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Chairman
D M Bolton BA*†

Group Managing Director
F W Wood FCA

Finance Director and Company Secretary
N R Carrick FCA

Directors
J A B Kelly RD LLB FCA*†
P T Nevitt
J F Dean FRICS*†
D W Hobdey BSc FCA*†

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 Bank 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
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London EC2M 5TQ

* Member of Audit Committee
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Introduction

I am pleased, in this my first Chairman's Statement, to report that the Group continues to make good progress. As has been previously reported, the year-end was changed last year following the acquisition of SEET plc, and the comparative figures shown against this year's results (for the 52 weeks to 27 October 2002) are for a 61 week period, in which the Group benefited significantly from the seasonal aspect of the Schoolwear activities acquired as part of SEET.

Results

Turnover for the 52 weeks ended 27 October 2002 was £142.70m (61 weeks to 28 October 2001 – £136.32m). Profit before tax was £6.58m, compared with £6.78m for the 61 weeks ended 28 October 2001. This excludes the exceptional items described below.

Earnings per share after exceptional charges and tax were 33.80p (61 weeks to 28 October 2001 – 33.32p as restated).

We are pleased to recommend an increase in the final dividend to 12.00p per ordinary share (2001 – 11.50p), making the total dividend for the year 17.50p, compared with 16.75p for the 61 weeks to 28 October 2001 – an increase of 4.5%. It remains the Board's intention to maintain a progressive dividend policy.

Exceptional items

In the first half of the year, the Group made a profit of £437,000 on the sale and lease-back of a freehold property.

We stated last year that there would be further rationalisation costs to be borne from the integration of the SEET businesses. In the second half, we have charged £852,000 to cover the cost of integrating Cosalt's Workwear business with Ballyclare Special Products Limited, and additionally to provide for the cost of scaling down the Distinctive Schoolwear manufacturing base in Newcastle. We also incurred re-organisation costs in our Lighting business, which are included in the above figure.

Business Review

Industrial Services

Safety & Protection

Our Safety & Protection activity continues to generate healthy profits and cash flows. Whilst the marine markets of Europe have been depressed for most of this year, and continue to be so, we are maintaining a strong market position which is being reinforced by the expansion of our activities into fire protection following last year's acquisition of Kenmore in North Shields. Prospects for further expansion of this activity are good. There are also other acquisitions under review in marine safety.

Cosalt:Ballyclare

As outlined in the Interim Statement, Cosalt's Workwear business has been integrated with Ballyclare Special Products, which was acquired with SEET, and this activity has now been re-branded Cosalt:Ballyclare.

Ballyclare's strengths in high-tech protective garments and related products supplied to the fire, military, police and utility markets complement Cosalt Workwear's leading position in the motor-car distribution and rail maintenance markets. Our ability to offer a widening customer base a complete head-to-toe managed package in these regulation-driven markets is, we believe, an important strength. Moreover, this offering is benefiting from ongoing improvements in overseas procurement, logistical support and wearer-specific packaging.

Whilst profits from this activity are much in line with expectation, they have been held back by the re-organisation outlined above, and the cost of preparing for significant new business (outlined in the Group Managing Director's report), from which we should see benefit in future years.

We have an excellent team of young people in this business and the Board believes its prospects for growth and development are good.

Schoolwear - Childrenswear

We are pleased with the way in which the management of Schoolwear and Childrenswear have responded to the Cosalt style of management. We have strong brands in Banner, Beau Brummel and Distinctive and profitability from these activities has been improved under Cosalt's ownership, as we hoped would be the case when we first contemplated this acquisition. Following the further scaling back of U.K. production capacity and ongoing rationalisation of the brands, the Board believes that prospects for the future are good in this business where Schoolwear is heavily second-half weighted in terms of seasonal profitability.

Whilst the performance of Banner's Fashionwear activities, including Menswear and Ladieswear, is being improved, their future is still under consideration.

Knox Group

Knox Fibres has had a poor year, resulting in operating losses. Whilst prospects at the present time are better, the longer term future of this activity is under review.

The Knox Netting activity maintains a leading position servicing the Scottish fish farming industry. Following a slow start to the year, with depressed salmon prices, the second half performance has been strong and prospects are encouraging – this business certainly features in our long-term plans.

Leisure Products

Cosalt Holiday Homes

Following a very difficult 2001 year, when the market was severely over-stocked, the performance of Holiday Homes has improved significantly, with a good product range in a buoyant market place. Whilst economic conditions may not be as favourable in the coming year, stocks are low, the order book is strong, and the long-standing quality of our management team gives us confidence that this business will continue to do well.

Cosalt Lighting

This small business has incurred losses in a very difficult market place. The UK market for its speciality products has declined dramatically, and whilst it is developing worthwhile business in the US, the future of this activity is under close scrutiny.

Finance

Whilst we obtained additional bank finance last year for the acquisition of SEET and three other smaller acquisitions in Safety and Protection, cash generation from our businesses has been good; we have adequate facilities from our supportive bankers and gearing at the year-end at 61% (2001 – 69%) was in line with our previous projections.

Looking forward, we are developing within Cosalt:Ballyclare long-term managed service contracts on a rental basis, for which facilities are in place. Cash management continues to be a top priority.

Pensions

Mention of FRS17 was made in the Chairman's Statement last year and shareholders will see in note 19 to the accounts that the deficit on the Defined Benefits Plan has increased, after deferred tax credit, to £7.99m (28 October 2001 – £4.97m).

In accordance with accounting convention, the FRS17 calculation continues to be shown not in the Group accounts, but as a note to the balance sheet. It is not yet known on what basis this will, ultimately, have to be incorporated into the Group accounts.

In the meantime, the charge through the profit and loss account has increased under the SSAP24 standard from £0.82m in 2001 to £1.14m in the year to October 2002.

The Defined Benefits Plan was closed to new members in 2000. We have frozen pensionable salaries for three years from April 2002, and there will be a further reduction in future early retirement benefits implemented in April 2003, together with a significant increase in the contributions made by employed members.

Directors and Management

This is my first report as Chairman, having succeeded Gerry Camamile, who retired on 31 October 2002. Gerry's contribution in 33 years as a Board member, including 8 years as Chairman, was immense. His commitment, excellent judgement and friendship with Directors and senior management alike will be sadly missed.

Also, John McConnell retired in October, with our thanks for his contribution since 1996.

During the past year, David Hobdey (40) and James Dean (48) have been welcomed on to the Board as Non-Executive Directors and I believe that we have an excellent combination of experience and talent, ensuring a stable hand-over.

Bill Wood and Neil Carrick continue to provide strong leadership to Cosalt's experienced executive team, and I would like to thank both them, their staff and employees for their continuing dedication and efforts on behalf of the Group.

Outlook

Despite the continuing background of economic uncertainty and the fact that there is still more to be done to realise the full potential from the activities acquired from SEET, the Board believes that the changes resulting from the recent acquisitions, creating a better business mix and improving quality of earnings, give it grounds for optimism

David M. Bolton

D M Bolton
Chairman

27 January 2003

Overview

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

	52 weeks ended 27 October 2002 £m	61 weeks ended 28 October 2001 £m
Turnover:		
Industrial Services	**85.97**	78.48
Leisure Products	**56.73**	57.84
	142.70	136.32
Operating Profit:		
Industrial Services	**4.50**	5.34
Leisure Products	**3.56**	3.12
	8.06	8.46
Goodwill and exceptional items	**(0.97)**	(0.67)
Total Operating Profit	**7.09**	7.79
Profit on disposal of fixed asset	**0.44**	–
Profit before interest and tax	**7.53**	7.79

Making comparisons between 2002 and the previous year is complicated by the fact that we benefitted last year from seasonally high profits in the Schoolwear activity of SEET plc, which was acquired in April 2001. In addition, we also enjoyed nine extra trading weeks following the change of year-end to October.

