity management programme which will complement our supply of Bridon wire to the specialist lifting and subsea market.

Another major contract win in 2009 was the BP three-year contract for the supply of lifting and rigging equipment to BP and all their subcontractors. This contract will provide additional business for both the Aberdeen and Lowestoft operations.

Prospects for the future

In last year's report we forecast that the low crude oil price would lead to a restructuring of the industry in 2009 as our clients and the industry in general look at reducing their supplier base and enter in to long-term contracts with partners that offer a wider geographic footprint and a wide range of complimentary services.

In 2009 we have widened our product range and consolidated our unique pan-North Sea network. This has already impacted on 2009 with contract wins for pan-North Sea companies like Subsea7 and for lifeboat sales and services for Dolphin and Perenco.

In addition we have extended our contract terms with several of our key clients such as CNR and PSN and added new products and services to existing contracts.

In summary, we are expecting market conditions in the year ahead to be just as tough, but the strategy we set out and implemented in 2009 has been successful and will give us added competitive advantage to help secure some significant contract opportunities, as well as additional revenue from new products and services.

Calum Melville

Chief Executive Offshore Division

Cosalt's specialists, approved by manufacturers, examine, repair and service all industry leading equipment brands

Market leadership in safety critical equipment in the North Sea

Cosalt Offshore is the market leader in the inspection, maintenance and hire of owned and client equipment. We operate out of three sites – Aberdeen, Stavanger and Lowestoft – which form a pan-North Sea network of service and rigging centres. During the year we extended our contract terms with several key clients and added new products and services to existing contracts.

Cosalt Marine

Our strategy for the coming year is to enhance our servicing capabilities and to expand the sales of core products into key customer and market sectors

Andrew Richards
Managing Director Cosalt Marine

Marine revenue

£63.6m

Marine operating profit

£4.9m

We supply, inspect, test and maintain a wide range of marine safety equipment from liferafts and lifeboats to lifejackets and immersion suits. We also supply and service lifting equipment, rope, rigging, fire fighting and height safety products. We are a leading provider of protective clothing and workwear.

Objectives and strategy

Our objective is to become the leading supplier of our chosen products and services within our current operating countries and within a number of niche global markets. We will achieve this by delivering excellent customer service, comprehensive technical support and ongoing product innovation. This will drive our business forward and enable us to become the industry supplier of choice.

Our strategy for the coming year is to enhance our servicing capabilities and to expand the sales of core products into key customer and market sectors. To do this we will continue to focus on developing new and innovative products by working in close partnership with our customers. Our overall strategy is one of growing market share through key account management and product development.

This year's performance

Cosalt Marine reported a turnover of £63.6 million (2008: £63.2 million) and an operating profit before special items of £4.9 million (2008: £2.1 million) during the period. This business was generated through the division's four main business units namely UK Marine, Continental Marine, Crewsaver and Workwear.

Cosalt Marine's remit is primarily to focus on areas of regulated and legislated safety. As such the division has positioned itself in resilient areas of operation such as marine safety servicing, fire equipment, rail trackside safety clothing and lifting equipment testing.

Cosalt Marine locations:

1 Birkenhead	17 Antwerp
2 Bristol	18 Grou
3 Edinburgh	19 Rotterdam
4 Grimsby	20 Hamburg
5 Glasgow	21 Kiel
6 Gosport (Crewsaver)	22 Rostock
7 Lowestoft	23 Civitavecchia
8 Milford Haven	24 Livorno
9 Newlyn	25 Barcelona
10 Plymouth	
11 North Shields	
12 Southampton	
13 Stockport (Workwear)	
14 Barnsley	
15 Aberdeen	
16 Maidstone	

The past year has seen difficult trading conditions for both our marine offshore and industrial based businesses. Customers have tightened their spending and in particular cut back on capital expenditure projects. This has resulted in sales of £63.6 million in 2008/09 compared to £63.2 million in 2007/08. While product sales were impacted by market conditions we were particularly pleased to see growth in our servicing activities which supports our decision to expand our marine safety, fire and engineering inspection and maintenance capabilities.

Key people

Cosalt Marine employs over 500 people in a European-wide business network that spans several countries. Key individuals within the business are:

- Andrew Richards (41) Managing Director Cosalt Marine
- Jim Haughey (43) Finance Director
- Johan Denis (47) General Manager Continent.
- Jon Crossland (41) Managing Director Cosalt Workwear
- Nick Dennison (46) Sales Director UK Marine

Where we operate**UK Marine**

Our UK Marine business operates from ten locations namely Glasgow, Edinburgh, North Shields, Grimsby, Southampton, Plymouth, Newlyn, Bristol, Milford Haven and Birkenhead. These branches service the needs of key customers such as P&O Cruises, The RNLI, Condor Ferries, the MOD and BAE. Our key activities are marine safety sales and servicing, lifting equipment safety testing, fire equipment sales, fibre and wire rope supply.

Continental Marine

Our Continental Marine business operates from five countries namely Belgium, Germany, Italy, Netherlands and Spain. Our key activities cover liferaft, lifeboat and fire equipment servicing. Our key customers include MSC, Carnival Cruises, Damen Shipyards and the Netherlands MOD.

Crewsaver

Our Crewsaver business operates from Gosport in the UK. Crewsaver sells its own designed products worldwide. The Crewsaver brand is well respected and recognised in both the leisure and commercial markets. Our key customers include the UK MOD, RNLI and the Environment Agency. We also export Crewsaver products through an established network of distributors. The business manages four brands: Crewsaver, Cosalt, Yak and CSR. The primary brand is Crewsaver, which embraces lifejackets, marine safety and sailing equipment.

Workwear

Our Workwear business operates from Stockport and Barnsley with a fire brigade service centre located in Maidstone. The business is clearly focused as a leading provider of personal safety and protection products to the fire, police, MOD, hi-visibility and branded market place.

What we do

- **Liferafts** – We are approved to inspect and repair the world's leading brands of commercial and leisure liferafts and Marine Evacuation Systems (MES).
- **Lifeboats** – We have the expertise and ability to service, inspect and repair lifeboats, commercial rescue and man-overboard boats.
- **Lifejackets** – Our flexibility and expertise allows lifejackets to be serviced at branch level or onsite at offshore oil and gas rigs.
- **Fire safety** – Our teams of qualified engineers have the ability to service equipment onsite or at port of call for vessels.
- **Lifting, tools & inspection** – Our comprehensive service offering covers on/offshore testing, tool/lifting equipment, power tools and height safety equipment.
- **Wire & fibre ropes** – Our experienced engineers can assess requirements onsite and design, manufacture and install to exacting standards.
- **Safety workwear** – Our managed service provides a holistic solution to the maintenance, repair and replacement of highly complex PPE.
- **Cosalt Compliance** – We offer a highly specialised and unique service where Cosalt undertakes responsibility for legislative driven matters.

Cosalt Marine continued

The market

Trading conditions have been very tough, with many of our markets in recession during the majority of the year. This manifested itself in reduced shipping numbers of around 20% in the key ports of Rotterdam, Antwerp and Hamburg. As economies recover and trading conditions return to more usual patterns we are well placed to maintain and grow our market share.

While the retail markets of our Crewsaver business were affected by the downturn, the demand for our leisure products proved more resilient than expected and we expect this market to fully recover in 2010.

The industrial onshore sector, where we supply our UK lifting and inspection services, saw a reduction in customer expenditure. Capital projects and planned maintenance were delayed or plants mothballed. However the annual inspection and certification business remained resilient.

Our Workwear division supplies the fire and rescue services, police, MOD, hi-visibility and branded workwear markets within the UK and Europe. Our key customers include Network Rail, Babcock Rail, BMW, Ford, the West Midlands and Scottish Police Forces.

New products

During the year we launched several key new products in the marine sector including Crewsaver designed inherent and inflatable lifejackets. The recently introduced SeaCrewsader lifejacket enjoyed particular success in the North Sea offshore market and the new Premier 2010 lifejacket aimed at the cruise and ferry market won a Safety at Sea innovation award. The product was introduced to the market with advanced orders in line with expectations. In the coming year, Crewsaver is launching a new range of Crewfit 190N single and twin chamber inflatable lifejackets. These products have already been well received by both customers and distributors.

Our Workwear business has developed a number of new products including hi-visibility clothing for use on the UK rail network and police foul weather clothing. Customer feedback on wearability and fit comfort helped us develop new fit-for-purpose fire clothing. We have also produced a number of bespoke workwear products for the motor industry. Further projects are underway to take advantage of the latest technological advancements.

Initiatives during the year

Key account management has been introduced during the year to provide a clear focus on where the main opportunities lie within the division. Individual accounts have been allocated to sales individuals and sales staff incentivised in line with their contribution to the business over-achieving its targets.

A clear focus on reducing the managed assets within the business saw an improved debtors picture, a reduction in stock and an extension of creditors terms where possible.

Overheads and activities of the business were reviewed and during the year a number of redundancies took place seeing the overall workforce reduce by 12%. We also took steps to end several non-contributing business activities and consolidate our business sites.

Contract wins

Cosalt Marine secured and extended major contracts within all business areas including Netherlands MOD, UK MOD lifejackets and buoyancy aids, further cruise vessel lifejacket and liferaft hire contracts, a two year extension with Network Rail for hi-visibility workwear, a three-year contract with Babcock Rail for hi-visibility workwear and a significant UK Police public order coverall contract. On top of this we won several other new contracts within the marine and industrial sectors that have excellent potential for further development.

New opportunities

Our division is currently working on a number of key competitive tenders and we are looking to develop our product range offering across all business sectors. In particular, we are aiming to expand our lifeboat and fire equipment servicing on the continent and our existing liferaft hire contracts. We are also looking to secure the supply of new safety equipment to the cruise and ferry market.

In the industrial sector we are introducing new computer systems to tag and record data on customers equipment and servicing records. This technology gives us a competitive advantage and will see us well placed to secure new tooling and lifting equipment contracts.

Our Workwear business enters 2010 tendering for several major fire clothing fully managed service contracts. With our new product designs and proven service model, we are well placed to secure further new business.

Cosalt is a leading provider of personal safety and protection products for the fire service, police and MOD.

Andrew Richards
Managing Director Cosalt Manne

Exceptional performance in demanding environments

Modern lifejacket design reached new heights with the recent launch of the all-new Crewfit 190N lifejacket. Designed with today's sailing enthusiast in mind, the product is the result of two years exhaustive testing and refining.

Cutting edge design features ensure the Crewfit 190N is compact, lightweight and extremely comfortable to wear. The product offers exceptional performance in the most demanding environments while remaining stylish and hardwearing. It has been designed to outperform both the existing legislation and the newly introduced standard BSEN ISO 12402. The Crewfit 190N embodies the spirit of innovation that drives Cosalt Marine forward.

Alex Thomson (pictured) is wearing the new Crewfit 190N Lifejacket, specifically branded for the Hugo Boss/Alex Thomson Racing crew.

Board of directors

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1. David Ross ACA ^{††}

Non-Executive Chairman

David joined the Board on 12 April 2005 and was appointed Chairman in October 2009. A Chartered Accountant, he was Chief Operating Officer of Carphone Warehouse between 1990 and July 2003 with responsibility for its activities in mainland Europe. In 2006 he was appointed a Trustee of the National Portrait Gallery and is the main sponsor for Havelock Academy in Grimsby. The Audit Committee Meeting is chaired by David Ross.

2. Mark Lejman

Chief Executive

Mark Lejman joined the Board as Chief Executive on 1 June 2008 and has a wealth of experience gained from an international industrial career spanning more than 30 years. He was formerly at The Morgan Crucible Co PLC as a Director and CEO of its Carbon Division. From 1978 to 1998 he was at Courtaulds PLC where he held a number of positions, latterly as CEO of its Tencel premium fibres division. In 1998, he was part of the team that led the management buy-out of Tencel. At Acordis Group, as Tencel became known, he was CEO of the group's Cellulosic Fibres division. Mark is also a Non-Executive Director at Delta PLC and Berkshire East NHS Trust.

