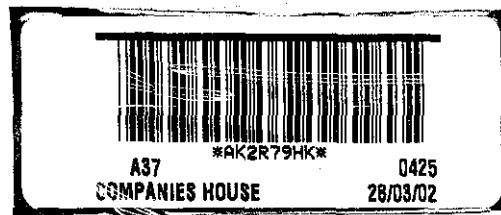


19628



Industrial Services

Knox Netting and Fibres

Industrial, sporting, camouflage, safety and fish farm nets

Processor of synthetic carpet yarns and fibres

Safety and Protection

Marine and Industrial safety equipment and apparel

Principal brands: Cosalt, Youngs, Perry, Crewsaver and YAK

Workwear and Ballyclare

Workwear, career wear and high visibility protective clothing

Full design, manufacture and distribution service

Ballyclare is a leading UK specialist protective clothing supplier to military, fire fighting, utilities and police personnel

Schoolwear and Childrenswear

Three of the leading brands of school uniforms:

Banner, Beau Brummel and Distinctive

Schoolwear is complemented by Banner

Childrenswear

Leisure Products

Holiday Homes

Design and manufacture of caravan holiday homes, leisure custom homes and residential park homes

Lighting

Design, manufacture and sales of commercial lighting and décor

Complementary stained and coloured glass windows and door furniture

Directors and Advisors

Chairman

G H Camamile MA FCA**

Group Managing Director

F W Wood FCA

Finance Director and Company Secretary

N R Carrick FCA

Directors

J A B Kelly RD LLB FCA**

D M Bolton BA**

J McConnell RDI**

P T Nevitt

Registered Office

Fish Dock Road Grimsby DN31 3NW

Auditors

KPMG Audit Plc

Chartered Accountants

1 The Embankment

Neville Street

Leeds LS1 4DW

Principal Bankers

Royal Bank of Scotland plc

13-19 Derby Road

Nottingham NG1 5AA

Other Bankers

Barclays Bank plc

Clydesdale Bank plc

HSBC plc

Corporate Advisers

KPMG Corporate Finance

8 Salisbury Square

London EC4Y 8BB

Registrars

Computershare Services plc

P.O. Box 82 The Pavilions

Bridgwater Road Bristol BS99 7NH

Solicitors

Wilkin Chapman

New Oxford House Town Hall Square

Grimsby DN31 1HE

Pinsent Curtis Biddle

1 Park Row

Leeds LS1 5AB

Brokers

ING Barings

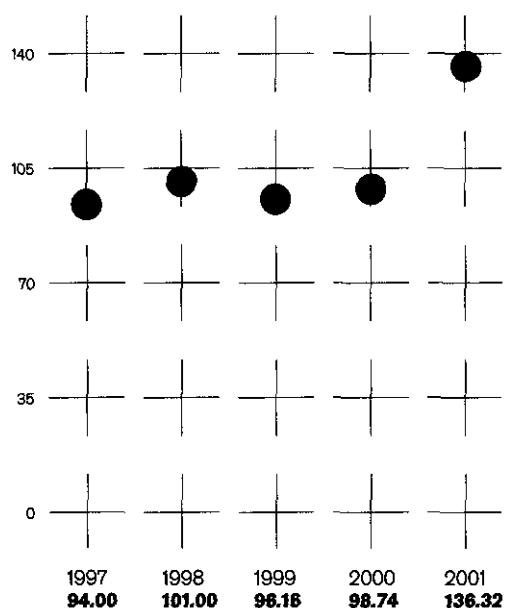
60 London Wall

London EC2M 5TQ

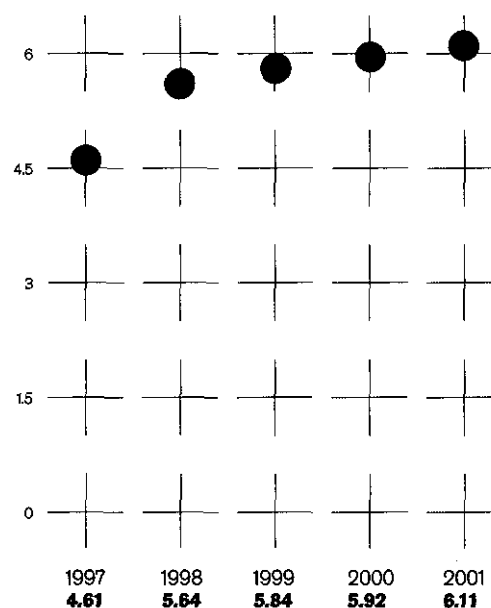
* Member of Audit Committee

† Member of Remuneration Committee

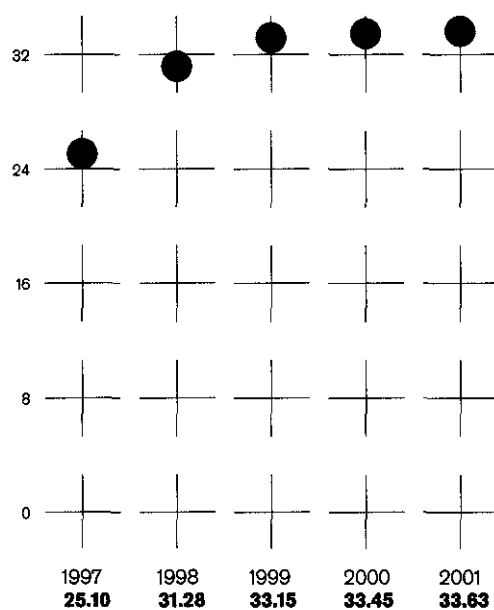
Turnover (£m)



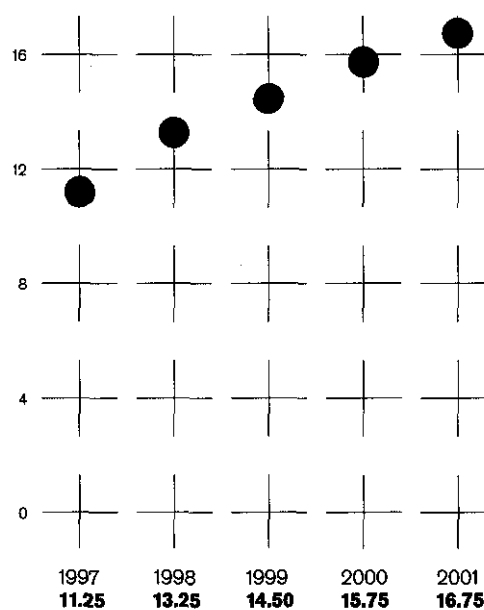
Profit before tax (£m)



Earnings per share (pence)



Dividends paid per ordinary share (pence)



Introduction

The acquisition of SEET plc in April 2001 resulted in Cosalt changing its financial year end to October from August in view of the seasonal nature of one of SEET's main businesses. The results now reported are therefore for the period of 61 weeks ended 28 October 2001 and include exceptional provisions for the costs of some of the changes which have been necessary following that acquisition.

Results

Turnover for the 61 weeks ended 28 October 2001 was £136.32m. Profit before tax but after making the exceptional provisions referred to above totalling £606,000 was £6.11m (for the year ended 27 August 2000 – £5.92million). Earnings per share after making those provisions and after tax were 33.63p (year to 27 August 2000 – 33.45p).

Dividend

Notwithstanding the difficult trading conditions which have been experienced and which are forecast to continue to affect the economy generally, the Board believes that Cosalt has both the management strength and the market opportunities to enable it to continue its growth. We are therefore able to recommend an increase in the final dividend to 11.50p per ordinary share, making the total dividend for the 61 week period 16.75p, compared with 15.75p for the year ended on 27 August 2000.

Integration of SEET

As we believed at the time of the acquisition, the principal businesses acquired in the purchase of SEET plc fit well with Cosalt and have opened the door to opportunities which might otherwise have been out of reach. Cosalt's management, as can be seen from the Group Managing Director's review of operations, has been well satisfied, not only with the new additions to Cosalt in terms of the acquisition itself, but also with the progress made so far in implementing the changes that are required to realise the potential of those businesses and to integrate them into the Cosalt Group. We are particularly appreciative of the way in which the management of SEET's continuing businesses has co-operated with Cosalt's own management. It is always difficult when new personnel come into an existing business and in SEET, Cosalt has been most fortunate to have found people who have fitted in and contributed actively to a programme of substantial yet beneficial change.

Business Review

Industrial Services

The **Safety and Protection** operation, with its emphasis on all aspects of marine safety, has had a good trading period and now looks set for a new period of growth and development. This business has achieved record levels of profitability in the last trading period, and is now showing the benefits both of the careful re-organisation of its management during the last few years and the impetus provided by recent changes and promotions, together with some important new acquisitions. This part of our Industrial Services Division is now well placed to play a leading part in what we expect will become a co-ordinated industrial service activity, combining the skill and expertise of businesses which, in the past, have functioned more independently of each other. We have great hopes and expectations for our Safety and Protection activities.

Cosalt's original **Workwear** activity was slower to develop its potential during the period under review than we had hoped, but the acquisition of Ballyclare (part of SEET) came at a time when the original Workwear activity had already made considerable progress in solving some of the problems which had beset it in the earlier part of the trading period. The addition of Ballyclare to the Cosalt portfolio has meant that advances can now be made in both Cosalt Workwear and Ballyclare as a result of their combined efforts in a market which is full of opportunity, notwithstanding the fear of recession which seems to live in much of industry. We believe that the acquisition of SEET and its integration into our existing businesses will contribute significantly to the transformation of Cosalt.

Knox Fibres operates in a very competitive, specialised market and has continued to improve its ability to cope with the fluctuations in demand which make the management of its business such a demanding task. The **Knox Netting** business, on the other hand, has had an excellent trading period, although the level of expenditure by its customers in future is likely to be dictated, or at least strongly influenced, by the price of farmed salmon.

Leisure Products

Cosalt Holiday Homes has had a disappointing result for the period, but finished it in very good shape for the coming year. Stocks in the industry generally are much lower than they were a year ago, and the stocks in our own business are also low, so that the level of activity in the commencing months of the current year has been very encouraging. It looks as though economic conditions will not be favourable in the coming year, but the order book at Holiday Homes is such as to give us confidence that this business will do well, even in a difficult market.

Cosalt Lighting continues to need attention but we have contained its problems and expect to overcome them in the course of the next year.