However, 2002 has been a year of good progress, with the successful integration into the Group of the SEET businesses, and of Kenmore, Lewis and Marlift, also acquired last year, in the Safety & Protection business.

Review of Operations

Industrial Services

Safety & Protection

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

This business, including Crewsaver – the leading brand of inflatable life-jackets – has once again achieved a satisfactory result, with an operating profit for the year of £1.58m (61 weeks to October 2001 – £1.89m).

Whilst there is a lack of activity generally in the marine safety markets throughout Europe, we continue to maintain and strengthen our market leading position, and once again the business achieved a good return and cash generation for the Group.

Following the acquisition of Kenmore, we are developing across the branch network the specialised activity of inspecting and servicing fire safety equipment and breathing apparatus, largely in marine markets. Prospects for the continued development of this activity are good.

Cosalt:Ballyclare

During the 2002 year, Ballyclare Special Products (formerly part of SEET) has been integrated with Cosalt Workwear and the combined activity was re-branded as Cosalt:Ballyclare. This business designs, manufactures and procures high visibility protective clothing, high-tech fire protection garments and image workwear and corporate wear, which it supplies to a wide range of markets, including the MOD, a number of regional fire brigades, police forces, utilities, motor dealerships and rail maintenance companies.

Whilst there have been exceptional charges incurred on the re-organisation (as the Chairman outlines in his report), the integration of the two businesses is now complete. UK factory capacity has been reduced, costs taken out, customer service teams re-focussed and logistical support and overseas procurement strengthened.

Notwithstanding that management has concentrated on implementing these changes, the business improved its operating profits in 2002 to £1.35m (61 weeks to October 2001 – £1.02m).

Our strategy is to continue to develop the offering of a complete managed service, incorporating a variety of high tech garments, to a wide range of public and similar bodies, and to other regulation driven markets. To this end, we are delivering at the present time over £3m of products to the South East England Consortium of fire brigades at the commencement of a seven year managed contract. Additionally, we have good forward orders from the MOD, Translink and the Post Office.

With the cost of capital being incurred largely in the early years, this is likely to lead to profitability on managed contracts being stronger in the later years.

We have a fine, committed management team at Cosalt:Ballyclare and prospects are good.

Schoolwear - Childrenswear

The Banner and Distinctive businesses (an important part of SEET) are involved principally in the manufacture, procurement and distribution of Schoolwear and Childrenswear together with Menswear and Ladieswear interests. The principal brands are Banner, Beau Brummel and Distinctive.

Operating profits at £1.36m for the year to October 2002 are close to the £1.52m achieved in the 61 weeks to 28 October 2001, notwithstanding the fact that last year only included the seasonally strong second half of the trading year.

I am pleased with the way in which the key managers in these businesses have responded to the Cosalt style of management and disciplines, and we are making good progress in taking out cost, developing overseas procurement, improving designs and creating better margins.

In Schoolwear, we are a market leader in supplying independent schools, and the Childrenswear business has several interesting niche markets.

Knox Group

Knox Netting manufactures and services net cages, principally for the Scottish fish farming industry and, additionally, manufactures industrial, sporting, safety and camouflage netting. Knox Fibres processes synthetic carpet yarns and fibres. 2002 was a very disappointing year for these businesses, with operating profits declining to £223,000, compared with £934,000 in the 61 weeks to October 2001. Both activities were adversely affected in the aftermath of the 11 September tragedy, but our market leading fish farm netting supply and service business had a strong finish to the year and prospects continue to be good.

As the Chairman outlines in his Statement, the future of the Fibres activity is under review.

Leisure Products

Cosalt Holiday Homes

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 Cosalt Holiday Homes and other customers.

2001 was a difficult year, but with a strong product range and a buoyant market place, operating profits for Holiday Homes in 2002 were 18.9% ahead at £3.72m (61 weeks to 28 October 2001 – £3.13m).

Not only has the caravan holiday homes business performed well, but it is pleasing to see growth in the leisure custom homes activity, which now makes a valuable contribution to the overall profitability of the Group.

The winter order book for both retail products and hire fleet units, for the major park operators at home and abroad, is good. I am confident that this business will continue to produce a good return and to generate cash for the Group, even if the market – as I anticipate – turns out to be somewhat less buoyant in the second half of the year.

Cosalt Lighting

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

Operating losses increased during the 2002 year to £160,000, as turnover fell to £2.05m, compared with £3.00m in the 61 weeks to October 2001. However, costs have been reduced and the business, once again, rationalised. We are making good progress in developing sales into the US market, but activity in the UK continues to decline. The future of this business is under review.

Capital Expenditure

Capital expenditure in the 52 weeks to October 2002 was £2.14m compared with £1.72m incurred in the 61 weeks to October 2001. The depreciation charge was £2.35m.

In addition to the above, £2.69m of garments were capitalised in connection with the managed contract with the South East Consortium of fire brigades. This was part of a delivery of over £3m of garments being supplied to the Consortium in January 2003.

Balance Sheet - Borrowings

The balance sheet of the Group continues to strengthen and Shareholders' Funds increased during the year from £25.54m (as restated) to £27.58m.

Cash control continues to be good. Gearing increased last year as a result of the four acquisitions but at the October 2002 year-end was slightly better than previously forecast at 61% (October 2001 – 69%), a reflection both of the cash generative nature of Cosalt's businesses and Cosalt's ability to manage tightly its cash resources.

As I outlined last year, £6.3m of new acquisition funding was arranged through a 7 year term loan with interest rates capped.

We anticipate that in the coming year, as a result of capital being employed in new managed contracts, gearing may remain around current levels. We continue to have excellent working relationships with our bankers and to operate within their covenants.

Outlook

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

Notwithstanding that our senior management team has been engaged during the year in further rationalisation of the UK manufacturing base and the integration of the SEET businesses into the Group, linked to fostering a change in the management culture of those activities acquired, we have completed another year of significant progress. The balance sheet has continued to strengthen and the dividend has been increased for the ninth consecutive year.

Equally as important as that achievement, however, is the fact that the nature of the Group's earnings is acquiring what we believe to be a more reliable and sustainable quality.

We have important brands in caravan holiday homes, marine safety, fish farming, fire protection, workwear and schoolwear. The drive and ambition of the Divisional teams, combined with the disciplines imposed from the centre, will continue to strengthen these – which means, in summary, that the future is promising.

Bill Wood
Group Managing Director

27 January 2003

The Directors present their report with the accounts for the 52 weeks ended 27 October 2002.

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 27.

The Directors recommend a final dividend of 12.00p per ordinary share, making a total of 17.50p for the year which absorbs £2,184,000. If approved at the Annual General Meeting, the final dividend will be paid on 26 March 2003 to shareholders on the Register on 14 March 2003.

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

Mr P T Nevitt retires by rotation and, being eligible, offers himself for re-election.

Mr J F Dean and Mr D W Hobdey having been appointed as Directors since the last Annual General Meeting offer themselves for re-election. They do not have Service Contracts 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 J A B Kelly (61) 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 (61) joined the Board on 18 July 1994. He is a graduate of Oxford University and a consultant with the London based firm of solicitors, Richards Butler. He has over 30 years experience in corporate law practice.

Mr J F Dean (48) FRICS joined the Board on 1 July 2002. He is a director of the financial and commercial property divisions of Savills plc and holds other quoted and private directorships.

Mr D W Hobdey (40) joined the Board on 23 September 2002. He is a Chartered Accountant and is a Corporate Finance Partner with Brown Butler, a Leeds based firm of chartered accountants. He has a broad background in corporate finance and is a graduate of Leeds University.

