FKI PLC
01 December 2005

FKI plc
Interim report for the half year ended 30 September 2005

	Half year ended 30 September 2005 £m	Half year ended 30 September 2004 as restated(1) £m	
Operating Results			
Underlying operating profit *	50.3	44.9	+12.0%
Adjusted earnings per share **	4.6p	4.2p	+ 9.5%
Adjusted net debt +	368.8	377.1	
Statutory Results			
Turnover	632.4	577.5	+ 9.5%
Profit from continuing operations ***	50.4	44.3	+13.8%
Profit before tax	36.2	32.1	+12.7%
Basic earnings per share	4.5p	(6.4)p	
Net cash flow from operating activities	(10.6)	(17.9)	
Reported net debt	412.0	377.1	
Proposed dividend per share	1.5p	1.5p	

Highlights

- Underlying operating profit improvement of 12.0%
- Adjusted earnings per share up 9.5%
- End October order book at £556 million, up 13% on year-end

- Improved market conditions with strong order intake
- Raw material and energy costs restraining margin improvements
- Progress in reshaping the business - four non-core disposals and two strategic acquisitions during period
- On track to meet full year expectations

Paul Heiden, Chief Executive, said:

'Trading in the first half was in line with our expectations with underlying profits up 12.0% on the same period last year.

The FKI Logistex, Lifting Products and Services and Energy Technology groups saw good order and turnover growth in improving markets. Margins were affected, however, by the inability fully to pass on increases in input prices - in particular copper, steel and energy costs.

In the Hardware group customer demand remained stable but results reflected the predicted impact of the move to an outsourcing business model in decorative hardware and castors, a transition which was completed last year.

The Group's strong order intake during the period is very encouraging and by the end of October the order book was 13% above the year end figure. Adjusted net debt at £368.8m is in line with 31 March 2005 after adjusting for currency translation

The Group continued its strategic realignment with 4 disposals and 2 acquisitions completed in the period, with further activity expected during the second half. Internally the move to offshore sourcing for a number of companies in the Hardware group has presented an opportunity to capitalise on their new core competencies of design, sourcing and distribution by consolidating their activities into one operation. This will significantly improve business efficiency and provide good opportunities for growth.

The second half should see continued strong performance on the back of buoyant demand in extractive industries and good order books in FKI Logistex and Energy Technology. Hardware performance is expected to reflect stable demand and produce a flat year-on-year performance. Overall the Group is well positioned to meet full year trading expectations.'

* Underlying operating profit is calculated by the addition of operating profit on continuing activities before special items to the operating profit of discontinued operations for the period until disposal.

** Adjusted earnings per share is calculated by dividing the operating profit/(loss) for the period, before special items, profit/loss on disposal of discontinued operations, fair value gains/losses on financial instruments and exchange gains/losses included within net finance costs and taxation related to those items by the weighted average number of shares in issue during the period. A full reconciliation between the profit and loss used in the calculation of basic earnings per share and adjusted earnings per share is included in note 3 to the Interim Financial Statements

+ Net Debt prior to adoption of IAS32 and IAS39 in 2005 figures

***Before tax and finance costs

(1)Restated for the adoption of International Financial Reporting Standards (IFRS)

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Notes to Editors

FKI is a major international diversified engineering group. It is a world leader in its specialised business areas of automated logistic solutions, lifting products and services, hardware and energy technology products.

As examples of a wide product range, the company designs and manufactures sortation and conveying equipment for airport, parcel and warehousing activities, anchor lines for oil rigs, ropes for suspension bridges, hardware (such as window, door and decorative handles, castors and hinges) and generators for power stations.

Half year ended 30 September 2005

Financial Review

Overview

Group turnover from continuing activities during the period was £632.4 million (2004 restated: £577.5 million). This increase in turnover comprised a sales increase from trading of £51.5 million assisted by a favourable currency translation effect of £3.4 million.

For comparative purposes, underlying operating profit, based on operating profit before special items after adjusting for the pre-tax trading impact of discontinued operations, rose by 12.0% from £44.9 million to £50.3 million.

Operating profit before special items increased to £49.7 million (2004 restated:

£48.2 million). After adjusting for the favourable foreign exchange impact of £0.3 million operating profit before special items grew by 2.5%.

Profit from continuing operations before taxation increased by 13.8% to £50.4 million (2004 restated: £44.3 million) and included a £4.6 million profit on the sale of a number of surplus properties, partially offset by a £3.9 million loss on the sale of White Systems, a small, unintegrated portion of the North American Logistex activities.

Net finance costs were £14.2 million (2004 restated: £12.2 million). The increase over the corresponding period last year is principally a result of a rise in short term US interest rates. In addition the adoption of IAS 32 and IAS 39 for the first time had an adverse impact of £0.2 million, which was more than offset by a £0.3 million reduction in the net finance costs on pension schemes.

The loss for the period from discontinued operations of £0.9 million (2004 restated: £63.0 million) comprised a £1.4 million loss on sale of businesses partially offset by profits after taxation of £0.5 million generated up to the date of disposal.

Adjusted earnings per share were 4.6 pence (2004 restated: 4.2 pence).