Finance

The acquisition of SEET has, of course, resulted in much higher borrowings than in previous years. The acquisition was, however, made in close co-operation with our bankers and our performance to date has been closely in line with our forecasts and our bankers' expectations. We are comfortable, therefore, that we will be able to finance the continued development of Cosalt, not least because of our ability to satisfy the internal demand for capital from our businesses in a prudent and controlled manner. It is perhaps also worth mentioning in this context that we expect to be able to make some modest realisations of property in the course of the next two years, which should free up more capital for growth.

FRS 17

The Group's final salary defined benefit pension scheme was closed to new entrants on 25 July 2000 as part of the Group's overall pension strategy. Increased life expectancy and falling interest rates, amongst other things, have created and increased an actuarial deficit in that scheme as measured on 28 October 2001. Note 19 to the accounts shows that deficit in accordance with FRS17.

That deficit, which represents the difference between the market value of the scheme's assets and the actuarially calculated present value of anticipated future pension and other benefit payments is, at 28 October 2001, shown at £4.97m after deferred tax credit.

The Company's contributions to the scheme are reviewed annually and, at 28 October 2001, represented 23.1% of the members' pensionable salary bill. Whilst this percentage may increase, the cost of funding any deficit will fall upon the Group, spread over future years. The actuarially calculated deficit will change up or down, principally, in response to the investment performance of the scheme's assets and the interest rate (i.e. the discount rate) which the Actuary is obliged to use in valuing the scheme's liabilities. An increase in this rate (other things being equal) will reduce the deficit and a decrease in the rate will enlarge it. These and other factors, therefore, alter the actuarial deficit or surplus without there being any corresponding change in the actual benefits provided which are essentially fixed under the defined benefit promise. Any such actuarial deficit or surplus at the date of the Group's accounts at October 2003 will be incorporated in the Group's Balance Sheet at that date, in accordance with FRS17.

Management

We are very fortunate to have such an excellent management team at the centre of our Group – with modest central costs. That strength is mirrored in all of our underlying activities and I have been fortunate, during my time as Chairman, to be able to count all of our people not only as excellent colleagues and professionally talented managers, but also as respected friends. We have an open system of management, accepting as well as making critical assessments of management decisions. Most recently, and importantly, we have welcomed our new colleagues from SEET, for whose willingness to join us and accept our methods we are particularly grateful.

Shareholders will see that I am seeking re-election at the forthcoming Annual General Meeting, notwithstanding my age. I hope to remain as Chairman of the Group only for a further seven months and to retire on the 31 October 2002 at the conclusion of the current financial year, by which time the reorganisation following the SEET acquisition is expected to have been largely completed. David Bolton has agreed to succeed me as Chairman and the Board is confident that he will bring a new talent, as well as considerable experience of this Group to an office in which it has been my pleasure as well as privilege to serve.

Outlook

Despite the continuing background of economic uncertainty, I believe that Cosalt is well placed to maintain its record of growth. I have already paid tribute to the strength of management across all our businesses and that will remain a fundamental strength. The changing nature of Cosalt, both in terms of better business mix and improving quality of earnings, gives us further grounds for optimism.



G H Camamile

Chairman

28 January 2002

Overview

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

	61 weeks ended 28 October 2001 £m	52 weeks ended 27 August 2000 £m
Turnover:		
Industrial Services	78.48	46.43
Leisure Products	57.84	52.31
	136.32	98.74
Operating Profit:		
Industrial Services	5.35	3.16
Goodwill and exceptionals	(0.67)	—
Total Industrial Services	4.68	3.16
Leisure Products	3.11	3.78
	7.79	6.94

We have experienced a period of significant change with the acquisition of SEET plc in April 2001 and three smaller businesses within the Safety & Protection activity – Kenmore, Lewis and Marlift.

The Group's year end has been changed to October in order to accommodate the seasonal nature of SEET and the resulting period under review is therefore 61 weeks ended 28 October 2001.

Acquisition of SEET plc

I am pleased with progress to date. We purchased this quoted company in April 2001 following a very thorough review process.

The initial attraction of SEET was Ballyclare, its leading UK specialist protective clothing supplier to military, fire fighting, utilities and police personnel. This business is being integrated with our existing Workwear activity.

Cosalt Workwear, based at Atherton, has been able to provide Ballyclare with additional sources of procurement, warehousing and improved logistical support. The combined entities have significant prospects for increasing business, in particular, through providing a fully managed maintenance care package of high performance garments and personal protective equipment. On this basis, we believe that an exciting future lies ahead.

I am also very pleased that the acquisition of SEET brings to the Group three of the leading brands of school uniforms: Banner, Beau Brummel and Distinctive, which command an important market position in supplying independent schools. We have scaled down manufacturing and will service their extensive customer base through a combination of flexible, multi-skilled UK manufacturing and overseas procurement.

This Schoolwear activity is complemented by Banner Childrenswear, but the future of Banner Fashionwear, incorporating Menswear and Ladieswear, is currently under review. We have already sold two of SEET's small loss-making businesses – Glory Years and Leda Workwear.

So, all in all, with a cost reduction programme, improved logistical support and increased overseas procurement, the SEET businesses are expected to contribute significantly to the future profitability of the Industrial Services Division.

Review of Other Operations

Industrial Services

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

This business, including Crewsaver, which manufactures the leading brand of inflatable lifejackets, has achieved record levels of profitability in 2001 with an operating profit for the period of £1.89m (2000 – £1.47m). Whilst I do not usually refer to individuals, I would like to record my appreciation of Paul Bradbury's management of this business over the last ten years. Paul inherited a troubled business with poor morale in 1990 and now hands over to Winston Phillips, a well managed, thriving operation with the scope and ambition to achieve further growth.

The well executed acquisitions of W & R Lewis Limited (rope distribution and rigging) in Glasgow and Grimsby, Marine and Lifting Services Limited (lifting and rigging services) in Plymouth, and Kenmore Technical Services Limited (supply and servicing of fire protection equipment) in North Shields, strengthen our market penetration. Kenmore is particularly interesting in that this specialist team, inspecting and servicing fire safety equipment and breathing apparatus, can facilitate the development of this activity in most of Cosalt's thirteen Safety branches in the coming year to serve both industrial and marine markets.

Prospects for the Safety & Protection business are therefore good.

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

2001 has been a testing period for this committed management team. The standard workwear market continues to be competitive and in steady decline. Whilst corporate wear has contributed well, we have not grown in line with budget expectations in a period of fierce price competition. However, important progress continues to be made in the rail maintenance activity where safety is of paramount importance and our market leading motor-link activity is doing well. Additionally, as I said above, the team are providing vital logistical support to Ballyclare.

Going forward, we intend to focus the enlarged Workwear business' efforts increasingly on providing a high quality service to a growing customer base, supported by our established technical, procurement and logistical strengths. In this way, we believe that there is a clear opportunity for business to move away from being a simple commodity provider, vulnerable to the unpredictable actions of our competitors, and to become a service provider which enjoys long term relationships with its customers, thereby achieving a higher quality of earnings.

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

Knox Fibres has improved its performance this year through better factory efficiencies, enabling it to service its customers in the contract carpet market with a wide variety of small lots, processed invariably on a shorter lead time.

Knox Netting has maintained its position as market leader in providing net cages to the UK fish farming industry. Valued customers are provided with a complete supply and service package second to none.

Leisure Products

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

Operating profits at Holiday Homes were significantly lower in the 61 week period at £3.13m (2000 – £4.10m).

As outlined in the April Interim Statement, the industry over-produced in the year 2000, leaving high stocks in the hands of park operators and distributors. We, in line with our principal competitors, have consequently produced fewer units during the 2001 season, resulting in lower profitability.

I am pleased to report, however, that we have maintained our UK market share and enter the 2002 season with low stocks, capital employed in line with budget, an excellent product range and a good order book – a tribute to the management team and reason for us to be optimistic about prospects for this business.

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

Through a combination of sales initiatives in the USA market and overhead reduction, the company has performed much better than last year, when it incurred an operating loss of over £300,000. The UK market, however, continues to be difficult and the results are still not acceptable. A further review of this activity is therefore taking place at the present time.

Capital Expenditure

Capital expenditure in the 61 weeks to October 2001 was £1.72m compared with £1.45m incurred in the year to August 2000. The depreciation charge was £2.15m.

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

Balance Sheet - Borrowings

The balance sheet of the Group continues to strengthen and Shareholders' Funds increased during the period by £2.1m to £26.0m. Cash control continues to be first class and borrowings, which have increased significantly as a result of the four acquisitions during the year, are in line with budget expectations with year end gearing at 68%.

£6.3m of the new acquisition funding has been arranged through a seven year term loan at commercial margins with interest rates capped.

We have an excellent working relationship with our bankers, who continue to be very supportive of the recent acquisitions and our style of management.

Outlook

As I have said before, and repeat again, the key strength of the Cosalt Group is the way in which it functions with a small central team supporting the very best endeavours of loyal, highly motivated and very committed management teams across the activities, linked to prudent cash control and judicious financial planning.

We have handled the acquisition of SEET well. Results to date have been in line with our forecasts, the acquisition has been earnings enhancing as we expected and the key people have responded positively to our management style and approach. There are therefore good prospects for improving profitability.

Whilst, understandably, the Group's rate of growth has slowed in the last two years, we have just completed our ninth consecutive year of profit increase. In addition, we continue to invest prudently, increase dividends and add to reserves.

In SEET we have acquired valuable brands in both schoolwear and fire protection, adding to our important position in the markets of caravan holiday homes, marine safety, fish farming and workwear. There is potential to increase market share in all of these activities and I am confident of our ability to increase overall profitability.



Bill Wood

Group Managing Director

28 January 2002

The Directors present their report with the accounts for the 61 weeks ended 28 October 2001.

Business activities and development

The Group has continued its development and the extension of its range of manufactured products.

All expenditure on this is absorbed as it is incurred.

The Group results for the period are shown on page 18 and a review of trading and prospects can be found in the Chairman's Statement and Group Managing Director's Business Review of Operations on pages 4 to 9.

Dividends

The dividends paid and proposed are set out in Note 6 on page 26.

The Directors recommend a final dividend of 11.50p per ordinary share, making a total of 16.75p for the period which absorbs £2,088,000. If approved at the Annual General Meeting, the final dividend will be paid on 27 March 2002 to shareholders on the Register on 15 March 2002.

Fixed assets

In Note 18 on page 36 information is provided on assets used by the Group which are subject to lease agreements.