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	28 Oct 2001	27 Oct 2002	27 Jan 2003
F W Wood	55,897*	56,206*	56,206*
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*
P T Nevitt	3,953*	3,953*	3,953*
J F Dean	–	10,000	10,000
Non-Beneficial	–	15,000	15,000
D W Hobdey	–	–	–

*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 Report by the Remuneration Committee on page 14.

Substantial shareholdings

At 27 January 2003 Eardley Investments NV held 2,110,000 (16.92%) ordinary shares and HSBC Global Custody Nominees Limited held 1,155,367 (9.27%) ordinary shares. Mr Bruce Rappaport controls the exercise of the voting power relating to both of these interests. Invesco Asset Management hold an interest in 1,655,122 (13.27%) ordinary shares. Aberdeen Asset Management hold 1,386,261 (11.11%) ordinary shares.

Other shareholdings

Mr F W Wood is a trustee of a Trust which has powers to acquire 7.50% preference shares of the Company. These shares, of which there are 50,250 in issue, are unquoted. At 27 January 2003 the Trust has acquired a total of 25,562 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 year was 64 days for the Group and 30 days for the Company.

Charitable and political donations

Donations to charitable organisations during the year amounted to £12,000.

Resolutions
In addition to the routine business which it is proposed to transact at the Annual General Meeting of the Company on 24 March 2003, it is also proposed that a number of items be transacted as special business.

Resolution No 8 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 £580,911 which represents 15.70% 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 9 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 £155,954 (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 10 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 1,247,635 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

27 January 2003

The Remuneration Committee consists of the four independent non-executive Directors, meets no less frequently than annually, and is chaired by Mr Kelly. 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	52 weeks 2002 Total £000s	61 weeks 2001 Total £000s
G H Camamile	–	–	–	21	21	18
F W Wood	161	93	10	–	264	278
N R Carrick	112	47	10	–	169	176
J A B Kelly	–	–	–	21	21	22
P T Nevitt	128	110	10	–	248	209
D M Bolton	–	–	–	30	30	22
J McConnell	–	–	–	21	21	22
J F Dean	–	–	–	7	7	–
D W Hobdey	–	–	–	2	2	–

Mr Wood is the highest paid Director. Total remuneration, including pension contributions of £15,000 (2001, F W Wood: £17,000 – 61 weeks), amounted to £279,000 (2001, F W Wood: £311,000 – 61 weeks).

£60,000 (2001: £70,000 – 61 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 £50,497 (2001: £52,515 – 61 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 currently 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 at present.

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 in 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%.

A number of changes to the scheme will be introduced from April 2003 which will include a reduction in the early retirement benefits and a significant increase in employees' contributions.

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

	Age 27 Oct 2002	Years of Pensionable Service at 27 Oct 2002	Additional Pension earned during the year ended 27 Oct 02	Accrued entitlement at year ended 27 Oct 02	Accrued entitlement at year ended 28 Oct 01
F W Wood	56	30 years 10 months	4,543	79,593	73,619
N R Carrick	40	6 years 6 months	2,190	10,720	8,383
P T Nevitt	49	10 years 10 months	2,041	21,618	19,218

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	Number of Options At 28.10.01	During the year Granted	During the year Exercised	Lapsed	At 27.10.02	Exercise Price	Date from which Exercisable	Expiry Date
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
		20,000	–	–	20,000	289.5p	28.06.05*	27.06.09
	101,500	20,000			121,500			
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
		20,000	–	–	20,000	289.5p	28.06.05*	27.06.09
	79,000	20,000			99,000			
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
		20,000	–	–	20,000	289.5p	28.06.05*	27.06.09
	69,000	20,000			89,000			

* Performance criteria must be met before exercise.

The market price of the shares at 27 October 2002 was 280.5p and the range during the year was 209.0p to 305.0p.

In addition Mr Wood has an interest in 1,063 shares, Mr Nevitt 1,063 shares 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 year ended 27 October 2002.

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 Kelly 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 52 weeks ended 27 October 2002 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 prepared and monitored on a daily basis, if required, to ensure that the Group has adequate funds and resources for the foreseeable future.

Procedures and authorisation levels for all expenditure incurred throughout the Group have been 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 March 2002 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 financial statements on pages 18 to 43. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 16, this includes responsibility for preparing the financial statements 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 financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 financial statements, 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 regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 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 the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements and the part of the Directors' Remuneration Report to be audited 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 financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 27 October 2002 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Registered Auditor
Chartered Accountants
Leeds

27 January 2003

	Notes	52 weeks ended 27 October 2002 Before goodwill and exceptional items £000s	52 weeks ended 27 October 2002 Goodwill amortisation and exceptional items £000s	52 weeks ended 27 October 2002 Total £000s	61 weeks ended 28 October 2001* Before goodwill and exceptional items £000s	61 weeks ended 28 October 2001* Goodwill amortisation and exceptional items £000s	61 weeks ended 28 October 2001* Total £000s
Turnover	1	**142,695**	**-**	**142,695**	136,315	–	136,315
Operating Profit							
Operating profit before goodwill amortisation and exceptional items	1	**8,062**	**-**	**8,062**	8,460	–	8,460
Goodwill amortisation		**-**	**(122)**	**(122)**	–	(60)	(60)
Reorganisation and redundancy costs	1	**-**	**(852)**	**(852)**	–	(606)	(606)
Total operating profit	1	**8,062**	**(974)**	**7,088**	8,460	(666)	7,794
Profit on disposal of fixed asset		**-**	**437**	**437**	–	–	–
Profit on ordinary activities before interest		**8,062**	**(537)**	**7,525**	8,460	(666)	7,794
Interest payable (net)	3	**(1,483)**	**-**	**(1,483)**	(1,682)	–	(1,682)
Profit on ordinary activities before taxation		**6,579**	**(537)**	**6,042**	6,778	(666)	6,112
Taxation on ordinary activities	5	**(2,078)**	**256**	**(1,822)**	(2,141)	188	(1,953)
Profit after taxation	16	**4,501**	**(281)**	**4,220**	4,637	(478)	4,159
Preference dividends	6	**(4)**	**-**	**(4)**	(4)	–	(4)
Profit attributable to ordinary shareholders		**4,497**	**(281)**	**4,216**	4,633	(478)	4,155
Ordinary dividends (equity shares)	6	**(2,184)**	**-**	**(2,184)**	(2,088)	–	(2,088)
Retained profits	16	**2,313**	**(281)**	**2,032**	2,545	(478)	2,067
Basic earnings per ordinary share	7	**36.05p**		**33.80p**	37.16p		33.32p
Diluted earnings per ordinary share	7	**36.03p**		**33.78p**	37.13p		33.30p
Dividend per share	6	**17.50p**		**17.50p**	16.75p		16.75p

Consolidated statement of total recognised gains and losses

	52 weeks ended 27 October 2002 £000s	61 weeks ended 28 October 2001* £000s
Profit for financial year	**4,220**	4,159
Total recognised gains and losses relating to financial year	**4,220**	4,159
Prior year adjustment (see Note 14)	**(486)**	
Total gains and losses recognised since last annual report	**3,734**	

All operations are classed as continuing.