3. Mike Reynolds

Finance Director

Mike joined Cosalt plc on 11 August 2008 as Finance Director. Mike was formerly at CAPE Group from 1991 to 2008, latterly as Group Finance Director, where he played a key role in their acquisition programme.

4. Neil Carrick FCA

Company Secretary

Neil joined Cosalt plc in 1995 as Company Secretary/Finance Director Designate and was appointed to the Board as Finance Director in 1996 until August 2008. Prior to this between 1989 and 1995 he was Group Financial Controller and Company Secretary of William Cook Plc. Qualified as a Chartered Accountant with Price Waterhouse in 1985.

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5. Calum Melville

Executive Director

Calum joined Cosalt plc following the acquisition of GTC Group Limited – which Calum owned with his brother Stuart. Cosalt Offshore was formed with Calum heading the division as Chief Executive.

6. Simon Gilbert ^{†‡}

Non-Executive Director

Simon is a Managing Partner at Hanover Investors and has worked in a number of operational and investing roles. Simon is also a Non-Executive Director of Fairpoint Group (AIM quoted financial services). Simon holds an MBA and a BA (Hons) degree in Economics & Spanish from Bristol University. The Remuneration Committee is chaired by Simon Gilbert.

7 Yarom Ophir ^{†‡}

Non-Executive Director

Yarom resides in Geneva where he is the Managing Director of Katana SA. He is also a Director of Societe Immobiliere IMS SA and Soverno Real Estate Management SA and on the board of International Maritime Services SA. Yarom served on the board of Bank of New York-Inter Maritime Bank, Geneva, a fully authorised Swiss bank. Yarom's experience also extends to diversified investment management through his directorship of Sovereign Holding Limited, the Bermuda-based principal holding vehicle of the Rappaport Family Trust.

8 Maurice White ^{†‡}

Non-Executive Director

Maurice qualified as a mechanical engineer in the oil and gas industry. Following a successful career in operations and engineering he was appointed Managing Director of KCA Deutag Drilling Ltd in 1996. In 2001 Maurice was appointed to the Board of Abbot Group plc, retiring from this executive role in 2009. Maurice also served on the Executive Committee of the International Association of Drilling Contractors from 2002 until early 2005. The Nominations Committee Meeting is chaired by Maurice White.

[†] Member of Audit Committee

[‡] Member of Remuneration Committee

^{*} Member of Nomination Committee

Directors' report

The Directors present their report with the accounts for the 53 weeks ended 1 November 2009

Business review

The results for the 53 weeks to 1 November 2009 reflect progress in becoming an integrated Safety and Protection business. Further details can be found in the Business review on pages 10 to 23 and key performance indicators on page 3

Revenue increased to £107.8 million from £105.0 million and operating profit before taxation and special items was £8.6 million compared to £9.5 million

The loss on continuing operations after tax, financing costs and special items was £2.6 million. The corresponding figure in the previous year including losses relating to the discontinued operations of Holiday Homes and Banner amounting to £25.5 million was a loss for the period of £24.8 million

Dividends

Details of the dividends paid in 2008 are set out in note 10 on page 49

Fixed assets

In note 14 on page 52, information is provided on assets used by the Group which are subject to lease agreements

Investment properties are stated at fair value after undertaking professional valuations

Share and loan capital

Details of changes in share capital are shown in note 23 on page 59

As at 2 February 2010 the Company had 404,403,397 ordinary shares of 1p each in issue. Save for the treasury shares and some shares held under the Performance Share Plan these ordinary shares carry equal rights to dividends, voting and return of capital on the winding up of the Company. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights other than those prescribed by law, nor is the Company aware of any arrangement between holders of its shares which may result in restrictions of the transfer of securities or voting rights

Details of outstanding awards under the Cosalt plc Share Option Scheme and the Performance Share Plan are set out within the Remuneration Report on page 28. The Cosalt Employee Share Trust purchases shares to be granted to Senior Directors and Senior Executives via our long term incentive schemes and subject to the achievement of performance targets. At 2 February 2010 the Trust held 483,346 ordinary shares in the Company. No dividends are payable on these shares until they vest

As at 2 February 2010 a Trust held 28,096 of the 50,250 issued unquoted 7.50% preference shares in the Company. The rights attached to these shares are as follows:

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

Articles of Association

The Company's Articles of Association give powers to the Board to appoint Directors. Specific rules regarding the re-election of the Directors are set out in the Corporate Governance report on pages 29 to 32

We will be taking the opportunity to propose the adoption of new Articles of Association at our 2010 AGM. Please refer to the Notice of Meeting for further details

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

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

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

Directors

The membership of the Board is shown on page 22 to 23

Mr D P J Ross retires by rotation and being eligible, offers himself for re-election

Mr M T Reynolds retires by rotation and being eligible, offers himself for re-election

Mr C Melville having been appointed as a Director since the last Annual General Meeting offers himself for re-election

Mr S Gilbert having been appointed as a Non-Executive Director since the last annual General meeting offers himself for re-election

Mr M A White having been appointed as a Non-Executive Director since the last annual General meeting offers himself for re-election

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

Director's interests shares

Ordinary Shares	2 Feb 2010 1p share	1 Nov 2009 1p share	26 Oct 2008 25p share
D P J Ross	60,998,069	60,998,069	3,989,296
M R Peacock (resigned 30/04/09)	n/a	2,907,953	2,907,953
R H E Powell (resigned 30/04/09)	n/a	5,000	5,000
J A B Kelly (resigned 06/01/10)	n/a	127,109	11,241
N R Carnck	16,158	16,158	2,067
D W Hobday (resigned 30/11/09)	n/a	97,880	1,521
M Lejman	4,910,291	4,910,291	36,425
M T Reynolds	494,566	494,566	-
Y Ophir	-	-	-
C Melville (appointed 30/11/09)	-	-	-
S Gilbert (appointed 30/11/09)	-	-	-
M A White (appointed 06/01/10)	-	-	-

All shareholdings are beneficial unless otherwise stated

Details of Directors' options may also be found in the report by the Remuneration Committee on page 28

Substantial shareholdings

As at 2 February 2010 Lynchwood Nominees held 74,075,418 shares (18.32%) ordinary shares. The Rappaport family trust controls the voting power for these shares. Mr D P J Ross (Chairman) holds 60,998,069 ordinary shares (15.08%). Chase Nominees 27,918,187 (6.90%), Hanover Investments Ltd hold 25,184,178 (6.23%). Barclayshare Nominees Ltd hold 16,136,785 (3.99%) and BNY GL Client Account holds 14,998,742 (3.71%).

Other shareholdings

Mr N R Carnck is a trustee of a Trust which has powers to acquire 7.50% preference shares of the Company. These shares, of which there are 50,250 in issue, are unquoted. At 2 February 2010 the Trust has acquired a total of 28,096 and will continue to acquire these shares as and when they are offered.

Community support and charitable donations

Charitable donations made by the Group during the year amounted to £20,238.

Employees

Details of the number of employees by business are shown in note 8 on page 48.

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

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

Supplier payment policy

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

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

The number of days' purchases outstanding at the end of the financial year was 60 days for the Group and 72 days for the Company.

Forward-looking statements

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

Disclosure of information to Auditors

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

Auditors

The Auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 487 of the Companies Act 2006, a resolution for their appointment will be proposed at the Annual General Meeting.

By order of the Board

N R Carnck
Company Secretary
2 February 2010



Remuneration report to the Members of Cosalt plc

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

Remuneration Committee

The Remuneration Committee is chaired by Mr Gilbert and consists of Messrs Ophir, White and Ross. Mr White was appointed 6 January 2010, Mr Powell resigned 30 April 2009, Mr Hobdey resigned 30 November 2009 and Mr Kelly resigned 6 January 2010. The Committee met twice during the year with all Committee Members in attendance. The Committee determines the remuneration of Parent Board Directors and Senior Executives and makes recommendations to the main Board in connection with the various share incentive schemes. In framing its remuneration policy, the Committee has given full consideration to Section B of the Combined Code and the report has been prepared in accordance with the Directors' Remuneration Reporting Regulations 2002. As required by these Regulations, a resolution to approve the report will be proposed at the Annual General Meeting.

Remuneration policy

Basic policy

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

Remuneration packages consist of fixed elements of basic salary, pension entitlements and benefits in kind, typically a car or car allowance and private health insurance, plus performance related elements such as annual Cash Bonus Scheme and participation in the Performance Share Plan.

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

The remuneration of the Chairman and Non-Executive Directors is determined by the Board. No individual takes part in the discussion or decision regarding their own remuneration.

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

Annual performance related bonus scheme

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

Share Option Schemes

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

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

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

A Performance Share Plan ("the PSP") was introduced following approval by Shareholders at the AGM in March 2007. It provides for awards of either nil (or nominal) cost share options or restricted shares. Awards of restricted shares were made to two individuals in 2007 but both awards have now lapsed. Awards of nil cost options were made during 2008 to Directors and Senior Executives. The Remuneration Committee set a performance target in respect of these options over a fixed three-year period ending in October 2011, that the annual adjusted EPS must increase by 5% plus RPI per annum for 25% of the award to vest and at 13% plus RPI per annum for 100% of the award to vest with a sliding scale operating in between these two levels.

No options were exercised during the year.

No awards have vested during the year.

No awards have been made during the year.

The Cosalt 2009 Company Share Option Plan ("the CSOP") was approved by shareholders at the general meeting on 1 September 2009, although no awards have yet been made under this scheme.

It is anticipated that an award will be made under the CSOP/PSP in 2010. It will be for Directors and Senior Executives and will be based on a range of stretching targets (real earnings per share growth between 5% and 15% pa and absolute TSR growth at the same level).

Directors' remuneration*

The remuneration of the individual Directors is set out below

	Salary £000	Performance related bonus £000	Taxable benefits £000	Fees £000	2009 Total £000	2008 Total £000
N R Carnck	145	30 ¹	23	–	198	167
J A B Kelly ¹	–	–	–	30	30	50
D W Hobdey ²	–	–	–	62	62	30
D P J Ross	–	–	–	36	36	28
M R Peacock ³	–	–	–	14	14	28
R H E Powell ³	–	–	–	15	15	30
M Lejman	252	–	3	–	255	115
Y Ophir	–	–	–	28	28	11
M T Reynolds	236	–	1	–	237	59
C Melville ⁴	–	–	–	–	–	–
S Gilbert ⁴	–	–	–	–	–	–
M A White ⁵	–	–	–	–	–	–

¹ This amount was provided for in previous years but payment withheld until the current year

¹ Resigned 06 January 2010

² Resigned 30 November 2009

³ Resigned 30 April 2009

⁴ Appointed 30 November 2009

⁵ Appointed 06 January 2010

Mr Lejman is the highest paid Director. Total remuneration, including pension contributions of £31,500, amounted to £286,500 (2008 Per Jonsson £387,000)

£59,583 (2008 £nil) of Mr Hobdey's remuneration for 2009 relates to his services as Chairman. £8,333 (2008 £12,000) of Mr Ross' remuneration for 2009 relates to his services as Chairman.

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

Pension rights*

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

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

	Accrued pension at 26 Oct 08 £pa	Accrued pension at 1 Nov 09 £pa	Increase in accrued Pension £pa	Transfer value at 1 Nov 09 £	Transfer value at 26 Oct 08 £
N R Carnck*	19,368	20,336	–	340,336	194,256

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

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

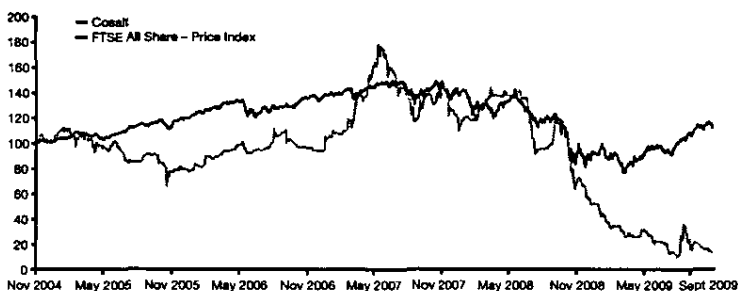
The GN11 transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme. The Trustees are currently reducing any transfer values from the Scheme due to the Scheme deficit based upon actuarial calculations.

