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Contents

1999 in review

- 2 Chairman's Statement
- 4 Chief Executive's Review
- 6 Financial Review
- 8 Cape Industrial Services
- 12 Cape Calsil
- 16 Directors and Advisers

Financial Statements

- 17 Directors' Report
- 20 Statement on Corporate Governance
- 22 Report of the Auditors
- 23 Consolidated Profit and Loss Account
- 24 Consolidated and Company Balance Sheets
- 25 Consolidated Cash Flow Statement
- 26 Statement of Total Recognised Gains and Losses
- 26 Reconciliation of Movements in Shareholders' Funds
- 27 Accounting Policies
- 29 Notes to the Financial Statements
- 47 Principal Subsidiary Undertakings
- 48 Notice of Annual General Meeting
- 50 Five Year Financial Summary
- 51 Products and Services
- 52 Financial Calendar



Our strategy is to develop a successful group with two independent divisions, Industrial Services and Calsil, and to build on the strong international Cape brand.

In our people we are proud to have the skills and dedication to ensure that Cape is able to deliver the best quality products and services in all the markets in which we operate.

Financial highlights	1999 £m	1998 £m
Group turnover	233.2	238.6
Profit on ordinary activities before taxation	9.1	8.8
Operating exceptional items	–	(3.3)
Net interest payable	1.1	1.0
Earnings per share	11.7p	11.1p
Proposed dividend per share	7.0p	7.0p
Net capital expenditure	7.1	9.9
Net assets	55.2	53.6

The new structure has begun to demonstrate its benefits despite difficult trading conditions and the board continues to strive for further improvements within the businesses.

In my first statement three years ago I outlined the strategy of restructuring Cape's operations to focus more effectively on core markets. The two succeeding statements detailed the formation of the autonomous divisions, Industrial Services and Calsil, and the completion of the strategic objective.

Although trading conditions have been particularly challenging in the manufacturing division, the new structure has begun to demonstrate its benefits and the Board continues to strive for further improvements within the businesses.

The group's profit on ordinary activities before tax was £9.1 million (1998 : £8.8 million). Operating profit before operating exceptional items was £10.2 million (1998 : £13.1 million) on turnover of £233.2 million (1998 : £238.6 million).

The Board is recommending a final dividend of 3.75p (1998 : 3.75p) giving an unchanged total dividend of 7.0p for the year. If approved, this will be paid on 19th May 2000 to shareholders on the register on 31st March 2000.

Board changes

During 1999, Paul Ainley the managing director of the Industrial Services division and Peter Morton the managing director of the Calsil division joined the Board. Both Paul and Peter have extensive experience in their respective fields and I am pleased to welcome them to the Board.

Industrial Services Division

Cape Industrial Services had a very good year, particularly in its international operations where, despite low world oil prices at the start of the year, the Middle East produced an excellent performance. The recent upturn in oil prices is encouraging and the division's multi-discipline approach should contribute to continued growth in market share.

During the year, the division acquired the business assets of Duffy & McGovern Maintenance Services, operating in the U.K. sector of the North Sea. There are currently a number of businesses for sale in the industrial services sector as competitors come under market pressure. If suitable acquisition opportunities arise to broaden the services we offer, we will take advantage of them.

Manufacturing Division

Cape Calsil had a difficult year particularly in overseas markets where the continued strength of sterling over a number of years has eroded competitiveness. Our sales volumes in mainland Europe were lower due to increased competitive pressures. Sales were also badly affected by the market downturn in the Far East. The division has responded to this with the manufacturing joint venture in Taiwan, whose formation I mentioned last year. The factory has now started production and early indications are that product quality and market demand is high.

Cape's calcium silicate fire protection and insulation products have a unique position in their markets and command premium prices. However, the heavy export bias of the business, combined with a strong pound, has put sustained pressure on volumes. As a result, we are continuing the process of concentrating manufacturing on a reduced number of sites in the U.K.

We are also investigating opportunities to extend and develop distribution agreements, both to increase volumes and reduce sales costs.

The major contract for the supply and fit of Durasteel ducting for the Jubilee Line extension is almost complete. This has been a prestigious and prolonged contract for Cape and a satisfactory conclusion now appears imminent.

South African Litigation

During 1997 court proceedings were issued against Cape PLC by five South African residents who claim that they suffered injury as a result of asbestos mining activities in South Africa which ceased in 1979. Subsequently, further proceedings were issued against Cape PLC by South African residents and the total number of claimants now exceeds 3,000. Many of these claimants are supported by British Legal Aid.

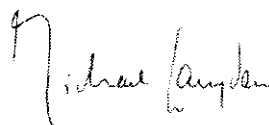
In the light of the significant change in the scale of the litigation, the company asked the English courts to stay all these proceedings in England and return them to South Africa as a group action. The stay granted by the High Court in July 1999 was upheld by the Court of Appeal in October 1999. In February 2000 the House of Lords granted the claimants' petition for leave to appeal and this appeal is to be heard by the House of Lords in June.

On the basis of legal advice received, the Board of Cape PLC believes that there are good prospects of defending proceedings successfully either in the English or South African courts. Cape will continue to defend these actions vigorously.

Outlook

With the continued strength of sterling and recent increases in U.K. interest rates we do not anticipate an increase in demand for our manufactured products in the coming year. Improvements in the manufacturing division's results will flow from more efficient manufacture and reductions in the selling overheads. These initiatives are a priority this year.

The current year has started well in the Industrial Services division and activity levels are higher than for the corresponding period in 1999.



M R F Langdon
Chairman

20th March 2000

Our multi-national Industrial Services clients demand world class standards throughout their operations. Cape Industrial Services is one of the few companies able to provide this.

Our calcium silicate products are highly regarded and we continue to win prestigious orders at good prices.

Divisional analysis

	1999 £m	1998 £m
Industrial Services		
Turnover	172.1	168.1
Operating profit*	10.1	9.6
Net assets†	31.4	34.4
Operating profit at 1998 exchange rates	10.1	9.6
Manufacturing	1999 £m	1998 £m
Turnover	61.1	70.5
Operating profit*	3.0	6.3
Net assets†	40.1	39.5
Operating profit at 1998 exchange rates	3.4	6.3

* Operating profit is before operating exceptional items and after Cape's share of operating profit in the joint venture in Australia.

† Net assets include Cape's share of the joint ventures.

The restructuring of the group with the development of two separate and self-contained divisional management teams, has been in place throughout 1999. It is a positive change and has allowed the respective managers to focus on the differing business needs of the Industrial Services and Manufacturing divisions.

Industrial Services Division

1999 was a good year for the division with both profits and turnover moving ahead. This is the fourth consecutive year in which we have increased profits. Steady progress in a habitually volatile industry remains our objective. To achieve this we will continue to balance the workload between lower risk maintenance and higher margin project work and to expand our multi-discipline activities overseas.

Fluctuations in the price of oil during the year led to a number of projects being delayed or cancelled in the oil and gas industry which is an important source of work for us. Until a period of stability is achieved we anticipate only a gradual increase in activity in this area during 2000.

In September we acquired the assets and business of Duffy & McGovern Maintenance Services for £0.4m. Their operations in the southern sector of the North Sea have extended our capacity to provide off-shore maintenance and scaffolding services to clients such as BP Amoco and Phillips Petroleum.

We are encouraged by the long-term prospects for multi-discipline maintenance work in Singapore and have opened a permanent office and depot in the Jurong area.

There are currently a number of businesses in our sector for sale. If suitable acquisition opportunities arise where we can broaden the services we offer, we will take advantage of them.