**Restated for change of accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).*

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

	Notes	27 October 2002 £000s	27 October 2002 £000s	28 October 2001* £000s	28 October 2001* £000s
Fixed assets					
Intangible assets – goodwill	8		**2,256**		2,368
Tangible fixed assets	9		**18,954**		17,316
			21,210		19,684
Current assets					
Stocks	11	**21,802**		21,434	
Debtors	12	**32,802**		30,224	
Bank and cash balances		**3,454**		2,710	
		58,058		54,368	
Creditors					
Amounts falling due within one year	13	**43,975**		39,290	
Net current assets			**14,083**		15,078
Total assets less current liabilities			**35,293**		34,762
Creditors					
Amounts falling due after more than one year	13		**6,015**		7,358
			29,278		27,404
Provisions for liabilities and charges	14	**1,558**		1,714	
Deferred income:					
Grants not yet credited to profit		**139**	**1,697**	152	1,866
Net assets			**27,581**		25,538
Capital and reserves					
Called up share capital	15		**3,169**		3,167
Share premium account	16		**2,330**		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		**20,397**		18,365
Shareholders' funds					
(including non-equity interests)	16		**27,581**		25,538

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

The accounts were approved by the Board of Directors on 27January 2003 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	27 October 2002 £000s	27 October 2002 £000s	28 October 2001* £000s	28 October 2001* £000s
Fixed Assets					
Tangible fixed assets	9		**8,851**		8,977
Investments	10		**10,425**		10,658
			19,276		19,635
Current Assets					
Debtors	12	**25,599**		22,609	
Creditors					
Amounts falling due within one year	13	**12,799**		11,665	
Net current assets			**12,800**		10,944
Total assets less current liabilities			**32,076**		30,579
Creditors					
Amounts falling due after more than one year	13		**5,041**		6,291
			27,035		24,288
Provisions for liabilities and charges	14	**608**		726	
Deferred income					
Grants not yet credited to profit		**23**	**631**	24	750
Net assets			**26,404**		23,538
Capital and reserves					
Called up share capital	15		**3,169**		3,167
Share premium account	16		**2,330**		2,321
Revaluation reserve	16		**645**		645
Investment property revaluation reserve	16		**67**		67
Other reserves	16		**814**		814
Profit and loss account	16		**19,379**		16,524
Shareholders' funds					
(including non-equity interests)	16		**26,404**		23,538

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

F W Wood Director

N R Carrick Director

Approved by the Board
27 January 2003

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

	Notes	52 weeks ended 27 October 2002 £000s	52 weeks ended 27 October 2002 £000s	61 weeks ended 28 October 2001 £000s	61 weeks ended 28 October 2001 £000s
Net cash inflow from operating activities	20		**9,685**		8,070
Returns on investments and servicing of finance:					
Interest paid		**(1,341)**		(1,482)	
Interest received		**18**		13	
Interest element of finance lease payments		**(111)**		(169)	
Non-equity dividends paid		**(4)**		(4)	
			(1,438)		(1,642)
Taxation:					
Corporation tax paid			**(1,739)**		(2,254)
Capital expenditure and financial investment:					
Purchase of tangible fixed assets		**(4,182)**		(1,512)	
Purchase of intangible fixed assets		**-**		(10)	
Sale of tangible fixed assets		**1,263**		588	
			(2,919)		(934)
Acquisitions and disposals	22		**(190)**		(12,506)
Equity dividends paid			**(2,120)**		(2,076)
Net cash inflow/(outflow) before use of liquid funds and financing			**1,279**		(11,342)
Financing:					
Issue of share capital	23	**11**		-	
New bank borrowings	23	**-**		7,800	
Repayment of bank and other borrowings	21	**(1,359)**		(3,196)	
Capital element of finance lease rental payments	21	**(759)**		(941)	
			(2,107)		3,663
Decrease in cash			**(828)**		(7,679)
Reconciliation of net cash flow to movement in net debt					
Decrease in cash			**(828)**		(7,679)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	21		**2,118**		(3,663)
Change in net debt from cash flows	21		**1,290**		(11,342)
Loans and finance leases on acquisition of subsidiary undertakings			**-**		(823)
Arrangement fees amortised			**(18)**		-
Inception of new finance leases			**(630)**		(242)
Movement in net debt in year/period	21		**642**		(12,407)
Net debt as at 28 October 2001	21		**(16,021)**		(3,614)
Net debt as at 27 October 2002	21		**(15,379)**		(16,021)

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 2002. The comparatives in these statements are for the 61 week period ended 28 October 2001.

The results of subsidiary undertakings acquired during the period 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). Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and

ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

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

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 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.

Garments hired out under rental contracts where the group retains substantially all of the risks and rewards of ownership are capitalised and accounted for as operating leases. The garments are depreciated on a straight line basis over their estimated useful lives (typically two to five years) or the life of the contract, whichever is the shorter. Revenue from these rental contracts accrues on a straight line basis over the life of the contract. The expected costs of repairing and laundering garments under the contracts is matched against revenue on a similar straight line basis.

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Deferred taxation was previously accounted for under the partial provision basis permitted by SSAP15. This standard was superseded by FRS19 and consequently a prior year adjustment has been made in respect of this change in accounting policy (see Note 14).

Pension costs

Contributions to the Group's defined benefit pension scheme 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:

	2002 £000s	2001 £000s
United Kingdom	**132,407**	126,260
Overseas	**10,288**	10,055
	142,695	136,315

All results are derived from operations located in the United Kingdom

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

Turnover	2002 £000s	2001 £000s
Industrial Services	**85,969**	78,478
Leisure Products	**56,726**	57,837
	142,695	136,315
Operating profit		
Industrial Services	**4,502**	5,344
Exceptional items	**(745)**	(606)
Goodwill amortisation	**(122)**	(60)
Total Industrial Services	**3,635**	4,678
Leisure Products	**3,560**	3,116
Exceptional items	**(107)**	-
Total Leisure Products	**3,453**	3,116
Total operating profit	**7,088**	7,794
Profit on disposal of fixed asset	**437**	-
Interest payable (net)	**(1,483)**	(1,682)
Profit on ordinary activities before taxation	**6,042**	6,112

Operating assets

The operating assets of the main activities at 27 October 2002 were as follows:

	Operating capital employed	
	2002 £000s	2001* £000s
Industrial Services	**31,469**	28,765
Leisure Products	**13,785**	13,382
	45,254	42,147
Non-operating assets and liabilities **	**(3,943)**	(2,366)
Net borrowings	**(13,730)**	(14,243)
Total net assets	**27,581**	25,538

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

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

2 Operating profit

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

	2002 £000s	2001 £000s
Change in stocks of finished goods and work in progress	**(2,545)**	2,258
Other operating income	**(298)**	(121)
Government grants	**(13)**	(33)
Raw materials and consumables	**86,603**	77,177
Other external charges	**14,724**	13,911
Auditors' remuneration		
– audit fees – Group	**125**	117
– Holding Company	**15**	15
– non audit fees	**82**	36
Operating lease charges		
– plant	**865**	939
– other	**1,103**	1,005
Staff costs (Note 4)	**31,702**	30,458
Depreciation on owned assets	**1,674**	1,471
Depreciation on assets held under finance leases	**596**	681
Profit on fixed asset disposal	**–**	(59)
	134,633	127,855
Goodwill amortisation	**122**	60
Reorganisation and redundancy costs		
– redundancy costs	**702**	352
– depreciation on impairment of assets	**80**	–
– other reorganisation costs	**70**	254
	135,607	128,521

In addition to the fees noted above, KPMG were also paid an additional £348,000 in 2001 in respect of other professional fees in connection with the acquisitions made during that year.

