



Interim Report and Accounts

Report Of The Directors

The first half of the year showed a good recovery from the poor result in the second half of last year due to cost savings, price increases and a reduction in low margin business. Operating profit before reorganisation costs was £2.9m compared to £2.7m in the first half of last year and £0.6m in the second half of 2004/05. Sales turnover was £94.1m in the first half compared to the prior year of £95.0m. After deducting reorganisation costs of £1.7m operating profit was £1.2m (2004/05 £2.7m). The loss before tax was £0.1m (2004/05 profit £1.6m). There is no interim dividend (2004/05 0.1p).

Review of Operations

North America

North America sales of £32.8m (£32.5m) were a little ahead of the prior year. Operating profit before reorganisation costs at £3.8m was slightly above 2004/05 (£3.6m), helped by a stronger US dollar.

Strong growth was seen in industrial sales, due to a number of new product launches. After excellent growth in recent years medical sales were steady. Automotive sales fell due largely to the loss of a low margin contract. Sales price increases during the first half across a significant proportion of the customer base helped to mitigate the impact of raw material price inflation. Operating costs were reduced significantly following the closure of the Mansfield site and consolidation of this business into our Renfrew facility in Canada. Productivity benefits arising from capital investments made in the prior year also contributed to the lower cost base.

Europe

Sales in Europe fell by 1% to £57.3m compared with the first half of 2004/05, primarily due to lower sales into the medical and photo-processing sectors. The operating loss (before reorganisation costs) for the region reduced by £0.2m to £1.0m due to lower costs, which offset a lower contribution margin. This was a substantial improvement

on the disappointing second half of last year. Targeted price increases coupled with a reduction in low margin business together with improved purchasing helped offset the substantial increases seen in our raw material costs.

The region continues to promote its 'Customer Now' initiative designed to focus the whole organisation to drive improvements in customer service levels. This, coupled with improved quality of products, has made a positive impact on customer satisfaction.

During the first half a review of our European operations was undertaken and as a result a programme of cost reduction was implemented that will save £1.5m on an annual basis. The exceptional cost of the redundancies in the first half was £1.6m. A second part of this programme has recently been put into place comprising a further consolidation at our Ashton site in the UK and the closure of the Group headquarters. The cost incurred of £0.7m will be taken in the second half with an estimated annual benefit of £0.7m.

Asia

Sales by Scapa Asia fell by 9% to £4.0m and operating profit as a consequence was £0.2m lower than last year at £0.1m. The temporary loss of a key contract was the major contributor to the fall in sales. During the last 18 months we have built up a strong distribution network and look to leverage this against the many opportunities available to us in the region.

Profit before tax and taxation charge

Reorganisation charges totalled £1.7m (2004/05 nil) and related to redundancies in both Europe (£1.6m) and North America (£0.1m).

Net bank interest was £0.4m (2004/05 £0.3m) and other finance charges (discount on litigation provision and IAS 19 finance cost) were £0.9m (2004/05 £0.8m). The loss before tax was £0.1m (2004/05 profit of £1.6m). All bank covenants were complied with, at 30 September 2005, as expected.

The tax charge of £2.4m included underlying taxation payable of £2.0m and a prior year adjustment of £0.4m. No benefit has been recognised for potential future tax credits for loss making entities (primarily the UK), as there is little expectation of recovery within the foreseeable future. The 2004/05 tax charge, after restating for IFRS purposes, was £0.3m, and included the benefit of a favourable settlement of prior year issues totalling £1.1m.

The headline loss per share, pre reorganisation costs, was 0.6p (0.9p profit in the first half of 2004/05).

Cash flow and balance sheet

Net cash inflow from operating activities (before reorganisation costs) was £2.6m (2004/05 £0.2m). Trading working capital as at 30 September 2005 was higher than at 31 March 2005 for seasonal reasons, resulting in a £1.6m trading working capital cash outflow (2004/05 £4.1m outflow). Additional top-up payments into the pension funds totalled £1.4m (2004/05 £1.4m). Reorganisation spend totalled £1.8m (2004/05 £0.4m). Asbestos litigation defence spend totalled £0.9m (2004/05 £0.4m), with the increase in spend reflecting greater activity. Capital investment in the first half was substantially lower than the prior year at £0.7m (2004/05 £2.9m) and reflected careful management of expenditure.

