2 June 2005

Scapa Group plc

Scapa Group plc, the global supplier of technical tapes and cable compounds, today announces the preliminary results for the year ended 31 March 2005.

Highlights

- Turnover £188.2 million (2003/04 £187.9 million)
- Underlying turnover increased by £6.2 million (3.4%) reflecting strong underlying sales growth of 6.5% in North America particularly within Scapa Medical
- Headline * operating profit £3.6 million (2003/04 £6.0 million)
- Headline * profit before tax £1.2 million (2003/04 £4.1 million)
- Steven Lennon appointed to COO in February 2005
- Board Changes:
  - Tony Watson resigned as CEO from June 1 2005 with immediate effect, Keith Hopkins will act as Executive Chairman until a new CEO is appointed
  - Michael Baughan will become deputy chairman
  - Richard Perry is appointed as a non-executive director from June 1 2005
- Net debt at year end £15.2 million; year end gearing 38.4%

Commenting on the results, Chairman Dr Keith Hopkins said:

"Trading in the first part of the 2005/06 financial year has been significantly below budget. Our main aim is to recover our trading margins by increasing selling prices and reducing costs, and the management changes implemented will provide important momentum in achieving this. Looking further ahead the Board is committed to reviewing all options to provide future value to shareholders and is consequently undertaking a strategic review of our business."

For further information:

Keith Hopkins	Chairman	Tel: 01254 580 123
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A full copy of this announcement can be found at www.scapa.com

** Figures shown here and elsewhere in the Preliminary Announcement as "headline" exclude operating exceptional charges of £ 4.5million (2003/04 £11.7million) and goodwill amortisation of £1.4 million (2003/04 £1.5 million) and where applicable the non-operating exceptional loss on disposal of fixed assets of £0.2 million (2003/04 profit of £0.9 million)*

Chairman's Statement

Overview

This was a very disappointing year. As highlighted in our 14 March 2005 trading statement significant increases in raw material prices, especially during the second half, reduced margins. We were also affected by the weakness of the US Dollar and a sharp slowdown in overall demand in March. Steady progress in North America and good sales growth in Asia were undermined by a poor result in Europe.

Group sales in 2004/05 of £188.2 million were similar to last year (£187.9 million). Operating profit before goodwill amortisation and exceptional items was £3.6 million (£6.0 million 2003/04). With goodwill amortisation of £1.4 million (£1.5 million last year) and operating exceptional charges of £4.5 million (£11.7 million last year) total operating loss was £2.3 million compared to a total operating loss of £7.2 million last year. After an exceptional tax credit of £6.8 million this year, profit after tax was £1.4 million (loss after tax of £4.1 million last year) and earnings per share were 0.9p (2003/04 loss of 2.8p per share).

We successfully relocated our North American cable tape manufacturing plant from Mansfield, Massachusetts to our existing Canadian facility. We also completed the buyout of our Chinese joint venture partner during the year which should accelerate the development of our business in China. We have strengthened our European research and development team during the year and had another successful year in new product introductions in North America.

Finance

Capital expenditure was carefully controlled at £4.6 million (2003/04 £6.9 million) and was focused on improving conversion efficiencies at a number of key locations. Working capital increased by £4.0 million reflecting in part increased raw material costs. Cash flow from operating activities was £1.5 million (2003/04 £5.9 million). Net debt increased by £1.5 million to £15.2 million. At the year end gearing was 38.4%.

Trading in the first part of the 2005/06 financial year has been significantly below budget. Consequently the directors have prepared a revised forecast taking account of current trading and reflecting improvement plans. The revised forecast shows compliance with the relevant banking covenants. While we remain well within our borrowing limits, as a precautionary measure, the Group has initiated discussions with its bankers to ease certain covenants if this becomes necessary. The Board has decided that it cannot recommend the payment of a final dividend.

US Litigation

We continue to defend personal injury claims in the USA from alleged exposure to asbestos that relate to a business we sold in 1999. The appeal processes for the two adverse verdicts, previously advised, are underway. In the last six months we have won two important cases; one in Arkansas, in December 2004, and a second case in Baltimore in May 2005. Over the last three years we have been dismissed from 176 cases covering 1,113 plaintiffs. In over ten years of successful defence in the USA no Scapa Group company, nor any of our insurance carriers, has admitted liability 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

There have been a number of changes to the Board. Tony Watson resigned as a Director on 1 June 2005. I would like to thank Tony for all his years of service and wish him well for the future. He will continue to assist us for a period with our US litigation. While we search for a new Chief Executive I will become Executive Chairman and Michael Baughan, our Senior Non-Executive Director, will delay his retirement from the Board and become Deputy Chairman.

We are pleased to welcome Richard Perry as a Non-Executive Director of Scapa with effect from 1 June 2005. Richard is Finance Director of Fenner plc and will bring a wealth of experience to the Board. He will take over from Michael Baughan as Chairman of the Audit Committee.

In February 2005 we appointed Mr Steven Lennon to the position of Chief Operating Officer of Scapa Group. Steven is a welcome addition to the Scapa Board having led the reorganisation and development of our successful North American operation.

Outlook

Trading in the first part of the 2005/06 financial year has been significantly below budget. Our main aim is to recover our trading margins by increasing selling prices and reducing costs, and the management changes implemented will provide important momentum in achieving this. Looking further ahead the Board is committed to reviewing all options to provide future value to shareholders and is consequently undertaking a strategic review of our business.