3 Interest payable (net)

	2002 £000s	2001 £000s
Bank borrowings	**1,111**	1,081
Finance leases	**111**	169
Other	**279**	445
	1,501	1,695
Interest receivable	**(18)**	(13)
	1,483	1,682

4 Directors and employees

	2002 £000s	2001 £000s
Staff costs:		
Wages and salaries	**28,584**	27,492
Social security costs	**2,054**	2,007
Other pension costs	**1,766**	1,311
	32,404	30,810

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

	2002 £000s	2001 £000s
Non-exceptional costs	**31,702**	30,458
Exceptional redundancy costs	**702**	352
	32,404	30,810

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

	Number	Number
Head Office and Directors	**14**	14
Industrial Services	**1,178**	1,247
Leisure Products	**460**	453
	1,652	1,714

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

5 Taxation

	2002 £000s	2001* £000s
Taxation charge on ordinary activities is:		
UK Corporation Tax at 30% (2001:30%)	**1,854**	2,022
Deferred taxation	**(52)**	9
	1,802	2,031
Adjustment to prior years – corporation tax	**203**	(18)
– deferred taxation	**(183)**	(60)
	1,822	1,953

Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%).

The differences are reconciled below

	2002 £000s	2001 £000s
Profit on ordinary activities before tax	**6,042**	6,112
Tax at current UK Corporation Tax rate of 30% (2001:30%)	**1,813**	1,834
Effects of:		
Expenses not deductable for tax purposes		
Amortisation of goodwill	**37**	18
Other	**83**	198
Utilisation of capital losses	**(131)**	(19)
Capital allowances in excess of depreciation	**63**	–
Short term timing differences	**(11)**	(9)
Adjustments to tax charge in respect of previous periods	**203**	(18)
Current tax charge for year/period	**2,057**	2,004

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

6 Dividends

	2002 £000s	2001 £000s
Preference Shares (non-equity):		
7.50% Cumulative	**4**	4
Ordinary Shares (equity):		
Interim: 5.50p per share (2001: 5.25p per share)	**687**	655
Proposed final: 12.00p per share (2001: 11.50p per share)	**1,497**	1,433
Total 17.50p (2001: 16.75p)	**2,184**	2,088

7 Earnings per share

The figures of basic earnings per share are calculated on the profit attributable to ordinary shares of £4,216,000 (2001:£4,155,000*) (*restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23), divided by the weighted average number of shares in issue during the year, being 12,474,308 (2001:12,468,353).

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

	27 October 2002	28 October 2001
Weighted average number of shares in issue	**12,474,308**	12,468,353
Weighted average number of dilutive share options	**10,191**	10,100
Total number of shares for calculating diluted earnings per share	**12,484,499**	12,478,453

8 Intangible assets – goodwill

	The Group 2002 £000s	Cosalt plc 2002 £000s
Cost		
At 28 October 2001	**2,428**	-
Adjustments in year (Note 22)	**10**	-
At 27 October 2002	**2,438**	-
Accumulated amortisation		
At 28 October 2001	**60**	-
Amount charged to profit and loss account	**122**	-
At 27 October 2002	**182**	-
Net book values		
At 27 October 2002	**2,256**	-
At 28 October 2001	**2,368**	-

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 28 October 2001	9,175	1,558	1,281	16,689	28,703
Additions	11	13	–	4,807	4,831
Disposals	(767)	(32)	–	(695)	(1,494)
At 27 October 2002	**8,419**	**1,539**	**1,281**	**20,801**	**32,040**
Being					
Cost	6,183	831	–	20,801	27,815
Valuation – 1988	2,236	708	–	–	2,944
Valuation – 1994	–	–	775	–	775
Valuation – 1995	–	–	451	–	451
Valuation – 1996	–	–	55	–	55
	8,419	1,539	1,281	20,801	32,040
Aggregate depreciation					
At 28 October 2001	1,215	431	–	9,741	11,387
Amount charged to profit					
and loss account	159	78	–	2,113	2,350
On disposals	(47)	(32)	–	(572)	(651)
At 27 October 2002	**1,327**	**477**	**–**	**11,282**	**13,086**
Net book values					
At 27 October 2002	**7,092**	**1,062**	**1,281**	**9,519**	**18,954**
At 28 October 2001	7,960	1,127	1,281	6,948	17,316

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 28 October 2001	8,183	1,022	1,281	41	10,527
Additions	11	–	–	2	13
Disposals	(767)	–	–	–	(767)
Group transfers	771	–	–	–	771
At 27 October 2002	**8,198**	**1,022**	**1,281**	**43**	**10,544**
Being					
Cost	5,959	314	–	43	6,316
Valuation – 1988	2,239	708	–	–	2,947
Valuation – 1994	–	–	775	–	775
Valuation – 1995	–	–	451	–	451
Valuation – 1996	–	–	55	–	55
	8,198	1,022	1,281	43	10,544
Aggregate depreciation					
At 28 October 2001	1,193	321	–	36	1,550
Amount charged to profit and loss account	142	19	–	2	163
On disposals	(47)	–	–	–	(47)
Group transfers	27	–	–	–	27
At 27 October 2002	**1,315**	**340**	**–**	**38**	**1,693**
Net book values					
At 27 October 2002	**6,883**	**682**	**1,281**	**5**	**8,851**
At 28 October 2001	6,990	701	1,281	5	8,977

(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 27 October 2002.

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

(d) Group assets costing £8,779,000 (2001: £6,041,000) have been fully depreciated and are still in use.

(e) Group plant includes assets at cost of £5,535,000 (2001: £2,515,000) and accumulated depreciation of £1,996,000 (2001: £1,304,000) which are leased to third parties and have generated income of £1,243,000 (2001: £1,159,000) during the year. £2,690,000 of these assets relate to the South East Consortium managed contract and have not yet had depreciation applied to them as they have not yet been brought into use.

(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.

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

	The Group		Cosalt plc	
	2002 £000s	2001 £000s	**2002 £000s**	2001 £000s
Cost	**7,558**	7,574	**–**	–
Depreciation	**4,350**	4,341	**–**	–
Net book values	**3,208**	3,233	**–**	–

9 Tangible fixed assets (continued)

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

	The Group		Cosalt plc	
	2002	2001	**2002**	2001
	£000s	£000s	**£000s**	£000s
At valuation or cost at				
31 December 1978	**2,303**	2,303	**2,303**	2,303
Subsequent additions at cost	**10,067**	11,085	**9,452**	9,470
At 27 August 2000	**12,370**	13,388	**11,755**	11,773
Accumulated depreciation	**3,014**	2,787	**2,633**	2,482
	9,356	10,601	**9,122**	9,291

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	Short Leasehold	Freehold	Short Leasehold
	£000s	£000s	£000s	£000s
27 October 2002	**7,821**	**1,535**	**7,591**	**927**
28 October 2001	8,384	1,572	7,481	927

Future capital expenditure

	The Group		Cosalt plc	
	2002	2001	**2002**	2001
	£000s	£000s	**£000s**	£000s
Contracted for but not provided for in the accounts	**98**	62	**-**	-

10 Investments

	The Group		Cosalt plc	
	2002	2001	**2002**	2001
	£000s	£000s	**£000s**	£000s
Shares in Subsidiary Undertakings				
at cost	**-**	-	**13,364**	13,771
Less amounts written off	**-**	-	**3,256**	3,113
	-	-	**10,108**	10,658

The movement in costs and amounts written off are as follows:

Cost	
At 28 October 2001	**13,771**
Adjustment to deferred consideration	**(90)**
At 27 October 2002	**13,681**
Amounts written off	
At 28 October 2001	**3,113**
Additional provision required	**143**
At 27 October 2002	**3,256**
Net book value	**10,425**

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

11 Stocks

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Raw materials	**4,837**	3,311	**-**	–
Work in progress	**2,946**	1,182	**-**	–
Finished goods and goods for resale	**14,019**	16,941	**-**	–
	21,802	21,434	**-**	–