Cape Industrial Services is now one of the few businesses able to provide a complete range of specialised services to major international companies involved in oil and gas, power generation and the chemical industries. We know that our multi-national clients want to see world class standards of maintenance and service applied throughout their operations. Our multi-discipline approach, with a single management team covering the U.K. and overseas, enables us to deliver this. We are quick to react to clients' requirements and able to provide flexible and highly competitive solutions.

Manufacturing Division

Cape Calsil is a leading manufacturer of calcium silicate products for building and industrial use, with sales in many countries. A feature of our supply of products is the technical support and advice provided to our customers. An integral part of this process is the continuous improvement of existing products and development of new ones.

Because we sell more than half our output overseas we have been severely affected by the continued strength of sterling. We are able to mitigate the erosion of profit to some extent by introducing improved products at higher margins. However, to compete more effectively we need lower costs and improved factory yields. Progress has been made in both these areas during 1999 and we intend to advance further during 2000. In addition, we are presently working on schemes to incentivise labour efficiency and improve productivity.

Cape Goldsun Corporation, the joint venture formed in Taiwan last year to manufacture a range of calcium silicate building products, has progressed well and the factory commenced production at the end of the year. We are pleased with the quality of the initial output from the plant. This factory will enable us to develop sales in the Far East region more profitably than by exporting from the U.K. at the current exchange rates.

Overall our markets will remain highly competitive during this coming year both in the U.K. and overseas. However, our calcium silicate products are highly regarded and where we can demonstrate their particular properties we continue to win prestigious orders at good prices. For example, we have recently secured an order against strong competition for significant quantities of both Monolux and Durasteel to be used in the new Singapore metro project.



Ian Maclellan
Chief Executive

20th March 2000

The Industrial Services division has improved profitability. Calsil division profits were adversely affected by Far East market conditions and the continued strength of sterling.

The proposed dividend has been maintained at the 1998 rate of 7.0p per share.

Group analysis

Financial highlights	1999 £m	1998 £m
Group turnover	233.2	238.6
Operating profit *	10.2	13.1
Operating exceptional item	–	(3.3)
Net interest payable	1.1	1.0
Profit on ordinary activities before taxation	9.1	8.8
Earnings per share	11.7p	15.5p
Proposed dividend per share	7.0p	7.0p
Net capital expenditure	7.1	9.9
Net assets	55.2	53.6

* Operating profit is before exceptional item and after Cape's share of operating profit in joint ventures.

Profit on ordinary activities before taxation

The profit for the year was £9.1 million (1998: £8.8 million). The continued strength of sterling in the year has resulted in profits being approximately £0.4 million lower (in addition to the £1.9 million currency loss in 1998) than had 1998 exchange rates prevailed. This factor has continued to adversely affect the Calsil division where over 50% of the U.K. production is exported.

Compensation for industrial disease

A charge of £3.2 million (1998: £2.9 million) has been made for industrial disease claims and related costs arising in the year from Cape's historical U.K. activities involving asbestos.

Operating exceptional items

The £3.3 million net charge in 1998 for exceptional costs was to cover estimated litigation costs relating to the defence of the actions brought by claimants in South Africa, less certain insurance recoveries received in the year.

The balance of the provision carried forward into 2000 is anticipated to be sufficient to cover future legal costs related to the South African claims.

Taxation

The 1999 group taxation charge of £2.7 million represents 30% of group profit before taxation (1998: 32%).

Earnings and dividend per share

Basic earnings per share after Cape's share of operating profit in joint ventures were 11.7p (1998: 11.1p).

The Board is recommending a final dividend of 3.75p (1998: 3.75p) giving a total for the year of 7.0p (1998: 7.0p). If approved this will be paid on Friday 19th May 2000 to shareholders on the register on Friday 31st March 2000.

Borrowings and cash flow

The closing balance sheet includes net borrowings of £9.7 million (1998: £9.0 million), maintaining the gearing level at 17%.

The net cash flow from operating activities was £15.0 million (1998: £11.8 million). The level of net capital expenditure in the year was lower than the previous year at £7.1 million (1998: £9.9 million). Tax paid in the year was £2.1 million and the dividend paid was £3.8 million. The overall financing cost, in terms of net interest paid, was £1.1 million. Working capital was maintained at 1998 levels.

Financial instruments

Group policy in treasury matters continues to be the minimisation of risk. The group's financial instruments utilised to finance the operations of the group comprise borrowings, cash and liquid resources, and items such as trade debtors and trade creditors arising directly from the operations. The group also minimises foreign currency exposures through the use of forward currency contracts. It is, and has been, the group's policy throughout the period under review, not to trade in financial instruments. The board regularly reviews the risks associated with the financial instruments and agrees the policies for their management. These policies have remained unchanged since the beginning of 1999 (Note 21) and are summarised below.

Interest rate risk

Operations are financed by retained profits and short term bank borrowings. Due to the relatively low level of gearing, the board considers it appropriate that such bank borrowings are made in the relevant currencies at floating rates of interest.

Liquidity risk

The policy throughout the year has been to ensure that there are sufficient facilities in the U.K. and overseas to fund the group's activities. Short-term flexibility is achieved by overdraft facilities.

Foreign currency risk

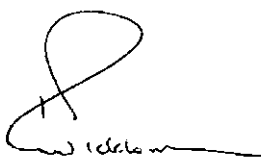
The group has overseas subsidiaries operating in Continental Europe and the Middle and Far East whose revenue and expenses are denominated exclusively in local currencies. In order to protect the group's sterling balance sheet from the movements in exchange rates the group finances 70% of its net investments in overseas subsidiaries with local currency borrowings.

A significant proportion of the group sales are to customers outside the U.K. These are invoiced in the currency of the customer. Exchange exposure is minimised through the use of forward currency contracts.

The Calsil and Industrial Services divisions also use forward currency contracts for non sterling purchase transactions.

Year 2000

The year 2000 programme reported in last year's accounts has proved successful with no major problems reported to date.



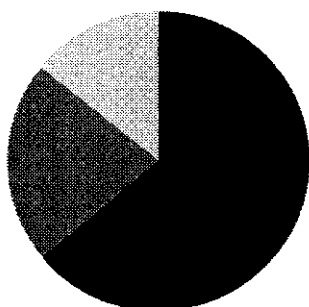
Ian Widdowson
Finance Director

20th March 2000

Cape Industrial Services maintained its market leadership in the LNG terminal sector with the completion of the first train in Oman. The work involved setting up facilities on site to preinsulate jetty line pipework and prefabricate insulation and cladding to meet the exacting specification of Shell International.

Cape Industrial Services is a market leader in the provision of multi-discipline fabric maintenance services to operators of major process plants.

We will continue to expand our operations by adding further disciplines to our range of services and developing new geographical areas.



Geographical analysis of turnover 1999		£m
● United Kingdom		110.4
● Rest of the world		37.5
● Continental Europe		24.2
Total		172.1



Activities

Access solutions (principally scaffolding), insulation (thermal, cryogenic and acoustic), specialist coatings, fire protection, refractory lining, associated services (e.g. sheet metal fabrication and industrial cleaning) and the hire and sale of access equipment.

Highlights

Major projects undertaken in 1999 included the Oman LNG project (see opposite), thermal insulation contracts at

Shell's Moerdijk Styrene Propylene Oxide Plant in Holland and the BHP iron ore briquette plant at Port Hedland in Australia.

Global presence

The division has permanent bases in the 16 countries indicated on the map above. It has also worked in several other countries in the last few years.

Our aim is to continue to update our systems and methods to ensure our clients receive the best value solutions to their fabric maintenance requirements.

Left This new custom-built depot in Aberdeen was completed in 1999. It houses the division's offshore operations, onshore activities in the North of Scotland and services work at Sullom Voe in the Shetlands.

Right Scaffolding at the Sullom Voe complex in the Shetlands.