Dividend

The Board has approved an interim dividend of 1.5 pence per ordinary share which will be paid on 24 February 2006 to ordinary shareholders on the register as at 3 February 2006. No scrip alternative will be offered. Last year's interim and final dividends were 1.5 pence and 3.0 pence per share respectively.

Net Debt and Cash Flow

Reported net debt at 30 September was £412.0 million, an increase since March 2005 of £61.3 million. Of this increase, £40.3 million resulted from the adoption of IAS 32 and 39 and £18.9 million arose from the effect of adverse exchange translation.

Capital expenditure during the year of £13.8 million amounted to 80% of the £17.2 million depreciation and amortisation charge. There was a cash outflow of £9.1 million relating to termination and closure costs of businesses.

Net operating cash flow in the period after interest and taxation payments was £(10.6) million (2004 restated: (£17.9)) million which included £10 million outflow in respect of the run down of the wind turbine business prior to sale.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) were adopted by FKI with effect from 1 April 2004. Adoption included the restatement of the 2004/5 results, the balance sheet at 1 April 2004, the balance sheet at 30 September 2004, the balance sheet at 31 March 2005 and further adjustments to the balance sheet at 1 April 2005 to reflect the adoption of IAS 32 and IAS 39.

The adoption of IAS 32 and IAS 39 increased the valuation of reported net debt at 1 April 2005 by £40.3 million. In accordance with IFRS, the carrying value of the fixed rate Eurobond has been increased by £35.7 million, representing the gain realised in closing out interest rate hedging instruments; this gain was previously recorded under UK GAAP as part of creditors. The remaining £4.6 million relates to other adjustments arising from the recognition of the fair value of the underlying Eurobond debt and other financial instruments. There is no cash impact in connection with this restatement. The £40.3 million is substantially a fair value adjustment that reverses fully by 31 March 2010.

Strategic Update

The Group's strategy of reshaping the business portfolio to concentrate its focus on the major businesses with strong market positions continued and four further business disposals were concluded. The sale of Laurence, Scott & Electromotors was finalised on 25 April 2005, the sale of Certex European operations was completed on 14 June 2005, the sale of the Wind Turbine business, the exit from which was announced on 8 November 2004, occurred on 5 July 2005 and the sale of White Systems was completed on 30 September 2005.

The acquisitions of two small companies, IP Clamps and Tianjin Golik No 1 Steel Wire Rope Company Limited, have been completed. The former improves the product range of Crosby, while the latter gives Bridon access to the expanding Chinese elevator and crane rope markets.

Over 80% of the product of the door hardware, decorative hardware and castor businesses within the Hardware group is now foreign sourced. The major changes to these business operations provide an opportunity to enhance their competitive positions by managing their activities as one operation. The combined business will have sales of approximately $150 million and will provide a stronger platform to strengthen the key skills of design, sourcing, marketing and distribution. The resultant improvements in operational efficiency, expected to be circa $5 million per annum, plus improved market and customer focus should provide an improved base for profitable growth. Detailed plans are currently being prepared and the programme will commence in the New Year.

Property disposals continue and sales proceeds of £8.0 million were realised in the half year.

FKI Logistex

The turnover of FKI Logistex was £190.5 million (2004: £168.3 million). This 13.2% improvement on the corresponding period last year was due to a £21.6 million increase in underlying trading assisted by a £0.6 million benefit from foreign exchange translation. The turnover increase reflected the growth in order intake seen in the previous year.

Operating profit before special items improved to £7.0 million (2004 restated: £5.6 million) with operating margins increasing to 3.7% from 3.3%.

The improved level of order intake has been sustained in the first half of 2005/6 with secured orders of £199.9 million (2004: £202.7 million) comparable to the same period last year and 23% ahead of the second half of last year. The order book at 30 September was £241 million (2004: £231 million) of which £142 million is tradable in the current financial year.

European markets have shown some signs of recovery in the first half of the year and order intake in the European Airports and Parcel division is more than double that in the corresponding period last year. There were significant order successes with, among others, Norwegian Post, La Poste and the Danish library, the last of these being the first major order for the new Library-Mate product which offers a significant improvement in self service check in and out of library products. A further success secured following the half year end, was the award of a contract for the supply of a complete baggage handling system for the new Shanghai Pudong Airport terminal 2 worth approximately £22 million.

Encouragingly, order intake in the Warehouse and Distribution activities in North America improved significantly over the corresponding period last year. This was driven by sustained growth in small to medium sized orders and was further supported by a major order from the American Armed Forces and a continued strengthening of the relationship with Wal*Mart, a major purchaser of automated material handling systems.

FKI Logistex continues to invest in product development and operating efficiencies as part of its strategy to establish a fully integrated materials handling business worldwide and, during the period under review, a further operational site in Europe was closed as facilities continued to be merged.

Lifting Products and Services

Lifting Products and Services continued to enjoy favourable market conditions. Turnover increased by £31.6 million to £187.0 million (2004 restated: £155.4 million), although circa £10 million of this represented steel price increases being passed on to customers. Operating profit before special items rose to

£19.1 million (2004 restated: £16.9 million) as a result of a £2.0 million improvement in trading, representing a12% increase, assisted by a favourable £0.2 million currency translation effect. Although steel cost increases have been passed on in most cases, there was some impact on margins during the period.