In September 2005 an agreement was reached with J.M.Voith A.G. to release a further US\$10m (£5.5m) from the Waycross deposit. As a consequence the remaining balance of US\$10m will be held on escrow for an additional two years until 31 December 2011. With the benefit of this release, overall net debt (excluding the remaining Waycross deposit) was £3.6m lower than at 31 March 2005, at £11.6m.

The IAS 19 pension deficit as at 30 September 2005 was £47.2m (31 March 2005 £45.6m). This increase was primarily the result of a reduction in the discount rate used to value future pension liabilities.

This increase was offset in part by increases in the value of pension assets over the period. A revaluation of the UK pension schemes will be carried out in 2006.

Accounting standards

The Group adopted International Financial Reporting Standards (IFRS) as from 1 April 2005. Consequently prior year comparatives have been re-stated in accordance with these standards. The impact of these adjustments on prior year financial information was disclosed in the Group's IFRS restatement announcement issued on 31 October 2005 and posted on our website. A summary of the impact on the income statement and on equity is given in note 8 to these accounts.

Asbestos litigation

As shareholders are aware, the Group continues to be involved in a number of cases in the USA arising from the alleged exposure of paper mill workers to asbestos in a product that was part of a business whose assets were sold to J.M.Voith A.G. in July 1999. Prior to 2003 the company had won all the cases against it, or the company had been dismissed or the case had been abandoned before going to court.

In October 2003 a jury in Baltimore, Maryland, USA returned an award of up to US\$3.5m (£1.9m) against Scapa Dryer Fabrics Inc. We are now pleased to report that this wholly unexpected judgement was subsequently reversed on appeal on 17 November this year.

A second adverse verdict in Louisiana in July 2004 awarding in total US\$187,500 (approximately £100,000) plus costs and interest to eight plaintiffs has finally been confirmed by the judge, leading to the commencement of the appeal process in March 2005. In May 2005 a jury returned a verdict in favour of Scapa Dryer Fabrics Inc. in a case in Baltimore City Circuit Court, Maryland, USA. This has since been appealed by the plaintiff's Counsel.

Report Of The Directors

The Group has continued to be dismissed from cases. During the first six months of the financial year to 30 September 2005 the Group has been dismissed from 47 cases covering approximately 977 plaintiffs. In the USA no Scapa Group company nor any of our insurance carriers has admitted liability to date, nor made any payment to any plaintiff under our policies. Accordingly, our insurance coverage remains intact and the Board will continue to defend vigorously the outstanding claims.

The Board

During the period there were a number of changes to the Board. Richard Perry, the Finance Director of Fenner plc, was appointed as a Non-Executive Director with effect from 1 June 2005 and became Chairman of the Audit Committee on that date. Tony Watson resigned as Director with effect from 1 June 2005. Calvin O'Connor, previously Managing Director of British Vita's Industrial Polymers business, was appointed Chief Executive on 10 October 2005.

Prospects

The outlook for the second half continues to look challenging, with further increases in raw material costs and overall market demand looking a little subdued. Our reduction in cost base will however offset some of these effects and we expect a modest improvement to the year as a whole.

During the summer work started on a review of options to improve the financial performance of the Group and this is now being progressed by our new Chief Executive. We expect to be able to conclude this review and report to shareholders during the next six months.



C J O'Connor

Chief Executive
24 November 2005

K G G Hopkins

Chairman
24 November 2005

Consolidated Income Statement

For the half year ended
30 September 2005
(unaudited)