The last professional valuation of trading properties was carried out in August 1988.

Investment properties are stated at estimated open market value.

Share and loan capital

Details of changes in share capital are shown in Note 15 on page 34.

Movement in reserves

A summary of the movement in reserves and a reconciliation of shareholders' funds are shown in Note 16 on page 35.

Directors

The membership of the Board is shown on page 2.

Mr G H Camamile retires by rotation and, being eligible, offers himself for re-election. He does not have a Service Contract with the Company.

Mr J McConnell retires by rotation and, being eligible, offers himself for re-election. He does not have a Service Contract with the Company.

Mr F W Wood, Mr N R Carrick and Mr P T Nevitt have Service Contracts with Cosalt plc which are terminable upon two years' notice.

The following are brief biographical notes on the non-executive Directors of the Company:

Mr G H Camamile (73) joined the Board in 1969. He is a graduate of Oxford University, a Chartered Accountant by profession and is a director of a number of other companies.

Mr J A B Kelly (60) joined the Board in 1986. He is a director in the investment division of Close Brothers Group plc, merchant bankers. He also has experience in the food industry and stockbroking. He is a graduate of Queen's University, Belfast.

Mr D M Bolton (60) joined the Board on 18 July 1994. He is a graduate of Oxford University and a partner in the London based firm of solicitors, Andersen Legal Garretts. He has over 30 years experience in corporate law practice.

Mr J McConnell (62) joined the Board on 19 August 1996. He is a Royal Designer for Industry and design advisor to the World Economic Forum, a Fellow of the Chartered Society of Designers and of the Royal Society of Arts and is a member of the Alliance Graphique Internationale.

Directors' interests

The Directors' interests in the share capital of the Company, as defined by the Companies Act 1985, on the relevant dates were:

Ordinary Shares	27 Aug 2000	28 Oct 2001	28 Jan 2002
G H Camamile	45,550	45,550	45,550
F W Wood	55,552*	55,897*	55,860*
J A B Kelly	3,400	3,400	3,400
Non-Beneficial	2,000	2,000	2,000
D M Bolton	10,000	10,000	10,000
N R Carrick	67*	67*	67*
J McConnell	1,450	1,450	1,450
P T Nevitt	3,953*	3,953*	3,953*

* Includes ordinary shares issued under the Employees' Profit Sharing Scheme.

All shares are beneficial unless otherwise stated.

The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for shares in the Company. Details of Directors' options may also be found in the Remuneration Report on page 14.

Substantial shareholdings

At 28 January 2002 Eardley Investments N.V. held 2,110,000 (16.92%) ordinary shares and HSBC Global Custody Nominees Limited held 1,155,367 (9.27%). Mr Bruce Rappaport controls the exercise of the voting power relating to both of these interests. Amvescap plc hold an interest of 1,743,000 (13.97%) ordinary shares. Aberdeen Asset Management hold 862,000 (6.91%).

Other shareholdings

Mr G H Camamile and Mr F W Wood are trustees 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 28 January 2002 the Trust has acquired a total of 24,748 and will continue to acquire these shares as and when they are offered.

Employees

Details of the number of employees by Division are shown in Note 4 on page 26.

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

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

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 period was 78 days for the Group and 30 days for the Company.

Charitable and political donations

Donations to charitable organisations during the period amounted to £9,559.

Resolutions

In addition to the routine business which it is proposed to transact at the Annual General Meeting of the Company on 25 March 2002, it is also proposed that a number of items be transacted as special business.

Resolution No. 6 is an Ordinary Resolution to give your Directors the authority to allot relevant securities in the capital of the Company pursuant to Section 80 of the Companies Act 1985 up to a nominal amount equal to £582,911 which represents 18.70% of the issued Ordinary Share Capital of the Company. The Directors have no present intention of exercising this authority which will expire at the conclusion of the next Annual General Meeting.

Resolution No. 7 is a Special Resolution to give your Directors the power to issue shares for cash otherwise than to existing shareholders pro rata to their holdings in certain limited circumstances. This power is limited to issues of shares up to a maximum aggregate nominal amount of £155,854 (representing approximately 5% of the Company's present issued ordinary share capital). The proposed power will expire at the conclusion of the next Annual General Meeting of the Company or a period of fifteen months after the passing of the Resolution, whichever is the earlier.

Resolution No. 8 is a Special Resolution to authorise the Company to buy back its own shares. No purchases will be made unless the effect is expected to increase earnings per share and the Directors consider the purchases to be in the interests of shareholders generally. The proposed Resolution will limit purchases to up to 1,246,835 ordinary shares (representing approximately 10% of the issued ordinary share capital of the Company) made through the London Stock Exchange at prices not exceeding 105% of the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days before each purchase. The minimum price payable is par value. The proposed power will expire at the next Annual General Meeting of the Company.

These items of Special Business are important and require shareholders' immediate attention. If shareholders are in any doubt about any action they should take they should consult their stockbroker, bank manager, solicitor, accountant or other professional advisor.

If shareholders have sold their ordinary shares in Cosalt plc please would they forward this Report and Accounts together with the Form of Proxy to the stockbroker, bank or other agent through whom the sale was effected for delivery to the purchaser.

Auditors

The Auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their appointment will be proposed at the Annual General Meeting.

By order of the Board



N R Carrick

Secretary

28 January 2002

The Remuneration Committee consists of the four independent non-executive Directors, meets no less frequently than annually, and is chaired by Mr Bolton. In framing its remuneration policy, the Committee has given full consideration to Section B of the Combined Code.

The Committee determines the remuneration of Parent Board Directors and Senior Executives and makes recommendations to the main Board in connection with the Executive Share Option Scheme. In all respects the Committee upholds the Company's general policy to attract and retain senior executives of the highest calibre. To do this it must offer market related salaries and benefits, including, as appropriate, bonuses based upon performance.

The remuneration of the Chairman is determined in his absence by the Remuneration Committee after consultation with the Group Managing Director and reflects the nature and extent of his part-time responsibilities.

The fees of non-executive Directors are determined by the Board with individual non-executive Directors abstaining from voting.

Both Mr Wood's and Mr Carrick's performance related payments are based upon the Group's pre-tax profits. Mr Nevitt and all other Senior Executives' performance related payments are based upon individual subsidiary companies pre-tax profits.

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

The remuneration of the individual Directors is set out below:

	Salary £000s	Performance Related Bonus £000s	Taxable Benefits £000s	Fees £000s	61 weeks 2001 Total £000s	52 weeks 2000 Total £000s
G H Camamile	–	–	–	18	18	14
F W Wood	174	94	10	–	278	176
N R Carrick	119	47	10	–	176	138
J A B Kelly	–	–	–	22	22	19
P T Nevitt	141	60	8	–	209	237
D M Bolton	–	–	–	22	22	19
J McConnell	–	–	–	22	22	19

Mr Wood is the highest paid Director. Total remuneration, including pension contributions of £33,000 (2000, P T Nevitt: £12,000 – 52 weeks), amounted to £311,000 (2000, P T Nevitt: £249,000 – 52 weeks).

£70,000 (2000: £60,000 – 52 weeks) of Mr Nevitt's salary relates to his duties for the Group. All other amounts relate to his duties for the Holiday Homes business.

In addition to the above fees Mr G H Camamile has received £52,515 (2000: £48,813 – 52 weeks) in his capacity as a Consultant.

Mr Wood, Mr Carrick and Mr Nevitt have Service Contracts with the Company which include a notice period of two years. The Committee considers that periods of two years are reasonable and proper in the interests of the Company having regard to prevailing market conditions.

Mr Wood, Mr Carrick and Mr Nevitt participate in the Group's pension scheme on the same terms as other executives and staff contributing 6% of their salary. The scheme is contracted out and based on final salary. The normal retirement age under the pension scheme is 65, which enables members to achieve the maximum period of two-thirds of their final salary after 40 years' service. However, no actuarial reduction is applied to pensions payable from the age of 60.

For death before retirement the pension scheme provides a capital sum equal to four times salary and a spouse's pension of half of the member's prospective pension at age 65.

For death in retirement a spouse's pension of half of the member's post commutation pension is payable. In all circumstances where there is no spouse or on the death of the spouse the pension will be paid for the benefit of children up to age 18. Protection is also offered on the event of serious ill health.

Post retirement pension increases are applied to the non-commutable pension in line with the Retail Price Index up to a maximum of 5%.

The amount of increase in the accrued pension entitlements of the Executive Directors during the year is set out below:

	Age 28 Oct 2001	Years of Pensionable Service at 28 Oct 2001	Additional Pension earned during the period ended 28 Oct 01	Accrued entitlement at period ended	
				28 Oct 01	27 Aug 00
F W Wood	55	29 years 10 months	4,980	73,619	66,339
N R Carrick	39	5 years 6 months	2,294	8,383	5,892
P T Nevitt	48	9 years 10 months	2,664	19,218	16,005

At the Annual General Meeting in January 1997, shareholders approved two new Executive Share Option Schemes for Executive Directors and Divisional Directors. The Committee believes such schemes provide an important long term incentive and help to attract and retain Senior Executives.

It has been, and will continue to be, the Remuneration Committee's policy to make regular awards of options. In addition, performance criteria have been attached to all new options granted under the 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.

Mr Wood, Mr Carrick and Mr Nevitt have the following options under the 1987 and 1996 Executive Share Option Schemes:

Name	At 27.8.00	Number of Options During the period			At 28.10.01	Exercise Price	Date from which Exercisable	Expiry Date
		Granted	Exercised	Lapsed				
F W Wood	20,000	-	-	-	20,000	140.0p	15.12.97	14.12.04
	10,000	-	-	-	10,000	219.5p	17.02.00*	16.02.04
	10,000	-	-	-	10,000	232.5p	23.12.00*	22.12.04
	15,000	-	-	-	15,000	204.5p	22.12.01*	21.12.05
	17,000	-	-	-	17,000	179.5p	28.04.03*	27.04.07
		29,500	-	-	29,500	222.5p	26.04.04*	25.04.08
	72,000	29,500			101,500			
N R Carrick	14,000	-	-	-	14,000	212.0p	13.12.99*	12.12.06
	10,000	-	-	-	10,000	232.5p	23.12.00*	22.12.04
	15,000	-	-	-	15,000	204.5p	22.12.01*	21.12.05
	17,000	-	-	-	17,000	179.5p	28.04.03*	27.04.07
		23,000	-	-	23,000	222.5p	26.04.04*	25.04.08
	56,000	23,000			79,000			
P T Nevitt	10,000	-	-	-	10,000	219.5p	17.02.00*	16.02.04
	10,000	-	-	-	10,000	232.5p	23.12.00*	22.12.04
	15,000	-	-	-	15,000	204.5p	22.12.01*	21.12.05
	16,500	-	-	-	16,500	179.5p	28.04.03*	27.04.10
	500	-	-	-	500	179.5p	28.04.03*	27.04.07
		17,000	-	-	17,000	222.5p	26.04.04*	25.04.08
	52,000	17,000			69,000			

* Performance criteria must be met before exercise.