Turnover (£m)

1999	172.1
1998	168.1

Operating profit (£m)

1999	10.1*
1998	9.6

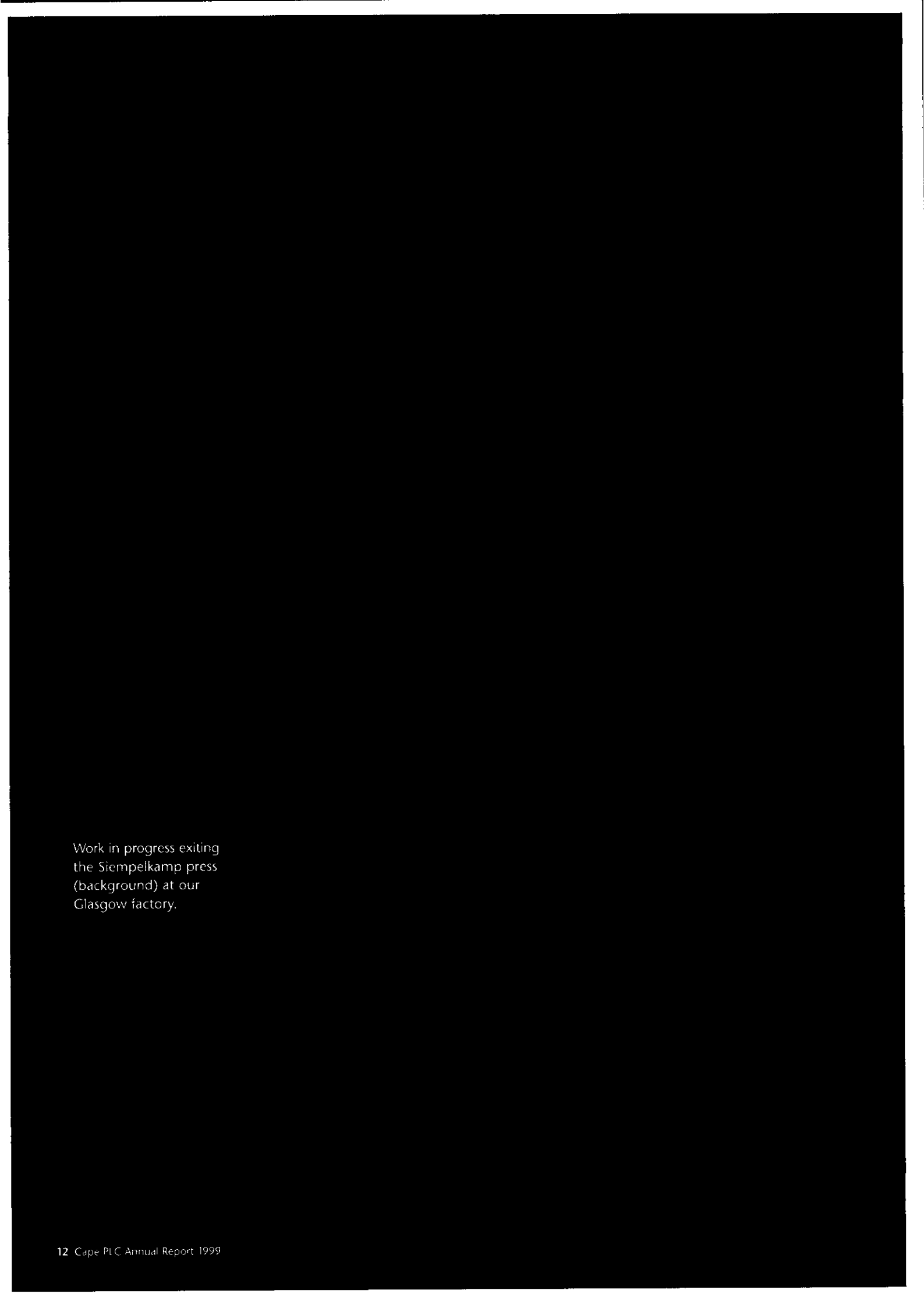
* Adjusted to 1998 average exchange rates

Net assets (£m)

1999	31.4
1998	34.4

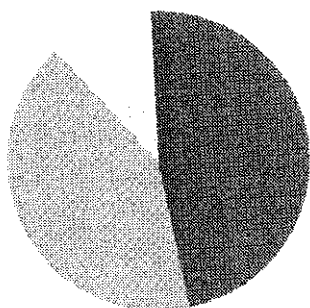
The division continues to invest in training and technology to ensure that it is at the forefront of its industry. During the year the Cape Abu Dhabi training centre became the first to become accredited as an NVQ assessment centre for scaffolding. As business becomes increasingly globalised, the geographic spread of our activities creates the opportunity to provide services to individual clients in many countries across the world.

Concentration on both recurring fabric maintenance contracts and project related work provides a more predictable and less volatile revenue stream.



Work in progress exiting
the Siempelkamp press
(background) at our
Glasgow factory.

Our goal is to develop a full range of products and systems taking advantage of Cape's extensive experience in industrial, engineering and building markets to exploit the unique attributes that only calcium silicate can provide.



Geographical analysis of turnover 1999		£m
● United Kingdom		29.1
● Continental Europe		25.3
● Rest of the world		6.7
Total		61.1



Activities

Cape Calsil is one of the world's leading calcium silicate producers, with an unrivalled range for both building and industrial applications. It exports over half its production.

Highlights

To improve the division's competitiveness in the Far East, a manufacturing joint venture company was formed in Chunan, Taiwan in March 1999. The plant was commissioned at the end of 1999.

Global presence

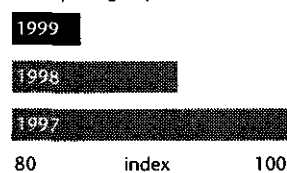
We operate five U.K. factories and a joint venture based in Taiwan. Subsidiary selling and distribution companies are located in nine other countries. A strong distribution network exists throughout Europe and Asia.

Over the last two years Cape Calsil's sales outside Europe have fallen, largely due to the recession in the Far East and the continued strength of sterling. We are now seeing signs of recovery in the Far East.

Far East recovery – 6 months sales



Local pricing impact in Asia Pacific



Turnover (£m)

1999	61.1
1998	70.5

Operating profit (£m)

1999	3.0 3.4*
1998	6.3

* Adjusted to 1998 average exchange rates

Net assets (£m)

1999	40.1
1998	39.5

The Siempelkamp press, weighing over 350 tonnes, was successfully transferred from Germany to our Glasgow factory and recommissioned in Spring 1999 (see below).

Directors and Advisers

Directors

M R F Langdon^{1,2,3,4}
Chairman

I D Maclellan⁴
Chief Executive

I R Widdowson
Finance Director

P R Ainley
Managing Director
Cape Industrial Services

P Morton
Managing Director
Cape Calsil

C B Dowling^{1,2,3}
S S O'Connor^{1,2,3,4}
J A Pool^{1,2,3,4}

- 1 Non-executive
- 2 Audit Committee
- 3 Remuneration Committee
- 4 Supervisory Committee

Advisers

Secretary and Registered Office
S H Smith, Iver Lane, Uxbridge
Middlesex UB8 2JQ

Auditors
PricewaterhouseCoopers
Harman House, 1 George Street
Uxbridge UB8 1QQ

Solicitors
Davies Arnold Cooper
6-8 Bouverie Street
London EC4A 8DD

Herbert Smith
Exchange House, Primrose Street
London EC2A 2HS

Bankers
National Westminster Bank PLC
30 North Audley Street
London W1A 4UQ

Registrars
IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Stockbrokers
Dresdner Kleinwort Benson
20 Fenchurch Street
London EC3P 3DP

Cape PLC is a company registered in England and Wales. Registered number 40203.

Directors' Report

The directors have pleasure in submitting their report and the financial statements of the group for the year ended 31st December 1999.

