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COSALT INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

**for the sixty-one weeks ended
28 October 2001**



COSALT INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 OCTOBER 2001

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The following pages do not form part of the statutory accounts:

Detailed trading and profit and loss account	Appendix 1
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COSALT INTERNATIONAL LIMITED

Directors

F W Wood (Chairman)
W Phillips (Managing)
P A Bradbury
N R Carrick
A J D MacIntyre
C D T Ormonde
E D W Phillips
D Robinson
A J Richards

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the sixty-one weeks ended 28 October 2001 ("the period").

Business review

The principal activity of the company continues to be the supply of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

The trading results for the period are shown in the profit and loss account on page 6.

The directors recommend the payment of a final dividend of £727,000 (2000: £469,000) with £875 (2000: £1,272) being transferred to reserves.

Complementary acquisitions in the marine and industrial safety markets are being actively sought.

Directors

The membership of the Board is shown above. All served on the Board for the whole of the period. In addition, Mr J Ornsby resigned as a Director on 26 April 2001.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs F W Wood and N R Carrick in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company.

The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 28 October 2001	At 27 August 2000
P A Bradbury	2,379	2,379
A J D MacIntyre	1,202	1,202
C D T Ormonde	1,879	1,879
E D W Phillips	873	873
D Robinson	1,202	1,202
A J Richards	242	174

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

COSALT INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

Mr P A Bradbury and Mr E D W Phillips also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:-

Mr P A Bradbury

At 27 Aug 2000	Granted during period	Exercised during period	Lapsed during period	At 28 Oct 2001	Exercise price (p)	Dates from which exercisable	Expiry date
8,000	-	-	-	8,000	140.0	15.12.97	14.12.04
10,000	-	-	-	10,000	219.5	17.02.00*	16.02.04
10,000	-	-	-	10,000	232.5	23.12.00*	22.12.04
15,000	-	-	-	15,000	204.5	22.12.01*	21.12.05
10,400	-	-	-	10,400	179.5	28.04.03*	27.04.10
6,600	-	-	-	6,600	179.5	28.04.03*	27.04.07
60,000	-	-	-	60,000			

Mr E D W Phillips

At 27 Aug 2000	Granted during period	Exercised during period	Lapsed during period	At 28 Oct 2001	Exercise price (p)	Dates from which exercisable	Expiry date
-	11,000	-	-	11,000	222.5	26.04.04*	26.04.11
-	11,000	-	-	11,000			

* Performance criteria must be met before exercise permitted.

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

Fixed assets

The movement in tangible fixed assets are set out in note 8 to the financial statements. In note 15 additional information is provided on assets used by the company which are subject to lease agreements.

Employees

Details of employees and their remuneration are shown in note 5 to the financial statements.

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 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 to establish terms of payment with suppliers when agreeing the terms of business.

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

The number of days' purchases outstanding at the end of the financial period was 69 days.

COSALT INTERNATIONAL LIMITED**DIRECTORS' REPORT**
(continued)**Political and charitable donations**

During the period the company made charitable donations of £1,347 (2000: £1,916)

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 re-appointment will be proposed at the Annual General Meeting.

By order of the Board



A J Robson
Secretary
Fish Dock Road
GRIMSBY

28 January 2002

COSALT INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the period, and of the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company 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 financial statements 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 company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC TO THE MEMBERS OF COSALT INTERNATIONAL LIMITED

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as described on page 4, 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 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the 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 company is not disclosed.

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. 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 company'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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 28 October 2001, and of its profit for the sixty-one weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

28 January 2002

COSALT INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE SIXTY-ONE WEEKS ENDED 28 OCTOBER 2001

		61 weeks ended 28 October 2001	52 weeks ended 27 August 2000
	Note	£	£
Turnover	2	<u>32,435,825</u>	<u>27,132,091</u>
Operating profit	3	1,602,595	1,147,662
Interest payable and similar charges	4	<u>520,072</u>	<u>455,980</u>
Profit on ordinary activities before taxation		1,082,523	691,682
Taxation	6	<u>354,648</u>	<u>221,410</u>
Profit for the financial year		727,875	470,272
Dividends	7	<u>727,000</u>	<u>469,000</u>
Transferred to reserves	14	<u>875</u>	<u>1,272</u>

All operations are classed as continuing.