All on continuing operations

| | | Half year ended 30 Sept 2005 | Half year ended 30 Sept 2004 (Restated) | Year ended 31 March 2005 (Restated) |
|---|------|------------------------------------|--|--|
| | note | £m | £m | £m |
| Turnover | 2 | 94.1 | 95.0 | 188.2 |
| Operating profit/(loss) | 2 | 1.2 | 2.7 | (1.2) |
| Operating profit before exceptional items | | 2.9 | 2.7 | 3.3 |
| Reorganisation costs | 3 | (1.7) | – | (0.9) |
| Property, plant and equipment impairment | 3 | – | – | (3.6) |
| Operating profit/(loss) | 2 | 1.2 | 2.7 | (1.2) |
| Interest payable | | (0.8) | (0.6) | (1.3) |
| Interest receivable | | 0.4 | 0.3 | 0.6 |
| | | (0.4) | (0.3) | (0.7) |
| Discount on litigation provision | | (0.2) | (0.2) | (0.5) |
| IAS 19 finance costs | | (0.7) | (0.6) | (1.2) |
| Net finance costs | | (1.3) | (1.1) | (2.4) |
| (Loss)/profit on ordinary activities before taxation | | (0.1) | 1.6 | (3.6) |
| Taxation | 4 | (2.4) | (0.3) | 5.8 |
| (Loss)/profit on ordinary activities after taxation | | (2.5) | 1.3 | 2.2 |
| Minority interests | | – | – | (0.1) |
| Retained (loss)/profit for the period | | (2.5) | 1.3 | 2.1 |
| Basic and diluted (loss)/earnings per share (p) | | (1.7) | 0.9 | 1.5 |

Consolidated Statement of Recognised Income and Expense

For the half year ended
30 September 2005
(unaudited)

All on continuing operations

| | | Half year ended 30 Sept 2005 | Half year ended 30 Sept 2004 (Restated) | Year ended 31 March 2005 (Restated) |
|---|------|------------------------------------|--|--|
| | note | £m | £m | £m |
| Retained (loss)/profit for the period | | (2.5) | 1.3 | 2.1 |
| Exchange differences on translating foreign operations | | 2.6 | 1.3 | 1.3 |
| Actuarial gains and losses | | (2.4) | (0.5) | (7.3) |
| Total recognised income and expense for the period | | (2.3) | 2.1 | (3.9) |
| IFRS transition adjustment (IAS 39) | 5 | 0.3 | – | – |
| Total recognised income and expense | | (2.0) | 2.1 | (3.9) |

Consolidated Balance Sheet

As at 30 September
2005 (unaudited)

| | note | Half year ended 30 Sept 2005 £m | Half year ended 30 Sept 2004 (Restated) £m | Year ended 31 March 2005 (Restated) £m |
|---|------|--|--|--|
| Assets | | | | |
| <i>Non-current assets</i> | | | | |
| Goodwill | | 21.8 | 21.4 | 21.0 |
| Property, plant & equipment | | 51.0 | 58.1 | 52.3 |
| Deferred tax asset | | 1.6 | 0.9 | 3.5 |
| Other | | 0.1 | – | 0.1 |
| | | 74.5 | 80.4 | 76.9 |
| <i>Current assets</i> | | | | |
| Inventory | | 21.1 | 20.7 | 19.3 |
| Trade and other receivables | | 45.3 | 44.6 | 43.8 |
| Financial assets – derivative financial instruments | 5 | 0.5 | – | – |
| Current asset investments | | 5.6 | 11.5 | 10.9 |
| Cash and cash equivalents | | 5.7 | 8.3 | 8.1 |
| | | 78.2 | 85.1 | 82.1 |
| Liabilities | | | | |
| <i>Current liabilities</i> | | | | |
| Financial liabilities | | | | |
| – Borrowings and other financial liabilities | | (1.1) | (2.4) | (3.1) |
| – Derivative financial instruments | 5 | (0.6) | – | – |
| Trade and other payables | | (32.9) | (33.4) | (32.7) |
| Current tax liabilities | | (0.2) | (1.4) | – |
| Provisions | | (2.2) | (1.7) | (2.1) |
| | | (37.0) | (38.9) | (37.9) |
| Net current assets | | 41.2 | 46.2 | 44.2 |
| <i>Non-current liabilities</i> | | | | |
| Financial liabilities | | | | |
| – Borrowings and other financial liabilities | | (16.2) | (22.9) | (20.2) |
| Other non-current liabilities | | (1.9) | (1.9) | (2.0) |
| Deferred tax liabilities | | (2.5) | (4.7) | (3.0) |
| Retirement benefit obligations | | (47.2) | (39.7) | (45.6) |
| Provisions | | (9.7) | (11.1) | (10.1) |
| | | (77.5) | (80.3) | (80.9) |
| NET ASSETS | | 38.2 | 46.3 | 40.2 |
| Shareholders' equity | | | | |
| Ordinary shares | | 7.2 | 7.2 | 7.2 |
| Retained earnings | | 27.1 | 37.7 | 31.7 |
| Translation reserve | | 3.9 | 1.3 | 1.3 |
| Total shareholders' equity | | 38.2 | 46.2 | 40.2 |
| Minority interest | | – | 0.1 | – |
| TOTAL EQUITY | 6 | 38.2 | 46.3 | 40.2 |