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

Remuneration report to the Members of Cosalt plc continued

Performance graph

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



Executive Share Option Scheme*

Name	Number of Options During the Year			At 1 Nov 09	Exercise price	Date from which exercisable	Expiry date
	At 01 Nov 08	Granted	Exercised				
N R Carnick	20,200	–	–	20,200	289 5p	28/06/05	27/06/09
	20,127	–	–	20,127	346 5p	04/08/06	03/08/10
	73	–	–	73	346 5p	04/08/06	03/08/10
	20,204	–	–	20,204	309p	01/07/07	30/06/11
	26,770	–	–	26,770	269p	01/08/08	31/07/12
Total	87,374	–	–	20,200			

* Performance criteria must be met before exercise

Performance Share Plan*

Name	Date of grant	Restricted shares granted	Nil cost options granted	Lapsed	At 1 Nov 09	Market price at grant	Date shares vest*
M Lejman	27 07 2008	–	210,084	–	210,084	238p	31 10 2011
N R Carnick	27 07 2008	–	60,924	–	60,924	238p	31 10 2011
M T Reynolds	13 08 2008	–	91,768	–	91,768	244 5p	31 10 2011
C Melville	27 08 2008	–	26,261	–	25,210	238p	31 10 2011

The market price of the shares at 1 November 2009 was 9 75p and the range during the year was 9 38p to 180 5p

The report was approved by the Board of Directors on 2 February 2010 and has been signed on its behalf by

N R Carnick
Company Secretary
2 February 2010

Corporate governance report

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

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

The Board

The Board consists of four Executive and four Non-Executive Directors and the role of Chairman and Chief Executive are clearly defined and separate. Mr White is the senior independent Non-Executive Director.

In accordance with the Articles of Association one-third of the Board is required to retire by rotation each year. In addition any Director appointed during the year will stand for re-election at the next Annual General Meeting.

The Board is of the opinion that Mr Gilbert (who is a partner in Hanover Investments), Mr Ophir (who is connected to the Rappaport family) and Mr Ross, despite being significant shareholders or associated with significant shareholders, are still able to exercise independent judgement. The Board considers that Mr White is fully independent.

The Board is responsible to shareholders for the proper management of the Group and for the Group's system of corporate governance. It reviews trading performance forecasts and strategy and agrees future plans. The Non-Executive Chairman, Mr Ross, is responsible for the running of the Board. Executive responsibility for the running of the Company's business rests with four Executive Directors, Mr Lejman, Mr Reynolds, Mr Melville and Mr Carrick. The Directors are provided with regular information on the Company's performance and activities and meet on a regular basis. The Company has a formal schedule of matters specifically reserved for the Board's decision. The Board met 29 times during the year and all of the meetings were attended by all Directors, with the exception of Mr Powell who did not attend four meetings, Messrs Ross and Kelly who did not attend three meetings, Mr Carrick who did not attend two meetings and Messrs Reynolds and Peacock who did not attend one meeting. Messrs Peacock, Powell, Hobdey and Kelly resigned from the board on 30 April 2009, 30 April 2009, 30 November 2009 and 6 January 2010 respectively. Messrs Melville, Gilbert and White joined the Board on 30 November 2009, 30 November 2009 and 6 January 2010 respectively. The Non-Executive Directors periodically visit different parts of the Group and meet the local management.

Through this procedure the Board is able to retain full control of the Group, determining strategy and monitoring performance of objectives and compliance with policies. Directors have access to the advice and services of the Company Secretary and may take independent professional advice if necessary, at the Company's expense. Appropriate training is available for all Directors as required or as necessary. Executive and Non-Executive Directors are formally appointed by the Board on the recommendation from the Nominations Committee.

Non-Executive Directors are appointed for a specific term and their re-election is, along with all other Directors, submitted to the shareholders in General Meeting on a rotational basis at least once every three years and at the first opportunity after their initial appointment. Non-Executive Directors do not benefit from share options or pension provisions.

Board evaluation

The Board conducted a formal evaluation of its own performance and that of its Committees and individual Directors during the year. The evaluation consisted of questionnaires. All Directors, excluding the Chairman, also evaluated the Chairman's performance.

The results of the evaluations are studied and discussed in detail by the Company Secretary, the Chairman and the Board as a whole. Any resulting actions are then acted upon during the forthcoming year. No serious or significant issues have been identified.

Board Committees

The Audit Committee of the Board is chaired by Mr Ross and consists of Messrs Ophir, White and Gilbert. Mr White was appointed 6 January 2010 and Mr Gilbert appointed 30 November 2009. Mr Powell and Mr Peacock resigned 30 April 2009, Mr Hobdey resigned 30 November 2009 and Mr Kelly resigned 6 January 2010.

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

Corporate governance report continued

The Committee has met with the external Auditors to review their independence procedures and received a letter from KPMG Audit Plc confirming that, in their opinion, they remained independent. The Committee has also reviewed the expertise, resources and qualifications of the external Auditor and approved the proposed audit fee for the 2009 audit. The Group also uses KPMG for non audit work, principally tax advice and due diligence, but the Committee and Board do not feel this undermines the Auditors' independence at all, and the cost benefits in terms of the Auditors' knowledge of the Group's businesses is significant. This balance remains under ongoing review by the Audit Committee. The Committee has recommended to the Board that it proposes to Shareholders that KPMG Audit Plc continue as the Company's external Auditor and a resolution to that effect is included in the notice of meeting for this year's Annual General Meeting. The Committee met prior to the Board Meeting at which the interim financial statements and the Annual Report and accounts were approved.

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

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

The Committee met twice during the year and the meetings were attended by all of the Members of the Committee with the exception Messrs. Ross and Ophir did not attend one of the meetings. All Members were provided with reports in advance on which they were able to ask questions before the meetings.

The membership of the Remuneration Committee and its terms of reference are set out in the Remuneration report as set out on pages 26 to 28.

The Nominations Committee consists of Mr White as Chairman and Messrs. Ophir, Gilbert and Ross. Mr White was appointed 6 January 2010 and Mr Gilbert appointed 30 November 2009. Messrs. Powell, Peacock and Kelly resigned 30 April 2009, 30 April 2009 and 6 January 2010 respectively. The Committee met twice during the year and makes recommendations to the Board on director's appointments.

Our Annual General Meeting will be held on 24 March 2010, full details of the meeting arrangements and all the proposed resolutions can be found in the separate Notice of Meeting.

Internal controls

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

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

The Board has put in place a reporting structure where operating and financial responsibility is clearly restricted and, where appropriate, delegated to the divisional management. This allows the Group to obtain maximum benefit from their skill in the relevant business sector. Identification and assessment of the risks inherent in each operating unit is carried out on a regular basis by the management of the individual business units and is discussed at monthly management meetings.

On a quarterly basis they are discussed at Senior Executive Meetings involving the CEO and CFO. The Board review a Group Risk Report and individual business Risk Reports every 6 months. In addition, any significant matters which were identified would be brought to the attention of the Board at the earliest opportunity.

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

Procedures and authorisation levels for all expenditure incurred throughout the Group have been clearly defined. All capital expenditure is authorised by the Chief Executive Officer and the Chief Financial Officer.

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

Going concern

The Group had in place from March 2009 a fully secured £39 million bank facility including a revolving credit line, term loans and 364 day facility. Following the placing and open offer in September 2009 which raised a net £17 million, these facilities were amended.

The Group now has £33 million of fully secured bank facilities consisting of:

- £19.9 million revolving credit facility with maturity in March 2012
- term facilities of £13.1 million with the repayment of £3.5 million in October 2010 and the final repayment in March 2012

At 1 November 2009 the Group was utilising £22 million of this facility. Further details of borrowings are included in note 20.

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

The Group has remained covenant compliant throughout the year, including the 1 November 2009 year end.

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

Relations with Shareholders

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

Statement of Compliance with the Combined Code

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

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

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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Corporate governance report continued

Directors' responsibility statement pursuant to the Disclosure and Transparency Rules

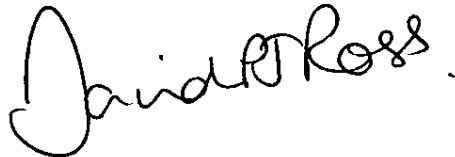
Each of the Directors, who are named on pages 22 and 23 in the Board of Directors confirm that, to the best of each person's knowledge and belief

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

D P J Ross

Chairman

2 February 2010

A handwritten signature in black ink, reading "David P J Ross". The signature is written in a cursive, flowing style with a large initial 'D'.

Independent Auditors' report to the Members of Cosalt plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of Cosalt plc for the 53 week period ended 1 November 2009 set out on pages 34 to 79. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 November 2009 and of the Group's loss for the 53 weeks then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 29 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

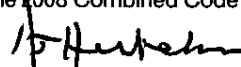
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 31, in relation to going concern, and
- the part of the Corporate Governance Statement on pages 29 to 32 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



DJ Hutchinson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

2 February 2010

Consolidated income statement for the 53 weeks ended 1 November 2009

		Before special items 53 weeks ended 1 Nov 2009 £000	Special items* 53 weeks ended 1 Nov 2009 £000	After special items 53 weeks ended 1 Nov 2009 £000	Before special items 52 weeks ended 26 Oct 2008 £000	Special items* 52 weeks ended 26 Oct 2008 £000	After special items 52 weeks ended 26 Oct 2008 £000
Revenue	2	107,827	–	107,827	105,007	–	105,007
Operating profit	3	8,568	(7,086)	1,482	9,498	(5,025)	4,473
Financial income	7	18	–	18	89	–	89
Financing costs	6	(3,092)	(1,758)	(4,850)	(2,354)	(718)	(3,072)
(Loss)/profit before taxation		5,494	(8,844)	(3,350)	7,233	(5,743)	1,490
Income tax credit (expense)	9	(1,785)	2,548	763	(1,347)	476	(871)
Loss/(profit) from continuing operations		3,709	(6,296)	(2,587)	5,886	(5,267)	619
Post-tax loss of discontinued operations	5	–	–	–	(25,461)	–	(25,461)
(Loss)/profit for the financial period	24	3,709	(6,296)	(2,587)	(19,575)	(5,267)	(24,842)
Earnings per share – total operations	11						
Basic		4 20p	–	(2.93p)	(25 62)p	–	(32 52)p
Diluted		4.17p	–	(2.93p)	(25 62)p	–	(32 52)p
Earnings per share – continuing operations							
Basic		4.20p	–	(2.93p)	771p	–	0 81p
Diluted		4 17p	–	(2.93p)	770p	–	0 81p

Special items relate to gains and losses on disposal of surplus properties and revaluation of investment properties, amortisation of acquisition intangibles, and exceptional costs relating to reorganisation redundancy, re-banking, abortive acquisitions and share-based payment and LTIP costs

Consolidated balance sheet as at 1 November 2009

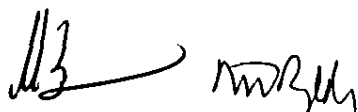
	Notes	As at 1 Nov 09 £000	As at 26 Oct 08 £000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	34,581	33,059
Intangible assets – customer contracts and relationships	13	16,226	18,429
Intangible assets – computer software	13	1,100	894
Investment properties	14	3,540	3,100
Property plant and equipment	14	9,402	9,580
Investments	15	350	2,728
Deferred tax assets	19	4,477	2,588
		69,676	70,378
Current assets			
Inventories	16	18,887	19,384
Trade and other receivables	17	22,300	27,400
Corporation tax recoverable		1,976	–
Derivative financial assets	18	35	622
Cash and cash equivalents		1,493	2,171
		44,691	49,577
Total assets		114,367	119,955
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	20	16,253	27,616
Deferred tax liabilities	19	4,559	5,166
Deferred Government grants		6	7
Provisions	22	–	73
Retirement benefit obligations	27	11,759	6,280
		32,577	39,142
Current liabilities			
Interest bearing loans and borrowings	20	3,869	1,373
Corporation tax payable		1,601	1,363
Provisions	22	177	42
Trade and other payables	21	25,721	40,099
Derivative financial liabilities	18	1,018	381
		32,386	43,258
Total liabilities		64,963	82,400
Net assets		49,404	37,555
EQUITY			
Share capital	23	10,336	6,587
Share premium account	24	48,115	34,558
Merger reserve	24	7,586	7,586
Other reserves	24	1,148	1,148
Translation reserve	24	2,669	857
Hedging reserve	24	(983)	241
Retained losses	24	(19,467)	(13,422)
Total equity attributable to equity holders of the parent		49,404	37,555