The sharp rise in oil and gas prices has led to increased oil and gas production, particularly in North America, but also globally, benefiting the Crosby and Bridon operations worldwide. The demand for large mooring lines and anchor ropes has been particularly strong post the severe weather conditions seen in the Gulf of Mexico. Partially offsetting these positive developments has been a slowdown in European construction markets, impacting the European businesses and Bridon in particular.

Sustained high scrap paper and steel prices continue to drive strong order intake and sales at Harris, the group's manufacturer of scrap compaction and shredder equipment. Operating profit in the first half was 13% ahead of last year.

During the half year, the Group announced the disposal of its Certex European Operations in Scandinavia, Russia, Germany and the Baltic States for £15.9 million. Sales and operating profit at these operations, which are accounted for as Discontinued Operations, were £8.5 million (2004 restated: £20.2 million) and £0.5 million (2004 restated: £1.5 million) respectively.
As outlined in the 2005 Annual Report, two small acquisitions, for a total consideration including costs of £4.3 million, were made by the Group to continue to strengthen the major businesses of Bridon and Crosby and are performing well ahead of plan.

Energy Technology

Turnover in the half year was £151.7 million (2004 restated: £143.1 million) representing a £7.8 million trading improvement and an £0.8 million impact of favourable exchange translation. Operating profit before special items increased to £13.3 million (2004 restated: £12.5 million) as operating margins remained constant despite the anticipated increases in raw material prices and higher than expected increases in energy costs.

Encouragingly, order intake of £155 million (2004: £131 million) was up 18.3% on the comparable period last year and the order book at 30th September stood at £180 million (2004: £190 million) of which 60% is tradable in this year. This improvement in order intake was most pronounced in the key businesses of Brush Turbogenerators, FKI Switchgear and Bristol Babcock where, collectively, order intake increased by more than 20% over the corresponding period last year.

In Turbogenerators, demand was driven by the continued recovery in the global market for power generation equipment, which appears to have largely recovered post the 'Enron' collapse. Orders were also strong for 4-pole generator products used predominantly in the oil and gas sector.

Marelli Motori, which supplies small motors and generators, also increased sales but profits were held back by significant increases in electrical steel and copper prices.

Hardware

Hardware turnover in the half year of £103.2 million (2004: £110.7 million) reflected a £8.0 million sales decrease offset by £0.5 million exchange gain. Operating profit before special items of £15.8 million (2004 restated: £17.9 million) reflected the trends that were evident in the second half of last year as the non-window hardware businesses migrated to a sourcing and distribution model.

In Truth, the market leading US window hardware business, activity remained strong during the period with continued high levels of housing starts and renovation activity, although the loss of a major customer referred to in the 2005 Annual Report, adversely impacted results. The business's improved focus on design, innovation and customer care, together with its strong reputation for quality and delivery, should begin to increase opportunities for growth.

The revised sourcing and distribution business model in Faultless and Belwith introduced last year has now stabilised. Both inward and outward delivery performance have improved which has significantly reduced freight costs compared to last year.

Outlook

The first half of the current financial year saw a continuation of the relatively strong North American economy but no consistent improvement in Europe. High input prices, particularly of raw materials and energy, continue to hold back margin improvements despite increased activity levels.

Improved order intake levels will benefit Energy Technology during the remainder of the year and the high activity levels in global energy markets should underpin the continuation of the robust performance of Lifting Products and Services. In FKI Logistex, positive developments in order intake patterns should result in further modest improvements in sales and profitability in the second half. The stabilisation in Hardware in the first half gives confidence that results for the full year should be similar to those of last year but will reflect the seasonality of the North American housing market and are subject to short term fluctuations in consumer demand.

The second half of the year is anticipated to show positive operational cash flow which with further small property disposals should exceed dividend payments. An improvement in year end constant currency adjusted net debt is still expected. However, the effect of rising US interest rates on the Group's Dollar borrowings will lead to estimated full year finance charges of approximately £31 million.

The Group is well positioned to meet full year trading expectations.

Signed on behalf of the Board

G F Page — Chairman

P Heiden — Chief Executive

CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 As restated £m	Year ended 31 March 2005 As restated £m
CONTINUING OPERATIONS				
Revenue	2	632.4	577.5	1,166.5
Cost of sales		(484.8)	(433.2)	(877.3)
Gross profit		147.6	144.3	289.2
Operating expenses		(97.9)	(96.1)	(192.6)
Operating profit before special items	2	49.7	48.2	96.6
Loss on sale of operations	8	(3.9)	-	-
Reorganisation, closures and impairments	7	-	(3.9)	(9.3)
Profit on sale of property		4.6	-	0.8
Profit from continuing operations before taxation and finance costs		50.4	44.3	88.1
Finance costs	4	(16.6)	(13.3)	(26.9)
Finance income	4	2.4	1.1	1.7