The market price of the shares at 28 October 2001 was 209p and the range during the period was 184p to 237.5p.

In addition Mr Wood has an interest in 1,485, Mr Nevitt 1,485 and Mr Carrick 67 shares, held in trust, which were granted under the Employees' Profit Sharing Scheme.

This Report and the Remuneration Report on pages 13 to 14 set out how Cosalt plc has applied the principles contained in Section 1 of the Combined Code for the period ended 28 October 2001

The Board

The Board consists of three executive and four independent non-executive Directors and the role of Chairman and Group Managing Director are clearly defined and separate. The Directors are provided with regular information on the Company's performance and activities and meet on a monthly basis. Meetings include a formal schedule of matters specifically reserved for the Board's decision and additional meetings are arranged as necessary. 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 new Directors. Executive and non-executive Directors are formally appointed by the Board as a whole. Whilst non-executive Directors are not appointed for a specific term, 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 Committees

The Audit and Remuneration Committees of the Board are chaired by Mr Bolton and are constituted by the four non-executive Directors.

The Audit Committee has written terms of reference and reviews 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 separately commissioned audit reviews of internal controls of operating units.

The Remuneration Committee determines the remuneration of Parent Board Directors and Senior Executives and makes recommendations to the Main Board in connection with the Executive Share Option Schemes.

The Remuneration Report is set out on pages 13 to 14.

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. A review has been completed for the 61 weeks ended 28 October 2001 in accordance with the recommendations of the Turnbull Committee. The principal elements of the internal control system which 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 an organisational structure where operating and restricted financial responsibility is clearly 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 annually by means of a risk workshop incorporating a broad cross section of management. Management have identified appropriate risk management responses to the key risks generated by this exercise. Business risks are monitored at the monthly management meetings of the operating units which are usually attended by the Group Managing Director and Finance Director. The Board has reviewed a report summarising the risks for each operating unit and the Group as a whole.

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, any significant variances from budget and make revisions to forecasts as appropriate. Borrowings are controlled centrally and cash projections are performed 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 defined. Capital expenditure in excess of £10,000 and all acquisitions are appraised and authorised by the Board.

There is a rolling programme of separately commissioned 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 any weaknesses found when meeting with the Audit Committee.

Going Concern

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future and have adopted the going concern basis in preparing the financial statements.

Relations with Shareholders

The Company, principally through the Group Managing Director and Finance Director, maintains a regular dialogue with institutional shareholders and financial analysts, particularly following the interim and preliminary results announcements. 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 gives additional information for shareholders. At the Annual General Meeting in January 2001 the Chairman indicated the level of proxies received on all the resolutions following the vote by the meeting.

Compliance

The Company has complied with the provisions of the Code set out in Section 1 thereof, except as set out below:

- There is no identified senior non-executive Director.
- There is no formal nominations committee.

The Board considers that given the size and composition of the Board these two provisions are inappropriate.

- Service Contracts for Executive Directors are set at a duration in excess of one year as described in the Remuneration Report

Statement of Directors' Responsibilities for Accounts

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group at the end of the period, and of the profit or loss for that period. In preparing those accounts the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a 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.

Independent Auditors' Report to the Members of Cosalt plc

We have audited the accounts on pages 18 to 43.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 16 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Financial Services Authority regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance statement on pages 15 to 16 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's Statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 28 October 2001 and of the profit of the Group for the 61 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Registered Auditor

Chartered Accountants

Leeds

28 January 2002

Consolidated Profit and Loss Account

		61 weeks ended 28 Oct 2001		52 weeks ended 27 Aug 2000	
	Notes	Before goodwill amortisation and exceptional items £000s	Goodwill amortisation and exceptional items £000s	Total £000s	Total £000s
Turnover					
Continuing operations	1	113,387	-	113,387	98,736
Acquisitions	1	22,928	-	22,928	-
		136,315	-	136,315	98,736
Operating profit					
Continuing operations	1	6,704	-	6,704	6,944
Acquisitions before goodwill amortisation and exceptional items	1	1,756	-	1,756	-
Goodwill amortisation	1	-	(60)	(60)	-
Reorganisation and redundancy costs	1	-	(606)	(606)	-
Total Acquisitions		1,756	(666)	1,090	-
Total operating profit					
before interest		8,460	(666)	7,794	6,944
Interest payable (net)	3	(1,682)	-	(1,682)	(1,028)
Profit on ordinary activities					
before taxation		6,778	(666)	6,112	5,916
Taxation on ordinary activities	5	(2,103)	188	(1,915)	(1,751)
Profit after taxation	16	4,675	(478)	4,197	4,165
Preference dividends (non-equity shares)	6	(4)	-	(4)	(4)
Profit attributable to ordinary shareholders		4,671	(478)	4,193	4,161
Ordinary dividends (equity shares)	6	(2,088)	-	(2,088)	(1,967)
Retained profit	16	2,583	(478)	2,105	2,194
Earnings per share – basic	7	37.46p		33.63p	33.45p
– diluted	7	37.43p		33.60p	33.40p
Dividend per share	6	16.75p		16.75p	15.75p

The Group has no recognised gains or losses other than the profits for the periods disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

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

	Notes	28 October 2001 £000s £000s		27 August 2000 £000s £000s	
Fixed assets					
Intangible assets – goodwill	8		2,368		–
Tangible fixed assets	9		17,316		15,561
			19,684		15,561
Current assets					
Stocks	11	21,434		13,862	
Debtors	12	30,224		19,607	
Bank and cash balances		2,710		4,184	
		54,368		37,653	
Creditors					
Amounts falling due within one year	13	39,290		25,490	
Net current assets			15,078		12,163
Total assets less current liabilities			34,762		27,724
Creditors					
Amounts falling due after more than one year	13		7,358		2,722
			27,404		25,002
Provisions for liabilities and charges	14	1,228		902	
Deferred income:					
Grants not yet credited to profit		152	1,380	181	1,083
Net assets			26,024		23,919
Capital and reserves					
Called up share capital	15		3,167		3,167
Share premium account	16		2,321		2,321
Revaluation reserve	16		470		470
Investment property revaluation reserve	16		67		67
Other reserves	16		1,148		1,148
Profit and loss account	16		18,851		16,746
Shareholders' funds					
(including non-equity interests)	16		26,024		23,919

The accounts were approved by the Board of Directors on 28 January 2002 and signed on its behalf by:

F W Wood Director

N R Carrick Director

The notes on pages 22 to 43 form part of these accounts.

	Notes	28 October 2001		27 August 2000	
		£000s	£000s	£000s	£000s
Fixed Assets					
Tangible fixed assets	9		8,977		9,292
Investments	10		10,658		2,729
			19,635		12,021
Current Assets					
Stocks	11	-		65	
Debtors	12	22,609		17,005	
Bank and cash balances			-	654	
		22,609		17,724	
Creditors					
Amounts falling due within one year	13	11,665		5,605	
Net current assets			10,944		12,119
Total assets less current liabilities			30,579		24,140
Creditors					
Amounts falling due after more than one year	13		6,291		1,175
			24,288		22,965
Provisions for liabilities and charges	14	240		488	
Deferred income					
Grants not yet credited to profit		24	264	25	513
Net assets			24,024		22,452
Capital and reserves					
Called up share capital	15		3,167		3,167
Share premium account	16		2,321		2,321
Revaluation reserve	16		645		645
Investment property revaluation reserve	16		67		67
Other reserves	16		814		814
Profit and loss account	16		17,010		15,438
Shareholders' funds					
(including non-equity interests)	16		24,024		22,452

F W Wood Director

N R Carrick Director

Approved by the Board
28 January 2002

The notes on pages 22 to 43 form part of these accounts.

	Notes	61 weeks ended 28 October 2001 £000s	52 weeks ended 27 August 2000 £000s
Net cash inflow from operating activities	20	8,070	6,756
Returns on investments and servicing of finance:			
Interest paid		(1,482)	(886)
Interest received		13	14
Interest element of finance lease payments		(169)	(178)
Non-equity dividends paid		(4)	(4)
		(1,642)	(1,054)
Taxation:			
Corporation tax paid		(2,254)	(1,498)
Capital expenditure and financial investment:			
Sale of investment		-	42
Government grants		-	30
Purchase of tangible fixed assets		(1,512)	(1,019)
Purchase of intangible fixed assets		(10)	-
Sale of tangible fixed assets		588	121
		(934)	(826)
Acquisitions and disposals	22	(12,506)	-
Equity dividends paid		(2,076)	(1,855)
Net cash (outflow)/inflow before use of liquid funds and financing		(11,342)	1,523
Financing:			
Issue of share capital	23	-	81
New bank borrowings	23	7,800	500
Repayment of bank and other borrowings	21	(3,196)	(1,917)
Capital element of finance lease rental payments	21	(941)	(679)
		3,663	(2,015)
Decrease in cash		(7,679)	(492)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash		(7,679)	(492)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	21	(3,663)	2,096
Change in net debt from cash flows	21	(11,342)	1,604
Loans and finance leases on acquisition of subsidiary undertakings		(823)	-
Inception of new finance leases		(242)	(517)
Movement in net debt in period	21	(12,407)	1,087
Net debt as at 27 August 2000	21	(3,614)	(4,701)
Net debt as at 28 October 2001	21	(16,021)	(3,614)

Statement of Accounting Policies

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

Basis of accounting

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention, adjusted for the revaluation of freehold and leasehold properties and include investment properties at market value.

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the Company is not presented.

Basis of consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiary undertakings made up to the Sunday nearest to the Group's accounting reference date of 31 October 2001. The comparatives in these statements are for the 52 week period ended 27 August 2000.

The results of subsidiary undertakings acquired during the year are included from the effective date of acquisition.