12 Debtors

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Trade debtors	**28,516**	26,631	**1**	1
Amounts due from Subsidiary Undertakings less provisions	**-**	–	**24,640**	21,969
Corporation tax recoverable	**1,262**	628	**699**	391
Other taxation recoverable	**678**	635	**111**	66
Other debtors	**188**	132	**-**	–
Prepayments and accrued income	**2,158**	2,198	**148**	182
	32,802	30,224	**25,599**	22,609

13 Creditors

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Amounts falling due within one year				
Loans other than from banks	**-**	90	**557**	557
Bank loans and overdrafts	**5,609**	5,729	**5,899**	4,969
	5,609	5,819	**6,456**	5,526
Trade creditors	**21,396**	19,531	**-**	–
Amounts owed to Subsidiary Undertakings	**-**	–	**3,386**	3,431
Corporation tax	**2,068**	1,116	**96**	27
Other taxation	**1,413**	1,225	**177**	99
Social security	**341**	324	**109**	63
Other creditors	**6,794**	5,212	**41**	39
Accruals and deferred income	**4,182**	3,919	**1,037**	1,047
Dividends payable	**1,497**	1,433	**1,497**	1,433
Obligations under finance leases (Note 18)	**675**	711	**-**	–
	43,975	39,290	**12,799**	11,665
Amounts falling due after more than one year				
Bank loans	**5,041**	6,291	**5,041**	6,291
Obligations under finance leases (Note 18)	**974**	1,067	**-**	–
	6,015	7,358	**5,041**	6,291

Included within other creditors of the Group are advances of £6,534,000 (2001: £4,843,000) under a debtor financing agreement.

13 Creditors (continued)

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Analysis of gross borrowings				
Loans repayable within 5 years:				
Unsecured loans				
Undated debenture held by a Subsidiary				
Undertaking, interest at 12% deferred	**-**	–	**557**	557
1996/2004 at 1% below bank base rate	**-**	90	**-**	–
2001/2006 at 6.4%	**1,075**	1,375	**1,075**	1,375
2001/2008 at 1.25% above bank base rate	**5,216**	6,167	**5,216**	6,167
	6,291	7,632	**6,848**	8,099
Total loans	**6,291**	7,632	**6,848**	8,099
Bank overdrafts	**4,359**	4,478	**4,649**	3,718
Other advances	**6,534**	4,843	**-**	–
Total gross borrowings	**17,184**	16,953	**11,497**	11,817
Repayment of gross borrowings				
Bank borrowings				
Over five years	**485**	1,435	**485**	1,435
Between two and five years	**3,325**	3,625	**3,325**	3,625
Between one and two years	**1,231**	1,231	**1,231**	1,231
	5,041	6,291	**5,041**	6,291
Within one year or on demand	**12,143**	10,572	**5,899**	4,969
Gross bank borrowings	**17,184**	16,863	**10,940**	11,260
Other loans				
Within one year or on demand	**-**	90	**557**	557
Total gross borrowings	**17,184**	16,953	**11,497**	11,817
Net borrowings				
Gross borrowings	**17,184**	16,953	**11,497**	11,817
Cash at bank and in hand	**(3,454)**	(2,710)	**-**	–
	13,730	14,243	**11,497**	11,817

14 Provisions for liabilities and charges

The Group

	Reorganisation Provisions £000s	Pension Provisions £000s	Other Provisions £000s	Deferred Taxation £000s	Total £000s
At 28 October 2001	352	216	638	22	1,228
Prior year adjustment*	–	–	–	486	486
As restated	352	216	638	508	1,714
Deferred taxation	–	–	–	(235)	(235)
Utilised	(352)	–	(549)	–	(901)
Released	–	(51)	(72)	–	(123)
Charged to the profit and loss account during the year	520	–	583	–	1,103
At 27 October 2002	**520**	**165**	**600**	**273**	**1,558**

Cosalt plc

	Pension Provisions £000s	Other Provisions £000s	Deferred Taxation £000s	Total £000s
At 28 October 2001	216	65	(41)	240
Prior year adjustment*	–	–	486	486
As restated	216	65	445	726
Deferred taxation	–	–	(19)	(19)
Utilised	–	(68)	–	(68)
Released	(51)	–	–	(51)
Charged to the profit and loss account during the year	–	20	–	20
At 27 October 2002	**165**	**17**	**426**	**608**

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

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

Analysis of deferred taxation:

	The Group		Cosalt plc	
	2002 £000s	2001* £000s	**2002 £000s**	2001* £000s
Accelerated capital allowances	**464**	649	**476**	510
Pension timing difference	**(50)**	(65)	**(50)**	(65)
Other timing differences	**(141)**	(76)	**–**	–
	273	508	**426**	445

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

15 Called up share capital

	Authorised		Issued and fully paid	
	2002	2001	**2002**	2001
	£000s	£000s	**£000s**	£000s
7.50% Cumulative Preference Shares				
of £1 each	**250**	250	**50**	50
Ordinary Shares of 25p each	**3,700**	3,700	**3,119**	3,117
	3,950	3,950	**3,169**	3,167

During the year 8,000 ordinary shares were issued on the exercise of options under the 1987 Executive Share Option Scheme. The total cash consideration amounted to £11,200.

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	20,000	December 1997 to December 2004	140.00p
December 1996	14,000	December 1999 to December 2006*	212.00p
February 1997	7,250	February 2000 to February 2007*	219.50p
February 1997	42,750	February 2000 to February 2004*	219.50p
December 1997	60,000	December 2000 to December 2004*	232.50p
December 1998	90,000	December 2001 to December 2005*	204.50p
April 2000	57,300	April 2003 to April 2010*	179.50p
April 2000	44,700	April 2003 to April 2007*	179.50p
April 2001	113,500	April 2004 to April 2008*	222.50p
April 2001	11,000	April 2004 to April 2011*	222.50p
June 2002	99,092	June 2005 to June 2009*	289.50p
June 2002	1,908	June 2005 to June 2012*	289.50p

* 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

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Profit for the financial year/period	**4,220**	4,159	**5,043**	3,626
Dividends	**(2,188)**	(2,092)	**(2,188)**	(2,092)
	2,032	2,067	**2,855**	1,534
Shares issued	**11**	–	**11**	–
Net increase in shareholders' funds for the year/period	**2,043**	2,067	**2,866**	1,534
Opening shareholders' funds (as previously stated)	**26,024**	23,919	**24,024**	22,452
Prior year adjustment*	**(486)**	(448)	**(486)**	(448)
Opening shareholders' funds (as restated)	**25,538**	23,471	**23,538**	22,004
Closing shareholders' funds	**27,581**	25,538	**26,404**	23,538

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

Shareholders' funds include the following non-equity interests:

7.50% Cumulative Preference Shares of £1 each	**50**	50	**50**	50

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 28 October 2001 (as previously stated)	2,321	470	67	1,148	18,851	22,857
Prior year adjustment*	–	–	–	–	(486)	(486)
At 28 October 2001 (as restated)	2,321	470	67	1,148	18,365	22,371
Premium on shares issued	9	–	–	–	–	9
Profit for the year	–	–	–	–	2,032	2,032
At 27 October 2002	**2,330**	**470**	**67**	**1,148**	**20,397**	**24,412**
Cosalt plc						
At 28 October 2001 (as previously stated)	2,321	645	67	814	17,010	20,857
Prior year adjustment*	–	–	–	–	(486)	(486)
At 28 October 2001 (as restated)	2,321	645	67	814	16,524	20,371
Premium on shares issued	9	–	–	–	–	9
Profit for the year	–	–	–	–	2,855	2,855
At 27 October 2002	**2,330**	**645**	**67**	**814**	**19,379**	**23,235**

*Restated for change in accounting policy (see Statement of Accounting Policies – Deferred taxation on page 23).