Profit before taxation		36.2	32.1	62.9
Taxation	5			
- UK		2.8	(0.2)	0.4
- Overseas		(11.8)	(6.2)	(17.5)
		(9.0)	(6.4)	(17.1)
Profit for the period from continuing operations		27.2	25.7	45.8
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	6	(0.9)	(63.0)	(86.4)
Profit/(loss) for the period		26.3	(37.3)	(40.6)
Attributable to:				
Equity holders of the parent		26.2	(37.3)	(40.6)
Minority interest		0.1	-	-
		26.3	(37.3)	(40.6)
Earnings per share	3	Pence	Pence	Pence
Basic earnings per ordinary share:				
- continuing operations		4.7	4.5	7.9
- discontinued operations		(0.2)	(10.9)	(14.9)
		4.5	(6.4)	(7.0)

Diluted earnings per ordinary share			
- continuing operations	4.6	4.4	7.8
- discontinued operations	(0.1)	(10.8)	(14.7)
	4.5	(6.4)	(6.9)

CONSOLIDATED BALANCE SHEET

	Note	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
ASSETS				
Non-current Assets				
Property, plant & equipment		251.7	272.4	255.7
Goodwill		399.6	400.5	381.6
Intangible assets		2.5	3.3	3.0
Investments in associates		0.5	0.5	0.6
Other receivables		5.1	0.7	5.5
Deferred tax assets		70.7	70.1	67.8
Pension & other post-retirement benefit assets		4.0	4.8	6.7
Derivative financial assets		33.4	-	-
		767.5	752.3	720.9
Current Assets				
Inventories		191.1	212.0	191.9
Trade and other receivables		305.7	348.6	314.2
Cash and short term deposits	12	130.3	144.2	149.4

Current tax recoverable		3.3	3.3	3.3
Derivative financial assets		0.1	-	-
		630.5	708.1	658.8
Non-current assets classified as held for sale	10	1.0	0.7	39.2
TOTAL ASSETS		1,399.0	1,461.1	1,418.9
LIABILITIES				
Non-current Liabilities				
Interest bearing loans and borrowings		(516.0)	(464.0)	(500.0)
Trade and other payables		(5.0)	(36.9)	(32.5)
Provisions		(26.7)	(30.1)	(34.8)
Corporation tax and overseas tax		(1.1)	-	-
Deferred tax liabilities		(31.4)	(32.1)	(31.4)
Pension and other post retirement benefit obligations		(189.6)	(187.0)	(183.9)
Derivative financial liabilities		(13.2)	-	-
		(783.0)	(750.1)	(782.6)
Current Liabilities				
Interest bearing loans and borrowings		(46.3)	(57.3)	(6.6)
Trade and other payables		(328.5)	(378.3)	(369.2)
Provisions		(14.2)	(29.3)	(22.0)
Corporation tax and overseas tax		(37.4)	(39.7)	(38.5)
Derivative financial liabilities		(0.3)	-	-

		(426.7)	(504.6)	(436.3)
Liabilities directly associated with assets classified as held for sale	10	-	-	(13.3)
TOTAL LIABILITIES		(1,209.7)	(1,254.7)	(1,232.2)
NET ASSETS		189.3	206.4	186.7
EQUITY				
Share Capital		58.4	58.2	58.2
Share premium account		156.1	156.0	156.0
Capital redemption reserve		2.0	2.0	2.0
Own shares		(2.6)	(2.9)	(2.9)
Equity reserve accrual		4.1	2.6	3.1
Exchange reserve		3.4	2.5	(2.6)
Hedging reserve		0.1	-	-
Retained earnings		(33.2)	(12.2)	(27.3)
Equity attributable to equity holders of the parent		188.3	206.2	186.5
Minority interest		1.0	0.2	0.2
TOTAL EQUITY		189.3	206.4	186.7

These interim financial statements were approved by the board of directors on 28 November 2005 and signed on its behalf by:

P. HEIDEN - DIRECTOR
N. BAMFORD - DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months ended 30 September 2005	2004	Year ended 31 March 2005
			As restated	As restated
	Note	£m	£m	£m
Operating Activities				
Cash flow from operating activities	11	16.0	(1.7)	72.0
Interest Paid		(18.2)	(14.1)	(33.9
Interest Received		2.7	1.1	3.0
Taxation Paid		(11.1)	(3.2)	(15.1
Net cash (outflow)/inflow from operating activities		(10.6)	(17.9)	26.0
Cash flow from investing activities				
Purchase of property, plant and equipment		(13.5)	(11.4)	(23.9
Purchase of intangible assets		(0.3)	(0.2)	(0.7
Proceeds from sale of property, plant and equipment		9.9	2.7	11.0
Acquisition of businesses net of cash acquired		(2.8)	-	-
Proceeds from disposal of businesses		17.2	6.1	18.9
Net cash disposed with businesses		(1.3)	(0.7)	(2.0

Payment of deferred purchase consideration		-	-	(0.5
Net cash inflow/(outflow) from investing activities		9.2	(3.5)	2.8
Cash flows from financing activities				
Received from sale of interest rate swaps		23.6	-	-
Dividends paid		-	-	(26.2
New loans		-	0.2	-
Repayment of loans and finance leases		(54.9)	(0.2)	(2.7
Proceeds from issue of share capital		0.3	0.4	0.4
Net cash (outflow)/inflow from financing activities		(31.0)	0.4	(28.5
Net (decrease)/increase in cash and cash equivalents		(32.4)	(21.0)	0.3
Cash and cash equivalents at beginning of period		155.7	154.8	154.8
		123.3	133.8	155.1
Effect of foreign exchange rate changes		5.2	3.1	0.6
Cash and cash equivalents at end of period	12	128.5	136.9	155.7