Goodwill arising on acquisition before 31 August 1998, when FRS10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) in respect of acquisitions since 31 August 1998 is capitalised and amortised over its estimated useful life.

Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

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). Surplus 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 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 account 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.

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%

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 after 31 August 1988 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.

Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest element is charged to profit and loss account. All other payments under lease agreements are charged in full to profit and loss account.

Deferred taxation

Provision is made on the liability method for deferred taxation, arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that such deferred taxation will not be payable in the foreseeable future.

Pension costs

Contributions to the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives.

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, or, if hedged forward, at the rate of exchange under the related forward currency contract. 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.

1. Turnover and results

(a) Turnover represents the goods and services invoiced to external customers after trade discounts and excluding value added tax.

(b) Geographical analysis of turnover:

	Continuing operations £000s	Acquisitions £000s	2001 Total £000s	2000 £000s
United Kingdom	104,480	21,780	126,260	91,858
Overseas	8,907	1,148	10,055	6,878
	113,387	22,928	136,315	98,736

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

	Continuing operations £000s	Acquisitions £000s	2001 Total £000s	2000 £000s
Turnover				
Industrial Services	55,550	22,928	78,478	46,426
Leisure Products	57,837	—	57,837	52,310
	113,387	22,928	136,315	98,736
	Continuing operations £000s	Acquisitions £000s	2001 Total £000s	2000 £000s
Operating profit				
Industrial Services	3,588	1,756	5,344	3,165
Exceptional items	—	(606)	(606)	—
Goodwill amortisation	—	(60)	(60)	—
Total Industrial Services	3,588	1,090	4,678	3,165
Leisure Products	3,116	—	3,116	3,779
Operating profit	6,704	1,090	7,794	6,944
Interest payable (net)			(1,682)	(1,028)
Profit on ordinary activities before taxation			6,112	5,916

Operating assets

The operating assets of the main activities at 28 October 2001 were as follows:

	Operating capital employed	
	2001 £000s	2000 £000s
Industrial Services	28,765	17,876
Leisure Products	13,382	11,798
	42,147	29,674
Non-operating assets and liabilities*	(1,880)	(4,410)
Net borrowings	(14,243)	(1,345)
Total net assets	26,024	23,919

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

2. Operating profit

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

	Continuing operations £000s	Acquisitions £000s	2001 Total £000s	2000 £000s
Change in stocks of finished goods and work in progress	(997)	3,255	2,258	(3,144)
Other operating income	(34)	(87)	(121)	(81)
Government grants	(33)	–	(33)	(29)
Raw materials and consumables	66,720	10,457	77,177	59,762
Other external charges	11,095	2,816	13,911	9,727
Auditors' remuneration				
– audit fees – Group	95	22	117	82
– Holding Company	15	–	15	10
– non audit fees	36	–	36	48
Operating lease charges				
– plant	873	66	939	792
– other	804	201	1,005	575
Staff costs (note 4)	26,287	4,171	30,458	22,669
Depreciation on owned assets	1,242	229	1,471	818
Depreciation on assets held under finance leases	639	42	681	563
Profit on fixed asset disposal	(59)	–	(59)	–
	106,683	21,172	127,855	91,792
Goodwill amortisation	–	60	60	–
Reorganisation and redundancy costs	–	606	606	–
	106,683	21,838	128,521	91,792

In addition to the fees noted above, KPMG were also paid an additional £348,000 in respect of other professional fees in connection with the acquisitions made during the period. These fees have been capitalised within the acquisition expenses of £569,000 included in Note 22.

3. Interest payable (net)

	2001 £000s	2000 £000s
Bank borrowings	1,081	538
Finance leases	169	178
Other	445	326
	1,695	1,042
Interest receivable	(13)	(14)
	1,682	1,028

4. Directors and employees

	2001 £000s	2000 £000s
Staff costs:		
Wages and salaries	27,492	20,549
Social security costs	2,007	1,586
Other pension costs	1,311	534
	30,810	22,669

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

	2001 £000s	2000 £000s
Non-exceptional costs	30,458	22,669
Exceptional redundancy costs	352	—
	30,810	22,669

The average number of employees of the Group during the period was:

	Number	Number
Head Office and Directors	14	14
Industrial Services	1,247	764
Leisure Products	453	451
	1,714	1,229

Details of Directors' emoluments and interests are given in the Remuneration Report on pages 13 and 14.

5. Taxation

	2001 £000s	2000 £000s
Taxation charge on ordinary activities is:		
UK Corporation Tax at 30% (2000: 30%)	2,022	1,778
Deferred taxation	(29)	93
	1,993	1,871
Adjustment to prior years – corporation tax	(18)	(116)
– deferred taxation	(60)	(4)
	1,915	1,751

6. Dividends

	2001 £000s	2000 £000s
Preference Shares (non-equity):		
7.50% Cumulative	4	4
Ordinary Shares (equity):		
Interim: 5.25p per share (2000: 5.15p per share)	655	645
Proposed final: 11.50p per share (2000: 10.60p per share)	1,433	1,322
Total 16.75p (2000: 15.75p)	2,088	1,967

7. Earnings per share

The figures of basic earnings per share are calculated on the profit attributable to ordinary shares of £4,193,000 (2000: £4,161,000), divided by the weighted average number of shares in issue during the period, being 12,468,353 (2000:12,440,265).

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

	28 October 2001	27 August 2000
Weighted average number of shares in issue	12,468,353	12,440,265
Weighted average number of dilutive share options	64,121	17,981
Total number of shares for calculating diluted earnings per share	12,532,474	12,458,246

8. Intangible assets – goodwill

	The Group 2001 £000s	Cosalt plc 2001 £000s
Cost		
On acquisition of subsidiaries (Note 22)	2,418	–
Purchased in period	10	–
At 28 October 2001	2,428	–
Accumulated amortisation		
Amount charged to profit and loss account	60	–
At 28 October 2001	60	–
Net book values		
At 28 October 2001	2,368	–
At 28 August 2000	–	–

9. Tangible fixed assets**The Group**

	Freehold Properties £000s	Short Leasehold Properties £000s	Freehold Investment Properties £000s	Plant £000s	Total £000s
Cost and valuation					
At 27 August 2000	8,595	1,312	1,142	15,385	26,434
Subsidiaries on acquisition	958	248	–	1,507	2,713
Additions	87	5	–	1,629	1,721
Disposals	(326)	(7)	–	(1,832)	(2,165)
Reclassification	(139)	–	139	–	–
At 28 October 2001	9,175	1,558	1,281	16,689	28,703
Being					
Cost	6,939	850	–	16,689	24,478
Valuation – 1988	2,236	708	–	–	2,944
Valuation – 1994	–	–	775	–	775
Valuation – 1995	–	–	451	–	451
Valuation – 1996	–	–	55	–	55
	9,175	1,558	1,281	16,689	28,703
Aggregate depreciation					
At 27 August 2000	1,150	381	–	9,342	10,873
Amount charged to profit and loss account	187	57	–	1,908	2,152
On disposals	(122)	(7)	–	(1,509)	(1,638)
At 28 October 2001	1,215	431	–	9,741	11,387
Net book values					
At 28 October 2001	7,960	1,127	1,281	6,948	17,316
At 27 August 2000	7,445	931	1,142	6,043	15,561

9. Tangible fixed assets (continued)

Cosalt plc

	Freehold Properties £000s	Short Leasehold Properties £000s	Freehold Investment Properties £000s	Plant £000s	Total £000s
Cost and valuation					
At 27 August 2000	8,561	1,022	1,142	38	10,763
Additions	87	–	–	3	90
Disposals	(326)	–	–	–	(326)
Reclassifications	(139)	–	139	–	–
At 28 October 2001	8,183	1,022	1,281	41	10,527
Being					
Cost	5,944	314	–	41	6,299
Valuation – 1988	2,239	708	–	–	2,947
Valuation – 1994	–	–	775	–	775
Valuation – 1995	–	–	451	–	451
Valuation – 1996	–	–	55	–	55
	8,183	1,022	1,281	41	10,527
Aggregate depreciation					
At 27 August 2000	1,140	298	–	33	1,471
Amount charged to profit and loss account	175	23	–	3	201
On disposals	(122)	–	–	–	(122)
At 28 October 2001	1,193	321	–	36	1,550
Net book values					
28 October 2001	6,990	701	1,281	5	8,977
At 27 August 2000	7,421	724	1,142	5	9,292

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

(b) Investment properties were professionally valued in 1994, 1995 or 1996 at open market value and the Directors are of the opinion that there is no significant difference at 28 October 2001.

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

(d) Group assets costing £6,041,000 (2000: £6,121,000) have been fully depreciated and are still in use.

(e) Group plant includes assets at cost of £2,515,000 (2000: £1,541,000) and accumulated depreciation of £1,304,000 (2000: £1,541,000) which are leased to third parties and have generated income of £1,159,000 (2000: £588,000) during the period.

(f) On the adoption of FRS15 in August 2000 the book value of land and buildings has been retained at the valuation at this date.

9. Tangible fixed assets (continued)

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

	The Group		Cosalt plc	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Cost	7,574	8,408	—	—
Depreciation	4,341	4,639	—	—
Net book values	3,233	3,769	—	—

If land and buildings had not been revalued subsequent to 1978, they would have been included at the following amounts:

	The Group		Cosalt plc	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
At valuation or cost at				
31 December 1978	2,303	2,303	2,303	2,303
Subsequent additions at cost	11,085	9,976	9,470	9,521
At 28 October 2001	13,388	12,279	11,773	11,824
Accumulated depreciation	2,787	2,553	2,482	2,294
	10,601	9,726	9,291	9,530

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:

	The Group		Cosalt plc	
	Freehold £000s	Short Leasehold £000s	Freehold £000s	Short Leasehold £000s
28 October 2001	8,384	1,572	7,481	927
27 August 2000	7,796	1,217	7,762	927

Future capital expenditure

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
Contracted for but not provided for in the accounts	20	88	—	2

10. Investments

	The Group		Cosalt plc	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Shares in Subsidiary Undertakings				
at cost	—	—	13,771	5,842
Less amounts written off	—	—	3,113	3,113
	—	—	10,658	2,729

Details of Subsidiary Undertakings are shown in the activities section on page 44.