Other Reserves include Capital Redemption Reserve £814,000 (2001: £814,000) for both the Group and Cosalt plc.

Accumulated acquisition goodwill written off directly to Group reserves up to 30 August 1998 amounts to £2,112,000.

17 Contingent liabilities

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
(a) Under guarantee of overdrafts and loans of Subsidiary Undertakings	–	–	**10,436**	7,877
(b) Deferred interest under a debenture held by a Subsidiary Undertaking	–	–	**1,805**	1,799

(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:

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
Within one year	**746**	789	–	–
Between two and five years	**1,045**	1,121	–	–
	1,791	1,910	–	–
Less: future finance charges	**142**	132	–	–
	1,649	1,778	–	–
Shown in creditors (Note 13) as:				
Amounts falling due within one year	**675**	711	–	–
Amounts falling due after more than one year	**974**	1,067	–	–
	1,649	1,778	–	–

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

	The Group 2002 £000s	The Group 2001 £000s	Cosalt plc 2002 £000s	Cosalt plc 2001 £000s
(i) Land and buildings				
Leases which expire within one year	**27**	42	–	–
Between two and five years	**184**	301	**25**	–
In five years or more	**742**	712	**3**	33
	953	1,055	**28**	33
(ii) Plant				
Leases which expire within one year	**155**	148	**8**	1
Between two and five years	**630**	619	**8**	22
In five years or more	**75**	69	–	–
	860	836	**16**	23

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. The mandatory full implementation of this FRS has now been deferred. 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 2001. The valuation employed the projected unit method of valuation for liabilities. As a result of the main scheme being closed to new entrants from 25 July 2000, 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 7.25% per annum (pre-retirement) and 5.50% per annum (post-retirement); that basic salaries for pension calculation purposes would be frozen for 3 years until April 2005 and would then increase in line with price inflation, assumed to be 2.5% per annum, and that the lower earnings limit offset would increase by 2.5% per annum. Present and future pensions have been assumed to increase at the rate of 5% per annum (pre April 1994 accrual) and by 2.5% per annum (post April 1994 accrual; non GMP element only).

At the start of this financial year, the market value of the assets was £21.6m and, using the assumptions noted above, this was sufficient to cover 79% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

As at 31 December 2001 the funding level as calculated under the prescribed assumptions of the Minimum Funding Requirement (MFR) of the Pensions Act 1995 was 85%.

The actuarial deficit disclosed by the 2001 valuation will be spread over the average remaining working life of the membership (12 years).

A decision regarding the final contribution rate is yet to be agreed between the Group and Trustees, however, pending the agreement of a new rate, the Company has agreed to pay contributions at the rate of 10% of pensionable salaries plus £818,000 per annum from 1 February 2002, subject to an annual funding review by the actuary. This rate was certified by the scheme actuary.

The pension cost, derived under SSAP24, in respect of the main scheme charged in these accounts was £1,144,000, (2001: £816,000). This includes an additional charge of £649,00 (2001: £186,000) in respect of the amortisation of the balance sheet provision and scheme shortfall existing at the start of the financial year.

An amount of £165,000 (2001: £216,000) 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, profit and loss account and statement of recognised gains and losses.

The latest formal valuation of the scheme was carried out as at 31 December 2001. The valuation of liabilities detailed below has been derived by projecting forward the position from 31 December 2001 to 27 October 2002.

Contributions over the 52 week period ending 27 October were paid as follows:

	Up to 31 January 2002 % Pensionable Pay	**1 February 2002 to 27 October 2002 % Pensionable Pay**
Company	23.1	10% plus £818,000 p.a.
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 27 October 2002 was approximately £31.5m (2001: £28.7m) and the market value of assets was £20.1m (2001: £21.6m), giving a scheme deficit of £11.4m (2001: £7.1m).

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

	2002	**2001**
Discount rate	5.7% p.a.	5.7% p.a.
Pensionable Salary Growth	Nil (2003 – 2005)	Nil (2002 –2004)
	2.4% p.a. (thereafter)	2.3% p.a. (thereafter)
LPI	2.4% p.a.	2.3% p.a.
Pensions in payment increases (LPI related)	2.4% p.a.	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, together with the expected rate of return over the following year is as follows:

	2002 £000s	**Expected Return (% p.a.)**	2001 £000s	Expected Return (% p.a.)
Equities	**9,244**	**7.0**	12,900	7.0
Property	**1,075**	**7.0**	1,300	7.0
Bonds	**9,797**	**4.7**	7,400	4.7
Total	**20,116**		21,600	

The notional balance sheet liability at 27 October 2002 was:

	2002 £000s	2001 £000s
Market value of scheme assets	**20,116**	21,600
Actuarial value of scheme liabilities	**(31,535)**	(28,700)
Scheme deficit	**(11,419)**	(7,100)
Related deferred tax asset	**3,426**	2,130
Net pension liability	**(7,993)**	(4,970)
Net assets excluding pension liability	**27,581**	26,024
Net pension liability	**(7,993)**	(4,970)
Net assets including pension liability	**19,588**	21,054
Profit and loss reserve excluding pension liability	**20,397**	18,851
Net pension liability	**(7,993)**	(4,970)
Profit and loss reserve including pension liability	**12,404**	13,881

19 Pension commitments (continued)

Movement in deficit during the year

	Year to 27 October 2002 £000s
Deficit in scheme at beginning of year	(7,100)
Movement in year:	
Current service cost	(585)
Contributions	1,158
Net return on assets/(interest cost)	(272)
Actuarial loss	(4,620)
Deficit in scheme at end of year	(11,419)

Analysis of the amount that would have been charged to operating profit had FRS17 been fully adopted

	£000s
Current service cost	585
Past service cost	–
	585

Analysis of amounts included in other finance income/costs

	Year to 27 October 2002 £000s
Expected return on pension scheme assets	1,414
Interest on pension scheme liabilities	(1,686)
Net return	(272)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 27 October 2002 £000s
Actual return less expected return on assets	(5,214)
Experience gains and losses on scheme liabilities	870
Changes in assumptions	(276)
Actuarial loss recognised in STRGL	(4,620)

History of experience gains and losses

	2002 £000s	%
Difference between expected and actual return on scheme assets:	(5,214)	
percentage of scheme assets		-26%
Experience gains and losses on scheme liabilities:	870	
percentage of scheme liabilities		3%
Total amount recognised in statement of total recognised gains and losses:	(4,620)	
percentage of scheme liabilities		-15%

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.

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 5.4% to 6.0% in the twelve months prior to the balance sheet date.

The scheme's assets, a large proportion of which are in equities, are also subject to volatile and substantial market movements. During the twelve months prior to the balance sheet date, the FTSE All Share Index moved between 33.7% higher and 8.2% lower than its value at the balance sheet date.

20 Reconciliation of operating profit to cash flow from operating activities

	2002 £000s	2001 £000s
Operating profit	**7,088**	7,794
Depreciation	**2,350**	2,152
Amortisation of goodwill	**122**	60
Profit on disposal of fixed assets	**-**	(59)
Capital grants income release	**(13)**	(33)
(Increase)/decrease in stocks	**(368)**	2,859
Increase in debtors	**(1,946)**	(2,099)
Increase/(decrease) in creditors	**2,373**	(2,418)
Decrease in provisions	**79**	(186)
Net cash inflow from operating activities	**9,685**	8,070

21 Analysis of changes in net debt

	At 28 October 2001 £000s	Cash Flows £000s	Other Non Cash Changes £000s	**At 27 October 2002 £000s**
Cash in hand and at bank	2,710	744	–	**3,454**
Overdrafts	(4,478)	119	–	**(4,359)**
Advances due within one year	(4,843)	(1,691)	–	**(6,534)**
	(6,611)	(828)	–	**(7,439)**
Debt due within one year	(1,341)	1,359	(1,268)	**(1,250)**
Debt due after one year	(6,291)	–	1,250	**(5,041)**
Finance leases	(1,778)	759	(630)	**(1,649)**
Total	(16,021)	1,290	(648)	**(15,379)**

22 Acquisitions

The Group made no acquisitions during the year ended 27 October 2002.