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 As restated £m	Year ended 31 March 2005 As restated £m
Profit/(loss) for the period		26.3	(37.3)	(40.6)
(Expenses)/income not recognised in the income statement				
Actuarial (loss)/gain on defined benefit pensions and other post-retirement benefits net of tax		(8.8)	2.0	(1.4)
Currency translation differences arising in the period		5.6	2.0	(1.6)
Movement in cash flow hedging position		(0.4)	-	-
Total recognised income and expenses for the period		22.7	(33.3)	(43.6)
Adoption of IAS 32 and 39		(5.0)	-	-
Total recognised income/(expense)		17.7	(33.3)	(43.6)

RECONCILIATION OF CHANGES IN EQUITY

	Share Capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Retained earnings £m	Exchange reserve £m	Equity accrual £m	Hed re
As at 1 April 2005 - previously stated	58.2	156.0	2.0	(2.9)	(27.3)	(2.6)	3.1	
Adoption of IAS 32 and IAS 39	-	-	-	-	(5.5)	-	-	
As at 1 April 2005	58.2	156.0	2.0	(2.9)	(32.8)	(2.6)	3.1	
Actuarial gain/(loss) on defined benefit pensions and other post-retirement benefits net of tax	-	-	-	-	(8.8)	-	-	
Exchange differences on re-translation of net assets of subsidiaries and loans	-	-	-	-	-	5.6	-	
Net gains/(losses) on cash flow								

hedges	-	-	-	-	-	-	-	
Dividends	-	-	-	-	(17.5)	-	-	
Profit for the period	-	-	-	-	26.2	-	-	
Share based payments	-	-	-	-	-	-	1.0	
Exchange differences transferred to income statement in respect of disposals	-	-	-	-	-	0.4	-	
Premium on shares issued	0.2	0.1	-	-	-	-	-	
Acquisition of minority interests	-	-	-	-	-	-	-	
Own shares movement	-	-	-	0.3	(0.3)	-	-	
As at 30th September 2005	58.4	156.1	2.0	(2.6)	(33.2)	3.4	4.1	
As at 1 April 2004	58.2	155.6	2.0	(2.9)	40.6	-	2.0	
Actuarial gain/(loss) on defined benefit pensions and other post-retirement benefits net of taxation	-	-	-	-	2.0	-	-	
Exchange								

differences on re-translation of net assets of subsidiaries and loans	-	-	-	-	-	2.0	-
Loss for the period	-	-	-	-	(37.3)	-	-
Share based payments	-	-	-	-	-	-	0.6
Dividends	-	-	-	-	(17.5)	-	-
Premium on shares issued	-	0.4	-	-	-	-	-
Exchange differences transferred to income statement in respect of disposals	-	-	-	-	-	0.5	-
As at 30 September 2004	58.2	156.0	2.0	(2.9)	(12.2)	2.5	2.6
As at 1 April 2004	58.2	155.6	2.0	(2.9)	40.6	-	2.0
Actuarial gain/(loss) on defined benefit pensions and other post-retirement benefits net of taxation	-	-	-	-	(1.4)	-	-
Exchange differences on							

re-translation of net assets of subsidiaries and loans	-	-	-	-	-	(1.6)	-	
Loss for the period	-	-	-	-	(40.6)	-	-	
Share based payments	-	-	-	-	-	-	1.4	
Dividends	-	-	-	-	(26.2)	-	-	
Premium on shares issued	-	0.4	-	-	-	-	-	
Exchange differences transferred to income statement in respect of disposals	-	-	-	-	-	(1.0)	-	
Reclassifications	-	-	-	-	0.3	-	(0.3)	
As at 31 March 2005	58.2	156.0	2.0	(2.9)	(27.3)	(2.6)	3.1	

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These interim financial statements are the first FKI plc has prepared under International Financial Reporting Standards ('IFRS') and have been prepared in accordance with the IFRS accounting policies management expects to apply in the Group's annual report and accounts for the year ended 31st March 2006. These accounting policies have been adopted for the restatement of the 2004/05 financial information which was issued on 18th October 2005 except for those relating to the classification and measurement of financial instruments (IAS 32 and IAS 39).

In particular financial information presented assumes that the European Commission will endorse the amendment to IAS 19 : 'Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures'. The impact to the Group of this not being endorsed will be to record the actuarial gains and losses in the consolidated income statement rather than in the statement of recognised income and expense (ie: equity) which is where they are recorded at present.

FKI plc has adopted all existing IFRS with the exception of IAS 34 : 'Interim Financial Reporting' which is not mandatory for UK Groups.

The IFRS standards are subject to ongoing review and amendment by the International Accounting Standards Board and subsequent endorsement by the European Commission and are therefore still subject to change.

In accordance with the regulation of the Council of the European Union, FKI plc has adopted IFRS for the first time this year, having previously reported under UK generally accepted accounting policies ('UK GAAP'). A reconciliation of equity at 1 April 2004 being the date of transition to IFRS and at 30 September 2004 and at 31 March 2005 was provided in the IFRS restatement document issued on 18 October 2005.