Condensed consolidated Cash Flow Statement

For the half year ended
30 September 2005
(unaudited)

| | note | Half year ended 30 Sept 2005 £m | Half year ended 30 Sept 2004 £m | Year ended 31 March 2005 £m |
|--|------|--|--|--------------------------------------|
| Cash flows from operating activities | | | | |
| Net cashflow from operations | 7 | (0.1) | (0.6) | 1.5 |
| Cash generated from operations before reorganisation and legacy cash flows | 7 | 2.6 | 0.2 | 3.7 |
| Cashflows from reorganisation and prior year disposals | 7 | (2.7) | (0.8) | (2.2) |
| Net cashflow from operations | | (0.1) | (0.6) | 1.5 |
| Net interest paid | | (0.5) | (0.2) | (0.4) |
| Income tax paid | | (0.4) | – | – |
| Net cash (absorbed by)/generated from operating activities | | (1.0) | (0.8) | 1.1 |
| Cash flows from investing activities | | | | |
| Acquisition of subsidiary | | – | – | (0.3) |
| Purchase of property, plant & equipment | | (0.7) | (2.9) | (4.6) |
| Proceeds from sale of property, plant & equipment | | 0.1 | – | 0.1 |
| Proceeds from receipt of government grant | | – | – | 0.5 |
| Proceeds from release of \$10m Waycross deposit | | 5.5 | – | – |
| Net (payments)/receipts in respect of forward contracts | | (0.1) | 1.0 | 1.8 |
| Net cash received/(used) in investing activities | | 4.8 | (1.9) | (2.5) |
| Cash flows from financing activities | | | | |
| Repayment of borrowings | | (4.6) | (0.8) | (1.9) |
| Dividends paid to company shareholders | | – | (0.4) | (0.5) |
| Net cash used in financing activities | | (4.6) | (1.2) | (2.4) |
| Net decrease in cash and cash equivalents | | (0.8) | (3.9) | (3.8) |
| Cash and cash equivalents at beginning of the year | | 5.7 | 9.6 | 9.6 |
| Exchange gains or losses on cash and cash equivalents | | 0.3 | 0.2 | (0.1) |
| Cash and cash equivalents at end of the year | | 5.2 | 5.9 | 5.7 |

Notes

1. Basis of preparation

The financial statements for the half year ended 30 September 2005 are unaudited and do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The information provided within this document has been prepared in accordance with International Financial Reporting Standards (IFRS) on the basis that all existing standards in issue from the International Accounting Standards Board (IASB) will be fully endorsed by the EU. The comparative financial information for the six months ended 30 September 2004 and the year-ended 31 March 2005 has also been prepared on this basis and is unaudited.

As permitted the Group has early adopted the amendment to IAS 19 "Employee Benefits – Actuarial Gains and Losses" that was published by the IASB in December 2004. The directors expect that this amendment will be fully adopted by the EU and will therefore be available for use in the IFRS financial statements for the year ended 31 March 2006.

During the remainder of the financial year further standards and interpretations may be issued that will be applicable for accounting periods ending on or after 1 January 2005. In addition, further changes may be made as a result of decisions made by the EU. As a result the accounting policies cannot be determined with certainty and therefore may require updating when the annual financial statements are prepared for the year ending 31 March 2006.