The accounts were approved by the Board of Directors on 2 February 2010 and signed on its behalf by

M Lejman
Director

M T Reynolds
Director

The notes on pages 38 to 68 form part of these Consolidated financial statements



Consolidated statement of recognised income and expense for the 53 weeks ended 1 November 2009

	Notes	53 weeks ended 1 Nov 09 £000	52 weeks ended 26 Oct 08 £000
Effective portion of changes in fair value of cash flow hedges net of recycling		(1,224)	337
Currency translation differences		1,812	601
Actuarial (losses)/gains on defined benefit scheme	27	(5,941)	1,420
Taxation on items taken directly to equity		1,518	(167)
Property revaluation		614	–
Net (expense) income recognised directly in equity		(3,221)	2,191
Loss for the financial period		(2,587)	(24,842)
Total recognised income and expense attributable to the equity shareholders of the parent		(5,808)	(22,651)

Consolidated cash flow statement for the 53 weeks ended 1 November 2009

	Notes	53 weeks ended 1 Nov 09 £000	52 weeks ended 26 Oct 08 £000
Cash flows from operations			
(Loss) for the period		(2,587)	(24,842)
Adjustments for:			
Income tax expense		(763)	(945)
Depreciation	14	2,213	4,931
Amortisation of intangible assets	13	3,768	2,691
Deferred government grants released		(1)	(14)
Net finance costs		4,832	2,983
Share-based payment charge/(credit)	24	56	(28)
Investment property losses		335	800
Pension contributions in excess of charge		(1,200)	(680)
Loss on disposal of property, plant and equipment		49	2,579
Loss on disposal of subsidiary undertakings		–	9,161
Cash flow before changes in working capital and provisions		6,702	(3,364)
Decrease/(increase) in inventories		497	(3,330)
Decrease in trade and other receivables		5,100	1,696
(Decrease)/increase in trade and other payables		(14,378)	6,687
Increase in provisions		62	2,735
Net cash from operations		(2,017)	4,424
Interest received		179	161
Interest paid		(4,335)	(2,748)
Interest element of finance lease rentals		(55)	(31)
Dividends paid on preference shares		(4)	(4)
Income tax		(2038)	(1,261)
Net cash from operating activities		(8,270)	541
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		–	(11,198)
Proceeds from sale of subsidiary undertakings		1,896	2,000
Sale of investments		150	250
Proceeds from sale of property, plant and equipment		1,104	48
Purchase of property, plant and equipment		(2,488)	(4,100)
Purchase of intangible assets – software		(665)	(416)
Net cash outflow in investing activities		(3)	(13,416)
Cash flows from financing activities			
Dividends paid to Shareholders		–	(2,462)
Finance lease principal payments		(447)	(534)
Exercise of share options and share placings		17,330	2,901
New loan		36,920	27,171
Repayment of bank borrowings		(46,366)	(980)
Net cash from financing activities		7,437	26,096
Net (decrease)/increase in cash and cash equivalents		(836)	13,221
Cash and cash equivalents at beginning of period		2,171	(11,179)
Effects of exchange rate fluctuations on cash held		158	129
Cash and cash equivalents at end of period		1,493	2,171
Cash		1,493	2,171
Overdrafts		–	–
Cash and cash equivalents		1,493	2,171

Notes to the financial statements

1. Significant accounting policies

Cosalt plc (the 'Company') is a company domiciled in England. The Consolidated financial statements of the Company for the year ended 1 November 2009 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements were authorised for issue by the Directors on 2 February 2010.

Statement of compliance

The Consolidated financial statements have been prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). The Company has elected to continue to prepare its Parent Company financial statements in accordance with UK GAAP, these are presented on pages 67 to 77.

a Basis of preparation

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

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

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

Going concern

The Group had in place from March 2009 a fully secured £39 million bank facility including a revolving credit line, term loans and 364 day facility. Following the placing and open offer in September 2009 which raised a net £17.3 million, these facilities were amended. The Group now has £33 million of fully secured bank facilities consisting of:

- £19.9 million revolving credit facility with maturity in March 2012
- term facilities of £13.1 million with the repayment of £3.5 million in October 2010 and the final repayment in March 2012

As at 1 November 2009 the Group was utilising £22 million of this facility. Further details of borrowings are included in note 20.

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

The Group has remained covenant compliant throughout the year, including the 1 November 2009 year end.

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

b Basis of consolidation

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

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

c Business combinations

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

d Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses, measured annually (see page 51).

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

e Other intangible assets

(a) Computer software costs

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

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

Trade names

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

Customer and supplier contracts and relationships

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

f Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

g Foreign operations

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

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

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

Notes to the financial statements

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h Hedge of net investment in foreign operation

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

i Operating profit and special items

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

Such items include gains and losses and costs on revaluation of investment properties and sale of assets, amortisation of intangible assets and exceptional costs relating to restructuring, refinancing and abortive acquisition costs. In addition they include the amortisation of intangible assets and the cost of share-based payments/LTIP's.

j Employee benefits

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

(a) Defined contribution pension schemes

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

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

Outstanding contributions are recognised as a liability within accruals.

(b) Defined benefit pension scheme

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

1 Within operating profit

- Current service cost – representing the increase in the present value of the defined benefit obligation resulting from Employee service in the current period,
- Past service cost – representing the increase in the present value of the defined benefit obligation resulting from Employee service in prior periods, which arises from changes made to the benefits under the scheme in the current period. To the extent that the changes to benefits vest immediately, past service costs are recognised immediately, otherwise they are recognised on a straight line basis over the vesting period,
- Gains and losses arising on settlements and curtailments – where the item that gave rise to the settlement or curtailment is recognised within operating profit.

2 Within financing costs

- Interest cost on the liabilities of the scheme – calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes in liabilities during the period, and
- Expected return on the assets of the scheme – calculated by reference to the scheme assets and long term expected rate of return at the beginning of the period and allowing for changes in assets during the period.

3 Within the statement of recognised income and expense

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

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

(c) Share-based payments

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

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

k Taxation

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

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

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

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

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

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

l Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

m Investment properties

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

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

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

n Impairment of tangible and intangible assets

(a) Goodwill

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

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the cash-generating unit's fair value, less costs of sale and value in use. The value in use is determined from the discounted present values of future cash flows arising from the cash-generating unit.

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

(b) Other tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of the cash-generating unit's fair value, less costs of sale and value in use. The value in use is determined from the discounted present values of future cash flows arising from the asset of the cash-generating unit.

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

(c) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

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

o Leases

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

(a) Finance leases

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

(b) Operating leases

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

(c) Rental garments

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

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

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

(b) Cash and cash equivalents

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

(c) Trade payables

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

(d) Borrowings

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

(e) Equity instruments

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

(f) Financial liabilities and equity

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

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

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

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

(g) Derivative financial instruments

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

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

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

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

Notes to the financial statements

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q Provisions

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

r Discontinued operations

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

s Inventories

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

t Long-term contracts

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

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

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

u Government grants

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

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

v Revenue recognition

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

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

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

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

- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC will become mandatory for the Group's 2010 financial statements with retrospective application required. The Group does not expect this to impact on the financial statements.
- Revised IAS 23 'Borrowing Costs' (mandatory for the year commencing on or after 1 January 2009).
- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009).
- Revised IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009).
- Amendments to IFRS 2 'Share-based payment – Vesting Conditions and Cancellations' (mandatory for the year commencing on or after 1 January 2009).
- IFRS 3 revised 'Business combinations' (mandatory for one year commencing on or after 1 July 2009).
- Amendment to IFRS 7 'Improving disclosures about financial instruments' (mandatory for the year commencing on or after 1 January 2009).
- IFRS 8 Operating Segments (Applicable for periods beginning on or after 1 January 2009).

2. Segment reporting

(a) Primary

The Group is organised into two main business segments: Marine and Offshore.

The primary segment reporting format is determined to be Business as the Group's risks and returns are predominantly affected by differences in the products and services provided by these different activities. The operating business segments are organised and managed separately.

	Marine £000	Offshore £000	53 weeks ended 1 Nov 09 Continuing operations Head Office/ unallocated £000	Total £000
Revenue	63,603	44,224	–	107,827
Operating profit/(loss) before special items	4,860	5,317	(1,609)	8,568
Special items	(1,682)	(963)	(4,441)	(7,086)
Operating profit/(loss)	3,178	4,354	(6,050)	1,482
Total assets	45,830	62,850	5,687	114,367
Total liabilities	(13,515)	(14,750)	(36,698)	(64,963)
Total net assets	32,315	48,100	(31,011)	49,404
Capital expenditure	2,179	760	56	2,995
Depreciation	1,447	750	66	2,263
Amortisation of intangible assets	1,680	2,082	6	3,768

	Marine £000	Offshore £000	Continuing operations Head Office/ unallocated £000	Total £000	Schoolwear £000	52 weeks ended 26 Oct 08 Discontinued operations Holiday Homes £000	Total £000
Revenue	63,161	41,846	–	105,007	5,958	37,148	148,113
Operating profit/(loss) before special items	2,095	8,336	(933)	9,498	(2,552)	(14,940)	(7,994)
Special items	(455)	(150)	(4,420)	(5,025)	–	–	(5,025)
Operating profit/(loss)	1,640	8,186	(5,353)	4,473	(2,552)	(14,940)	(13,019)
Total assets	36,230	29,526	52,490	118,246	–	–	118,246
Total liabilities	(22,999)	(11,608)	(46,131)	(80,738)	–	–	(80,738)
Total net assets	13,231	17,918	6,359	37,508	–	–	37,508
Capital expenditure	1,532	1,560	188	3,280	12	808	4,100
Depreciation	1,762	927	117	2,806	102	2,023	4,931
Amortisation of intangible assets	1,388	1,206	7	2,601	26	64	2,691

Operating profits are shown before Head Office charges.

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

(b) Secondary

Geographical segments

Segment information for the years ended 1 November 2009 and 26 October 2008 is as follows:

	2009 £000	Revenue 2008 £000	2009 £000	Assets 2008 £000	2009 £000	Capital 2008 £000
UK continuing	69,208	70,222	78,415	103,048	1,581	2,469
UK discontinuing	–	42,309	–	–	–	820
UK total	69,208	112,531	78,415	103,048	1,581	3,289
Rest of Europe continuing	38,619	34,785	35,952	15,198	1,414	811
Rest of Europe discontinuing	–	797	–	–	–	–
Rest of Europe total	38,619	35,582	35,952	15,198	1,414	811
Total	107,827	148,113	114,367	118,246	2,995	4,100

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

Notes to the financial statements

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3. Operating profit

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

	2009 Group total £000	2008 Group total £000
Change in stocks of finished goods and work in progress	(1,811)	973
Other operating income	(317)	(151)
Government grants	–	(14)
Raw materials and consumables	58,956	50,085
Other external charges	8,775	15,287
Operating lease charges		
– plant	2,132	831
– other	877	807
Staff costs (note 8)	27,720	24,367
Amortisation of intangible fixed assets (note 13)	714	518
Depreciation of owned assets	1,933	2,585
Depreciation of assets held under finance leases	280	221
	99,259	95,509
Special items		
Staff costs – redundancy (note 8)	1,259	525
Staff costs – pensions (note 8)	50	–
Other external charges – other reorganisation costs	2,152	1,465
Asset write offs on closure	50	–
Raw material and consumables – stock write downs and onerous contracts	130	180
Share-based payments	56	(28)
Amortisation of acquired intangibles	3,054	2,083
Loss on revaluation of investment properties	335	800
	7,086	5,025
	106,345	100,534

4 Auditors' remuneration

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

	2009 £000	2008 £000
Audit of these financial statements	60	64
Audit of subsidiaries pursuant to such legislation	146	52
Other services relating to taxation	67	111
All other services	152	55
	425	282

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

In addition fees of £273,000 were included as issue costs deducted from share premium which arose in relation to the Placing and Open Offer and Firm Placing

5. Discontinued operations

Banner, the Group's Schoolwear segment, was sold on 13 May 2008 to IDP (Holdings) Ltd for a total consideration of £4.5 million, of which £1.5 million was received in cash on completion. The remaining £3.0 million was satisfied by 2008 – 2020 loan notes repayable by the end of 2010 and paying interest of 7% per annum from 13 May 2009. During the year the outstanding amounts under the loan notes were repaid less an amount of discount for early repayment of £604,213.