11. Stocks

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
Raw materials	3,311	2,799	-	-
Work in progress	1,182	1,595	-	-
Finished goods and goods for resale	16,941	9,468	-	65
	21,434	13,862	-	65

12. Debtors

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
Trade debtors	26,631	17,450	1	21
Amounts due from Subsidiary Undertakings				
less provisions	-	-	21,969	16,608
Corporation tax recoverable	628	276	391	57
Other taxation recoverable	635	302	66	175
Other debtors	132	55	-	-
Prepayments and accrued income	2,198	1,524	182	144
	30,224	19,607	22,609	17,005

13. Creditors

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
<i>Amounts falling due within one year</i>				
Loans other than from banks	90	-	557	557
Bank loans and overdrafts	5,729	2,122	4,969	1,238
	5,819	2,122	5,526	1,795
Trade creditors	19,531	14,184	-	1
Amounts owed to Subsidiary Undertakings	-	-	3,431	1,930
Corporation tax	1,116	1,418	27	51
Other taxation	1,225	723	99	96
Social security	324	220	63	63
Other creditors	5,212	2,317	39	38
Accruals and deferred income	3,919	2,462	1,047	309
Dividends payable	1,433	1,322	1,433	1,322
Obligations under finance leases (note 18)	711	722	-	-
	39,290	25,490	11,665	5,605
<i>Amounts falling due after more than one year</i>				
Bank loans	6,291	1,175	6,291	1,175
Obligations under finance leases (note 18)	1,067	1,547	-	-
	7,358	2,722	6,291	1,175

Included within other creditors of the Group are advances of £4,843,000 (2000: £2,232,000) under a debtor financing agreement.

13. Creditors (continued)

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
<i>Analysis of gross borrowings</i>				
Loans repayable within 5 years:				
<i>Unsecured loans</i>				
Undated debenture held by a Subsidiary				
Undertaking, interest at 12% deferred	-	-	557	557
1996/2004 at 1% below bank base rate	90	-	-	-
2000/2001 at 1% above bank base rate	-	800	-	800
2000/2004 at 7.7%	-	433	-	433
2000/2004 at 7.6%	-	680	-	680
2000/2004 at 1% above bank base rate	-	500	-	500
2000/2006 at 6.4%	1,375	-	1,375	-
2000/2008 at 1.25% above bank base rate	6,167	-	6,167	-
	7,632	2,413	8,099	2,970
Total loans	7,632	2,413	8,099	2,970
Bank overdrafts	4,478	884	3,718	-
Other advances	4,843	2,232	-	-
Total gross borrowings	16,953	5,529	11,817	2,970
<i>Repayment of gross borrowings</i>				
Bank borrowings				
Over five years	1,435	-	1,435	-
Between two and five years	3,625	737	3,625	737
Between one and two years	1,231	438	1,231	438
	6,291	1,175	6,291	1,175
Within one year or on demand	10,572	4,354	4,969	1,238
Gross bank borrowings	16,861	5,529	11,260	2,413
Other loans				
Within one year or on demand	90	-	557	557
Total gross borrowings	16,953	5,529	11,817	2,970
<i>Net borrowings</i>				
Gross borrowings	16,953	5,529	11,817	2,970
Cash at bank and in hand	(2,710)	(4,184)	-	(654)
	14,243	1,345	11,817	2,316

14. Provisions for liabilities and charges**The Group**

	Reorganisation Provisions £000s	Pension Provisions £000s	Other Provisions £000s	Deferred Taxation £000s	Total £000s
At 27 August 2000	—	402	409	91	902
On acquisition of subsidiaries	—	—	260	20	280
Deferred taxation	—	—	—	(89)	(89)
Utilised	—	—	(669)	—	(669)
Released	—	(186)	—	—	(186)
Charge to the profit and loss account during the period	352	—	638	—	990
At 28 October 2001	352	216	638	22	1,228

Cosalt plc

	Pension Provisions £000s	Other Provisions £000s	Deferred Taxation £000s	Total £000s
At 27 August 2000	402	181	(95)	488
Deferred taxation	—	—	54	54
Utilised	—	(150)	—	(150)
Released	(186)	—	—	(186)
Charge to the profit and loss account during the period	—	34	—	34
At 28 October 2001	216	65	(41)	240

Other provisions include rectification cost, product warranty and liability provisions.

Analysis of deferred taxation:

	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Accelerated capital allowances	163	228	24	26
Pension timing difference	(65)	(121)	(65)	(121)
Other timing differences	(76)	(16)	—	—
	22	91	(41)	(95)

No provision has been made in respect of accelerated tax allowances £315,000 (2000: £251,000) arising on properties used within the trade.

15. Called up share capital

	2001 £000s	Authorised 2000 £000s	Issued and fully paid 2001 £000s	2000 £000s
7.50% Cumulative Preference Shares of £1 each	250	250	50	50
Ordinary Shares of 25p each	3,700	3,700	3,117	3,117
	3,950	3,950	3,167	3,167

There are options in existence under the various Executive Share Option Schemes in respect of the following ordinary shares:

Option granted	Number of shares	Period of option	Price per share
December 1994	28,000	December 1997 to December 2004	140p
December 1996	14,000	December 1999 to December 2006*	212p
February 1997	7,250	February 2000 to February 2007*	219.50p
February 1997	52,750	February 2000 to February 2004*	219.50p
December 1997	70,000	December 2000 to December 2004*	232.50p
December 1998	105,000	December 2001 to December 2005*	204.5p
April 2000	67,700	April 2003 to April 2010*	179.50p
April 2000	51,300	April 2003 to April 2007*	179.50p
April 2001	95,000	April 2004 to April 2008*	222.50p
April 2001	11,000	April 2004 to April 2011*	222.50p

* Performance criteria of an increase in earnings per share of 2% per annum above the Retail Price Index over a rolling three year period must be achieved before exercise is permitted.

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 interests affected.

16. Reserves**(a) Reconciliation of movements in shareholders' funds**

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
Profit for the financial period	4,197	4,165	3,664	1,881
Dividends	(2,092)	(1,971)	(2,092)	(1,971)
	2,105	2,194	1,572	(90)
Shares issued	-	81	-	81
Net increase/(decrease) in shareholders' funds for the period	2,105	2,275	1,572	(9)
Opening shareholders' funds	23,919	21,644	22,452	22,461
Closing shareholders' funds	26,024	23,919	24,024	22,452

Shareholders' funds include the following non-equity interests:

7.50% Cumulative Preference Shares of £1 each	50	50	50	50
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Details of the rights attaching to these shares are shown in note 15.

(b) Reserves

	Share Premium Account £000s	Revaluation Reserve £000s	Investment Property Revaluation Reserve £000s	Other Reserves £000s	Profit and Loss Account £000s	Total £000s
The Group						
At 27 August 2000	2,321	470	67	1,148	16,746	20,752
Profit for the period	-	-	-	-	2,105	2,105
At 28 October 2001	2,321	470	67	1,148	18,851	22,857
Cosalt plc						
At 27 August 2000	2,321	645	67	814	15,438	19,285
Profit for the period	-	-	-	-	1,572	1,572
At 28 October 2001	2,321	645	67	814	17,010	20,857

Other Reserves include Capital Redemption Reserve £814,000 (2000: £814,000) for both the Group and Cosalt plc.

Accumulated acquisition goodwill written off directly to Group reserves up to 31 August 1998 amounts to £2,112,000.

17. Contingent liabilities

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
(a) Under guarantee of overdrafts and loans of Subsidiary Undertakings	-	-	7,877	4,644
(b) Deferred interest under a debenture held by a Subsidiary Undertaking	-	-	1,799	1,732
(c) Cosalt plc has also guaranteed leasing and other arrangements of Subsidiary Undertakings in the ordinary course of business.				

18. Leasing obligations

(a) Future commitments due under finance leases are:

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
Within one year	789	829	-	-
Between two and five years	1,121	1,638	-	-
In five years or more	-	31	-	-
	1,910	2,498	-	-
Less: future finance charges	132	229	-	-
	1,778	2,269	-	-
Shown in creditors (note 13) as:				
Amounts falling due within one year	711	722	-	-
Amounts falling due after more than one year	1,067	1,547	-	-
	1,778	2,269	-	-

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

	2001 £000s	The Group 2000 £000s	2001 £000s	Cosalt plc 2000 £000s
(i) Land and buildings				
Leases which expire within one year	42	44	-	33
Between two and five years	301	134	-	-
In five years or more	712	517	33	76
	1,055	695	33	109
(ii) Plant				
Leases which expire within one year	148	55	1	-
Between two and five years	619	616	22	22
In five years or more	69	-	-	-
	836	671	23	22

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

19. Pension commitments

The Group operates several pension schemes, the major one being of the funded defined benefit type. This scheme was closed to new entrants on 25 July 2000 and replaced by a defined contribution scheme. The assets of the defined benefit schemes are held in separate trustee administered funds.

The Group has continued to account for pensions in accordance with Statement of Standard Accounting Practice 24 (SSAP24) and the disclosures given in a) below are those required by that accounting standard.

A new pension cost accounting standard – Financial Reporting Standard 17 (FRS17) was issued in November 2000 and although full compliance is not mandatory for the Group until the year ending October 2003, prior to this, transitional disclosure rules apply and these additional disclosures are set out in b) below.

a) SSAP24 Pension Costs

Contributions to the main scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. Contributions are determined by a qualified actuary on the basis of the triennial valuations.

The latest actuarial valuation of the main scheme was carried out as at 31 December 1999. The valuation employed the projected unit method of valuation for liabilities. The main scheme has subsequently been closed to new entrants. Other things being equal, over the long term, this is expected to lead to a gradual increase in the age profile and hence contribution rate. However, this increasing contribution rate will be applied to a gradually reducing pensionable salary roll as people retire or cease membership.

The scheme's assets were valued using a market based valuation approach.

The main long-term assumptions adopted for the purpose of deriving the pension costs in these accounts were that the investment return would be 7.5% p.a.; that basic salaries would increase by 4% p.a., and that the lower earnings limit offset would increase by 3% p.a. Present and future pensions have been assumed to increase at the rate of 5% per annum (pre April 1994 accrual) and by 2.75% p.a. (post April 1994 accrual; non GMP element only).

At the start of this financial period, the market value of the assets was £24,233,000 and, using the assumptions noted above, this was sufficient to cover 93% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

As at 31 December 1999 the funding level as calculated under the prescribed assumptions of the Minimum Funding Requirement (MFR) of the Pensions Act 1995 was 94%.

The actuarial deficit disclosed by the 1999 valuation is being spread as a level percentage of salaries over the average remaining working life of the membership (13 years).