Principal activities

The company and its subsidiaries form an international group engaged in the manufacture of high performance fire protection, insulation and building products for the construction industry and in the supply of thermal insulation, scaffolding and related services to major industrial groups. The principal subsidiary undertakings are set out on page 47.

Review of business and future developments

A review of the group's activities during the year is contained in the Chairman's Statement and the Chief Executive's Review on pages 2 to 5.

Results

The financial results for the year ended 31st December 1999 are set out in the Financial Statements on pages 23 to 46. After providing for dividends of £3.8 million (1998: £3.8 million) the profit transferred to reserves is £2.6 million (1998: profit of £2.2 million).

Dividends

An interim dividend of 3.25p per share was paid on 12th November 1999. The directors are recommending the payment of a final dividend of 3.75p per share on 19th May 2000 to shareholders on the register at the close of business on 31st March 2000.

Supervisory Committee

At a meeting of a committee of the board of directors held on 17th June 1996 it was resolved that, following the sale by Charter plc of its shares in Cape PLC, a Supervisory Committee of the board be established to which has been reserved a number of key decisions relating to the company including (without limitation) changes in strategy, the appointment of directors and matters directly involving Rutland Trust PLC.

The members of the Supervisory Committee are Michael Langdon, Chairman, Ian Maclellan, Sean O'Connor and John Pool.

The structure of the Supervisory Committee is designed to ensure that the interests of non-Rutland shareholders in Cape PLC are represented at all meetings where decisions significant to the running of Cape are to be taken.

Fixed assets

Details of the movements in the tangible fixed assets are given in note 11 to the accounts on pages 35 and 36.

Donations

During the year the group made charitable donations of £31,000. There were no political donations.

Employment of disabled persons

It is group policy to encourage, wherever practicable, the employment of disabled persons and to provide appropriate opportunities for their training, career development and promotion. Where employees have become disabled in the service of the group, every effort is made to rehabilitate them in their former occupation or in some suitable alternative.

Employee involvement

The group continues its practice of keeping all employees informed on matters affecting them. Senior management are kept abreast of developments in financial, commercial and personnel matters and this enables them to ensure that employees at operational level are kept informed. The group operates pension schemes for the benefit of eligible employees in the U.K. and overseas. The funds of the pension schemes are administered by trustees and they are held separately from group funds.

Directors

The directors at the date of this report and their biographical details are as follows:

Michael Langdon (52)

Appointed Chairman in July 1996. A chartered accountant who has been Chief Executive of Rutland Trust PLC since 1987. Prior to this he was a partner in Price Waterhouse.

Ian Maclellan (52)

Appointed Chief Executive in August 1998 having been a non-executive director since July 1997. A chartered accountant with experience in the construction materials, property and engineering industries. He is also a non-executive director of Swan Hill Group PLC.

Ian Widdowson (46)

Appointed Finance Director in December 1998. A chartered accountant who joined Cape in 1986.

Christopher Dowling (46)

Became a non-executive director in August 1998 having been Chief Executive since July 1996. A chartered accountant who has been a director of Rutland Trust PLC since 1987 and is Deputy Chief Executive of that company.

Paul Cartwright acted as alternate director to Christopher Dowling during the year from 9th March 1999.

Sean O'Connor (51)

Appointed non-executive director in July 1996. He is the non-executive Chairman of Stoves Group PLC.

John Pool (61)

Appointed non-executive director in November 1997. A chartered secretary who has spent most of his career with Anglo American and Charter plc. He was managing director of ESAB AB – Asia Pacific based in Singapore when he retired in 1996.

Directors' Report

Paul Ainley (54)

Appointed director on 14th September 1999. He has been Managing Director of the Cape Industrial Services division since July 1995.

Peter Morton (50)

Appointed director on 14th September 1999. He has been Managing Director of the Cape Calsil division since March 1998.

Sean O'Connor and Ian Maclellan are the directors retiring by rotation under Article 90 and being eligible offer themselves for re-appointment at the Annual General Meeting.

Paul Ainley and Peter Morton, having been appointed by the directors since the last Annual General Meeting, are required to retire at the end of the Annual General Meeting on 15th May 2000 and are both seeking re-appointment by the shareholders at that meeting.

Details of the interests of the directors and their associates in the shares and share option schemes of the company are shown in note 5 on pages 31 to 33. Except as disclosed in the accounts, no director had any interest in any contract with the company or its subsidiaries at any time during the year other than service contracts and share option schemes. No director has a service contract for a period in excess of one year's duration or with provision for predetermined compensation for loss of office of an amount which equals or exceeds one year's salary and benefits in kind.

The company has maintained insurance to cover the directors' and officers' liability as defined in s.310(3)(a) of the Companies Act 1985.

Supplier payment policy

The supplier payment policy for group companies is to agree terms and conditions for business transactions with suppliers. Payment is then made on these terms and conditions being met by the supplier. The group's creditor days at 31st December 1999 was 64 days (1998: 57 days).

Research and development

The companies in the group continue to place a strong emphasis on the research and development which is needed to expand the scope of the products required to meet the changing demands of their customers in the highly competitive markets in which they operate.

Employment policies

The companies in the group operate within broadly prescribed personnel and employment policies. Each company develops procedures which are most appropriate to the circumstances within which it operates. The group's training, career development and promotion policies provide equal opportunities for all employees.

Health and Safety

The Chief Executive has issued a policy statement on the group's commitment to a safe working environment for all employees. Each divisional managing director is responsible for the implementation of the group policy on Health and Safety within his area of responsibility. During the year external consultants carried out audits at all U.K. subsidiaries to ensure that proper procedures were in operation.

Year 2000

The programme, implemented throughout the group over the past two years was completed successfully.

The directors are committed to providing resources to deal promptly with any residual failures should they appear.

The total cost to the group of modifying its systems was £0.7 million of which £0.3 million has been charged to the profit and loss account as incurred and £0.4 million capitalised as systems enhancements. The charge to the profit and loss account during 1999 was £0.1 million.

Substantial holdings

The directors have been advised that as at 17th March 2000 the following have interests of 3 per cent or more in the issued ordinary share capital of the company:

	Number of ordinary shares	Percentage of issued shares
Rutland Trust PLC	13,581,452	25.00
Schroder Investment Management	9,262,500	17.05
Fidelity International Management	5,407,600	9.95
M & G Investment Management	5,399,814	9.94
Norwich Union Investment Management	3,462,524	6.37
The Equitable Life Assurance Society	2,420,000	4.45
Phillips & Drew Investment Management	1,916,500	3.53

The company has not received notification of any other interests held by persons acting together which at 17th March 2000 represented 3 per cent or more of the issued ordinary share capital.

Annual General Meeting

At the Annual General Meeting to be held on 15th May 2000, resolutions will be proposed on the following items of special business:

(a) To authorise the allotment of shares

The directors consider it to be in the best interests of the company that they should have the power to allot authorised but unissued share capital. A resolution giving the directors this power was approved at the Annual General Meeting of 26th April 1995, for a period of 5 years. An ordinary resolution (numbered 8 in the notice of meeting) will be put to the Annual General Meeting to grant the directors this authority for a further 5 years. The directors have no present intention of exercising this authority.

(b) To disapply Section 89 of the Companies Act 1985.

The directors consider it to be in the best interests of the company that they should continue to have the power to allot equity securities for cash other than to existing shareholders up to an amount equal to five per cent of the company's issued ordinary share capital at 31st December 1999.

(c) To authorise the purchase by the company of its own shares.