Details of the restatement of 2004/05 comparative financial information from UK GAAP to IFRS together with the accounting policies are posted on the FKI plc website
www.fki.co.uk
. A copy of the document may also be obtained from the Company Secretary of FKI plc at the registered office.

No material adjustments other than changes in presentation have been made to the consolidated cash flow statement.

The disclosures of continuing operations and discontinued operations for comparative periods have been restated in these interim financial statements to reflect all operations that have been discontinued at 30 September 2005. This is in accordance with IFRS 5. Therefore the comparative information disclosed in this document does not agree to those figures issued on 18th October 2005.

The comparative figures for the financial year ended 31 March 2005 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The accounts which were prepared under UK GAAP have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The financial information presented in this document is unaudited, but has been reviewed by the Company's auditor. The Auditor has issued an opinion to the directors on the restated comparative information as at 31 March 2005 and for the year ending on that date.

2. SEGMENTAL INFORMATION

An analysis of revenue and operating profit before special items from continuing operations by operating group is given below. Inter segment sales are not material in relation to total Group revenue.

The contribution from acquisitions in the year to revenue and profit in the six months ended 30 September 2005 and the comparative periods was not material.

Operating profit has been shown before special items to facilitate the comparison of the underlying performance.

(A) Revenue

	Six months ended	Year ended

	30 September 2005 £m	2004 As restated £m	31 March 2005 As restated £m
FKI Logistex	190.5	168.3	348.3
Lifting Products & Services	187.0	155.4	326.4
Hardware	103.2	110.7	199.7
Energy Technology	151.7	143.1	292.1
Continuing operations	632.4	577.5	1,166.5
Discontinued operations	12.4	69.6	124.0
Total operations	644.8	647.1	1,290.5

(B) Operating profit before special items

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
FKI Logistex	7.0	5.6	11.6
Lifting Products & Services	19.1	16.9	36.6
Hardware	15.8	17.9	27.5
Energy Technology	13.3	12.5	28.9
Unallocated corporate costs	(5.5)	(4.7)	(8.0)
Operating profit before special items	49.7	48.2	96.6
Loss on sale of operations	(3.9)	-	-

Reorganisation, closures and impairments	-	(3.9)	(9.3)
Profit on sale of property	4.6	-	0.8
Profit from continuing operations before taxation and finance costs	50.4	44.3	88.1
Net finance (costs)/income	(14.2)	(12.2)	(25.2)
Taxation	(9.0)	(6.4)	(17.1)
Discontinued operations	(0.9)	(63.0)	(86.4)
Profit/(loss) for the period	26.3	(37.3)	(40.6)

In the six months ended 30 September 2004 reorganisation and closure costs were incurred in Lifting Products & Services of £ 0.7m and Hardware of £ 3.2m. In the year ended 31 March 2005 such costs were incurred in Hardware of £ 5.7m and in Energy Technology of £ 3.6m.

Profits on sale of property arose in the six months ended 30 September 2005 in Lifting Products & Services of £ 4.8m and Hardware of £ 0.1m offset by losses on sale in Logistex of £ 0.2m and Corporate of £ 0.1m. In the year ended 31 March 2005 the £ 0.8m profit related to Hardware.

The loss on sale of operations in the six months ended 30 September 2005 was incurred in Logistex.

3. EARNINGS/(LOSS) PER ORDINARY SHARE

The basic, diluted and adjusted earnings per share are set out below:

	Six months ended 30 September		Year ended 31 March
	2005	2004	2005
		As restated	As restated

	pence	pence	pence
Basic earnings per ordinary share			
- continuing operations	4.7	4.5	7.9
- discontinued operations	(0.2)	(10.9)	(14.9)
	4.5	(6.4)	(7.0)
Diluted earnings per ordinary share			
- continuing operations	4.6	4.4	7.8
- discontinued operations	(0.1)	(10.8)	(14.7)
	4.5	(6.4)	(6.9)
Adjusted earnings per ordinary share	4.6	4.2	8.9

Basic earnings per ordinary share and diluted earnings per ordinary share are calculated by dividing the profit attributable to the equity holders of the company for the period by respectively the basic weighted average ordinary shares in issue during the period or diluted weighted average ordinary shares in issue during the period.

Adjusted earnings per share, which provides a better understanding of the underlying performance of the Group, is calculated by dividing the operating profit/(loss) for the period before special items (loss on sale of businesses, reorganisations, closures and impairments and profit on property sales), profit/(loss) on disposal of discontinued operations, fair value gains/losses on financial instruments and exchange gains/losses included within finance costs and income and taxation related to those items by the weighted average number of shares in issue during the period. The profit/loss for the period until disposal of discontinued operations is included as part of the profit for the year. Profit attributable to minority interest is excluded from this calculation.