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

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

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

Cash flows from discontinued operations

	Schoolwear 52 weeks ended 26 October 2008 £000
Cash flows from discontinued operations	
Net cash from operating activities	3,042
Net cash from investing activities	(9)
Net cash from financing activities	–
Net cash generated from discontinued operations	3,033

	Holiday Homes 52 weeks ended 26 October 2008 £000
Cash flows from discontinued operations	
Net cash from operating activities	7,648
Net cash from investing activities	(812)
Net cash from financing activities	(6,574)
Net cash generated from discontinued operations	262

Effect of disposal on the financial position of the Group

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

Notes to the financial statements

continued

6 Financing costs

	2009 £000	2008 £000
Bank borrowings	2,488	1,737
Finance lease	55	31
On shares classified as financial liabilities	4	4
Debt factoring	–	561
Pension scheme	738	150
Other interest	(193)	495
Other interest – special items	523	–
Refinancing costs – special items	1,235	718
	4,850	3,696
Discontinued activities	–	(624)
Continuing activities	4,850	3,072

7. Financial income

	2009 £000	2008 £000
Interest receivable	18	89

8. Directors and Employees

	Continuing 2009 £000	Continuing Operations £000	Discontinued Operations £000	Total 2008 £000
Staff costs				
Wages and salaries	25,138	22,164	14,816	36,980
Share-based payments	56	(28)	–	(28)
Social security costs	2,944	2,300	1,167	3,467
Other pension costs	891	456	558	1,014
	29,029	24,892	16,541	41,433

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

	2009 £000	2008 £000
Normal costs	27,720	24,367
Pensions – special items	50	–
Redundancy costs – special items	1,259	525
	29,029	24,892

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

	2009 Number	2008 Number
Head Office and Directors	10	9
Marine UK	416	527
Marine Europe	137	89
Offshore UK	228	222
Offshore Europe	31	30
Schoolwear	–	116
Holiday Homes	–	414
	822	1,407

Details of Directors' emoluments and interests are given in the Remuneration report on pages 26 to 28

9 Income tax expense

	2009 £000	2008 £000
Current tax expense		
Current year	(597)	1,798
Adjustments in respect of prior year	439	–
	(158)	1,798
Overseas tax	605	569
	447	2,367
Deferred tax expense		
Origination and reversal of temporary differences		
Current year	(1,053)	(1,484)
Adjustments in respect of prior year	(157)	(12)
Total tax (credit) expense	(763)	871

Reconciliation of effective tax rate

	2009 %	2009 £000	2008 %	2008 £000
(Loss)/profit before taxation	–	(3,350)	–	1,490
Tax using domestic corporation tax rate	(28.0)	(938)	28.9	430
Effect of overseas tax rates	(1.9)	(65)	(1.4)	(21)
Net items not taxable	(0.3)	(12)	16.3	243
Revaluation of investment properties	1.7	58	15.5	231
Capital disposal covered by capital losses	5.0	169	–	–
Adjustments in respect of prior year	0.7	25	(0.8)	(12)
	(22.8)	(763)	58.5	871

Deferred tax recognised directly in equity

	2009 £000	2008 £000
Relating to actuarial losses/(gains) on pension schemes	1,518	(167)

10. Dividends

	2009 per share	2009 £000	2008 per share	2008 £000
Ordinary shares 2007 Final paid 4 April 2008	–	–	6.00p	884
2008 Interim paid 10 September 2008	–	–	6.00p	1,578
	–	–	12.00p	2,462

Notes to the financial statements

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11. Earnings per share

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

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

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

	Basic	2009 Potentially dilutive share options	Diluted	Basic	2008 Potentially dilutive share options	Diluted
Profit after tax (£000)						
Headline figure – Continuing operations	3,709		3,709	5,886	–	5,886
Statutory figure	(2,587)	–	(2,587)	(24,842)	–	(24,842)
Weighted average number of shares (thousands)	88,387	555	88,942	76,372	28	76,400
Earnings per share (pence)						
– Total operations						
Headline figure	4.20	(0.03)	4.17	(32.52)	–	(32.52)
Statutory figure	(2.93)	–	(2.93)	(25.62)	–	(25.62)
Earnings per share (pence)						
– Continuing operations						
Headline figure	4.2	(0.03)	4.17	7.71	(0.01)	7.70
Statutory figure	(2.93)	–	(2.93)	0.81	–	0.81

The comparative figures for 2008 have been restated to take account of the bonus element of the pricing and open offer in September 2009. The restatement has been calculated using the theoretical ex-rights price of 5.27p. The total number of shares in issue at 1 November 2009 was 404,403,397.

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

12 Reconciliation of headline information to statutory information

	2009 £000	2008 £000
Headline operating profit before tax and special items	8,568	9,498
Reorganisation cost (see note 3)	(3,641)	(2,142)
Share-based payment	(56)	–
Loss on revaluation of investment properties	(335)	(800)
Amortisation of acquisition intangibles	(3,054)	(2,083)
Statutory operating profit before tax	1,482	4,473
Financial income	18	89
Financing costs	(4,850)	(3,072)
Statutory (loss)/profit before tax	(3,350)	1,490

13. Intangible assets

	Goodwill £000	Customer and supplier contracts and relationships £000	Computer software £000	Total £000
Cost				
At 28 October 2007	27,471	15,534	3,204	46,209
Additions	–	–	416	416
Acquisition of subsidiary undertakings	5,976	5,638	27	11,641
Disposals	(773)	–	(1,246)	(2,019)
Exchange differences	743	189	1	933
At 26 October 2008	33,417	21,361	2,402	57,180
Additions	248	–	920	1,168
Disposals	–	–	(44)	(44)
Exchange differences	1,274	1,123	14	2,411
At 1 November 2009	34,939	22,484	3,292	60,715
Accumulated amortisation				
At 28 October 2007	491	715	1,963	3,169
Amortisation charge for the year	–	2,083	608	2,691
Disposals	(133)	–	(1,064)	(1,197)
Exchange differences	–	134	1	135
At 26 October 2008	358	2,932	1,508	4,798
Amortisation charge for the year	–	3,054	714	3,768
Disposals	–	–	(44)	(44)
Exchange differences	–	272	14	286
At 1 November 2009	358	6,258	2,192	8,808
Net book value				
At 1 November 2009	34,581	16,226	1,100	51,907
At 26 October 2008	33,059	18,429	894	52,382
At 28 October 2007	26,980	14,819	1,241	43,040

Goodwill

As at 1 November 2009, the Consolidated balance sheet included Goodwill of £34,581,000. Goodwill is allocated to the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows:

Cash Generating Units (CGU)	Primary reporting segment	2009 £000	2008 £000
GTC Group	Offshore	17,287	17,184
Bofort SSM	Manne	8,179	7,389
Manne safety	Manne	1,823	1,823
Safety workwear	Manne	827	827
Myhre-Mantime	Offshore	6,465	5,836
		34,581	33,059

Impairment tests for cash generating units containing goodwill

The recoverable amount of each CGU is based on value in use calculations. These calculations are based on estimates using the pre-tax cash flow projections derived from the Group's one year budget and extrapolated beyond this using average growth rates of between 2% and 3% (2008: 3%-5%) and using a pre-tax market discount rate. The discount rate used reflects the Group's pre-tax weighted average cost of capital of 10.3% (2008: 10.3%) adjusted for CGU risk factors which results in rates of 16.4%-19.5% (2008: 10%-12%).

This results in payback periods of 12 years for Myhre-Mantime, 8 years for GTC Group and 7 years for Bofort SSM.

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

Notes to the financial statements

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14. Tangible fixed assets

	Freehold properties £000	Short leasehold properties £000	Freehold investment properties £000	Plant £000	Total £000
Cost and valuation					
At 28 October 2007	4,807	1,769	3,900	22,119	32,595
Subsidiaries at acquisition	–	–	–	299	299
Additions	651	221	–	3,228	4,100
Revaluations and adjustments	–	–	(800)	–	(800)
Disposals	(3,255)	(334)	–	(7,141)	(10,730)
Exchange differences	47	31	–	99	177
At 26 October 2008	2,250	1,687	3,100	18,604	25,641
Aggregate depreciation					
At 28 October 2007	1,242	822	–	13,235	15,299
Amount charged to profit and loss account	149	66	–	4,716	4,931
On disposals	(600)	(227)	–	(6,676)	(7,503)
Exchange differences	48	16	–	170	234
At 26 October 2008	839	677	–	11,445	12,961
Net book values					
At 26 October 2008	1,411	1,010	3,100	7,159	12,680
At 28 October 2007	3,565	947	3,900	8,884	17,296
Cost and valuation					
At 26 October 2008	2,250	1,687	3,100	18,604	25,641
Subsidiaries at acquisition	–	–	–	–	–
Additions	56	327	–	2,350	2,733
Revaluations and adjustments	(823)	–	440	468	85
Disposals	–	(80)	–	(3,350)	(3,430)
Exchange differences	–	19	–	585	604
At 1 November 2009	1,483	1,953	3,540	18,657	25,633
Aggregate depreciation					
At 26 October 2008	839	677	–	11,445	12,961
Amount charged to profit and loss account	38	79	–	2,096	2,213
Revaluations and adjustments	(368)	–	–	68	(300)
On disposals	–	(80)	–	(2,404)	(2,484)
Exchange differences	–	–	–	301	301
At 1 November 2009	509	676	–	11,506	12,691
Net book values					
At 1 November 2009	974	1,277	3,540	7,151	12,942
At 26 October 2008	1,411	1,010	3,100	7,159	12,680

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

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

(c) Group assets costing £5,727,000 (2008 £4,868,000) have been fully depreciated and are still in use

(d) Group plant includes assets at cost of £16,989,000 (2008 £16,175,000) and accumulated depreciation of £11,882,000 (2008 £11,259,000) which are leased to third parties and have generated income of £8,127,000 (2008 £13,802,000,) during the year

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

	2009 £000	2008 £000
Cost	3,190	3,729
Depreciation	1,444	2,392
Net book values	1,746	1,337

The depreciable amount of trading properties is

	Freehold £000	Short leasehold £000
1 November 2009	1,419	2,109
26 October 2008	1,584	1,831

Future capital expenditure

	2009 £000	2008 £000
Contracted for but not provided for in the accounts	–	76

Investment properties

The Group holds investment properties with a fair value of £3,540,000 as at 1 November 2009 (2008 £3,100,000). The properties were revalued by a suitably qualified independent valuer at market value and in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th Edition). Following the revaluations a loss of £335,000 has been recognised in the period to 1 November 2009 (period to 26 October 2008 loss £800,000).

During the period the Group vacated a freehold property and this was transferred to investment properties at £775,000. The increase in value of £614,000 from its net book value has been recognised in revaluation above. Future changes in valuation will be recognised through investment property revaluation above.