As a result, it was agreed that the company would pay contributions at the rate of 23.1% of pensionable salaries per annum from 1 January 2001, subject to an annual funding review by the actuary. This rate was certified by the scheme actuary as being sufficient to comply with the requirements of the MFR.

The pension cost, derived under SSAP24, in respect of the main scheme charged in these accounts was £816,000 (2000 : £284,000). This includes an additional charge of £186,000 (2000 deduction of £198,000) in respect of the amortisation of the balance sheet provision and scheme shortfall existing at the start of the financial period.

An amount of £216,000 (2000 : £402,000) is included in provisions for liabilities and charges, this being the excess of the accumulated pension cost charged against profit over the amount paid to the scheme.

19. Pension commitments (continued)**b) FRS17 Disclosures**

Under transitional arrangements, the Company is required to disclose the following information about the Scheme and the figures that would have been shown under FRS17 in the current balance sheet.

The latest formal valuation of the Scheme was carried out as at 31 December 1999. The valuation of liabilities detailed below has been derived by projecting forward the position from 31 December 1999 to 28 October 2001.

Contributions over the 61 week period ending 28 October were paid as follows:

	Up to 31 December 2000 % Pensionable Pay	1 January 2001 to 28 October 2001 % Pensionable Pay
Company	10.4	23.1
Members	6	6

FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS17 value of liabilities at 28 October 2001 was approximately £28.7m and the market value of assets was £21.6m, giving a Scheme deficit of £7.1m.

In calculating the liabilities of the Scheme, the following financial assumptions have been used:

Discount rate	5.7% p.a.
Pensionable Salary Growth	Nil (2002 – 2004) 2.3% p.a. (thereafter)
LPI	2.3% p.a.
Pensions-in payment increases (LPI related)	2.3% p.a.

Deferred pensions are re-valued to retirement age in line with the scheme rules and statutory requirements.

The market value of the assets of the Scheme as at 28 October 2001, together with the expected rate of return over the following year is as follows:

	£000s	%	Expected Return (% p.a.)
Equities	12,900	60	7.0
Property	1,300	6	7.0
Bonds	7,200	33	4.7
Other	200	1	4.5
Total	21,600	100	6.2

The notional balance sheet liability at 28 October 2001 was:

	£000s
Market value of scheme's assets	21,600
Actuarial value of scheme liabilities	(28,700)
Scheme deficit	(7,100)
Related deferred tax asset	2,130
Net pension liability	(4,970)
Group net assets excluding pension liability	26,024
Net pension liability	(4,970)
Group net assets including pension liability	21,054
Group profit and loss reserve excluding pension liability	18,851
Net pension liability	(4,970)
Group profit and loss reserve including pension liability	13,881

19. Pension commitments (continued)

Potential volatility of valuations under FRS17

The method of calculating the net pension liability or asset under FRS17 is likely to lead to volatility in the amount to be included in the Group's balance sheet when this accounting standard is fully adopted in the year ended October 2003 and thereafter.

The scheme liabilities are measured by reference to long-term AA corporate bond yields that can move substantially and rapidly according to market conditions. The yield on the AA corporate bond index used was in the range 5.7% to 6.8% in the 14 months prior to the balance sheet date.

The scheme's assets, the majority of which are in equities, are also subject to large market movements.

During the 14 months prior to the balance sheet date, the FTSE All Share Index moved between 32% higher and 14% lower than its value at the balance sheet date.

20. Reconciliation of operating profit to cash flow from operating activities

	2001 £000s	2000 £000s
Operating profit	7,794	6,944
Depreciation	2,152	1,381
Amortisation of goodwill	60	–
(Gain)/Loss on property disposal	(59)	30
Capital grants income release	(33)	(29)
Decrease/(increase) in stocks	2,859	(2,814)
(Increase) in debtors	(2,099)	(388)
(Decrease)/increase in creditors	(2,418)	1,926
(Decrease) in provisions	(186)	(294)
Net cash inflow from operating activities	8,070	6,756

21. Analysis of changes in net debt

	At 27 August 2000 £000s	Cash Flows £000s	Subsidiaries Acquired £000s	Other Non Cash Changes £000s	At 28 October 2001 £000s
Cash in hand and at bank	4,184	(1,474)	–	–	2,710
Overdrafts	(884)	(3,594)	–	–	(4,478)
Advances due within one year	(2,232)	(2,611)	–	–	(4,843)
	1,068	(7,679)	–	–	(6,611)
Debt due within one year	(1,238)	3,196	(615)	(2,684)	(1,341)
Debt due after one year	(1,175)	(7,800)	–	2,684	(6,291)
Finance leases	(2,269)	941	(208)	(242)	(1,778)
Total	(3,614)	(11,342)	(823)	(242)	(16,021)

22. Acquisitions

The principal acquisition on 23 April 2001, was that of SEET plc for a total consideration of £6,224,000. SEET plc was a clothing manufacturer which operated in niche markets, principally schoolwear, children's clothing and protective clothing for industry. For the financial year to 31 December 2000, SEET plc reported a profit before tax of £616,334. A summarised profit and loss account and statement of total recognised gains and losses of SEET plc for the period 1 January 2001 to 23 April 2001 being the period from the beginning of its financial year to the effective date of acquisition are shown below:

	1 January 2001 to 23 April 2001 £000s
Turnover	9,039
Operating losses	(658)
Interest	(149)
Loss before taxation	(807)
Tax	249
Loss for the financial period and total recognised losses	(558)

During the period, the Group made three other acquisitions. These were:

Company	Consideration £000s
Kenmore Technical Services Limited – 29 March 2001	193
A company engaged in the installation and service of fire protection systems	
W & R Lewis Limited – 2 April 2001	1,018
A rope and netting distribution company	
Marine & Lifting Services Limited – 7 September 2001	494
A company engaged in rigging and testing for marine markets	

The table opposite sets out the book value of the identifiable assets and liabilities acquired as a result of these acquisitions and their fair value to the Group.

The final consideration payable for acquisitions, with the exceptions of SEET plc and W & R Lewis Limited, is to be determined by earn-out periods and therefore the final amounts payable have been estimated.

22. Acquisitions (continued)

As a substantial acquisition for the Group, the details of the SEET plc acquisition are shown separately below:

	Acquisition of SEET plc					
	Book Value £000s	Fair value adjustments £000s	Accounting policy realignment £000s	Value to Group £000s	Other Acquisitions £000s	Total £000s
Fixed assets						
Tangible fixed assets	2,534	103	(89)	2,548	165	2,713
Current assets						
Stocks and work in progress	10,485	(448)	–	10,037	432	10,469
Debtors	14,827	(98)	–	14,729	977	15,706
Cash at bank	531	–	–	531	250	781
	25,843	(546)	–	25,297	1,659	26,956
Creditors amounts falling due within one year						
Bank overdrafts	5,589	–	–	5,589	49	5,638
Loans	463	–	–	463	152	615
Creditors	17,034	(204)	–	16,830	679	17,509
	23,086	(204)	–	22,882	880	23,762
Creditors amounts falling due after more than one year	110	–	–	110	6	116
Provisions for liabilities and charges	152	33	(95)	280	–	280
Net assets	5,029	(272)	(184)	4,573	938	5,511
Goodwill on acquisition				1,651	767	2,418
Consideration				6,224	1,705	7,929
Fair value of consideration						
Cash				5,688	1,392	7,080
Deferred consideration				–	280	280
Acquisition expenses				536	33	569
				6,224	1,705	7,929

Analysis of the net outflow of cash in respect of the acquisitions is as follows:

Cash (including acquisition expenses)	6,224	1,425	7,649
Cash and bank balances acquired	(531)	(250)	(781)
Bank loans and overdrafts acquired	5,589	49	5,638
Net cash outflow	11,282	1,224	12,506

The adjustments to fixed assets are to reflect the additional depreciation required to bring the treatment of certain assets in line with group policy and under valuation of freehold properties.

The book value of stock and work in progress has been adjusted to reduce slow moving and obsolete stock down to their estimated net realisable values.

Adjustments to debtors comprise provisions for bad and doubtful debts in accordance with group policies.

The fair value adjustments shown above are provisional figures based upon the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available regarding these estimates.

There were no fair value adjustments in respect of the Other Acquisitions.

23. Analysis of changes in financing during the period

	Share capital (including premium)		Loans and finance lease obligations	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Balance at 27 August 2000	5,488	5,407	4,682	6,261
On acquisition of subsidiary	-	-	823	-
Inception of finance lease contracts	-	-	242	517
Cash inflows from financing	-	81	7,800	500
Cash outflows from financing	-	-	(4,137)	(2,596)
Balance at 28 October 2001	5,488	5,488	9,410	4,682

24. Related party transactions

Transactions with Directors of the Company are set out in the Remuneration Report on pages 13 and 14.

25. Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate movements, currency fluctuations and liquidity. The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate caps to reduce the Group's financial exposure.

Liquidity risk

The Group aims to maintain a balance between flexibility and continuity of funding by having a range of maturities on its borrowings. Flexibility is provided by overdrafts and debtor financing which, due to the seasonal nature of many of its businesses, fulfils a requirement for significant short-term funding in these seasonal peaks.

Foreign currency risk

Although the Group does not have significant sales in foreign currency there is an increasing amount of purchases made in foreign currency. The Group's policy is to eliminate currency exposure by the use of forward currency contracts.

Interest rate risk

The Group's policy is to maintain a mixture of fixed and floating rate borrowings. The acquisition of SEET plc during the period has increased borrowings for the Group. In order to provide protection against significant interest rate rises the Board decided to purchase a cap to cover the consideration money on the SEET of £6.3m plus an element of core borrowings of £4m. The amount covered by the cap reduces in line with the repayments on the medium term loan. A floor was taken out on the same basis in order to minimise the premium for this cover.

25. Financial instruments (continued)**Interest Rate Profile of Financial Liabilities**

	At 28 October 2001 £000s	At 27 August 2000 £000s
Fixed rate financial liabilities	3,153	3,382
Floating rate financial liabilities	5,411	4,416
Floating rate financial liabilities subject to interest rate cap and floor	10,167	—
	18,731	7,798

The weighted average interest rate on the fixed rate financial liabilities is 6.4% and the weighted average maturity period is 4 years 7 months. Interest on floating rate liabilities is based on bank base rate. The interest rate cap is at 6.75% and the floor at 4.98% both mature in May 2008.

At the period end the Company had £15,122,000 undrawn facilities relating to bank overdrafts.