The calculation of the basic, diluted and adjusted earnings per share is based on the following:

(A) Earnings

	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 As restated £m	Year ended 31 March 2005 As restated £m
Profit/(loss) attributable to the equity holders of the company for the period			
- continuing operations	27.1	25.7	45.8
- discontinued operations	(0.9)	(63.0)	(86.4)
- Total operations	26.2	(37.3)	(40.6)
Adjustments:			
- Fair value (gains)/losses on financial instruments in net finance costs	(0.4)	-	-
- Foreign exchange losses in net finance costs	0.6	-	-
Add back special items:			
- continuing loss on sale of businesses	3.9	-	-
- continuing - reorganisations, closures and impairments	-	3.9	9.3
- continuing - profit on sale of property	(4.6)	-	(0.8)
- tax on special items	(0.1)	(1.4)	0.5
Discontinued loss on disposal of businesses including tax	1.4	59.1	83.2
Adjusted profit/(loss) for the period	27.0	24.3	51.6

(B) Number of shares

	Six months ended 30 September 2005 Number 000s	2004 Number 000s	Year ended 31 March 2005 Number 000s
Weighted average number of ordinary shares for the purposes of basic and adjusted earnings per share	582,608	579,934	582,022
Effect of dilution on exercise of outstanding share options	3,404	4,492	4,629
Weighted average number of ordinary shares for the purpose of diluted earnings per share	586,012	584,426	586,651

The weighted average number of shares in issue excludes shares held in trust under the Long Term Incentive Plan until such time as they vest unconditionally.

4. FINANCE (COSTS)/INCOME

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
Interest payable on:			
- bank loans and overdrafts	(1.9)	(0.8)	(3.0)
- other loans	(13.3)	(11.4)	(21.9)
- finance lease charges	(0.1)	(0.1)	(0.2)

Net finance costs on pension schemes and other post retirement benefits	(0.7)	(1.0)	(1.8)
Foreign exchange losses	(0.6)	-	-
Total finance costs	(16.6)	(13.3)	(26.9)
Interest receivable	2.0	1.1	1.7
Fair value gains on financial instruments	0.4	-	-
Total finance income	2.4	1.1	1.7

5. TAXATION

	Six months ended 30 September 2005	2004	Year ended 31 March 2005
		As restated	As restated
	£m	£m	£m
Current tax - UK	(0.5)	-	15.5
Double taxation relief	-	-	(15.4)
Current tax - overseas	9.6	4.2	15.5
Deferred tax - UK	(2.3)	0.2	(0.5)
Deferred tax - overseas	2.2	2.0	2.0
	9.0	6.4	17.1

The tax charge is calculated by reference to the estimated effective tax rate for the year ended 31 March 2006.

The tax charge above includes the following with regard to reorganisations, closures and impairments and profit/(loss) on sale of properties classified as special items within continuing profit.

Charge (credit)	(0.1)	(1.4)	0.5

6. DISCONTINUED OPERATIONS

	Six months ended 30 September 2005	2004 As restated	Year ended 31 March 2005 As restated
	£m	£m	£m
Post tax profits/(losses) of discontinued operations	0.5	(3.9)	(3.2)
Post tax (loss)/gain on disposal of discontinued operations	(1.4)	(59.1)	(83.2)
	(0.9)	(63.0)	(86.4)

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	£m	£m	£m
Revenue	12.4	69.6	124.0
Expenses	(11.8)	(72.9)	(126.0)
Finance costs	-	(0.1)	(0.2)
Profit/(loss) before taxation	0.6	(3.4)	(2.2)
Taxation	(0.1)	(0.5)	(1.0)

Profit/(loss) after taxation	0.5	(3.9)	(3.2)

The post tax (loss)/gain on the disposal and closure of businesses an be analysed as follows:

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
(Loss) before tax	(1.4)	(59.7)	(84.5)
Taxation	-	1.1	0.3
Exchange previously written off against reserves	-	(0.5)	1.0
	(1.4)	(59.1)	(83.2)

Losses on sale of businesses in the half-year ended 30 September 2005 included the sales of certain Certex operations in Europe, DeWind and Laurence, Scott & Electromotors. In the financial statements for the year ended 31 March 2005 a provision was included to close DeWind. The businesses of the Certex operations in Europe and Laurence, Scott & Electromotors were classified as held for sale as at 31 March 2005 and an estimate made of the impairment of the net assets including goodwill.

7. REORGANISATION, CLOSURE COSTS AND IMPAIRMENTS

These costs relate to the closure and rationalisation of manufacturing facilities in certain continuing operations.

8. LOSS ON SALE OF OPERATIONS - CONTINUING

The pre-tax loss on sale of operations can be analysed as follows

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
(Loss) before tax	(3.6)	-	-
Exchange previously written off against reserves	(0.3)	-	-
	(3.9)	-	-

9. DIVIDENDS

Amounts were recognised as distributions to equity shareholders in the following periods:

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
Final dividend for the year ended 31 March 2005 of 3p (2004 : 3p) per ordinary share	17.5	17.5	17.5
Interim dividend for the year ended 31 March 2006 of 1.5p (2005 : 1.5p) per ordinary share	-	-	8.7
	17.5	17.5	26.2

The proposed interim dividend of 1.5p in respect of the year ended 31 March 2006 was approved by the Board on 28 November 2005 and in accordance with IFRS has not been included as a liability as at 30 September 2005. It will be paid on 24 February 2006 to shareholders on the register on 3 February 2006.