Operating Review

2004/05 Performance

Overview

2004/05 was a year which encompassed many changes. Certain raw material costs rose significantly, triggered by rising oil prices and limited availability of a number of materials. Competitive pressures, specifically from the Far East, have made it a challenge to maintain margins. Scapa has attempted to minimise these pressures through a focused effort on leveraging our global purchasing power and attaining cost reductions in our manufacturing process, through improved efficiencies and lower cost material alternatives. The continued weakening of the US dollar (9.5% against sterling) has had a significant impact on group results as significant profits were derived from North American operations.

2004/05 global sales were £188.2 million similar to 2003/04 sales of £187.9 million. When re-stating results at constant exchange rates organic sales growth was £6.2 million (3.4%). However, operating profit (before goodwill amortisation and exceptional items) at £3.6 million (2003/04

£6.0 million) was disappointing. Raw material cost pressures, combined with an adverse product mix and intense competitive pricing pressure at customers supplying the data cable market, accounted for the majority of the operating profit shortfall.

Scapa has announced and implemented sales price increases to help offset the raw material increases experienced in 2004/05 and further increases are planned in 2005/06. Scapa is also on a global basis pursuing cost reductions through identifying lower cost suppliers and lower cost alternative raw materials with a major focus in the Far East. Additionally, a major emphasis is being placed globally on improving productivity and reducing manufacturing costs combined with other projects to improve process efficiencies.

Scapa North America Review

Scapa North America sales for 2004/05 were £64.1 million compared with £64.7 million last year. At constant exchange rates this represents underlying sales growth of £3.9 million (6.5%) reflecting the generally buoyant market conditions for much of the period under review.

2004/05 operating profit (before goodwill amortisation and exceptional items) was £6.7 million (£7.1 million in the prior year). The weakening of the US Dollar reduced operating profits upon translation by £0.5 million. Raw material price increases and sales mix issues caused the overall operating margin before exchange rate impact to deteriorate by 0.5%. In addition, in the second half of 2004/05, the rising oil costs have had a significant impact on utility and carriage costs. Cost control and reduction programmes in 2004/05 again were instrumental in helping to mitigate these effects. In addition, the North American cable tape manufacturing plant at Mansfield was closed in the third quarter and relocated to our existing Canadian facility. Delivery performance, inventory control and accuracy have remained at high performance levels, which have aided customer response times and consequently improved customer satisfaction.

Trading working capital performance and overall cash generation, although unfavourable to last year, continue to be at acceptable levels. Additional capital expenditure completed in 2004/05 is expected to yield further savings in 2005/06 and future fiscal years by allowing us to increase productivity and efficiencies in a number of North American sites. These areas of expenditure will be closely monitored and controlled to ensure they deliver expected returns.

The immediate prospects for Scapa North America remain good, although there are some concerns regarding a possible slowdown in the North American economy. Recent price increases to mitigate raw material increases have been implemented, but if raw material costs continue to increase a further round of price increases is likely later in the year. New product development continues to be strong and is anticipated to support continuing sales growth into 2005/06.

Scapa Europe Review

For the European business, 2004/05 has been about building on the transformation programmes of recent years. With the new UK site at Ashton, Manchester and the redeveloped site at Dunstable, Bedfordshire becoming fully operational at the start of 2004/05, combined with the focus on the 'Customer Now' programme, we have significantly improved customer service levels.

The trading conditions for much of the European business, however, have been challenging during the period. In 2004/05 Europe successfully transferred invoicing responsibility, principally to Asia, for a number of key regional accounts. Adjusting for these transfers and at constant exchange rates sales grew by £1.1 million to £115.3 million. Operating loss (before goodwill amortisation and exceptional items) was £3.6 million (loss of £1.5 million 2003/04). Overall margins during the year fell principally as a result of severe raw material cost increases within the Megolon™ cable compound sector where competitive pressures limited our ability to secure offsetting price increases. Overall operating costs were well controlled with savings achieved through improved operating efficiencies.

Scapa Europe delivered another strong operating cash flow performance, maintaining the low working capital levels of prior years. During the year a review of the European SAP based business system was carried out. This demonstrated that the effective useful life of the system would be 7-8 years rather than the originally assumed 5 years. Consequently, the depreciation charge for this system has been adjusted and the charge for the year was £1.3 million (2003/04 £2.0 million). An additional cash receipt of £0.5 million under the UK Government grant scheme, to support the establishment of the new facility at Ashton, was received during the year and is held on the balance sheet and amortised over the life of the lease.

The Research and Development team was strengthened during the year and the level of new product developments is starting to show promise.

In the light of European performance, senior commercial management has recently been strengthened. This will ensure a focus on developing and exploiting niche market opportunities, especially at key end users. In addition, two experienced site team leaders have joined the team to lead operational efficiency improvements at two key sites. Recent price increases have been implemented, particularly in the cable sector, to mitigate raw material cost increases. Nevertheless, there remain concerns going forward regarding the scale of further raw material cost increases and the underlying levels of demand as economic indicators for many European markets have weakened in recent months.

Scapa Asia Review

Sales in Asia achieved £8.8 million in 2004/05 (2003/04 £4.9 million). Business was successfully transferred from North America and Europe at the start of the year and this accounted for £3.2 million of the sales increase in the region. Excluding these business transfers and after taking into account currency movements, underlying growth was £1.0 million (12.8%).

Operating profit (before goodwill amortisation and exceptional items) for 2004/05 was £0.5 million (£0.4 million 2003/04). During the year we have virtually doubled our sales and marketing coverage in the region to take advantage of the many market opportunities.

During the year Scapa completed the buy out of its Chinese joint venture partner Mei Wei Holdings Ltd. The joint venture, Scapa Hong Kong Ltd was established in February 2000 with Scapa having a 75% shareholding and Mei Wei Holdings Ltd 25%. The buy out will enable Scapa to accelerate plans to benefit from the increased demand within China, by meeting the requirements of an increasingly broad range of specialty tape end user markets.