15 Investments

	2009 £000	2008 £000
Other investments	350	2,728

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

16. Inventories

	2009 £000	2008 £000
Raw materials	3,461	5,769
Work in progress	2,743	2,310
Finished goods and goods for resale	12,683	11,305
	18,887	19,384

Inventories are presented net of provision for inventory write downs, based on management's estimate of the net realisable value of inventories. The cumulative effect of those write downs was to reduce inventories by £2,580,000 (2008 £2,237,000). The amount charged to income statement in the year in respect of write downs net of credits for reversals was £343,000 (2008 credit £19,000).

Notes to the financial statements

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17. Trade and other receivables

	2009 £000	2008 £000
Trade receivables	18,317	24,257
Other receivables and prepayments	3,983	3,143
	22,300	27,400

Trade receivables are presented net of provisions for impairment of £995,000 (2008 £872,000) estimated by management based on previous experience of default

The ageing of trade receivables not impaired based on due date is as follows

	2009 £000	2008 £000
Current	11,215	14,420
Up to 30 days overdue	3,323	4,177
Between 30 and 90 days overdue	3,020	3,798
Over 90 days overdue	759	1,862
	18,317	24,257

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

18. Derivative financial instruments

	2009 £000	Assets 2008 £000	2009 £000	Liabilities 2008 £000	2009 £000	Net 2008 £000
Forward foreign currency contracts	35	622	–	–	35	622
Interest rate cap and floor	–	–	(1,018)	(381)	(1,018)	(381)
	35	622	(1,018)	(381)	(983)	241

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

19. Deferred taxation

Recognised deferred taxation assets and liabilities

	2009 £000	Assets 2008 £000	2009 £000	Liabilities 2008 £000	2009 £000	Net 2008 £000
Intangible assets	–	–	(4,559)	(5,166)	(4,559)	(5,166)
Property, plant and equipment	546	277	–	–	546	277
Employee benefits	3,267	1,747	–	–	3,267	1,747
Other items	664	564	–	–	664	564
Tax assets/(liabilities)	4,477	2,588	(4,559)	(5,166)	(82)	(2,578)

The deferred taxation asset of £3,267,000 (2008 £1,747,000) in relation to Employee benefits is in respect of the liability for the defined benefit obligations of £11,759,000 (2007 £6,280,000) (note 27 on page 68) calculated at 28% (2007 28%). Deferred tax assets have not been recognised in respect of capital losses of £1,754,000 in 2007. In so far as they are used to cover revaluation gains on investment properties.

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

	Property, plant and equipment £000	Intangible assets £000	Retirement benefit obligations £000	Other items £000	Total £000
At 28 October 2007	(576)	(4,146)	2,463	62	(2,197)
Credited/(charged) to income statement	807	558	(307)	502	1,560
Charged to equity	–	–	(409)	–	(409)
Acquisition	46	(1,578)	–	–	(1,532)
Exchange differences	–	–	–	–	–
At 26 October 2008	277	(5,166)	1,747	564	(2,578)
At 26 October 2008	277	(5,166)	1,747	564	(2,578)
Credited/(charged) to income statement	261	849	–	100	1,210
Charged to equity	–	–	1,518	–	1,518
Exchange differences	8	(242)	2	–	(232)
At 1 November 2009	546	(4,559)	3,267	664	(82)

20. Interest bearing loans and borrowings

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

	2009 £000	2008 £000
Non-current liabilities		
Secured bank loans	15,421	–
Unsecured bank loans	–	26,940
Shares classified as liabilities	50	50
Finance lease liabilities	782	626
	16,253	27,616
Current liabilities		
Current portion of secured bank loans	3,509	–
Current portion of unsecured bank loans	–	1,111
Finance lease liabilities	360	262
	3,869	1,373

Terms and debt repayment schedule as at 1 November 2009

	Fixed or variable rate	Effective interest rate %	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 3 years £000	3 to 4 years £000	5 years + £000
Secured bank loans	Variable	5.65	18,929	3,509	7,609	7,799	11	1
Finance lease liabilities	Fixed	5.75	1,143	360	322	197	200	64
			20,072	3,869	7,931	7,996	211	65

Terms and debt repayment schedule as at 26 October 2008

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

Bank loans

The Group re-negotiated its existing committed unsecured £34 million facility in March 2009 to include a further £5 million but on a secured basis. The facility was further amended in September 2009 as a result of the firm placing and placing an open offer. The revised facility includes a committed revolving credit of £19.1 million through to March 2012, with a margin currently at 3.75% above LIBOR. Also, term facilities of £10.1 million with a margin currently at 3.75% above LIBOR and scheduled repayments through to March 2012, including 3.5m on 22 October 2010 and £3 million with a margin of 9% above LIBOR, with scheduled repayment on 31 January 2011.

These bank borrowings are secured by a debenture over the Group's assets. As part of the negotiations a share in the security over the assets was given to the Trustees of the Cosalt plc Retirement Benefit Plan.

Notes to the financial statements

continued

20. Interest bearing loans and borrowings continued

Financial instruments

The Group operations are primarily financed from retained earnings, bank finance and leasing. In addition, the Group adjusts its capital structure as required to safeguard its ability to continue as a going concern which may include the adjustment of the dividend, raising equity from shareholders or selling assets. It is the Group's policy not to trade in or enter into speculative transactions. Following the placing and open offer on 2 September 2009 the Group amended the secured committed facilities to £33 million consisting of revolving credit facilities with maturity in March 2012 and Term facilities with scheduled repayments through to March 2012.

Debt is principally raised centrally and the Group aims to maintain a balance between flexibility and continuity of funding by having a range of maturities on its borrowings.

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

Financial risk management

(a) Credit Risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date which are set out below.

	2009 £000	2008 £000
Cash and cash equivalents	1,493	2,171
Trade receivables	18,317	24,557
	19,810	26,728

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

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

The Group's financial assets are secured by debentures under its banking arrangements at the year-end date of 1 November 2009.

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

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

(b) Liquidity Risk

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

	Total £000	Less than 1 year £000	1 to 2 years £000	2 to 3 years £000	3 to 4 years £000	5 years + £000
1 November 2009						
Non-derivative financial liabilities						
Secured borrowings	22,305	5,121	9,094	8,077	12	1
Finance lease liabilities	1,267	416	357	218	210	66
Trade and other payables	25,939	24,366	1,266	307	-	-
Provisions	177	177	-	-	-	-
Derivative financial liabilities						
Interest rate cap and floor	1,018	539	479	-	-	-
	50,706	30,619	11,196	8,602	222	67
26 October 2008						
Non-derivative financial liabilities						
Un-secured borrowings	31,084	2,940	4,662	23,482	-	-
Finance lease liabilities	988	306	279	206	93	104
Trade and other payables (exclude Mel)	40,164	40,164	-	-	-	-
Provisions	115	42	73	-	-	-
Derivative financial liabilities						
Interest rate cap and floor	381	140	128	113	-	-
	72,732	43,592	5,142	23,801	93	104

The figures above include the contractual undiscounted payments and interest and will therefore not necessarily tie back to the figures disclosed in the accounts.

The Group has recently renegotiated its banking facilities, the maturity profile of the Group's external borrowings at 1 November 2009 are shown on page 55.

The Group had undrawn committed borrowing facilities, under its three-year facilities agreement at 1 November 2009 of £11,449,000 (2008 £6,339,000).

The Group is subject to quarterly covenant tests in respect of its banking facilities. The tests cover leverage, fixed charge and cash flow. The leverage covenant is a requirement to maintain a ratio of net debt to annualised EBITDA, which excludes special items of less than 2.5 times in all periods other than January 2010 when it is 2.75 times. The fixed charge cover covenant is a requirement to maintain a ratio of the previous 12 months underlying EBITA, which excludes special items, plus operating rent to underlying net interest payable plus operating rent of greater than 2 times in all periods other than January 2010 when it is 1.9 times. The cash flow covenant is a requirement to maintain a ratio of underlying net cash flow to underlying debt service of at least 1.1 times.

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

Notes to the financial statements

continued

20. Interest bearing loans and borrowings continued

Financial risk management continued

(c) Interest Rate Risk

The Group finances its operations through a combination of shareholders funds and when appropriate, bank loans and overdrafts. The interest rate profile of the Group's interest bearing financial instruments is shown on page 55.

Sensitivity Analysis

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

	2009 £000	2008 £000
100 basis points in interest rates	186	317

(d) Foreign Currency Risk

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

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

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

	2009 £000	2008 £000
Forward contracts	35	622

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

Sensitivity Analysis

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

(e) Capital Risk Management

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

	2009 £000	2008 £000
Continuing and discontinued operations		
Cash and cash equivalents	1,493	2,171
Short term debt and current portion of long term debt	(3,869)	(1,373)
Long term debt	(16,253)	(27,616)
Net debt	(18,629)	(26,818)
Total Shareholders equity	49,404	37,555
Gearing ratio	37.7%	71.4%

Fair value of financial instruments (2009)

	Book amount £000	At 1 Nov 09 Fair value £000
Cash	1,493	1,493
Short-term debt and current portion of long-term debt	(3,869)	(3,869)
Long-term debt	(16,253)	(14,777)
Interest rate cap and floor	(1,018)	(1,018)
Forward contracts	35	35
Trade receivables	18,317	18,317
Trade payables	(13,893)	(13,893)
Total financial instruments	(15,188)	(13,712)

Fair value of financial instruments (2008)

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

£1,457,000 (2008 £1,910,000) of the cash at bank and in hand is held in foreign currency deposits and is subject to banking set offs

The assumptions used to estimate fair values are as follows

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

21. Trade and other payables

	2009 £000	2008 £000
Trade payables	13,893	21,324
Non trade payables and accrued expenses	11,828	18,775
	25,721	40,099

22. Provisions

	Other provisions £000	Total £000
At 26 October 2008	115	115
Utilised	(73)	(73)
Charged to the income statement during the year	135	135
At 1 November 2009	177	177
Due within one year	177	177

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

Notes to the financial statements

continued

23. Called up share capital

	Note	2009 £000	Authorised 2008 £000	issued and fully paid 2009 £000	2008 £000
7.50% Cumulative Preference Shares of £1 each		250	250	50	50
Ordinary Shares of 25p each		–	7,750	–	6,601
Treasury Shares		–	(55)	–	(14)
Ordinary Shares of 1p each		566,318	–	4,044	–
Treasury Shares		(55)	–	(2)	–
Deferred Ordinary Shares of 24p each		48,000	–	6,337	–
Treasury Shares		(55)	–	(43)	–
		614,458	7,945	10,386	6,637
Shares classified as liabilities	20			50	50
Shares classified in Shareholders' funds				10,336	6,587
				10,386	6,637

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

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

During the year the ordinary shares of 25p were subject to a Capital Reorganisation. Following approval at a General Meeting on 1 September 2009, each ordinary share of 25p was subdivided into one redenominated share of 1p and one deferred share of 24p. Each of the remaining authorised but unissued ordinary shares were then subdivided into 25 redenominated shares of 1p each.

The following issues of redenominated ordinary shares occurred during the year:

- (i) On 2 September 2009 180,000,000 new ordinary shares of 1p were issued at a price of 5p per share through a placing and open offer
- (ii) On 2 September 2009 198,000,000 new ordinary shares of 1p were issued at a price of 5p per share through a firm offer

The deferred shares are subject to the following restrictions:

- (i) they do not entitle their holder to receive any dividend or other distribution,
- (ii) they do not entitle their holder to receive a share certificate in respect of the relevant shareholding, except as required by law
- (iii) they do not entitle their holder to receive notice of, nor attend, speak or vote at, any general meeting of the Company,
- (iv) they only entitle their holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share but only after payment of the amounts entitled to be paid to the holders of preference shares, the capital paid up on each Ordinary Share and the further payment of £10,000,000 on each Ordinary Share,
- (v) do not entitle their holder to any further participation in the capital, profits or assets of the Company, and
- (vi) they can only be transferred only on prior written consent of the Directors of the Company

The Company also has the power to transfer deferred shares, for nil consideration, to a Company appointed Trustee or to cancel the shares without making payment to the holder.