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

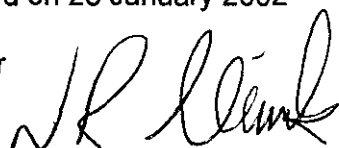
The notes on pages 8 to 16 form part of these financial statements.

COSALT INTERNATIONAL LIMITED
BALANCE SHEET - 28 OCTOBER 2001

	Note	28 October 2001		27 August 2000	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	8		1,348,413		1,542,414
Current Assets					
Stocks	9	3,644,414		3,300,198	
Debtors	10	5,464,611		5,778,919	
Bank and cash balances		<u>778,462</u>		<u>925,835</u>	
		9,887,487		10,004,952	
Creditors					
Amounts falling due within one year	11	<u>10,741,763</u>		<u>10,931,443</u>	
Net current liabilities			<u>(854,276)</u>		<u>(926,491)</u>
Total assets less current liabilities			494,137		615,923
Creditors					
Amounts falling due after more than one year	11	117,321		224,809	
Provisions for liabilities and charges	12	<u>77,043</u>	<u>194,364</u>	<u>92,216</u>	<u>317,025</u>
Net Assets			<u>299,773</u>		<u>298,898</u>
Capital and reserves					
Called up share capital	13		250,000		250,000
Profit and loss account	14		<u>49,773</u>		<u>48,898</u>
Equity shareholders' funds	14		<u>299,773</u>		<u>298,898</u>

Approved by the Board on 28 January 2002

N R Carrick – Director



The notes on pages 8 to 16 form part of these financial statements.

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

1 Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

Depreciation

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Leasehold property improvements	Over life of lease
Plant and machinery	5-20%
Motor vehicles	20-25%

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 is charged to profit and loss account. All other payments under lease agreements are charged in full to profit and loss account.

Stocks

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

Deferred taxation

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

Pension costs

Contributions to the group's defined benefit pension schemes are charged to 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.

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers arising from the principal activities as disclosed in the Directors' Report. The geographical analysis of turnover is as follows:

	2001 £	2000 £
United Kingdom	25,994,583	22,094,241
Overseas	<u>6,441,242</u>	<u>5,037,850</u>
	<u>32,435,825</u>	<u>27,132,091</u>

All turnover originated in the United Kingdom.

3 Operating profit

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

	2001 £	2000 £
Movement in stocks of finished goods and work in progress	(370,549)	192,774
Other operating income	(27,968)	(25,092)
Raw materials and consumables	18,722,146	14,678,384
Auditors' remuneration - audit fees	29,693	26,008
Operating lease charges - plant	387,407	350,501
- other	273,528	246,705
Other external charges	3,605,163	3,151,462
Staff costs (note 5)	7,319,141	6,649,511
Depreciation on owned assets	338,115	262,390
Depreciation on assets held under finance leases	114,011	76,186
Other operating charges	<u>442,543</u>	<u>375,600</u>
	<u>30,833,230</u>	<u>25,984,429</u>

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

4 Interest payable and similar charges (net)	2001	2000
	£	£
Capital charges paid to ultimate parent company	442,542	375,600
Interest on bank borrowings	56,304	49,856
Other interest	(1,171)	-
Interest on finance leases and hire purchase agreements	<u>22,397</u>	<u>30,524</u>
	<u>520,072</u>	<u>455,980</u>

5 Directors and employees	2001	2000
	£	£
Staff costs:		
Wages and salaries	6,283,789	5,808,924
Social security costs	510,645	476,145
Other pension costs	524,707	344,440
Employees' profit sharing scheme	<u>-</u>	<u>20,002</u>
	<u>7,319,141</u>	<u>6,649,511</u>

Emoluments of the directors of the company were:

Remuneration for management:	<u>663,261</u>	<u>530,602</u>
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Total remuneration of the highest paid director was £161,222 (2000: £116,921) including £18,482 (2000: £8,389) of pension contributions.