Prospects for Scapa Asia remain good. The enhanced sales and marketing teams are now in place to enable sales to grow further and there are a number of new product developments where recent end user trials have been particularly encouraging.

Market Sector Review

Medical

Medical supplies hypoallergenic films, tapes and foams for wound management systems and medical disposable devices and represents 12.5% of Group sales.

Scapa Medical sales in 2004/05 were £23.5 million (2003/04 £20.4 million). The business unit experienced exceptional growth of 15% during the year (23% when adjusted to constant exchange rates), primarily related to North American operations. There was impressive growth in the bandage and pulse oximetry markets at key accounts, combined with new business secured in these sectors. We continue to solidify relationships with new and existing customers through the commitment of our technical expertise and manufacturing flexibility to meet their needs.

There are a number of new projects planned in 2005/06 with our strategic partners in order to continue the consistent growth of the medical business. The medical device industry is a market where our focus continues into 2005/06. Also, projects have been submitted to Research & Development, which will take us into medical markets where we have not had a significant presence. Scapa has solid expertise in adhesive technology, which will enhance our effort in chosen areas of the medical market.

The European Medical business unit grew during 2004/05 through consolidating our position with key healthcare customers and introducing several significant new opportunities to the Group. With global customers we have benefited from the recognition of our capabilities and past regional successes such that strategic new projects are being brought to Scapa as a trusted adhesive technology development partner.

The professional wound care market continues to be Europe's largest area of medical activity, with adhesive dressing membranes forming the largest part of this success. Strong growth from greater penetration into new territories has also contributed to the success.

With the supply interruption from the final stages of our systems and site investment programme during 2003/04 being resolved by mid-year, we now have a very stable supply platform on which to grow our business. The short-term impact of shorter lead times and strong delivery accuracy has meant customers have had confidence to remove transition and contingency stock during the second half of 2004/05.

It has been a challenging year to maintain margins with significant raw material price increases. To the largest extent possible we have offset these increased costs by productivity improvements and waste reduction, but we have still been forced to seek price increases. Customer collaboration on leaner supply chain and alternative product formats has been used to moderate these wherever practicable.

Looking forward to 2005/06, although we see continued challenges with raw material costs, we see a significant number of new customer and new product opportunities being generated. We are confident that the underlying healthcare market continues to demonstrate good growth with increasing demand for improved healthcare and the trend in developed economies towards an ageing population. Our strategy to offer key partners an integrated approach to the design, development and manufacture has proven successful and will continue to sustain growth in our chosen market sectors.

Cable

Cable supplies market leading Megolon™ compounds and cable tapes for power and communication cables and represents 18.6% of Group sales.

The Cable business continued to grow in all regions. Overall sales grew to £35.0 million (2003/04 £33.0 million) with underlying organic growth at constant exchange rates of 7.4%. This strong performance benefited from the successful commissioning of the new European cable products facility at Ashton, Manchester, where key customers have approved the compounds manufactured in this 'state-of-the-art' facility. Scapa has maintained its global market leadership in Megolon™ technology and the steady increase in the number of specifications focusing on the safety and environmental benefits of this halogen free technology will continue to spur market growth in the coming years.

European Megotape™ demand for sub-sea cable projects has slowed as existing projects have been completed following a very strong prior year. In North America, the demand for water blocking tapes started to recover in the second half of 2004/05 on the back of investment into FTTH (Fibre To The Home) by a major telephone operating company. There are some new opportunities in Asian markets for these products due to the rapid development of infrastructure in the region, but competition in this area remains intense.

The latter part of 2004/05 saw some dramatic and unprecedented rises in the costs of, and in some cases shortages of, raw materials, owing to rapid growth in demand for these types of raw materials from China. These increases in cost are being offset with operational and technical cost reductions coupled with a series of price increases.

Prospects for the Cable business remain good, with several new sub-sea cable projects expected to commence in Europe in the second half of 2005/06. The development pipeline of new products remains strong and the coming year will see an increasing emphasis on the expanding markets of Asia and Eastern Europe. However, competition in the halogen free cable compound market has been intense over the past year and the challenge will be to ensure raw material cost pressures are satisfactorily offset by sustained customer price increases, combined with the successful introduction of new, cost effective raw material sources.

Industrial

Industrial supplies specialist tapes and films for industrial assembly, construction, printing and graphics and sports markets and represents 58.0% of Group sales.

Scapa Industrial experienced mixed trading conditions during the year under review. Global sales were £109.1 million (2003/04 £114.8 million). On a constant exchange rate basis sales fell by £1.9 million (1.7%).

In North America, on a constant exchange rate basis sales grew by approximately 1.1% year on year. However, there was a slowdown in overall activity in the final quarter of the fiscal year. Margins remained under pressure as raw material cost increases accelerated during the year. To offset this impact two separate customer price increases have been successfully implemented. Nevertheless, despite the positive impact of new product development, the termination of an important contract, due to the customer relocating its operations overseas, impacted sales growth during the second half of the year. Sales activity in the athletics tape market was affected by the labour dispute in the North American Hockey League. Construction tapes saw modest growth reflecting underlying market demand.

In Europe, market conditions softened through the second half of the year and sales fell reflecting weak underlying market demand. Good progress continued to be made in the French construction industry. As a consequence of the completion of the manufacturing reorganisation, a number of products were withdrawn from sale in the UK and Northern European markets. Additionally, the Finimat™ range of photo processing tapes continued to decline as a result of the move to the use of digital camera technology. Southern European markets performed well as a consequence of the acquisition of new customers, partly related to successful new product development. There was continued progress in developing sales into Eastern Europe.