Share-based payments

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

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

A new Performance Share Plan (PSP) was approved by Shareholders at the 2006 Annual General Meeting. No nil cost options have been issued in the financial year.

23 Called up share capital continued**Share-based payments continued**

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

Share options and nil cost options have been issued in previous years to senior management, including the Executive Directors, and also regional Management of the operating businesses. Vesting of share option awards is dependent on performance criteria as set out in the Remuneration Report.

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

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

Share options	Share options 2009		Share options 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	184,866	294 8p	453,579	283 9p
Granted during the year	–	–	–	–
Lapsed during the year	32,440	289 5p	(188,402)	289 5p
Exercised during the year	–	–	(80,311)	228 6p
Outstanding at the end of the year	152,426	295 9p	184,866	294 8p
Exercisable at the end of the year	–	–	34,346	294 8p

The options outstanding at 1 November 2009 have a range of exercise price of 222 5p to 343 0p and a weighted average remaining contractual life of 1.5 years.

	PSP 2009	PSP 2008
Outstanding at the beginning of the year	612,804	55,458
Restricted shares issued during year	–	612,804
Lapsed/forfeited during the year	(58,240)	(55,458)
Outstanding at end of year	554,564	612,804

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

	2008	2008	2007	PSP 2007	2006	2005	Share options 2004
Grant date	13 August	21 July	26 October	17 April	1 August	1 August	1 July
Risk free interest rate	4.5%	4.5%	4.5%	5.9%	5.0%	4.9%	4.7%
Exercise price	–	–	–	–	292 0p	269 0p	309 0p
Share price at date of grant	244 5p	243 0p	368 5	378 7p	292 0p	269 0p	309 0p
Expected dividend yield	4.5%	4.5%	4.5%	4.5%	5.8%	5.8%	5.8%
Expected life	3.75 years	3.75 years	3.75 years	5 years	6 years	6 years	6 years
Vesting period	3.75 years	3.75 years	3.75 years	3 years	5 years	5 years	5 years
Expected volatility	30%	30%	30%	26%	20%	26%	26%
Fair value of option	206 5p	205 3p	311 3p	332 6p	33 17p	43 67p	49 22p

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

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

In 2009 the Group recognised a total charge of £56,000 (2008 credit £28,000) in relation to equity-settled share-based payment transactions which are included in special items within operating profits.

Notes to the financial statements

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24 Summary of movements in equity

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance brought forward at 28 Oct 07	6,157	31,985	6,703	1,148	256	(96)	12,657	58,810
Loss for the year	-	-	-	-	-	-	(24,842)	(24,842)
Shares issued in year	430	2,573	883	-	-	-	-	3,886
Share option credit	-	-	-	-	-	-	(28)	(28)
Currency translation differences (net of tax)	-	-	-	-	601	-	-	601
Change in value of hedged items	-	-	-	-	-	337	-	337
Movement in pension deficit and taxation thereon	-	-	-	-	-	-	1,253	1,253
Dividends	-	-	-	-	-	-	(2,462)	(2,462)
Balance as at 26 Oct 08	6,587	34,558	7,586	1,148	857	241	(13,422)	37,555
Loss for the year	-	-	-	-	-	-	(2,587)	(2,587)
Property revaluation	-	-	-	-	-	-	614	614
Shares issued in year	3,749	13,557	-	-	-	-	-	17,306
Share option charge	-	-	-	-	-	-	56	56
Currency translation differences (net of tax)	-	-	-	-	1,812	-	-	1,812
Change in value of hedged items	-	-	-	-	-	(1,224)	-	(1,224)
Movement in pension deficit and taxation thereon	-	-	-	-	-	-	(4,128)	(4,128)
Dividends	-	-	-	-	-	-	-	-
Balance as at 1 Nov 09	10,336	48,115	7,586	1,148	2,669	(983)	(19,467)	49,404

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

Translation reserve

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

Hedging reserve

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

25. Contingent liabilities

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

26. Operating leases

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

(i) Land and buildings

	2009 £000	2008 £000
Within one year	2,140	1,821
Between two and five years	5,887	5,313
In five years or more	1,549	2,311
	9,576	9,445

(ii) Plant

	2009 £000	2008 £000
Within one year	2,712	393
Between two and five years	289	2,742
In five years or more	–	17
	3,001	3,152
Total leases	12,577	12,597

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

(iii) Operating lease receivables

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

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

	2009 £000	2008 £000
Within one year	20	62
Between two and five years	–	–
After five years	–	–
Total minimum lease payments	20	62

Notes to the financial statements

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27. Retirement benefit obligations

The Group operates a number of defined benefit post-retirement schemes in various countries. The scheme assets are held in separate trustee administered funds. The cost of the schemes and contributions to funding are assessed on advice of independent qualified actuaries using the projected unit method.

The principal scheme is the Cosalt plc Retirement Benefit plan in the UK. The disclosures include the effects of the other arrangements which in aggregate amount to 1% of the total deficit at 1 November 2009. In previous years these amounts had been included in accrued expenses.

As at 1 November 2009, the principal assumption adopted regarding the life expectancy of Members was in line with PA92 (YOB=1965) mc rated up 1 year for deferred and active members and PA92 (YOB=1935) mc rated up 1 year for pensioners. This equates to an average life expectancy from age 65 for male deferreds/actives of 22.5 years and an average life expectancy from age 65 for male pensioners of 21.2 years.

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

	1 November 2009 % pa	26 October 2008 % pa
Discount rate	5.7	7.4
General pay increases	n/a	n/a
Inflation assumption	3.6	3.5
Pension increases – Limited Price Indexation	3.5	3.4
Expected return on Scheme assets		
Equities	8.2	8.2
Bonds	4.7	4.7
Cash	4.0	4.0
Property	7.2	7.2

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

	2009 %	2008 %
Equities	43.4	37.4
Bonds	50.8	55.2
Property	4.8	7.0
Cash	1.0	0.4

The amounts recognised in income are as follows:

	2009 £000	2008 £000
Interest cost	2,343	2,372
Expected return on Scheme assets	(1,605)	(2,222)
Total interest cost	738	150
Actuarial loss/(gain)	5,941	(1,420)
Total debit/(credit) recognised in the SORIE in the period	5,941	(1,420)
Total defined benefit Scheme losses/(gains) recognised in the period	6,679	(1,270)

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

The cumulative debit to the SORIE since the adoption of IAS 19 (revised) is £0.7 million (2008 credit of £3.4 million)

	2009 £000	2008 £000
Expected return on Scheme assets	1,605	2,222
Actuarial gain/(loss) on Scheme assets	6,158	(7,597)
Actual return on Scheme assets	7,763	(5,375)

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

	2009 £000	2008 £000
Present value of funded obligations	45,400	32,672
Fair value of Scheme assets	(33,641)	(26,392)
Deficit in the Scheme and net liability in the balance sheet	11,759	6,280

A deferred tax asset totalling £3.27 million (2008 £1.75 million) has been recognised on the balance sheet in relation to the net pension obligation

Movement in the liability recognised on the Balance Sheet is as follows

	2009 £000	2008 £000
At 26 October 2008	6,280	8,796
Total expenses – as shown above	6,679	(1,270)
Company contributions paid in the period	(1,200)	(1,246)
At 1 November 2009	11,759	6,280

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

	2009 £000	2008 £000
At 26 October 2008	32,954	41,529
Interest cost	2,343	2,372
Actuarial losses	12,099	(9,057)
Benefits paid	(1,996)	(1,890)
At 1 November 2009	45,400	32,954

Changes in the fair value of Scheme assets were as follows

	2009 £000	2008 £000
At 26 October 2008	26,674	32,733
Expected return	1,605	2,222
Actuarial gains/(losses) on assets	6,158	(7,597)
Contributions	1,200	1,206
Benefits paid	(1,996)	(1,890)
At 1 November 2009	33,641	26,674

A four year history of experience adjustments is as follows

	2009 £000	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligation	(45,400)	(32,954)	(41,529)	(45,300)
Fair value of Scheme assets	33,641	26,674	32,733	32,121
Deficit in Scheme	(11,759)	(6,280)	(8,796)	(13,179)
Experience adjustments on Scheme liabilities	(50)	–	766	1,753
Percentage of Scheme liabilities	0.1%	0.0%	1.8%	3.9%
Experience adjustments on Scheme assets	3,499	(7,597)	(1,374)	1,708
Percentage of Scheme assets	10.4%	28.5%	4.2%	5.3%

The expected employer contributions to the defined benefit scheme during 2010 are £1,200,000

Notes to the financial statements

continued

28. Acquisitions

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

	Total £000
Net identifiable assets and liabilities	6,459
Goodwill on acquisition	6,121
Consideration payable	12,580
Satisfied by	
Cash consideration (including expenses)	11,595
Equity shares issued	985
	12,580
Net cash	
Cash consideration	11,595
(Cash)/overdraft acquired	(229)
Net cash outflow	11,366

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

	Provisional fair value adjustments £000	Final fair value adjustments £000	Movement £000
Non-current assets			
Intangible assets	5,638	5,638	–
Current assets			
Inventories	(300)	(406)	(106)
Trade and other receivables	(100)	(100)	–
	(400)	(506)	(106)
Current liabilities			
Trade and other payables		(65)	(65)
		–	(65)
Non-current liabilities			
Deferred taxation	1,578	1,578	–
Net assets acquired	3,660	3,619	(41)

The provisional fair value adjustment reflected the initial adjustment required to assets and liabilities to align these with their fair values, Group accounting policies and to recognise intangible assets identified on acquisition and their associated deferred tax. These have been revised during the year and final adjustments made to the inventory provisions resulting in a revised goodwill figure.

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

29. Related party transactions

Detailed disclosure of the individual remuneration of Board Members is included in the Remuneration Report on pages 26 to 28

With regard to the placing and open offer and firm placing on 2 September 2009 Messrs Ross, Lejman and Reynolds underwrote an element of the placing and open offer but did not receive any fees

Mr Melville became a Director on 30 November 2009. He had previously given a personal guarantee in favour of one of the Group's subsidiary companies which had £290,000 outstanding at the 1 November 2009. The personal guarantee expired on 31 October 2009 and any residual amounts under the guarantee had been cleared by 31 December 2009.

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

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

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

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

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

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

These are recharged based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 1 November 2009 totalled £34 million (2008: £36 million). Amounts owed to subsidiary undertakings by the Company at 1 November 2009 totalled £3 million (2008: £7 million).

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

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2008: £nil).

30 Accounting estimates and judgements

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

Key sources of estimation uncertainty

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

Pension assumptions

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

Deferred taxation

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

Critical accounting judgements in applying the Group's accounting policies

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

Investment property

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

Notes to the financial statements

continued

30. Accounting estimates and judgements continued

Provisions

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

Finance and operating leases

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

Intangible assets

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

31. Group entities

The principal subsidiary undertakings at 1 November 2009 were as follows:

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

All subsidiary undertakings are consolidated within the Consolidated financial statements.

* Subsidiary companies acquired with the GTC Group acquisition.