	2001	2000
	£	£
The accrued pension entitlement of the highest paid director is	<u>19,677</u>	<u>17,185</u>

	Number	Number
--	---------------	---------------

The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:

9	9
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The number of directors granted share options in respect of Cosalt plc shares during the period was:

3	3
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The number of directors exercising share options in respect of Cosalt plc shares during the period was:

-	2
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COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

5 Directors and employees (continued)

	2001	2000
The average number of employees of the company during the period was:		
Management and administration	128	130
Sales and distribution staff	<u>221</u>	<u>233</u>
	<u>349</u>	<u>363</u>

6 Taxation

	2001 £	2000 £
The taxation charge based on the profit on ordinary activities is:		
UK corporation tax payable at 30% (2000: 30%)	378,000	219,500
Deferred taxation	<u>(28,553)</u>	<u>5,157</u>
	349,447	224,657
Adjustments in respect of prior years:		
Deferred taxation	13,380	(3,247)
Corporation tax	<u>(8,179)</u>	<u>-</u>
	<u>354,648</u>	<u>221,410</u>

7 Dividends

	2001 £	2000 £
Final dividend proposed of £2.91 per share (2000: £1.88)	<u>727,000</u>	<u>469,000</u>

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

8 Tangible fixed assets

	Leasehold property improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 27 August 2000	290,867	4,224,021	217,443	4,732,331
Additions	5,372	298,616	-	303,988
Group transfer	-	2,545	-	2,545
Disposals	-	(252,556)	(7,865)	(260,421)
At 28 October 2001	<u>296,239</u>	<u>4,272,626</u>	<u>209,578</u>	<u>4,778,443</u>
Depreciation				
At 27 August 2000	84,803	2,909,520	195,594	3,189,917
Charged to profit and loss account	23,964	418,291	9,871	452,126
Group transfer	-	2,045	-	2,045
Eliminated in respect of disposals	-	(207,318)	(6,740)	(214,058)
At 28 October 2001	<u>108,767</u>	<u>3,122,538</u>	<u>198,725</u>	<u>3,430,030</u>
Net book values				
At 28 October 2001	<u>187,472</u>	<u>1,150,088</u>	<u>10,853</u>	<u>1,348,413</u>
At 27 August 2000	<u>206,064</u>	<u>1,314,501</u>	<u>21,849</u>	<u>1,542,414</u>

Assets costing approximately £1,878,000 (2000: £1,498,000) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance leases and hire purchase agreements are included above:

	Plant and machinery		Motor vehicles	
	2001	2000	2001	2000
	£	£	£	£
Cost	1,121,931	1,154,926	97,059	97,059
Depreciation	<u>765,705</u>	<u>659,597</u>	<u>97,059</u>	<u>97,059</u>
Net book values	<u>356,226</u>	<u>495,329</u>	<u>-</u>	<u>-</u>

Plant and machinery includes assets at cost of £1,538,000 (2000: £1,541,000) and accumulated depreciation of £1,003,000 (2000: £856,000) which are leased to third parties and have generated income of £695,000 (2000: £588,000) during the period.

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

9 Stocks	2001	2000
	£	£
Raw materials	437,110	463,443
Work in progress	251,938	213,407
Finished goods	<u>2,955,366</u>	<u>2,623,348</u>
	<u>3,644,414</u>	<u>3,300,198</u>
10 Debtors	2001	2000
	£	£
Amounts falling due within one year:		
Trade debtors	4,523,810	5,018,577
Amounts due from fellow subsidiary undertakings	228,552	250,452
Other taxation recoverable	109,899	94,617
Prepayments and accrued income	<u>602,350</u>	<u>415,273</u>
	<u>5,464,611</u>	<u>5,778,919</u>
11 Creditors	2001	2000
	£	£
Amounts falling due within one year:		
Bank overdraft	773,281	954,294
Trade creditors	3,593,706	4,035,597
Amount owed to ultimate parent company	3,623,275	3,548,576
Amounts owed to fellow subsidiary undertakings	200,007	247,696
Corporation tax	378,000	210,760
Other taxation	240,710	452,082
Social security	64,007	61,214
Accruals and deferred income	1,049,765	833,285
Dividend payable	727,000	469,000
Obligations under finance leases (note 15)	<u>92,012</u>	<u>118,939</u>
	<u>10,741,763</u>	<u>10,931,443</u>
Amounts falling due after more than one year:	£	£
Obligations under finance leases (note 15)	<u>117,321</u>	<u>224,809</u>