Asian sales continued to grow, although there was some evidence of a modest slowdown during the year. The completion of the buy out of the Chinese joint venture partner took longer than anticipated, but has left the team well placed to take advantage of the many market opportunities available. The introduction of a number of new products specifically developed for the fast moving electronics industry has made good progress in the latter part of the year.

The prospects for the Industrial business unit remain mixed. Although the North American Industrial team is optimistic about 2005/06, especially with a number of successful new product developments, there still remains some concern regarding the sustainability of underlying economic growth in the USA going forward. The immediate outlook for the European business remains uncertain due to the continued sluggish economy of much of Europe. However, the European team has identified a number of key new product initiatives, combined with a focus on selected niche market opportunities, to generate sales growth.

Automotive

Automotive supplies specialist tapes, sealants and films for the assembly, protection and sound attenuation of automobiles and other transportation vehicles and represents 10.9% of Group sales.

Scapa Automotive had a successful year as sales grew to £20.6 million from £19.7 million in the previous year. This growth comes despite the significant impact of the weaker US Dollar, with underlying growth before the negative impact of currency at 6.7%. This growth came from exceptional European growth in both the wire harness and designed systems market sectors.

In the first half of 2004/05 the European team continued to secure a number of new contracts following approvals for new proprietary products. These automotive tapes have been produced to support vehicle designers in eliminating noise and vibration from vehicle interiors to meet the most recent automotive standards for NVH (Noise, Vibration and Harshness). Although initial sales growth has now accelerated in all areas of the world, recent market trends in vehicle production are a cause for concern.

Continued raw material cost increases added pressure to margins throughout this past year. Price increases in the market place were initially met with tremendous resistance but, for the most part, were eventually accepted by a broad range of customers. The Scapa team mitigated some of these increases with further cost reduction measures and mix changes focussing on higher margin markets and products. This has helped reduce the impact of cost increases. Further raw material pressures in 2005/06 are likely to present more challenges to the automotive team in the coming year in what is already a highly competitive market.

The North American team continued to focus on developing even closer partnerships with key customers, with particularly good progress in the designed systems business. New products, aided by continued global project development and approvals, have added new business with new customers helping to offset the loss of a major contract going forward. Sales of Autolon™ halogen free harness tapes have been disappointing as reported last year. Scapa is working closely with key Tier One automotive suppliers on a global basis, but the moves to eliminate PVC from cars completely (and hence giving significant opportunities to Autolon™ tapes) are proceeding slowly.

Although the underlying demand for vehicles in many markets remains somewhat subdued, the short-term prospects for Scapa's automotive sales remain reasonable. Recent development work in the designed systems sector has identified a number of new opportunities and this, coupled with sales development in the Asian growth market, should result in growth for the coming year. In addition, the new products designed to meet the latest demands regarding NVH should continue to bring additional benefits.

Discontinued Businesses

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 sold to J.M.Voith A.G. in July 1999. Prior to 2003 all the cases against the company concerned had been won, dismissed or abandoned before going to court. However, in October 2003, a jury in Baltimore, Maryland, USA returned an award of up to US Dollar 3.5 million (£1.9 million) against Scapa Dryer Fabrics Inc. This wholly unexpected judgement is currently going through an appeals process, which is not expected to see resolution before late 2005 or early 2006. A second adverse verdict in Louisiana advised in July 2004 awarding in total US Dollar 187,500 (approximately £100,000) plus costs and interest to eight plaintiffs has now been confirmed by the judge leading to the commencement of the appeal process in March 2005.

In December 2004 a jury in Ashdown, Arkansas returned a defence verdict in favour of Scapa Dryer Fabrics Inc. in a case related to three paper mill workers. In May 2005 a jury returned a defence verdict in favour of Scapa Dryer Fabrics Inc. in a case related to one paper mill worker in Baltimore City Circuit Court, Maryland, USA. We have also continued to be dismissed from many cases during 2004/05. Over the last three years Scapa has been dismissed from over 176 cases covering approximately 1,113 plaintiffs. In over ten years of successful defence in the USA no Scapa Group company, nor any of our insurance carriers, has admitted liability 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.

Financial Review

Operating results

The trading performance of the Group is discussed in detail in the Operating Review. In summary, sales in 2004/05 of £188.2 million were similar to last year (£187.9 million). However, on a constant currency basis, sales increased year on year by £6.2 million or 3.4%.

Headline operating profit (before goodwill amortisation and exceptional items) was £3.6 million (2003/04 £6.0 million), a reduction of £2.4 million. At constant exchange rates this represented a reduction of £1.9 million. The weakness of the US Dollar, which weakened relative to Sterling by 9.5% year on year, was the principle cause of the £0.5 million reduction in operating profit attributable to exchange rate movements.

Increases in raw material prices, particularly in the cable business unit, as well as an adverse mix, were the principal factors in the fall in operating profit. This primarily impacted the second half of the year. Overall employment costs (excluding redundancy costs treated as exceptional charges) fell £0.7 million, a consequence of European head count savings in the previous and current year, offset partly by inflationary increases and increases in staff in North America and Asia. Total other operating costs rose by around 1.4% year on year, with increases in carriage and utility costs, due to rising oil and gas charges.

Exceptional items

Exceptional charges in 2004/05 amounted to £4.7 million (2003/04 £10.8 million) and comprised:

- £0.4 million of costs associated with the transfer and consolidation of the cable wrapping tape business from its site in the USA to Scapa's Canadian plant. A loss of £0.2 million arising from the write down in the value of lease additions at the US site, due to the transfer of the business, was also charged as an exceptional loss on disposal.