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

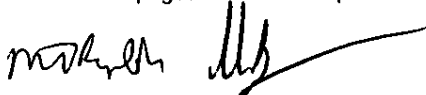
Company balance sheet

	Notes	1 November 2009 £000	26 October 2008 £000
Fixed assets			
Tangible fixed assets	35	5,096	4,704
Investments	36	56,619	64,412
		61,715	69,116
Current assets			
Debtors	37	36,686	36,236
Bank and cash balances		—	—
Derivative financial assets	40	35	622
		36,721	36,858
Creditors			
Amounts falling due within one year	38	15,471	24,289
Derivative financial liabilities	40	1,018	381
		16,489	24,670
Net current assets		20,232	12,188
Total assets less current liabilities		81,947	81,304
Creditors			
Amounts falling due after more than one year	39	19,862	26,983
		62,085	54,321
Provisions for liabilities	41	728	763
Deferred income			
Grants not yet credited to profit		6	7
		734	770
Net assets		61,351	53,551
Capital and reserves			
Called up share capital	42	10,336	6,587
Share premium account	43	48,114	34,558
Merger reserve	43	7,586	7,586
Revaluation reserve	43	1,232	618
Investment property revaluation reserve	43	120	455
Translation reserve	43	(1,580)	(844)
Hedging reserve	43	(983)	241
Other reserves	43	814	814
Profit and loss account	43	(4,288)	3,536
Shareholders' funds		61,351	53,551

The accounts were approved by the Board of Directors on 2 February 2010 and signed on its behalf by

M T Reynolds **M Lejman**
Director Director

The notes on pages 71 to 79 form part of these Company financial statements



Company reconciliation of movements in shareholders' funds for the 53 weeks ended 1 November 2009

	2009 £000	2008 £000
(Loss)/profit for the financial year	(7,880)	(17,646)
Dividends (2008 including non-equity)	-	(2,462)
Retained loss for the financial year	(7,880)	(20,108)
Share option charge/(credit)	56	(28)
Shares issued	17,336	3,900
Treasury shares	(31)	(14)
Revaluation of investment properties	(335)	(800)
Revaluation of trading properties	614	-
Currency translation difference	(736)	(631)
Derivative financial instruments	(1,224)	241
Net increase/(decrease) in Shareholders' funds for year	7,800	(17,440)
Opening Shareholders' funds	53,551	70,991
Closing Shareholders' funds	61,351	53,551

The notes on pages 69 to 79 form part of these Company financial statements

Notes to the Company financial statements

32. Statement of accounting policies

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

Basis of preparation

The accounts have been prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties including investment properties at market value and in accordance with applicable accounting standards and the Companies Act 2006 except as stated below under 'tangible fixed assets and depreciation'. As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the Company is not presented

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

As these Parent Company financial statements are presented together with the Consolidated financial statements, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The Consolidated financial statements of Cosalt plc within which this Company is included are set out on pages 34 to 68

Investments

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

Tangible fixed assets and depreciation

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

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

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

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

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

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

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

Notes to the Company financial statements continued

32 Statement of accounting policies continued

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

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

Government grants

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

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

Deferred taxation

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

Pension costs

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

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

Foreign currency

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

Share-based payments

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

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

Share capital

(i) Share capital

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

(ii) Dividends

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

Financial guarantees

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

33. Employees

	2009 £000	2008 £000
Staff costs		
Wages and salaries	1,642	841
Share-based payments	56	(28)
Social security costs	170	11
Other pension costs	65	500
	1,933	1,324

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

	2009 Number	2008 Number
Management and administration	10	9

Details of Directors' remuneration, share options, long term incentive plans and Directors' pension entitlements are disclosed in the Directors' remuneration report on pages 26 to 28

34. Dividends

	per share	2009 £000	per share	2008 £000
2007 Final paid 4 April 2008	–	–	6 00p	884
2008 Interim paid 10 September 2008	–	–	6 00p	1,578
	–	–	12 00p	2,462

35 Tangible fixed assets

	Freehold properties £000	Short leasehold properties £000	Freehold investment properties £000	Plant £000	Total £000
Cost and valuation					
At 26 October 2008	1,645	1,009	3,100	123	5,877
Additions	56	–	–	–	56
Reclassification	(537)	–	775	–	238
Revaluation	269	–	(335)	–	(66)
Disposals	–	–	–	(5)	(5)
At 1 November 2009	1,433	1,009	3,540	118	6,100
Aggregate depreciation					
At 26 October 2008	659	441	–	73	1,173
Reclassification	(239)	–	–	–	(239)
Amount charged to profit and loss account	38	18	–	18	74
On disposals	–	–	–	(4)	(4)
At 1 November 2009	458	459	–	87	1,004
Net book values					
At 1 November 2009	975	550	3,540	31	5,096
At 26 October 2008	986	568	3,100	50	4,704

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

(b) Company assets costing £144,000 (2008 £144,000) have been fully depreciated and are still in use

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

Notes to the Company financial statements

continued

35. Tangible fixed assets continued

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

	2009 £000	2008 £000
Cost	41	41
Depreciation	(9)	(3)
Net book values	32	38

If land and buildings had not been re-valued subsequent to 1978, they would have been included at the following amounts

	2009 £000	2008 £000
At valuation or cost at 31 December 1978	1,984	1,984
Subsequent additions at cost	2,803	2,747
At 27 August 2000	4,787	4,731
Accumulated depreciation	852	798
	3,935	3,933

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

The depreciable amount of trading properties is

	Freehold £000	Short leasehold £000
1 November 2009	1,419	909
26 October 2008	1,584	909

Future capital expenditure

	2009 £000	2008 £000
Contracted for but not provided for in the accounts	-	-

Investment properties

The Company holds investment properties with a fair value of £3,540,000 as at 1 November 2009. The properties were revalued by a suitably qualified independent valuer at market value and in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5th edition). Following the revaluation a loss of £335,000 has been recognised in the period to 1 November 2009 (period to 26 October 2008: loss £800,000).

During the period the Group vacated a freehold property and this has transferred to investment properties at £775,000. The increase in value of £614,000 from its net book value has been recognised in revaluation above. Future changes in valuation will be recognised through investment property revaluation.

36. Investments

	2009 £000	2008 £000
Shares in subsidiary undertakings at cost	66,272	65,456
Less amounts written off	10,003	3,772
Investment in shares of subsidiary undertakings	56,269	61,684
Other investments	350	2,728
	56,619	64,412

The movement in costs and amounts written off are as follows

	2009 £000	2008 £000
At 26 October 2008	65,456	52,849
Additions	816	32,889
Disposals	–	(20,282)
At 1 November 2009	66,272	65,456
Amounts written off		
At 26 October 2008	3,772	3,772
Charge to profit and loss account	6,231	–
At 1 November 2009	10,003	3,772
Net book value	56,269	61,684

Capital contributions of £816,000 were made to existing subsidiaries during the year

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

37. Debtors: amounts falling due within one year

	2009 £000	2008 £000
Trade debtors	46	45
Amounts due from subsidiary undertakings less provisions	33,743	35,739
Corporation tax	2,278	–
Other taxation recoverable	295	176
Other debtors	215	82
Prepayments and accrued income	109	194
	36,686	36,236

38 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Loans other than from banks	557	557
Bank loans and overdrafts	5,143	5,616
	5,700	6,173
Trade creditors	709	260
Amounts owed to subsidiary undertakings	2,678	6,940
Corporation tax	–	500
Other taxation payable	207	–
Social security	224	524
Other creditors	3,612	4,612
Accruals and deferred income	2,325	5,260
Obligations under finance leases (note 45)	16	20
	15,471	24,289

Notes to the Company financial statements

continued

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

	2009 £000	2008 £000
Bank loans	19,812	26,917
Preference shares	50	50
Obligations under finance leases (note 45)	–	16
	19,862	26,983

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

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

	2009 £000	2008 £000
Analysis of gross borrowings		
Loans repayable within 5 years		
Unsecured loans		
Undated debenture held by a subsidiary undertaking, interest at 12% deferred	557	557
2008/2011 term loan	–	11,100
2009/2012 at 3.75% above bank base rate	5,100	–
	5,657	11,657
Total loans	5,657	11,657
Bank overdrafts/revolving credit facility	19,855	21,433
Total gross borrowings	25,512	33,090
Repayment of gross borrowings		
Bank borrowings		
Between two and five years	13,855	26,033
Between one and two years	7,600	3,500
Within one year or on demand	3,500	3,000
Gross bank borrowings	24,955	32,533
Other loans		
Between two and five years	–	–
Between one and two years	–	–
Within one year or on demand	557	557
Gross other borrowings	557	557
Total gross borrowings	25,512	33,090
Net borrowings		
Gross borrowings	25,512	33,090
Cash at bank and in hand	–	–
	25,512	33,090

40. Derivative financial instruments

	2009 £000	Assets 2008 £000	2009 £000	Liabilities 2008 £000	2009 £000	Net 2008 £000
Forward foreign currency contracts	35	622	–	–	35	622
Interest rate cap and floor	–	–	(1,018)	(381)	(1,018)	(381)
	35	622	(1,018)	(381)	(983)	241

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

41. Provisions for liabilities

	Deferred taxation £000
At 26 October 2008	763
Deferred taxation	(35)
At 1 November 2009	728

Analysis of deferred taxation

	2009 £000	2008 £000
Accelerated capital allowances	188	353
Other timing differences	(132)	(133)
Retirement benefit obligations	672	543
	728	763

42 Called up share capital

	2009 £000	Authorised 2008 £000	Issued and fully paid 2009 £000	2008 £000
7 50% Cumulative Preference Shares of £1 each	250	250	50	50
Ordinary Shares of 25p each	–	7,750	–	6,601
Treasury Shares	–	(55)	–	(14)
Ordinary shares of 1p each	566,318	–	4,044	–
Treasury shares	(55)	–	(2)	–
Deferred Ordinary shares of 24p each	48,000	–	6,337	–
Treasury shares	(55)	–	(43)	–
	614,458	7,945	10,386	6,637
Shares classified as liabilities			50	50
Shares classified in Shareholders' funds			10,336	6,587
			10,386	6,637

Details of the rights attached to the 7 50% Cumulative Preference share and the 24p deferred ordinary shares are shown in note 23 on page 60.

Notes to the Company financial statements

continued

43. Reserves

	Share premium account £000	Merger reserve £000	Revaluation reserve £000	Investment property revaluation reserve £000	Translation reserve £000	Hedging reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 26 Oct 08	34,558	7,586	618	455	(844)	241	814	3,536	46,964
Currency translation differences	-	-	-	-	(736)	-	-	-	(736)
Derivative financial instruments	-	-	-	-	-	(1,224)	-	-	(1,224)
Shares issued	13,556	-	-	-	-	-	-	-	13,556
Share option charge	-	-	-	-	-	-	-	56	56
Revaluation uplift	-	-	614	(335)	-	-	-	-	279
Transfer to profit on disposal	-	-	-	-	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	-	-	(7,880)	(7,880)
Dividends	-	-	-	-	-	-	-	-	-
At 1 Nov 09	48,114	7,586	1,232	120	(1,580)	(983)	814	(4,288)	51,015

Other reserves include Capital Redemption Reserve £814,000 (2008 £814,000)

Details of share-based payment arrangements are shown in the Group Share Capital note 23 on page 60

44. Contingent liabilities

	2009 £000	2008 £000
(a) Under guarantee of overdrafts and loans of subsidiary undertakings	-	21
(b) Deferred interest under a debenture held by a subsidiary undertaking	2,334	2,267
(c) Cosalt plc has also guaranteed leasing and other arrangements of subsidiary undertakings in the ordinary course of business	-	-

45. Leasing obligations

(a) Future commitments due under finance leases are

	2009 £000	2008 £000
Within one year	16	20
Between two and five years	-	16
	16	36
Less future finance charges	-	-
	16	36
Shown in creditors as		
Amounts falling due within one year	16	20
Amounts falling due after more than one year	-	16
	16	36

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

	2009 £000	2008 £000
(i) Land and buildings		
Leases which expire within one year	84	32
Between two and five years	170	543
In five years or more	–	16
	254	591
(ii) Plant		
Leases which expire within one year	4	5
Between two and five years	8	5
	12	10

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

46. Pension scheme

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

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

The latest full actuarial valuation was carried out as at December 2006 and was updated for FRS 17 purposes to 1 November 2009 by a qualified independent actuary. Certain Employees are Members of a Company defined contribution scheme which invests funds in which the contributions for each individual member are separately identifiable and the benefits calculated accordingly.

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Registrars
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With effect from 29 March 2010
the Company's registrars will be

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Huddersfield HD8 0GA

Financial calendar

2010

1 January	Half-year's dividend on 7.50% Cumulative Preference Shares
2 February	Preliminary announcement of 2009 results
25 February	Publication of Annual Report for 2009
24 March	Annual General Meeting

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