The directors consider that it would be advantageous to obtain the authority of the shareholders to allow the company to acquire its own shares in the market. The directors would then be in a position to act quickly in the interests of the company and shareholders generally if circumstances so warrant. A special resolution (numbered 10 in the notice of meeting) will be put to the Annual General Meeting to authorise the company to make market purchases of up to fifteen per cent of its issued ordinary shares. The price at which shares may be purchased will not be more than five per cent above the average middle market quotations for the company's shares in the London Stock Exchange Daily Official List for the five business days before the date of purchase. Shares purchased will be cancelled. This authority will expire at 14th May 2001.

The directors have no present intention of exercising this authority if it is given. Purchases of the company's shares would only be made if this would result in an increase in earnings per share and be in the best interests of the company at the time. The text of all the resolutions is set out in full in the notice convening the Annual General Meeting on pages 48 and 49.

The Annual General Meeting is to be held on Monday 15th May 2000 at the registered office of the company, Iver Lane, Uxbridge, Middlesex UB8 2JQ.

Close company status

The company is not a close company for the provisions of the Income and Corporation Taxes Act 1988.

Auditors

In accordance with Section 383 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the Annual General Meeting on 15th May 2000.

By order of the Board

S H Smith

Secretary

20th March 2000

Iver Lane, Uxbridge,
Middlesex UB8 2JQ

Statement on Corporate Governance

The board is committed to high standards of corporate governance throughout the group. The board is accountable to the company's shareholders for good governance and this statement describes how the Principles of Good Governance and the provisions of the Code of Best Practice identified in the London Stock Exchange's Combined Code, issued on 25th June 1998, are applied by the company.

Cape PLC strives to maintain a good dialogue with institutional shareholders. Regular meetings are held with institutional shareholders throughout the year to discuss the progress of the company, future growth prospects and strategy. Notice of the Annual General Meeting is sent out to all shareholders at least 20 working days before the meeting. The Chairman and Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting on 15th May 2000.

The board

As at 20th March 2000, the date of signing the accounts, the board comprises four executive directors and four non-executive directors. The post of Chairman and Chief Executive are separate. Short biographies of the board members, as well as constituent members of the Remuneration and Audit Committees, are shown on pages 16 to 18.

John Pool and Sean O'Connor are independent non-executive directors and free from any business or other relationship which could materially interfere with the exercise of independent judgement. John Pool has been identified as the senior non-executive director.

The board meets at least eight times a year. To enable the board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information.

A Nomination Committee was formed on 14th September 1999 to make recommendations to the board on new board appointments.

Any director appointed during the year is required, under the company's Articles of Association, to retire and seek re-appointment by shareholders at the next Annual General Meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-appointment at the Annual General Meeting. The directors required to retire are those in office longest since their previous appointment or re-appointment. This will usually mean that each director retires at least every three years, although there is no absolute requirement to this effect. The board has resolved that each director will retire at least every three years, even if this is not strictly required by the application of the provisions of the Articles of Association.

Non-executive directors are appointed for a term of three years.

Directors' remuneration

Remuneration Committee

The following directors have been members of the Remuneration Committee during the year:

Sean O'Connor, Chairman
Michael Langdon
Christopher Dowling
Michael Millwood (retired 13th May 1999)
John Pool

The Remuneration Committee is comprised entirely of non-executive directors.

The remuneration policy in respect of executive directors is to ensure that individual remuneration reflects the performance of the group, the performance of each director, the interests of shareholders and that the overall remuneration package enables the company to attract and retain high calibre executives.

Services agreement with Rutland Trust PLC

By an agreement dated 19th June 1996, since 18th July 1996, the services of the Chairman and two executive directors were to be provided by Rutland Trust PLC as part of the Services Agreement ('the Agreement') entered into by the company with Rutland Trust PLC. The Agreement was ratified by the board of directors of the company who received independent advice in this respect. The terms of the Agreement may not be varied without an affirmative vote from the majority of the Supervisory Committee.

A meeting of the Supervisory Committee of 9th March 1999 reviewed the agreement of 19th June 1996. As a result, the fees payable under the Agreement in 1999 for the services of the Chairman and Christopher Dowling as a non-executive director were reduced from £558,000 to £250,000 to reflect the appointments of Ian Maclellan and Ian Widdowson as executive directors in 1998.

The remuneration of Michael Langdon and Christopher Dowling is determined by the Remuneration Committee of Rutland Trust PLC.

Remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the board.

A detailed analysis of the directors' emoluments is set out in note 5 to the accounts on pages 31 to 33.

Financial reporting

The following statement, which should be read in conjunction with the Report of the Auditors, is made with a view to identifying for shareholders the responsibilities of the directors in respect of the accounts.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss and cash flows of the group for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal control and risk management

The board has noted the recommendations of the Hampel Committee that companies should expand their review and report on internal controls. The guidance for directors on the review of internal controls and the reporting (the Turnbull report) was published on 27th September 1999. Under the London Stock Exchange's letter of 27th September 1999 the board confirms that it has adopted the transitional approach in respect of the application of principle D.2 of the Combined Code, and therefore the comments below relate to internal financial control procedures. Procedures have been established necessary to implement full compliance for the year 2000. These procedures ensure that there is an ongoing process for identifying, evaluating and managing the risks facing the group and that it is regularly reviewed by the board.

The directors are responsible for the group's system of internal financial control and the board of directors has delegated formal responsibility to the Audit Committee for reviewing the effectiveness of the system.

The board has put in place an organisational structure with clearly defined lines of responsibility, delegation of authority and limits of authority, which is supported by documented policies and procedures including a comprehensive financial reporting system. The key procedures within the group's system of internal financial control are as follows:

- There is a comprehensive budgeting system with the annual budget being approved by the board. Actual results and updated forecasts are prepared monthly and compared against budget. Cash flows are controlled in comparison with the budget and forecast.
- The annual capital investment budget is approved by the board together with significant individual items prior to commitment.
- The management of each operating unit provides written confirmation annually to the group Finance Director that they are complying with the group's policies and procedures and that appropriate internal financial controls are in place and functioning properly. This confirmation is reviewed by the company's external auditors.
- The board receives regular reports on treasury, legal, pension and insurance matters.

Operations throughout the group are subject to the overall group internal financial control framework but this system can provide only reasonable and not absolute assurance against material misstatement or loss. The directors confirm that they have carried out a review of the effectiveness of the group's internal financial control framework as it operated during the year.

Audit Committee

The Audit Committee consists of the Chairman and the non-executive directors and operates under the chairmanship of John Pool. They are responsible:

- before the annual audit commences for reviewing the scope of the audit to be performed by the external auditors;
- after the annual audit is completed for reviewing the findings of the external auditors and the response of management to those findings;
- for reviewing the company's financial statements before they are submitted to the board;
- for reporting to the board on the above matters.

Compliance

In addition to the Principles of Good Governance, the Combined Code also contained a Code of Best Practice detailing some 45 provisions. The board confirms that the company has complied with these provisions throughout the financial year.

Going concern and financial reporting

After making enquiries the directors have a reasonable expectation that the group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Report of the Auditors to the Members of Cape PLC

for the year ended 31st December 1999

We have audited the financial statements on pages 23 to 47 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 27 and 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on pages 20 and 21, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act.

We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 20 and 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risks and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

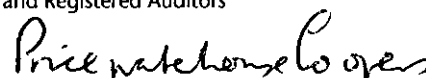
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
West London

20th March 2000



Consolidated Profit and Loss Account

for the year ended 31st December 1999

	Note	1999 £m	1998 £m
Turnover	1		
Total turnover including group share of joint ventures		239.1	244.4
Less share of turnover of joint ventures		(5.9)	(5.8)
Group turnover		233.2	238.6
Operating profit before exceptional items	2 & 3	10.1	13.0
Operating exceptional items	4	–	(3.3)
Group operating profit		10.1	9.7
Share of operating profit in joint ventures		0.1	0.1
Profit on ordinary activities before interest		10.2	9.8
Net interest payable	7	(1.1)	(1.0)
Profit on ordinary activities before taxation		9.1	8.8
Tax on profit on ordinary activities	8	(2.7)	(2.8)
Profit on ordinary activities after taxation		6.4	6.0
Dividends	9	(3.8)	(3.8)
Profit for the year	19	2.6	2.2
Earnings per ordinary share	10		
– basic before operating exceptional items		11.7p	15.5p
– basic total operations		11.7p	11.1p
– diluted before operating exceptional items		11.2p	15.0p
– diluted total operations		11.2p	10.7p

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The above results are derived from continuing operations.