- As part of the Group's routine review of asset valuations we have written down the value of assets at two sites. The value of a specialist coater in North America was written down by £1.7 million. This was a consequence of the loss of a key contract due to the overseas relocation of the customer's North American business. This coater was acquired in 2000 as part of the Great Lakes Technologies acquisition. The entire goodwill on this acquisition was written off in 2002 due to under-performance of this business. The value of plant and equipment at the Group's Italian facility was also written down, by £1.9 million. This is a consequence of a review of prospective cash flows from this site, which are forecast to be insufficient to fully justify the carrying value of the site's assets.

- In 2004/05 changes were made to the European senior management team. Accordingly, management reviewed the status of the European site reorganisation programme. As a consequence of this review certain additional management changes in the UK were considered to be necessary. In addition, an onerous lease commitment that had been previously provided for as part of the reorganisation was re-assessed. Overall this resulted in an exceptional charge of £0.5 million.

Interest

Net interest payable was £0.7 million, an increase of £0.3 million over the prior year charge. This increase was primarily the result of a higher interest margin on the new borrowing facility and higher base rates. Interest cover, being earnings (before exceptional items, interest, tax and goodwill amortisation (EBITA)) as a ratio of interest paid on net borrowings, was five times covered.

The FRS17 finance charge was £1.2 million (2003/04 £1.5 million). The accounting discount on long term provisions was £0.5 million (2003/04 nil).

Profit before tax

Statutory loss before tax was reduced compared with the prior year at £4.9 million (2003/04 £8.2 million), reflecting the benefit of lower exceptional charges helping to offset the reduced operating profit. Headline profit before tax was £1.2 million (2003/04 £4.1 million).

Taxation

There was a tax charge of £0.5 million against profit on ordinary activities before exceptional items. The tax charge included the benefit of the favourable settlement of a prior year related issue. The deferred tax credit arising from UK losses incurred in the year has not been recognised. Expressed as a ratio of operating profit before goodwill and exceptional items, and before FRS17 finance charge and discount on provisions, tax was 17% of profit (2003/04 tax credit of £1.1 million).

A £6.8 million exceptional tax credit (2003/04 £3.0 million credit) has been recognised. This is due primarily to the taxable loss arising on the transfer of the cable wrapping tape business from the USA to Canada, which is expected to generate tax cash benefits over the next two years. This credit also includes the release of provisions in respect of the favourable settlements of prior year issues.

A deferred tax loss asset of £6.8 million (2003/04 £5.8 million) has not been recognised in the Accounts. In addition, the deferred tax loss asset associated with the UK FRS17 pension liability totalling £12.5 million (2003/04 £10.9 million) has also not been recognised in the Accounts.

Earnings per share

Earnings per share for the year were 0.9 pence per share (2003/04 loss of 2.8 pence per share). This benefited from the exceptional tax credit which more than offset exceptional charges.

Dividends

An interim dividend of 0.1 pence per share was paid in February 2005. The Board has decided that it cannot recommend the payment of a final dividend.

Cash flow

Net borrowings at year end rose by £1.5 million to £15.2 million (31 March 2004 £13.7 million) reflecting continued attention to cash management, despite the pressures on operating profit.

The Group generated a net cash inflow from operating activities of £1.5 million (2003/04 £5.9 million). This was after deducting £3.0 million (2003/04 £0.6 million) of additional pension fund cash contributions over the amount charged against profit. This inflow is net of exceptional cash spend of £2.2 million (2003/04 £6.8 million). Of this £1.1 million (2003/04 £1.2 million) was incurred in connection with litigation defence costs in the USA associated with a discontinued business. A long term provision for these litigation defence costs was created in 2003/04. The remaining £1.1 million of exceptional cash spend related to exceptional cost items charged during the year, together with other exceptional items previously provided for.

Working capital increased by £4.0 million, a consequence primarily of lower trade creditors at the year end and some increase in inventory due to the unexpected slow down in sales in March.

There were no major capital investment projects during the year and, consequently, capital spend was lower than the prior year at £4.6 million (2003/04 £6.9 million). This investment was focused particularly on improving conversion efficiencies. This spend represents 67% of the depreciation charge for the year of £6.9 million. The prior year spend included investment associated with the site reorganisation programme.

The 25% share of the Group's Chinese joint venture was purchased from the joint venture partner during the year for £0.3 million. This control gives the Group greater opportunity to take advantage of the Chinese market. Goodwill of £0.1 million was recognised on this acquisition.

Balance sheet

Shareholders' funds at 31 March 2005 were £39.6 million (31 March 2004 £44.3 million). The effect of foreign currency translation at the year-end had a £1.3 million favourable impact on shareholder funds (2003/04 £5.2 million unfavourable).

Pensions

The Group operates a number of defined benefit schemes mainly in the UK and the USA. The UK schemes were closed to new entrants in 2001. Defined contribution schemes are also provided by the Group which are open to new entrants.

The net pension liability (net of deferred tax), that is calculated by the schemes' actuaries in line with FRS17 and based upon market values of schemes' assets and liabilities, increased by £5.5million to £44.4million (net of the associated deferred tax asset). This was primarily a result of a change in certain actuarial assumptions, principally the reduction in the discount rate used and improved mortality assumptions.

The total charge against profits for the year in respect of defined pensions and post retirement benefits in the year was £1.9 million (2003/04 £1.5 million). Total cash contributions to these schemes in the year amounted to £4.9 million (2003/04 £2.0 million), of which the largest element relates to the UK schemes. These UK contributions are expected to remain at their current level for the immediate future, and will be reviewed after the next actuarial valuation in 2006/07.