On 31 October 2005 the Group published an IFRS restatement announcement, copies of which are available on the Scapa website at www.scapa.com. This announcement included a description of the likely impact of the transition from UK Generally Accepted Accounting Practices (UK GAAP) to IFRS on the Group's profit or loss and equity, and the reconciliations required by IFRS 1 "First Time Adoption of IFRS". Reconciliations of the effect of the transition from UK GAAP to IFRS are provided in note 8 and these should be read in conjunction with the IFRS restatement announcement.

The Group accounting policies set out in the 2005 annual report have been revised where required to conform to IFRS. These revised accounting policies were set out in full in the IFRS restatement announcement. These have been applied consistently to all periods included in this report with the exception of those policies relating to financial instruments (IAS 32 and IAS 39). The Group has taken the exemption available under IFRS 1 not to restate comparatives and these standards have only been applied from 1 April 2005. As a result the financial instruments included within the comparatives for September 2004 and March 2005 are still accounted for in accordance with UK GAAP. The adjustment made to reserves as a result of adopting IAS 32 and IAS 39 on 1 April 2005 is detailed in note 5.

Notes

2. Segmental information

Primary reporting format – geographical segments.

At 30 September 2005 the Group is organised into three geographical segments: Europe, North America and Asia. All operating costs of the Group are allocated between these segments.

| All on continuing operations | Half year ended 30 Sept 2005 £m | Half year ended 30 Sept 2004 (Restated) £m | Year ended 31 March 2005 (Restated) £m |
|---|--|--|--|
| By origin: | | | |
| Revenue | | | |
| Europe | 60.2 | 61.6 | 121.9 |
| North America | 34.2 | 34.0 | 66.4 |
| Asia | 4.4 | 5.1 | 10.2 |
| | 98.8 | 100.7 | 198.5 |
| Inter-segment revenue | (4.7) | (5.7) | (10.3) |
| | 94.1 | 95.0 | 188.2 |
| Operating profit/(loss) | | | |
| Europe | (2.6) | (1.2) | (6.0) |
| North America | 3.7 | 3.6 | 4.3 |
| Asia | 0.1 | 0.3 | 0.5 |
| | 1.2 | 2.7 | (1.2) |
| Operating profit/(loss) before exceptional costs | | | |
| Europe | (1.0) | (1.2) | (3.6) |
| North America | 3.8 | 3.6 | 6.4 |
| Asia | 0.1 | 0.3 | 0.5 |
| | 2.9 | 2.7 | 3.3 |
| Exceptional costs | | | |
| Europe | (1.6) | – | (2.4) |
| North America | (0.1) | – | (2.1) |
| | (1.7) | – | (4.5) |
| Net finance costs | (1.3) | (1.1) | (2.4) |
| (Loss)/profit on ordinary activities before taxation | (0.1) | 1.6 | (3.6) |

Notes

3. Exceptional items

Reorganisation costs incurred in the half year ended 30 September 2005 amounted to £1.7m and related to redundancies in both Europe and North America.

Reorganisation costs incurred in the year ended 31 March 2005 totalled £0.9m. These included costs associated with the transfer and consolidation of the cable wrapping tape business from its site in the US to Scapa's Canadian plant and expenses relating to the on-going European restructuring and cost reduction programme.

In addition as part of the Group's routine review of plant and equipment valuations the value of assets at two Scapa sites were written down during the year ended 31 March 2005.

4. Taxation

The tax charge of £2.4m included underlying taxation payable of £2.0m and a prior year adjustment of £0.4m. No benefit has been recognised for potential future tax credits for loss making entities (primarily in the UK), as there is little expectation of recovery within the foreseeable future. The 2004/05 tax charge, after restating for IFRS purposes, was £0.3m and included the benefit of a favourable settlement of prior year issues totalling £1.1m.

5. Financial instruments

As noted in note 1 'Basis of Preparation', the Group has taken the exemption not to restate comparatives for IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', which came into effect for accounting periods beginning on or after 1 January 2005. The adoption of these standards on 1 April 2005 resulted in the recognition of a number of financial instruments in the opening balance sheet on this date, increasing reserves by £0.3m.

At 30 September 2005 financial assets of £0.5m and financial liabilities of £0.6m have been recognised in the Balance Sheet relating to the fair value of derivative financial instruments in place across the Group at this date.