Movements in reserves are set out in the note 19 on page 41.

The notes and information on pages 27 to 47 form part of these accounts.

Consolidated and Company Balance Sheets

at 31st December 1999

	Note	Group		Company	
		1999 £m	1998 (restated) £m	1999 £m	1998 £m
Fixed assets					
Intangible assets	11a	0.2	0.1	–	–
Tangible assets	11b	45.3	44.8	1.0	0.8
Investments	12	–	–	93.5	90.2
Interest in joint ventures					
Share of gross assets	12	3.3	1.6	–	–
Share of gross liabilities	12	(1.9)	(1.2)	–	–
		1.4	0.4	–	–
		46.9	45.3	94.5	91.0
Current assets					
Stocks	13	16.8	18.7	–	–
Debtors	14	65.7	64.7	7.3	5.3
Cash at bank and in hand		18.0	14.2	5.8	7.5
		100.5	97.6	13.1	12.8
Creditors: amounts falling due within one year					
Short-term borrowings	15	(27.5)	(23.0)	(27.3)	(22.3)
Other creditors	15	(50.0)	(51.6)	(5.7)	(7.2)
		(77.5)	(74.6)	(33.0)	(29.5)
Net current assets/(liabilities)		23.0	23.0	(19.9)	(16.7)
Total assets less current liabilities		69.9	68.3	74.6	74.3
Creditors: amounts falling due after more than one year	16	(0.2)	(0.2)	(16.1)	(16.9)
Provisions for liabilities and charges	17	(14.5)	(14.5)	(3.3)	(3.8)
Net assets		55.2	53.6	55.2	53.6
Capital and reserves					
Called up share capital (includes non-equity interests)	18	18.2	18.2	18.2	18.2
Share premium account	19	1.6	1.6	1.6	1.6
Revaluation reserve	19	11.3	11.3	24.8	24.4
Profit and loss account	19	24.1	22.5	10.6	9.4
Shareholders' funds		55.2	53.6	55.2	53.6
Equity interests		50.6	49.0	50.6	49.0
Non-equity interests		4.6	4.6	4.6	4.6
Shareholders' funds		55.2	53.6	55.2	53.6

The 1998 group balance sheet has been restated to reflect the grossing-up of insurance recoverables included in provisions in accordance with Financial Reporting Standard 12.

These accounts were approved by the board of directors on 20th March 2000 and were signed on its behalf by:

M R F Langdon Chairman

I D Maclellan Chief Executive

The notes and information on pages 27 to 47 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31st December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Net cash inflow from operating activities	20(a)		15.0		11.8
Returns on investments and servicing of finance					
Interest received		0.4		0.3	
Interest paid		(1.5)		(1.5)	
Net cash outflow from returns on investments and servicing of finance			(1.1)		(1.2)
Tax paid	20(b)		(2.1)		(1.8)
Capital expenditure and financial investment					
Purchase of tangible fixed assets net of grants		(9.2)		(11.9)	
Sale of tangible fixed assets		2.1		2.0	
Net cash outflow for capital expenditure and financial investment			(7.1)		(9.9)
Acquisitions and disposals (including joint ventures)	22		(1.4)		0.7
Equity dividends paid			(3.8)		(3.7)
Net cash outflow before use of liquid resources and financing			(0.5)		(4.1)
Management of liquid resources	(i)		5.9		(1.6)
Financing					
Capital element of finance lease rental payments			(0.3)		(0.6)
Net increase/(decrease) in cash	20(c)		5.1		(6.3)
Reconciliation of net cash flow to movement in net debt			1999 £m		1998 £m
Increase/(decrease) in cash in the year			5.1		(6.3)
Inflow from the increase in debt and lease financing			0.3		0.6
Movement in liquid resources	(i)		(5.9)		1.6
Change in debt resulting from cash flows			(0.5)		(4.1)
New finance leases			(0.1)		(0.4)
Exchange movement in year			(0.1)		–
Movement in net debt in year			(0.7)		(4.5)
Net debt at 1st January			(9.0)		(4.5)
Net debt at 31st December	20(c)		(9.7)		(9.0)

(i) The movement in liquid resources relates to movements in short-term borrowings.

The notes and information on pages 27 to 47 form part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1999

	1999 £m	1998 £m
Profit on ordinary activities after taxation	6.4	6.0
Currency translation differences net of tax on foreign currency net investments	(1.0)	0.3
Total recognised gains relating to the year	5.4	6.3

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 1999

	1999 £m	1998 £m
Profit on ordinary activities after taxation	6.4	6.0
Dividends	(3.8)	(3.8)
	2.6	2.2
Currency translation differences net of tax on foreign currency net investments	(1.0)	0.3
Net addition to shareholders' funds	1.6	2.5
Shareholders' funds at 1st January	53.6	51.1
Shareholders' funds at 31st December	55.2	53.6

The notes and information on pages 27 to 47 form part of these accounts.

Accounting Policies

1 Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards except for certain fixed assets included at revaluation.

2 Changes in accounting policies

The group has adopted Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets". The Balance Sheet has been restated to show the gross liability and recovery on insurances related to industrial disease claims in line with the requirements of the Standard. There has been no impact on the Profit and Loss Account.

3 Basis of consolidation

- (a) The consolidated accounts comprise the accounts of the company and all subsidiary undertakings for the year ended 31st December 1999.
- (b) The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from or to their effective dates of acquisition or disposal. Goodwill that arises on the acquisition of businesses is capitalised and amortised over a maximum of 20 years. The difference between the sale consideration and the book value of net assets at the date of disposal, plus purchased goodwill eliminated against reserves in previous years, is included in profit on ordinary activities before interest.
- (c) The group's interest in joint ventures is accounted for under the gross equity method.

4 Foreign currencies

Foreign currency assets and liabilities of U.K. undertakings and the assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet dates. Profits and losses of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the year.

Profits and losses on forward currency transactions contracts are accounted for as they mature.

The differences arising from the translation of net equity interests in overseas subsidiary undertakings and of foreign currency borrowings used to finance these interests are dealt with through reserves as are differences between profits translated at average and closing rates.

5 Turnover

Turnover is the invoiced value of sales and services of the group and includes the value of work executed for contracts during the year and excludes transactions between group undertakings.

6 Depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives with the exception that no depreciation is provided on freehold land. The following rates are normally applied:

- Freehold buildings – 2% per annum
- Leasehold land and buildings – the period of the lease
- Plant, machinery, fixtures and fittings – 10% to 33⅓% per annum
- Scaffolding equipment – 6⅔% to 25% per annum
- Motor vehicles – 25% per annum

7 Leased plant and machinery

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the amount representing the outright purchase price of such assets is capitalised and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the group's depreciation policy. Net finance charges, calculated on the reducing balance method, are included in interest costs.

All other leases are treated as operating leases and the annual rentals charged to the operating profit of the year.

8 Compensation for industrial disease

Provision is made for compensation for industrial disease on the basis of the estimated liabilities in respect of claims lodged and outstanding at the year end and any additional provision required is charged to the operating profit of the year.

9 Technical development expenditure

Group expenditure on research and development, patents and trade marks is written off when incurred.