Treasury policies

Treasury operations are managed as part of the world-wide finance function and are subject to policies and procedures approved by the Group Board. Corporate Treasury co-ordinates Group treasury activities and seeks to reduce financial risk, ensure sufficient liquidity is available to the Group operations and invest surplus cash. Corporate Treasury does not operate as a profit centre and does not take speculative financial positions. Very limited use is made of derivative financial instruments. Corporate Treasury advises operational management on financial risks and executes all major transactions in financial instruments, except for forward exchange contracts to hedge transactional exposures on overseas operations, which are locally arranged. Borrowings are managed centrally.

Funding requirements

The Group requirement for funding is managed by the Group Treasury function. At 31 March 2005 the Group had committed facilities of £30.0 million, of which £20.7 million were utilised. The Group also had uncommitted short term and overdraft facilities of up to £15.0 million in the UK and overseas, of which £2.4 million were utilised at 31 March 2005. The committed facility, which reduces to £27.5 million in September 2005 and to £25.0 million in September 2006, expires on 10 March 2007. This facility has been secured on certain Group fixed and floating assets. These facilities are projected to cover peak forecast borrowings for at least a twelve-month forward period.

The accounts have been prepared on a going concern basis and the validity of this depends on the ability of the Group to retain its banking facilities, which may depend upon compliance with bank covenants under its loan agreements. As discussed in the Chairman's Report trading in the first part of 2005/06 has been below budget. While the Group remains well within borrowing limits, as a precautionary measure, the Group has initiated discussions with its bankers to ease certain covenants if this becomes necessary. The accounts do not include any adjustments that would result should the Group be unable to continue in operational existence as a consequence of being unable to meet its agreed bank covenants and then being unable to secure alternative funding. Details of the circumstances relating to this are described in the basis of preparation note to the accounts.

International Accounting Standards

All listed companies are required to present consolidated financial information that fully complies with International Financial Reporting Standards (IFRS) for accounting periods starting on or after 1 January 2005. The project to assess the impact of this change is almost complete and a separate announcement will be made during the second quarter of 2005/06. The current indications are that the comparative for earnings per share before goodwill amortisation and exceptionals under UK GAAP will not be materially different under IFRS.

Consolidated Profit and Loss Account
For the year ended 31 March 2005

	Note	2005 Before exceptional items £m	2005 Exceptional items (Note 3) £m	2005 Total £m	2004 Before Exceptional items £m	2004 Exceptional Items (Note 3) £m	2004 Total £m
Turnover - continuing	2	**188.2**	**-**	**188.2**	187.9	-	187.9
Operating profit/(loss)							
Before goodwill amortisation		**3.6**	**(4.5)**	**(0.9)**	6.0	(11.7)	(5.7)
Goodwill amortisation		**(1.4)**	**-**	**(1.4)**	(1.5)	-	(1.5)
Operating profit/(loss)							
Continuing operations		**2.2**	**(4.5)**	**(2.3)**	4.5	(5.5)	(1.0)
Discontinued operations	3	**-**	**-**	**-**	-	(6.2)	(6.2)
Total operating profit/(loss)	2	**2.2**	**(4.5)**	**(2.3)**	4.5	(11.7)	(7.2)
(Loss)/profit on disposal of fixed assets	3	**-**	**(0.2)**	**(0.2)**	-	0.9	0.9
Profit/(loss) on ordinary activities before interest and taxation		**2.2**	**(4.7)**	**(2.5)**	4.5	(10.8)	(6.3)
Net interest payable		**(0.7)**	**-**	**(0.7)**	(0.4)	-	(0.4)
Other finance costs – FRS17		**(1.2)**	**-**	**(1.2)**	(1.5)	-	(1.5)
Discount on provisions		**(0.5)**	**-**	**(0.5)**	-	-	-
(Loss)/profit on ordinary activities before taxation		**(0.2)**	**(4.7)**	**(4.9)**	2.6	(10.8)	(8.2)
Taxation		**(0.5)**	**6.8**	**6.3**	1.1	3.0	4.1
Profit/(loss) on ordinary activities after taxation		**(0.7)**	**2.1**	**1.4**	3.7	(7.8)	(4.1)
Equity minority interests		**(0.1)**	**-**	**(0.1)**	-	-	-
Profit/(loss) for the financial year		**(0.8)**	**2.1**	**1.3**	3.7	(7.8)	(4.1)
Dividends	5	**(0.1)**	**-**	**(0.1)**	(0.4)	-	(0.4)
Retained profit/(loss) for the year	5	**(0.9)**	**2.1**	**1.2**	3.3	(7.8)	(4.5)
Weighted average number of shares (m)							
For basic and diluted earnings/(loss) per share				**144.8**			144.8
Basic earnings/(loss) per share (p)				**0.9**			(2.8)
Diluted earnings/(loss) per share (p)				**0.9**			(2.8)

Statement of Total Recognised Gains & Losses
For the year ended 31 March 2005

	2005 £m	2004 £m
Profit/(loss) for the year	**1.3**	(4.1)
Currency translation differences on foreign currency net investments	**1.3**	(5.2)
Actuarial (loss)/gain on pension schemes	**(7.3)**	2.6
Total recognised losses for the year	**(4.7)**	(6.7)