It is Group policy to hedge account for instruments used to hedge against exchange differences arising from the translation of the net investment in foreign entities. Accordingly gains and losses on the revaluation of these instruments at each balance sheet date are recognised directly in equity. Movements in instruments used to hedge against the exposure to exchange differences due to the timing of cash flows are taken through the income statement as it is not Group policy to hedge account for these instruments.

Notes

6. Reconciliation of closing equity

| | Share Capital | Retained Earnings | Translation Reserve | Equity holders of the parent | Minority Interests | Total Equity |
|--|------------------|----------------------|------------------------|------------------------------------|-----------------------|-----------------|
| At 1 April 2004 | 7.2 | 37.3 | – | 44.5 | 0.1 | 44.6 |
| Retained profit for the period | – | 1.3 | – | 1.3 | – | 1.3 |
| Exchange differences on translating foreign operations | – | – | 1.3 | 1.3 | – | 1.3 |
| Actuarial gains and losses | – | (0.5) | – | (0.5) | – | (0.5) |
| Dividends | – | (0.4) | – | (0.4) | – | (0.4) |
| At 30 September 2004 | 7.2 | 37.7 | 1.3 | 46.2 | 0.1 | 46.3 |
| Retained profit for the period | – | 0.8 | – | 0.8 | 0.1 | 0.9 |
| Exchange differences on translating foreign operations | – | – | – | – | 0.1 | 0.1 |
| Actuarial gains and losses | – | (6.8) | – | (6.8) | – | (6.8) |
| Dividends | – | (0.1) | – | (0.1) | – | (0.1) |
| Share based payments | – | 0.1 | – | 0.1 | – | 0.1 |
| Acquisition of remaining 25% holding in Scapa Hong Kong Ltd | – | – | – | – | (0.3) | (0.3) |
| At 31 March 2005 | 7.2 | 31.7 | 1.3 | 40.2 | – | 40.2 |
| IFRS transition adjustments | – | 0.3 | – | 0.3 | – | 0.3 |
| At 1 April 2005 | 7.2 | 32.0 | 1.3 | 40.5 | – | 40.5 |
| Retained profit for the period | – | (2.5) | – | (2.5) | – | (2.5) |
| Exchange differences on translating foreign operations | – | – | 2.6 | 2.6 | – | 2.6 |
| Actuarial gains and losses | – | (2.4) | – | (2.4) | – | (2.4) |
| At 30 September 2005 | 7.2 | 27.1 | 3.9 | 38.2 | – | 38.2 |

Notes

7. Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

| | Half year ended 30 Sept 2005 £m | Half year ended 30 Sept 2004 £m | Year ended 31 March 2005 £m |
|--|--|--|--------------------------------------|
| Operating profit/(loss) | 1.2 | 2.7 | (1.2) |
| Adjustments for: | | | |
| Depreciation | 3.2 | 3.5 | 6.9 |
| (Profit)/loss on disposal of fixed assets | (0.1) | – | 0.2 |
| Impairment of tangible fixed assets | – | – | 3.6 |
| Movement in fair value of financial instruments | 0.2 | – | – |
| Pensions payments in excess of charge | (1.4) | (1.4) | (3.0) |
| Changes in working capital: | | | |
| Inventories | (1.2) | (3.0) | (1.6) |
| Trade debtors | (0.3) | 0.1 | (0.8) |
| Trade creditors | (0.1) | (1.2) | (1.5) |
| Trading working capital | (1.6) | (4.1) | (3.9) |
| Other debtors | (0.6) | (0.5) | 1.2 |
| Other creditors | – | – | (1.2) |
| Net movement in other provisions | – | – | 0.2 |
| Net movement in reorganisation provisions | (0.1) | (0.4) | (0.2) |
| Net movement in provisions in respect of prior year disposals | (0.9) | (0.4) | (1.1) |
| Cash (absorbed by)/generated from operations | (0.1) | (0.6) | 1.5 |
| Cash generated from operations before reorganisation and legacy cash flows | 2.6 | 0.2 | 3.7 |
| Cash flows from reorganisation and prior year disposals | (2.7) | (0.8) | (2.2) |
| Cash (absorbed by)/generated from operations | (0.1) | (0.6) | 1.5 |

8. Restatement of comparative data in accordance with the transition to IFRS

The Group has been reporting its results in accordance with IFRS since 1 April 2005. Previous financial information was reporting in accordance with UK GAAP. All comparative data included in this report has been restated accordingly with the exception of financial instruments as the Group has taken the exemption not to restate comparatives for IAS 32 and IAS 39.