10. ASSETS AND (LIABILITIES) CLASSIFIED AS HELD FOR SALE

	Six months ended 30 September 2005 £m	Six months ended 30 September 2004 As restated £m	Year ended 31 March 2005 As restated £m
Non current assets classified as held for sale			
Assets of businesses held for sale	-	-	38.7
Property held for sale	1.0	0.7	0.5
	1.0	0.7	39.2
(Liabilities) directly associated with assets classified as held for sale			
Liabilities of businesses held for sale	-	-	(13.3)

The businesses held for sale at 31 March 2005 related to certain Certex Europe operations which were sold on 14 June 2005 and Laurence, Scott & Electromotors Ltd which was sold on 25 April 2005.

11. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Six months ended	Year ended

	30 September 2005 £m	2004 As restated £m	31 March 2005 As restated £m
Operating profit before special items	49.7	48.2	96.6
Profit/(loss) before taxation and finance costs of discontinued operations	0.6	(3.3)	(2.0)
Depreciation	16.5	18.8	35.1
Amortisation of intangible assets	0.7	0.8	1.5
(Gain)/loss on disposal of plant and equipment	(0.3)	(0.3)	(0.3)
Loss on disposal of intangible assets	0.1	-	-
Outflows relating to termination and closure of businesses	(9.1)	(6.4)	(17.6)
Share based payments	1.0	0.6	1.1
Pensions and other post retirement benefits assets and liabilities	(5.1)	(6.7)	(13.3)
Increase in inventories	(1.3)	(6.8)	(12.9)
Increase in receivables	(9.9)	(31.4)	(13.9)
Decrease in payables and provisions	(26.9)	(15.2)	(2.3)
Cash generated by operations	16.0	(1.7)	72.0

12. CASH AND SHORT TERM DEPOSITS

	Six months ended 30 September 2005 £m	2004 As restated £m	Year ended 31 March 2005 As restated £m
Cash at bank and in hand	73.0	82.7	72.1

Short term deposits	57.3	61.5	77.3
	130.3	144.2	149.4

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	Six months ended 30 September 2005	2004 As restated	Year ended 31 March 2005 As restated
	£m	£m	£m
Cash at bank and in hand	73.0	82.7	72.1
Short term deposits	57.3	61.5	77.3
Bank overdrafts	(1.8)	(7.3)	(0.2)
	128.5	136.9	149.2
Cash net of bank overdrafts included within assets and liabilities held for sale	-	-	6.5
	128.5	136.9	155.7

13. NET DEBT

	Six months ended 30 September 2005	2004 As restated	Year ended 31 March 2005 As restated
	£m	£m	£m
Balance at the end of the period:			
Cash and short term deposits	130.3	144.2	149.4
Interest bearing loans and borrowings			

including finance leases and overdrafts:			
- Non-current	(516.0)	(464.0)	(500.0)
- Current	(46.3)	(57.3)	(6.6)
Cash net of bank overdrafts included within assets and liabilities held for sale	-	-	6.5
Derivative financial instruments	20.0	-	-
	(412.0)	(377.1)	(350.7)

The Group's Guernsey based captive insurance company is required to maintain a level of assets in support of the insurance business underwritten on behalf of the Group. At 30 September 2005 this amounted to £ 37.5m (2004 : £ 39.1m) of cash and short-term deposits. Until such time as alternative arrangements are in place the £ 37.5m remains assigned to the captive insurance company.

14. IAS 39 : TRANSITION BALANCE SHEET

The Group adopted IAS 39 'Financial Instruments : recognition and measurement' and IAS 32 'Financial Instruments : presentation and disclosure' from 1 April 2005.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. The Group does not use derivative financial instruments for speculative purposes.

Under IAS 39 financial instruments are recognised initially at cost and subsequent to initial recognition are stated at fair value. The fair value of forward exchange contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to the present value of the estimated future cash flow.

In relation to fair value hedges (eg: interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is recognised as an adjustment to the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity.

In relation to cash flow hedges (eg: forward foreign currency contracts including cross currency swap contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly to equity and the ineffective portion is recognised in net profit or loss.

Further details of the accounting treatment adopted under IFRS and under UK GAAP are included within the Group accounting policies.

The impact on the balance sheet at 1 April 2005 of adopting IAS 32 and 39 is as follows:

	£m	£m
Increase in derivative financial assets	64.5	
Increase in derivative financial liabilities	(6.6)	
Increase in loans and borrowings	(98.2)	
Net debt		(40.3)
Decrease in creditors		35.3
Equity movements:		
Retained earnings	5.5	

Hedging reserve	(0.5)	
	--------	---------
		5.0
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		-
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15. ACQUISITIONS

On 3 May 2005 the Group acquired I P Clamps for a total consideration of £ 3.2m inclusive of costs of £ 0.1m. The fair value of net assets acquired was £ 0.8m and goodwill arising was £ 2.4m.

On 10 May 2005 the Group acquired a 52.85% interest in Tianjin Golik No 1 Steel Wire Rope Company Limited ('Tianjin No 1') for a total consideration of £ 1.1m inclusive of costs of £ 0.3m. The fair value of net assets acquired was £ 0.8m and goodwill arising was £ 0.3m. Tianjin No 1 has been renamed Bridon Tianjin Rope Limited.