Consolidated Balance Sheet

As at 31 March 2005

	31 March 2005 £m	31 March 2004 £m
Fixed assets		
Intangible assets – goodwill	**19.6**	21.2
Tangible assets	**52.3**	58.5
	71.9	79.7
Current assets		
Stocks	**19.3**	17.3
Debtors: amounts due within one year	**43.8**	43.8
Debtors: amounts due after more than one year	**6.1**	3.4
	49.9	47.2
Investments	**10.9**	12.5
Cash at bank and in hand	**8.1**	9.8
	88.2	86.8
Creditors – amounts falling due within one year:		
Bank loans and overdrafts	**3.1**	23.5
Creditors	**31.6**	34.0
	34.7	57.5
Net current assets	**53.5**	29.3
Total assets less current liabilities	**125.4**	109.0
Creditors - amounts falling due after more than one year:		
Bank loans and overdrafts	**20.2**	-
Creditors	**9.0**	12.6
	29.2	12.6
Provisions for liabilities and charges	**12.2**	13.1
Net assets excluding pension liability	**84.0**	83.3
Net pension liability	**44.4**	38.9
Net assets including pension liability	**39.6**	44.4
Capital and reserves		
Called-up share capital	**7.2**	7.2
Profit and loss account	**32.4**	37.1
Shareholders' funds – equity (note 5)	**39.6**	44.3
Minority equity interests	**-**	0.1
Capital employed	**39.6**	44.4

These accounts were approved by the directors on 1 June 2005.

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Note	2005 £m	2004 £m
Cashflow from operating activities			
Net cash inflow before exceptional items	4	**3.7**	12.7
Net cash outflow related to exceptional items	4	**(2.2)**	(6.8)
Net cash inflow from operating activities		**1.5**	5.9
Returns on investments and servicing of finance			
Interest received		**0.6**	1.5
Interest paid		**(1.0)**	(2.1)
Net cash outflow from returns on investments and servicing of finance		**(0.4)**	(0.6)
Taxation		**-**	0.8
Capital expenditure and financial investment			
Net receipts in respect of forward contracts		**1.8**	0.9
Purchase of tangible fixed assets		**(4.6)**	(6.9)
Proceeds from disposal of tangible fixed assets		**0.1**	3.4
Receipt of government grant		**0.5**	1.6
Net cash outflow from capital expenditure and financial investment		**(2.2)**	(1.0)
Acquisitions and disposals			
Payment to acquire investment in subsidiaries		**(0.3)**	-
Net cash outflow in respect of previous years' acquisitions		**-**	(0.3)
Net cash outflow in respect of previous years' disposals		**-**	(4.2)
Net cash outflow from acquisitions and disposals		**(0.3)**	(4.5)
Equity dividends paid		**(0.5)**	-
Net cash (outflow)/inflow before use of liquid resources and financing		**(1.9)**	0.6
Management of liquid resources			
Decrease in short term deposits		**0.1**	0.3
Net cash inflow from management of liquid resources		**0.1**	0.3
Financing			
Decrease in loan finance		**(1.9)**	(1.7)
Net cash outflow from financing		**(1.9)**	(1.7)
Decrease in cash in the year		**(3.7)**	(0.8)

Notes on the Accounts

1 Basis of Preparation

The accounts have been prepared on the going concern basis which assumes that the company and all of its subsidiary undertakings will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due.

If the Group were unable to continue in operational existence, substantial but unquantifiable adjustments would have to be made to reduce the balance sheet value of assets to their realisable values and to provide for further liabilities which might arise. Additionally, further adjustments would have to be made to reclassify fixed assets and long-term liabilities as current assets and current liabilities, respectively.

Inter alia, the terms of the Group's borrowing agreements require compliance with a range of financial covenants, which are measured at six-monthly intervals based on rolling average annual figures. Certain of these covenants are measured by reference to the ratio of interest to earnings stated before depreciation and amortisation. The Group remains in compliance with these covenants.

In March 2005 the directors approved an annual budget for earnings and cash flow for the year ending 31 March 2006 which if achieved would result in compliance with these covenants. However, continuing compliance will depend largely on future trading performance which is uncertain as the unaudited management results for April 2005 are significantly below budget. While we remain well within our borrowing limits, if current trading performance continues it is likely that the Group will breach the bank covenants at the half year. Consequently the directors have prepared a revised forecast taking account of current trading and reflecting their business improvement plans. The revised forecast shows compliance with the relevant covenants. However, as a precautionary measure, the Group has initiated discussions with its bankers to ease certain covenants if this becomes necessary.

The validity of the going concern assumption depends on the Group's ability to maintain compliance with bank covenants through the achievement of its forecasts or renegotiation of the covenants with the relevant banks or by securing alternative funding.

Whilst there is uncertainty as to the outcome of the matters mentioned above, the directors believe it is appropriate for the accounts to be prepared on a going concern basis. The Board continues to pursue a range of options to recover margins by increasing selling prices and reducing costs. The Board is also committed to reviewing all options to provide future value to shareholders.

2 Turnover and profit/(loss) before tax – segmental analysis

By origin:	**2005 Total £m**	2004 Total £m
Turnover		
Europe	**115.3**	118.3
North America	**64.1**	64.7
Asia	**8.8**	4.9
	188.2	187.9
Operating profit/(loss) before goodwill amortisation and exceptional items		
Europe	**(3.6)**	(1.5)
North America	**6.7**	7.1
Asia	**0.5**	0.4
	3.6	6.0
Amortisation of goodwill		
Europe	**(0.6)**	(0.6)
North America	**(0.8)**	(0.9)
	(1.4)	(1.5)
Exceptional items - continuing operations		
Europe	**(2.4)**	(5.0)
North America	**(2.1)**	(0.5)
	(4.5)	(5.5)
Total operating profit/(loss) from continuing operations		
Europe	**(6.6)**	(7.1)
North America	**3.8**	5.7
Asia	**0.5**	0.4
	(2.3)	(1.0)
Exceptional items - discontinued operations		
North America	**-**	(6.2)
Total operating profit/(loss)		
Europe	**(6.6)**	(7.1)
North America	**3.8**	(0.5)
Asia	**0.5**	0.4
	(2.3)	(7.2)
Profit on disposal of fixed assets – Europe	**-**	**0.9**
Loss on disposal of fixed assets – North America	**(0.2)**	-
Profit/(loss) on ordinary activities before interest and taxation		
Europe	**(6.6)**	(6.2)
North America	**3.6**	(0.5)
Asia	**0.5**	0.4
	(2.5)	(6.3)
Net interest payable	**(0.7)**	(0.4)
Other finance costs – FRS17	**(1.2)**	(1.5)
Discount on provisions	**(0.5)**	-
Loss on ordinary activities before taxation	**(4.9)**	(8.2)