In accordance with the requirements of IFRS 1 the following reconciliations have been provided in this report:

- A reconciliation of profit/(loss) under UK GAAP for the half year ended 30 September 2004 to the profit/(loss) under IFRS for the half year ended 30 September 2004.
- A reconciliation of profit/(loss) under UK GAAP for the year ended 31 March 2005 to the profit/(loss) under IFRS for the year ended 31 March 2005.
- A reconciliation of equity at 1 April 2004 under UK GAAP to 1 April 2004 under IFRS.
- A reconciliation of equity at 30 September 2004 under UK GAAP to 30 September 2004 under IFRS.
- A reconciliation of equity at 31 March 2005 under UK GAAP to 31 March 2005 under IFRS.

Detailed explanations of the above reconciliations have been provided in the IFRS restatement announcement made on 31 October 2005 which should be read in conjunction with the interim report.

Notes

| Group Income Statement for the half year ended 30 September 2004 | UK GAAP | Adjustments | | | IFRS |
|---|-------------|----------------------|------------|--------------|-------------|
| | | Employee Benefits | Goodwill | Taxation | |
| Turnover | 95.0 | – | – | – | 95.0 |
| Operating profit before goodwill amortisation | 2.8 | (0.1) | – | – | 2.7 |
| Goodwill amortisation | (0.7) | – | 0.7 | – | – |
| Total operating profit | 2.1 | (0.1) | 0.7 | – | 2.7 |
| Net finance costs | (1.1) | – | – | – | (1.1) |
| Profit on ordinary activities before taxation | 1.0 | (0.1) | 0.7 | – | 1.6 |
| Taxation | – | – | – | (0.3) | (0.3) |
| Retained profit for the period | 1.0 | (0.1) | 0.7 | (0.3) | 1.3 |
| Basic and diluted earnings per share (p) | 0.7 | (0.1) | 0.5 | (0.2) | 0.9 |

| Group Income Statement for the year ended 31 March 2005 | UK GAAP | Adjustments | | | IFRS | |
|---|--------------|---------------------|----------------------|------------|--------------|--------------|
| | | Loss on disposal | Employee Benefits | Goodwill | Taxation | |
| Turnover | 188.2 | – | – | – | – | 188.2 |
| Operating profit before goodwill amortisation | 3.6 | (0.2) | (0.1) | – | – | 3.3 |
| Goodwill amortisation | (1.4) | – | – | 1.4 | – | – |
| Operating profit before exceptional items | 2.2 | (0.2) | (0.1) | 1.4 | – | 3.3 |
| Reorganisation costs | (0.9) | – | – | – | – | (0.9) |
| Property, plant and equipment impairment | (3.6) | – | – | – | – | (3.6) |
| Total operating loss | (2.3) | (0.2) | (0.1) | 1.4 | – | (1.2) |
| Loss on disposal of fixed assets | (0.2) | 0.2 | – | – | – | – |
| Loss on ordinary activities before interest and taxation | (2.5) | – | (0.1) | 1.4 | – | (1.2) |
| Net finance costs | (2.4) | – | – | – | – | (2.4) |
| Loss on ordinary activities before taxation | (4.9) | – | (0.1) | 1.4 | – | (3.6) |
| Taxation | 6.3 | – | – | – | (0.5) | 5.8 |
| Profit on ordinary activities after taxation | 1.4 | – | (0.1) | 1.4 | (0.5) | 2.2 |
| Minority interests | (0.1) | – | – | – | – | (0.1) |
| Retained profit for the period | 1.3 | – | (0.1) | 1.4 | (0.5) | 2.1 |
| Basic and diluted earnings per share (p) | 0.9 | – | (0.1) | 1.0 | (0.3) | 1.5 |