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

12 Provisions for liabilities and charges

	Warranty provision £	Deferred taxation £	Total £
At 27 August 2000	20,000	72,216	92,216
Deferred taxation	<u>-</u>	<u>(15,173)</u>	<u>(15,173)</u>
At 28 October 2001	<u>20,000</u>	<u>57,043</u>	<u>77,043</u>
Analysis of deferred taxation:		2001 £	2000 £
Accelerated tax allowances		118,650	127,977
Other timing differences		<u>(61,607)</u>	<u>(55,761)</u>
		<u>57,043</u>	<u>72,216</u>

13 Called up share capital

	2001 £	2000 £
Authorised, issued and fully paid: 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

14 Reserves

	2001 £	2000 £
a) Reconciliation of movements in equity shareholders' funds		
Profit for the financial year	727,875	470,272
Dividends	<u>(727,000)</u>	<u>(469,000)</u>
Net addition to equity shareholders' funds	875	1,272
Opening equity shareholders' funds	<u>298,898</u>	<u>297,626</u>
Closing equity shareholders' funds	<u>299,773</u>	<u>298,898</u>
b) Profit and loss account		
Balance at 27 August 2000	48,898	
Profit for the year, less dividend	<u>875</u>	
Balance at 28 October 2001	<u>49,773</u>	

COSALT INTERNATIONAL LIMITED

NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001

(continued)

15 Leasing obligations

	2001 £	2000 £
Future commitments due under finance leases are:		
Within one year	102,629	138,477
Between two and five years	<u>124,559</u>	<u>245,522</u>
	227,188	383,999
Less: future finance charges	<u>17,855</u>	<u>40,251</u>
	<u>209,333</u>	<u>343,748</u>
Shown in creditors (note 11) as:		
Amounts falling due within one year	92,012	118,939
Amounts falling due after more than one year	<u>117,321</u>	<u>224,809</u>
	<u>209,333</u>	<u>343,748</u>
Annual commitments due under non-cancellable operating leases are:		
Land and buildings leases which expire:		
Within one year	42,000	11,000
Between two and five years	122,785	93,916
In five years or more	<u>64,210</u>	<u>113,866</u>
	<u>228,995</u>	<u>218,782</u>
The majority of leases of land and buildings are subject to rent reviews.		
Plant leases which expire:		
Within one year	23,952	8,434
Between two and five years	<u>243,529</u>	<u>311,645</u>
	<u>267,481</u>	<u>320,079</u>

COSALT INTERNATIONAL LIMITED**NOTES ON FINANCIAL STATEMENTS - 28 OCTOBER 2001**

(continued)

16 Pension commitments

The company is part of the Cosalt plc group which operates several pension schemes, the major one being of the defined benefit type, and the assets of these schemes are held in separate trustee administered funds. This scheme was closed to new entrants on 25 July 2000 and replaced by a defined contribution scheme.

Contributions by the company which amounted to £524,707 (2000: £344,440) are based on pension costs across the group as a whole and are assessed in accordance with the advice of a qualified actuary. Particulars of actuarial valuations of the group schemes are disclosed in the financial statements of Cosalt plc. The latest actuarial assessment of the major scheme was made at 31 December 1999.

A new pension cost accounting standard, Financial Reporting Standard 17 (FRS17) was issued in November 2000 and although full compliance is not mandatory for the company until the year ending October 2003, prior to this, transitional disclosure rules apply.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The FRS 17 transitional disclosures for the scheme are shown in the consolidated accounts of Cosalt plc, the ultimate parent company.

17 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No. 8 as the consolidated financial statements in which the company is included are publicly available.

18 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Cosalt plc which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby, DN31 3NW.