2 Turnover and profit/(loss) before tax - segmental analysis - continued

	2005 Total £m	2004 Total £m
By destination:		
Turnover		
Europe	**104.2**	105.9
North America	**61.9**	63.8
Other	**22.1**	18.2
	188.2	187.9
By market segment:		
Turnover		
Automotive	**20.6**	19.7
Cable	**35.0**	33.0
Industrial	**109.1**	114.8
Medical	**23.5**	20.4
	188.2	187.9

Analyses of operating profits/losses and net assets by market segment are not available. This information is not captured by the Group's reporting systems as the directors feel that due to the level of allocations that would be required, the resulting analysis would not be meaningful. A geographic analysis of net assets is not provided, as, in the opinion of the directors, such disclosure would seriously prejudice the Group's interests.

3 Exceptional items

Exceptional charges in 2004-05 amounted to £4.7m and comprised:

- £0.4m of costs associated with the transfer and consolidation of the cable wrapping tape business from its site in the USA to Scapa's Canadian plant.
- A loss of £0.2m arising from the write-down in value of lease additions at the USA site due to the transfer of business, was also charged as a post operating exceptional loss on disposal.
- As part of the Group's routine review of asset valuations the Group has written down the value of assets at two sites. The value of a specialist coater in North America was written down by £1.7 m. This was a consequence of the loss of a key contract due to the overseas relocation of the customer's North American business. The value of plant and equipment at the Group's Italian facility was also written down by £1.9m. This is a consequence of a review of prospective cash flows from this site, which are forecast to be insufficient to fully justify the carrying value of the site's assets.
- In 2004-05 changes were made to the European senior management team. Accordingly management reviewed the status of the European restructuring and cost reduction programme. As a consequence of this review certain additional management changes in the UK were considered to be necessary. In addition an onerous lease commitment that had been previously provided for as part of the reorganisation was re-assessed. Overall this resulted in an exceptional charge of £0.5m.

The following exceptional items were reflected in the year ended 31 March 2004:

- A Group restructuring and cost reduction programme commenced during the 2001-02 financial year, following an extensive review of the company's European operations. All key equipment relocations and site reorganisation objectives of this programme were largely completed during the 2003-04 financial year, with exceptional operating charges of £5.0m relating to the consolidation of certain European sites. These charges principally related to the costs of moving and commissioning plant and machinery, project management costs, redundancies and the disposal of fixed assets.
- An exceptional charge of £0.5m was incurred relating to a legal claim by an ex-employee for a prior year bonus payment, for which insufficient provision had been made.
- An additional provision of £6.2m was made to cover the costs involved in defending asbestos litigation.
- Proceeds on the disposal of fixed assets totalled £3.4m, and profit of £0.9m was recorded after accounting for £0.2m direct costs of disposal.

4 Notes to the consolidated cash flow statement

		Before Exceptional Items 2005 £m	Before Exceptional Items 2004 £m
Reconciliation of operating profit to net cash inflow From operating activities			
Operating profit before exceptional items		**2.2**	4.5
Depreciation		**6.9**	7.3
Amortisation of goodwill	2.2	**1.4**	1.5
Difference between pension charge and cash contributions		**(3.0)**	(0.6)
Net movement in working capital			
Stocks		**(1.6)**	0.5
Debtors		**0.3**	(1.8)
Creditors		**(2.7)**	1.3
		(4.0)	-
Net movement in other provisions		**0.2**	-
Net cash inflow from operating activities before exceptional items		**3.7**	12.7

	Exceptional Items 2005 £m	Exceptional Items 2004 £m
Operating loss - exceptional items	**(4.5)**	(11.7)
Impairment of tangible fixed assets	**3.6**	-
Net movement in reorganisation provisions	**(0.2)**	(0.1)
Net movement in provisions in respect of prior year disposals	**(1.1)**	5.0
Net cash outflow related to exceptional items	**(2.2)**	(6.8)

5 Reconciliation of movement in equity shareholders' funds

	2005 £m	2004 £m
Profit/(loss) for the year	**1.3**	(4.1)
Dividends	**(0.1)**	(0.4)
	1.2	(4.5)
Adjustment in respect of employee share schemes	**0.1**	-
Other recognised gains and losses relating to the year	**(6.0)**	(2.6)
Net reduction in equity shareholders' funds	**(4.7)**	(7.1)
Opening equity shareholders' funds	**44.3**	51.4
Closing equity shareholders' funds	**39.6**	44.3

6 Group Consolidated Statutory Accounts

The financial information presented within this preliminary announcement for the years ended 31 March 2005 and 31 March 2004 does not constitute statutory accounts. The 2005 statutory accounts have yet to be delivered to the Registrar, but they include the auditors' report which was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The auditors' report was modified to include an explanatory paragraph relating to the fundamental uncertainty over the going concern basis of preparation. The 2004 statutory accounts have been delivered to the Registrar and include the auditors' report which was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.