Fair Value of Financial Instruments

	At 28 October 2001		At 27 August 2000	
	Book Amount £000s	Fair Value £000s	Book Amount £000s	Fair Value £000s
Cash	2,710	2,710	4,184	4,184
Short term debt and current portion of long term debt	(11,373)	(11,373)	(5,076)	(5,076)
Long term debt	(7,358)	(6,129)	(2,722)	(2,368)
Interest rate cap	—	74	—	—
Interest rate floor	—	(206)	—	—
Forward contracts	—	33	—	34
Total Financial Instruments	(16,021)	(14,891)	(3,614)	(3,226)

£495,000 (2000: £14,000) of the cash at bank and in hand is held in foreign currency deposits.

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 are their market values at the balance sheet date.

Gains and Losses on Hedges

	Gains £000s	Losses £000s	Total Net Gains/(Losses) £000s
Unrecognised gains and losses at 27 August 2000	52	18	34
Gains and losses arising in the 61 weeks ended 28 October 2001 that were unrecognised at 27 August 2000	52	18	34
Unrecognised gains and losses at 28 October 2001	116	215	(99)
Gains and losses expected to be recognised in the year to 27 October 2002	42	73	(31)

Industrial Services

Cosalt International Limited

With its Head Office in Grimsby and operations in Aberdeen, Birkenhead, Bristol, Edinburgh, Fraserburgh, Glasgow, Grimsby, Lowestoft, Milford Haven, Newlyn, North Shields, Plymouth, Portsmouth, Southampton and Wakefield.

Manufacture, supply and service of marine and industrial safety products and clothing, including products under the brand names of Cosalt, Youngs, W & R Lewis, Marlif, Kenmore, Perrys, Yak, Marlin and Crewsaver.

Cosalt Workwear Limited, Atherton and Barnsley

Design, manufacture and distribution of workwear and high visibility protective clothing under the brand names of Jenbro, Raven and Workwear Direct.

W & J Knox Limited, Kilbirnie

Manufacture and supply of industrial, sporting, camouflage and safety nets, fish cages and fish farm nets.

W & J Knox Fibres Limited, Kilbirnie

Processing of synthetic carpet yarns and fibres.

Ballyclare Special Products Limited, Ballyclare and Atherton.

Design, manufacture and distribution of specialist protective clothing to military, fire fighting, utilities and police.

Banner Limited, Stockport and Seaham

Design, manufacture and distribution of schoolwear and childrenswear.

Distinctive Clothing Co. Ltd, Newcastle

Design, manufacture and distribution of schoolwear and childrenswear.

Beau Brummel Limited, Seaham

Design, manufacture and distribution of schoolwear.

Leisure Products

Cosalt Holiday Homes Limited, Hull

Design and manufacture of caravan holiday homes, custom homes and chalets and "Kingsform" furniture doors and panels.

Cosalt Lighting Limited, Fleetwood

Design, manufacture and sale of commercial lighting and décor and, through Abbots of Lancaster, stained and coloured glass windows and products.

The companies above are the principal subsidiaries of the Group, are incorporated in England and are wholly owned, with all shareholdings being of ordinary shares.

2002	25 March	Annual General Meeting
	27 March	Final dividend on ordinary shares for 2001
	June	Interim results for 2002 (provisional)
	July	Half-year's dividend on 7.50% Cumulative Preference Shares
	August	Interim dividend on ordinary shares
	27 October	End of accounting year
2003	1 January	Half-year's dividend on 7.50% Cumulative Preference Shares
	January	Preliminary announcement of 2002 results
	February	Publication of Annual Report for 2002
	March	Annual General Meeting (provisional)
	March	Final dividend on ordinary shares (provisional)

Notice is hereby given that the one hundred and twenty ninth Annual General Meeting of Cosalt Public Limited Company will be held at the offices of ING Barings, 60 London Wall, London, EC2M 5TQ, on the 25th day of March 2002 at 12 noon to consider and, if thought fit, pass the following resolutions:

Resolution 1

THAT the Report of the Directors and the audited accounts for the period ended 28 October 2001 be received and adopted.

Resolution 2

THAT a final dividend of 11.50p per ordinary share be paid on 27 March 2002 to all Ordinary Shareholders on the Register on 15 March 2002.

Resolution 3

THAT Mr G H Camamile who retires by rotation be re-elected as a Director.

Resolution 4

THAT Mr J McConnell who retires by rotation be re-elected as a Director.

Resolution 5

THAT KPMG Audit Plc be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

Resolution 6

As Special Business, to consider and, if thought fit, pass the following Ordinary Resolution:

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 and in accordance with the Articles of Association of the Company, to exercise all or any of the powers of the Company to allot relevant securities up to an aggregate nominal amount equal to £582,911. Provided that this authority shall expire at the conclusion of the next Annual General Meeting of the company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding such expiry.

Resolution 7

As Special Business, to consider and, if thought fit, pass the following Special Resolution:

THAT subject to Resolution 6 being passed the Directors pursuant to Section 95 of the Companies Act 1985 ("the Act"), be and they are hereby authorised and empowered pursuant to the Section to allot equity securities (within the meaning of

Section 94(2) of the Act) of the Company as if Section 89(1) of the Act did not apply to such allotment provided that the authority and power contained in this resolution shall be limited as follows:

(a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws or the rules or regulations of any jurisdiction, stock exchange or other regulatory body whatsoever; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities which are or are to be wholly paid up in cash up to an aggregate nominal amount of £155,854, provided further that the authority and power hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or a period of 15 months after the passing of this Resolution, whichever is the earlier, unless such authority is renewed or extended at or prior to such time, save that the Company may before such expiry make any offer, agreement, or other arrangement which would or might require equity securities to be allotted otherwise than in accordance with Section 89 of the Act after expiry of this authority.

Resolution 8

As Special Business, to consider and, if thought fit, pass the following Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of 25p each in the capital of the Company ('ordinary shares') provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 1,246,835;

(b) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased;

(c) the minimum price which may be paid for an ordinary share is the par value of such ordinary share;

(d) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time.

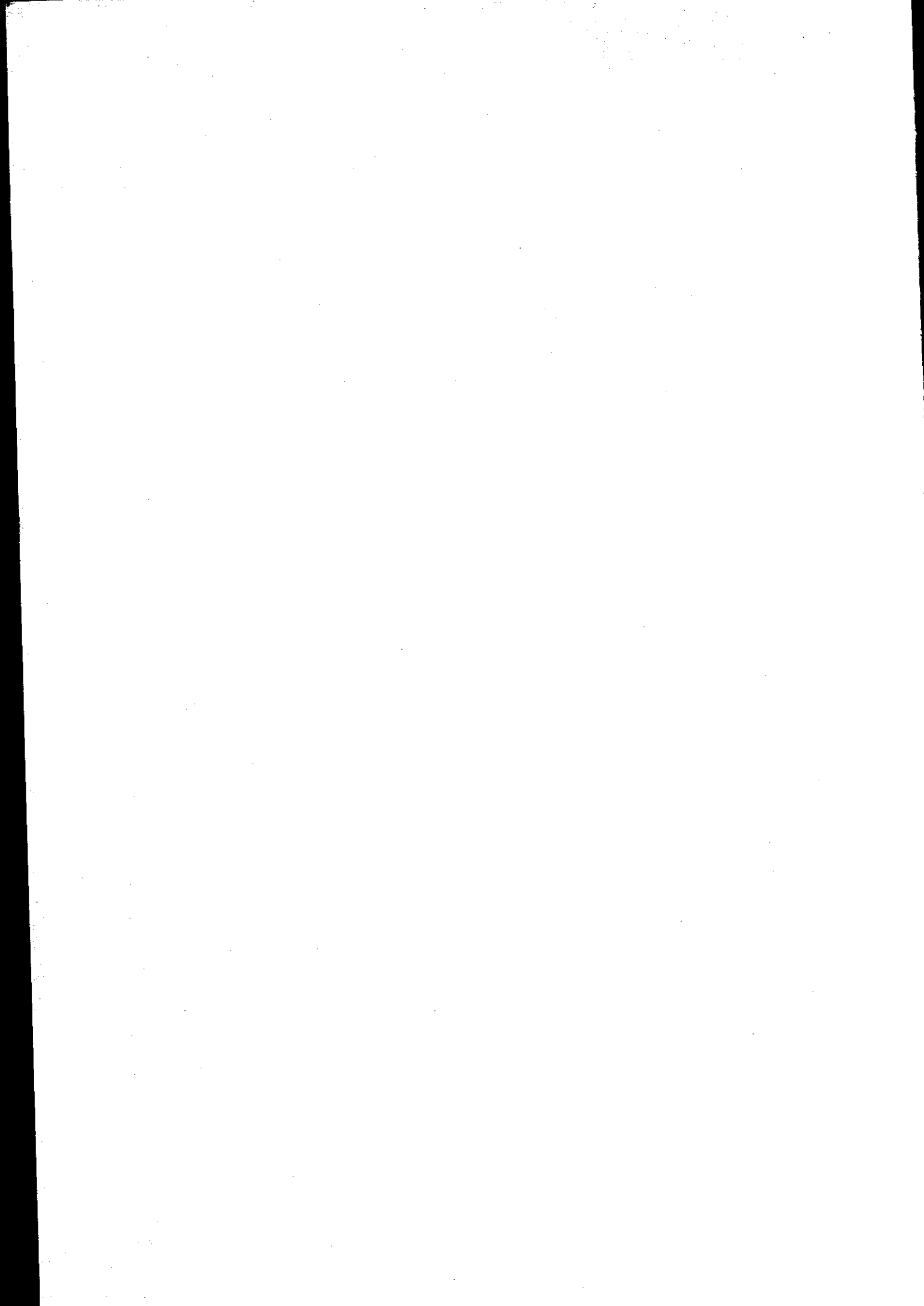
By order of the Board

N R Carrick Secretary
Fish Dock Road Grimsby
28 January 2002

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more proxies to attend and on a poll vote in his stead. The proxy need not be a Member of the Company. Proxies must be lodged at the offices of the Company's Registrars, Computershare Services plc not less than forty-eight hours before the time of the meeting. A form of proxy is enclosed.

2. Dividend Warrants in respect of the dividend, if approved, will be posted on 25 March 2002



(d) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time.

By order of the Board

N R Carrick Secretary
Fish Dock Road Grimsby
28 January 2002

Notes

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