The fair value of the net assets acquired and the consideration payable in respect of the acquisitions of SEET plc, Kenmore Technical Services Limited, W & R Lewis Limited and Marine & Lifting Services Limited were included in the accounts for the 61 weeks ended 28 October 2001 on a provisional basis.

The adjustments required:

	Acquisition of SEET plc		Other acquisitions		
	Fair value as stated in 2001 accounts £000s	**Adjustments £000s**	Fair value as stated in 2001 accounts £000s	**Adjustments £000s**	Total £000s
Fixed assets					
Tangible fixed assets	2,548	-	165	-	2,713
Current assets					
Stocks and work in progress	10,037	-	432	-	10,469
Debtors	14,729	-	977	-	15,706
Cash at bank	531	-	250	-	781
	25,297	-	1,659	-	26,956
Creditors amounts falling due within one year					
Bank overdrafts	5,589	-	49	-	5,638
Loans	463	-	152	-	615
Creditors	16,830	-	679	-	17,509
	22,882	-	880	-	23,762

22 Acquisitions (continued)

	Acquisition of SEET plc		Other acquisitions		
	Fair value as stated in 2001 accounts £000s	**Adjustments £000s**	Fair value as stated in 2001 accounts £000s	**Adjustments £000s**	Total £000s
Creditors amounts falling due after more than one year	110	**-**	6	**-**	116
Provisions for liabilities and charges	280	**100**	–	**-**	380
Net assets	4,573	**(100)**	938	**-**	5,411
Goodwill on acquisition	1,651	**107**	767	**(97)**	2,428
Consideration	6,224	**7**	1,705	**(97)**	7,839
Fair value of consideration					
Cash	5,688	**-**	1,392	**-**	7,080
Deferred consideration	–	**-**	280	**(97)**	183
Acquisition expenses	536	**7**	33	**-**	576
	6,224	**7**	1,705	**(97)**	7,839
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 fair value adjustments made on the acquisition of SEET plc included the revaluation of certain properties, provision against obsolete and slow moving stock and other revisions to other liabilities.

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

23 Analysis of changes in financing during the year

	Share capital (including premium)		Loans and finance lease obligations	
	2002 £000s	2001 £000s	**2002 £000s**	2001 £000s
Balance at 28 October 2001	**5,488**	5,488	**9,410**	4,682
On acquisition of subsidiary	**-**	–	**-**	823
Inception of finance lease contracts	**-**	–	**630**	242
Arrangement fees amortised	**-**	–	**18**	–
Cash inflows from financing	**11**	–	**-**	7,800
Cash outflows from financing	**-**	–	**(2,118)**	(4,137)
Balance at 27 October 2002	**5,499**	5,488	**7,940**	9,410

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 previous period increased borrowings for the Group. In order to provide protection against significant interest rate rises in the future the Board decided to purchase a cap to cover the consideration money on the SEET purchase 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.

Interest Rate Profile of Financial Liabilities

	At 27 October 2002 £000s	At 28 October 2001 £000s
Fixed rate financial liabilities	**2,724**	3,153
Floating rate financial liabilities	**6,893**	5,411
Floating rate financial liabilities subject to interest rate cap and floor	**9,216**	10,167
	18,833	18,731

The weighted average interest rate on the fixed rate is 5.77% and the weighted average maturity period is 2 years 3 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 year end the Company had £15,241,000 undrawn facilities relating to bank overdrafts and £3,200,000 relating to an amortising revolving credit.

25 Financial instruments

Fair Value of Financial Instruments

	At 27 October 2002		At 28 October 2001	
	Book Amount £000s	**Fair Value £000s**	Book Amount £000s	Fair Value £000s
Cash	**3,454**	**3,454**	2,710	2,710
Short term debt and current portion of long term debt	**(12,818)**	**(12,818)**	(11,373)	(11,373)
Long term debt	**(6,015)**	**(6,051)**	(7,358)	(7,490)
Interest rate cap	**-**	**-**	–	74
Interest rate floor	**-**	**(246)**	–	(206)
Forward contracts	**-**	**(187)**	–	33
Total Financial Instruments	**(15,379)**	**(15,851)**	(16,021)	(16,252)

£609,000 (2001: £495,000) 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 these 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 28 October 2001	116	215	(99)
Gains and losses arising in the 52 weeks ended 27 October 2002 that were unrecognised at 28 October 2001	52	73	(21)
Unrecognised gains and losses at 27 October 2002	38	471	(433)
Gains and losses expected to be recognised in the year to 26 October 2003	38	291	(253)

Industrial Services

Cosalt International Limited
Head Office in Grimsby and operations in Aberdeen, Birkenhead, Bristol, Edinburgh, Fraserburgh, Glasgow, Grimsby, Lowestoft, Milford Haven, Newlyn, North Shields, Plymouth, Portsmouth and Southampton.

Manufacture, supply and service of marine and industrial safety products and clothing, including products under the brand names of Cosalt, Youngs, Cosalt: Lewis, Cosalt: Marlift, Cosalt: Kenmore, Perrys, YAK, Marlin and Crewsaver.

Cosalt:Ballyclare Limited, Atherton ,Barnsley and Ballyclare
Design, manufacture and distribution of workwear and high visibility protective clothing. Design, manufacture and distribution of specialist protective clothing to Military, Fire Fighting, Utilities and Police under the brand names of Cosalt: Ballyclare, 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.

Banner Limited, Stockport and Seaham
Design, manufacture and distribution of Schoolwear and Childrenswear.

Distinctive Clothing Co Limited, 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.

2003	**24 March**	Annual General Meeting
	26 March	Final dividend on ordinary shares for 2002
	June	Interim results for 2003 (provisional)
	July	Half-year's dividend on 7.50% Cumulative Preference Shares
	August	Interim dividend on ordinary shares
	26 October	End of accounting year
2004	**1 January**	Half-year's dividend on 7.50% Cumulative Preference Shares
	January	Preliminary announcement of 2003 results
	February	Publication of Annual Report for 2003
	March	Annual General Meeting (provisional)
	March	Final dividend on ordinary shares

Notice is hereby given that the one hundred and thirtieth Annual General Meeting of Cosalt plc will be held at the offices of ING Barings, 60 London Wall, London, EC2M 5TQ, on the 24th day of March 2003 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 year ended 27 October 2002 be received and adopted.

Resolution 2
THAT a final dividend of 12.00p per ordinary share be paid on 26 March 2003 to all Ordinary Shareholders on the Register on 14 March 2003.

Resolution 3
THAT Mr J A B Kelly who retires by rotation be re-elected as a Director.

Resolution 4
THAT Mr P T Nevitt who retires by rotation be re-elected as a Director.

Resolution 5
THAT Mr J F Dean who has been appointed since the last Annual General Meeting be re-elected as a Director.

Resolution 6
THAT Mr D W Hobdey who has been appointed since the last Annual General Meeting be re-elected as a Director.

Resolution 7
THAT KPMG Audit Plc be re-appointed as Auditors and that the Directors be authorised to fix their remuneration.

Resolution 8
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 £580,911. 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 9
As Special Business, to consider and, if thought fit, pass the following Special Resolution:

THAT subject to Resolution 8 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 £155,954, 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 fifteen 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 10
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 1,247,635;

(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
27 January 2003

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 26 March 2003