Accounting Policies continued

10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost or net realisable value. Cost includes expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition. Net realisable value is the estimated selling price less all costs to be incurred. Contract work in progress is valued at cost, plus attributable profit where appropriate for long-term contracts, less foreseeable losses and progress payments received and receivable. The attributable profit on a long-term contract is determined by applying the percentage of the contract completed to the estimated final contract profit. The amount by which work executed on contracts exceeds invoicing on account is shown as amounts recoverable on contracts within debtors.

11 Capital expenditure grants

Grants in respect of capital expenditure are treated as deferred income and are credited to operating profit over the expected useful lives of the assets to which they relate.

12 Deferred taxation

Provision is made for deferred taxation on the liability method in respect of timing differences to the extent that it is probable that an actual liability will crystallise.

13 Investments in subsidiary undertakings

The company revalues its investments in subsidiary undertakings each year in order to reflect their underlying net asset values at the balance sheet date. Provision has not been made for any taxation liability on capital gains that might arise on the disposal of subsidiary undertakings at the amount at which they are stated in the balance sheet because there is no intention of any asset disposal.

14 Pensions

Pension costs for defined benefit schemes are charged against profits on a systematic basis. Surpluses and deficits arising are allocated over the expected remaining service lives of current employees. The pension expense for defined contribution schemes represents amounts payable in the year.

Notes to the Financial Statements

1 Segmental analysis

		Turnover £m	1999 Profit before tax £m	Net assets £m	
(a) Business analysis					
1999					
Continuing operations					
– Cape Industrial Services		172.1	10.0	30.8	
– Cape Calsil		61.1	3.0	39.3	
– Head Office		–	0.3	1.3	
– Compensation for industrial disease		–	(3.2)	(7.1)	
Group		233.2	10.1	64.3	
Joint ventures		5.9	0.1	1.4	
		239.1	10.2	65.7	
Non-operating exceptional items				(0.8)	
Net interest/net borrowings				(9.7)	
				9.1	
				55.2	
		Turnover £m	1998 Profit before tax		Net assets £m
			Pre- exceptional £m	Exceptional £m (Note 4)	Total £m
1998					
Continuing operations					
– Cape Industrial Services	168.1	9.5	–	9.5	34.0
– Cape Calsil	70.5	6.3	–	6.3	39.5
– Head Office	–	0.1	–	0.1	(1.8)
– Compensation for industrial disease	–	(2.9)	(3.3)	(6.2)	(8.5)
Group	238.6	13.0	(3.3)	9.7	63.2
Joint venture	5.8	0.1	–	0.1	0.4
	244.4	13.1	(3.3)	9.8	63.6
Non-operating exceptional items					(1.0)
Net interest/net borrowings				(1.0)	(9.0)
				8.8	53.6
		Turnover £m	1999 Profit before tax £m	Net assets £m	
(b) Geographical analysis by origin					
1999					
United Kingdom		195.6	8.1	54.4	
Continental Europe		24.9	0.5	5.1	
Rest of the world		29.6	1.5	4.8	
Inter-segment sales		(16.9)	–	–	
Group		233.2	10.1	64.3	
Rest of the world – joint ventures		5.9	0.1	1.4	
		239.1	10.2	65.7	
Non-operating exceptional items				(0.8)	
Net interest/net borrowings				(9.7)	
				9.1	
				55.2	

Notes to the Financial Statements continued

1 Segmental analysis continued

		1998 Profit before tax			
	Turnover £m	Pre- exceptional £m	Exceptional £m (Note 4)	Total £m	Net assets £m
(b) Geographical analysis by origin continued					
1998					
United Kingdom	200.9	8.8	(3.3)	5.5	46.3
Continental Europe	29.5	2.1	–	2.1	8.8
Rest of world	27.0	2.1	–	2.1	8.1
Inter-segment sales	(18.8)	–	–	–	–
Group	238.6	13.0	(3.3)	9.7	63.2
Rest of the world – joint venture	5.8	0.1	–	0.1	0.4
	244.4	13.1	(3.3)	9.8	63.6
Non-operating exceptional items					(1.0)
Net interest/net borrowings				(1.0)	(9.0)
				8.8	53.6
(c) Geographical analysis of turnover by market					
				1999 £m	1998 £m
United Kingdom				139.5	143.0
Continental Europe				49.5	49.7
Rest of the world – group				44.2	45.9
– joint ventures				5.9	5.8
				239.1	244.4

2 Operating profit

	1999 £m	1998 £m
Operating profit is stated after charging		
Auditors' remuneration	0.3	0.3
Non-audit fees payable to auditors	0.1	0.1
Depreciation on tangible fixed assets	7.2	7.5
Hire of plant and machinery	1.5	1.2
Other operating leases	0.5	0.1

3 Group operating profit

				1998	
	Note	1999 Total £m	Pre- exceptional £m	Exceptional £m	Total £m
(a) Analysis of group operating profit					
Turnover		233.2	238.6	–	238.6
Cost of sales		(207.2)	(209.0)	–	(209.0)
Gross profit		26.0	29.6	–	29.6
Other operating expenses	3b & 4	(15.9)	(16.6)	(3.3)	(19.9)
Group operating profit/(loss)		10.1	13.0	(3.3)	9.7
(b) Other operating expenses					
Distribution costs		8.3	8.7	–	8.7
Administrative expenses		6.5	6.5	3.3	9.8
Research and development expenditure		1.1	1.4	–	1.4
		15.9	16.6	3.3	19.9

Administrative expenses represent those costs which are not directly related to production or distribution functions or which are not recovered as part of an allocation of overheads to cost of sales.

All operating profit is derived from continuing activities.

4 Operating exceptional items

The 1998 exceptional item of £3.3 million comprised:	1998 £m
An estimate for exceptional litigation costs relating to the defence of the action brought by claimants in South Africa, less certain insurance recoveries received in the year	3.3

5 Directors

(a) Directors' emoluments	1999 £000	1998 £000
The aggregate emoluments of the directors of the parent company were:		
Remuneration	366	82
Fees	48	77
Payment to Rutland Trust PLC (see page 32)	250	558
Pension contributions to a money purchase scheme	35	18
	699	735

Notes to the Financial Statements continued

5 Directors continued

(b) Analysis of directors' emoluments	Salaries & Fees £000	Bonus £000	Benefits £000	Pension Contribution £000	1999 Total £000	1998 Total £000
Current directors						
M R F Langdon	—	—	—	—	—	—
P R Ainley (appointed 14.9.99)	31	—	2	7	40	—
C B Dowling	—	—	—	—	—	—
I D Maclellan	154	10	14	35	213	110
P Morton (appointed 14.9.99)	29	—	3	6	38	—
S S O'Connor	20	—	—	—	20	20
J A Pool	20	—	—	—	20	20
I R Widdowson	77	8	5	17	107	—
A M Millwood (retired 13.5.99)	8	—	3	—	11	27
	339	18	27	65	449	177

Mr M R F Langdon has been Chairman of the board of directors since 18th July 1996.

Rutland Trust PLC received a payment of £250,000 in 1999 (1998: £558,000) for the services of M R F Langdon and C B Dowling. This payment is as set out in the Services Agreement ('the Agreement') entered into by the company with Rutland Trust PLC on 19th June 1996. The amount payable under the Agreement was revised on 9th March 1999 to reflect the appointments of Mr I D Maclellan and Mr I R Widdowson as executive directors in 1998 and the resignation of Mr P I Cartwright on 31st December 1998. Mr M R F Langdon and Mr C B Dowling are directors of Rutland Trust PLC and their emoluments received from and their shareholdings in Rutland Trust PLC are disclosed in the Annual Report of that company.