Notes

| | Share Capital | Retained Earnings | Translation Reserve | Equity Holders of the Parent | Minority Interests | Total Equity |
|-------------------------------------|---------------|-------------------|---------------------|------------------------------|--------------------|--------------|
| Group equity at 1 April 2004 | | | | | | |
| UK GAAP | 7.2 | 37.1 | – | 44.3 | 0.1 | 44.4 |
| IFRS adjustments: | | | | | | |
| Employee benefits | – | (1.2) | – | (1.2) | – | (1.2) |
| Taxation | – | 1.0 | – | 1.0 | – | 1.0 |
| Dividend | – | 0.4 | – | 0.4 | – | 0.4 |
| IFRS | 7.2 | 37.3 | – | 44.5 | 0.1 | 44.6 |

Group equity at 30 September 2004

| | | | | | | |
|----------------------|------------|-------------|------------|-------------|------------|-------------|
| UK GAAP | 7.2 | 38.8 | – | 46.0 | 0.1 | 46.1 |
| IFRS adjustments: | | | | | | |
| Employee benefits | – | (1.3) | – | (1.3) | – | (1.3) |
| Goodwill | – | 0.7 | – | 0.7 | – | 0.7 |
| Exchange differences | – | (1.3) | 1.3 | – | – | – |
| Dividend | – | 0.1 | – | 0.1 | – | 0.1 |
| Taxation | – | 0.7 | – | 0.7 | – | 0.7 |
| IFRS | 7.2 | 37.7 | 1.3 | 46.2 | 0.1 | 46.3 |

Group equity at 31 March 2005

| | | | | | | |
|----------------------|------------|-------------|------------|-------------|----------|-------------|
| UK GAAP | 7.2 | 32.4 | – | 39.6 | – | 39.6 |
| IFRS adjustments: | | | | | | |
| Employee benefits | – | (1.3) | – | (1.3) | – | (1.3) |
| Goodwill | – | 1.4 | – | 1.4 | – | 1.4 |
| Exchange differences | – | (1.3) | 1.3 | – | – | – |
| Taxation | – | 0.5 | – | 0.5 | – | 0.5 |
| IFRS | 7.2 | 31.7 | 1.3 | 40.2 | – | 40.2 |

9. Audit basis and statutory accounts

The financial information included within this report is unaudited. The comparative figures for the year ended 31 March 2005 are on an IFRS basis and therefore differ from the financial information included in the Group's audited statutory accounts for that period. These accounts were prepared under UK GAAP and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 of the Companies Act 1985.

Shareholder Information

Shareholder enquiries

Correspondence regarding shareholdings, dividend payments or changes of address should be directed to the company's registrars and transfer office:

Capita IRG plc
The Registry,
34 Beckenham Road,
Beckenham,
Kent. BR3 4TU
Tel 0870 162 3100
Fax 020 8639 2342
E-mail: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

Investor information

Shareholder information on the internet

The Scapa website: www.scapa.com provides shareholder information including copies of the Annual report and Annual review. The site also contains information on recent trends in the company's share price. Shareholders can gain access to their individual shareholder details via a link to our Registrar's website and will then be required to pass an online identity check to access their personal shareholding (you will need to have your unique investor code to hand, this can be found on your share certificate or dividend tax voucher). Shareholders can now make transaction enquiries, change their registered address, add or amend dividend mandate instructions or check dividend payment details via our Registrar's website, www.capitaregistrars.com. From the registrar's site, shareholders can download stock transfer, dividend mandate and change of address forms.

Dividend mandates

Using the BACS system, shareholders may choose to have dividends paid electronically into their bank and building society account. This process ensures that the amount of the dividend is passed directly into their account, as cleared funds, on the date the payment is due. Confirmation of payment will be contained in a dividend tax voucher which is posted to shareholders' registered addresses at the time of payment. This voucher should be kept safely for future reference. A substantial number of shareholders have already decided to use this system.

Any shareholder wishing to adopt this method of payment should complete a dividend mandate form, which can be found on their last dividend warrant. Alternatively, this can be downloaded from the Registrar's website or a form can be requested by calling the Registrar's telephone helpline.

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