Retirement benefits are accruing to one executive director under a money purchase scheme. No pensions are provided by Cape PLC for Mr M R F Langdon and the non-executive directors.

Retirement benefits are accruing to three directors under a defined benefit scheme. Set out below are details of the pension benefits earned by each of the executive directors during the year ended 31st December 1999:

	Increase in accrued pension earned in the year £000	Accrued pension entitlement at year end £000	Increase in transfer value for the year £000
P R Ainley	3	54	29
P Morton	3	7	36
I R Widdowson	8	26	86

The increase in accrued pension earned during the year excludes any increase for inflation. The accrued pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less directors' contributions. It does not represent a sum payable to individual directors and it, therefore, cannot be added meaningfully to annual remuneration.

(c) Directors' interests

The beneficial interests of the directors of the company and their families in the ordinary shares of the company are set out below:

	1999	1998
Directors' interests	Number	Number
M R F Langdon	10,000	10,000
P R Ainley	(i) —	—
C B Dowling	28,275	28,275
I D Maclellan	15,000	5,000
P Morton	(i) —	—
S S O'Connor	—	—
J A Pool	10,000	10,000
I R Widdowson	—	—

(i) Interest at date of appointment.

There were no changes in the directors' interests shown above between 31st December 1999 and 11th March 2000, being one month prior to the date of the notice of the Annual General Meeting.

The share options held by directors of the company at 31st December 1999 are shown on page 33.

5 Directors continued

(d) Cape PLC share option schemes		Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1st January 1999	Granted in the year	Exercised in the year	Number at 31st December 1999
P R Ainley	(i)	5.1.1990	5.1.1993	5.1.2000	£1.760	20,000	—	—	20,000
P R Ainley	(i)	2.7.1998	2.7.2001	2.7.2008	£1.535	111,500	—	—	111,500
I D Maclellan		2.7.1998	2.7.2001	2.7.2008	£1.535	200,000	—	—	200,000
P Morton	(i)	2.7.1998	2.7.2001	2.7.2008	£1.535	120,000	—	—	120,000
I R Widdowson		2.7.1998	2.7.2001	2.7.2008	£1.535	20,000	—	—	20,000

(i) At date of appointment.

The middle market price of the shares on 31st December 1999 was £0.70 and the range during the twelve months ended 31st December 1999 was £0.885 to £0.645.

(e) Cape PLC savings-related share option scheme		Date of grant	Earliest exercise date	Expiry date	Exercise price	Number at 1st January 1999	Granted in the year	Exercised in the year	Number at 31st December 1999
P R Ainley	(i)	7.4.1995	31.5.2000	30.11.2000	£2.06	1,893	—	—	1,893
P R Ainley	(i)	5.4.1996	31.5.2001	30.11.2001	£1.67	2,809	—	—	2,809
P R Ainley	(i)	7.5.1999	1.7.2004	1.1.2005	£0.68	—	2,580	—	2,580
I D Maclellan		7.5.1999	1.7.2004	1.1.2005	£0.68	—	5,558	—	5,558
P Morton	(i)	7.5.1999	1.7.2004	1.1.2005	£0.68	—	5,558	—	5,558

(i) At date of appointment

6 Employees

	1999	1998
(a) Average number of employees by business:		
Calsil	690	810
Industrial Services	4,872	4,402
Head Office	20	19
	5,582	5,231
Geographically:		
United Kingdom	2,983	3,013
Continental Europe	476	563
Rest of the world	2,123	1,655
	5,582	5,231
	Note	£m
(b) Employment costs, including directors' emoluments:		£m
Wages and Salaries		92.6
Social security costs		9.2
Other pension costs	27	0.2
		102.4
		103.7

Notes to the Financial Statements continued

7 Net interest payable

	1999 £m	1998 £m
Interest receivable	0.4	0.5
Interest payable on bank loans, overdrafts and other loans wholly repayable within five years	(1.5)	(1.5)
	(1.1)	(1.0)

No interest was payable by instalments.

8 Tax on profit on ordinary activities

	1999 £m	1998 £m
Taxation for the year comprises:		
United Kingdom:		
Corporation tax at 30.25% (1998: 31.0%)	1.6	2.2
Deferred tax	1.3	(0.2)
Advance corporation tax (released)/written off	(0.3)	0.3
Overseas taxes	0.1	0.7
	2.7	3.0
Adjustments relating to earlier years:		
United Kingdom:		
Corporation tax	(0.1)	(0.1)
Deferred tax	0.1	(0.1)
	2.7	2.8

The tax attributable to the 1998 exceptional items was a tax credit of £0.9 million being £1.2 million deferred tax and £0.3 million current charge.

9 Dividends – equity shares

	1999 £m	1998 £m
Interim – paid 12th November 1999 – 3.25p per share (1998: 3.25p per share)	1.8	1.8
Final proposed – 3.75p per share (1998: 3.75p per share)	2.0	2.0
	3.8	3.8

10 Earnings per ordinary share

Earnings per ordinary share are calculated by dividing profits (after tax and dividends on the 3½% cumulative preference shares) of £6.4 million (1998: profit of £6.0 million) by 54,326,021 ordinary shares (1998: 54,326,021), being the weighted average number of such shares in issue during the year.

	1999 p per share	1998 p per share
Basic earnings per share (total operations)	11.7	11.1
Adjustments: Operating exceptional items	–	6.1
Taxation credit on exceptional items	–	(1.7)
	11.7	15.5

For the diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume the conversion of all dilutive ordinary shares. The total number of dilutive shares at 31st December 1999 is 2,619,883 (1998: 2,187,453).

10 Earnings per ordinary share continued

	1999 p per share	1998 p per share
Diluted earnings per share (total operations)	11.2	10.7
Adjustments: Operating exceptional items	–	5.9
Taxation credit on exceptional items	–	(1.6)
	11.2	15.0

11 Fixed assets

(a) Intangible assets	1999 £m	1998 £m
Group		
The intangible assets relate to goodwill on acquisitions from 1.1.1998.		
At 1st January	0.1	–
Additions	0.1	0.1
At 31st December	0.2	0.1

The addition in 1999 relates to the Cape Goldsun joint venture in Taiwan.

(b) Tangible assets	Total £m	Land and buildings £m	Plant, machinery, fixtures and fittings £m
Group			
Cost or valuation:			
At 1st January 1999	107.5	22.2	85.3
Exchange adjustments	(0.6)	(0.5)	(0.1)
Additions at cost	9.9	0.7	9.2
Disposals	(8.3)	(1.5)	(6.8)
At 31st December 1999	108.5	20.9	87.6
Depreciation:			
At 1st January 1999	62.7	4.6	58.1
Exchange adjustments	(0.5)	(0.3)	(0.2)
Provided during year	7.2	0.4	6.8
Disposals	(6.2)	(0.6)	(5.6)
At 31st December 1999	63.2	4.1	59.1
Net book amounts			
At 31st December 1999	45.3	16.8	28.5
At 31st December 1998	44.8	17.6	27.2

Notes to the Financial Statements continued

11 Fixed assets – tangible assets continued

Company	Total £m	Land and buildings £m	Plant, machinery, fixtures and fittings £m
Cost or valuation:			
At 1st January 1999	1.6	1.1	0.5
Additions at cost	0.1	–	0.1
Disposals	(0.2)	–	(0.2)
Inter-group transfers	2.6	–	2.6
At 31st December 1999	4.1	1.1	3.0
Depreciation:			
At 1st January 1999	0.8	0.4	0.4
Provided during the year	0.1	–	0.1
Disposals	(0.2)	–	(0.2)
Inter-group transfers	2.4	–	2.4
At 31st December 1999	3.1	0.4	2.7
Net book amounts			
At 31st December 1999	1.0	0.7	0.3
At 31st December 1998	0.8	0.7	0.1
		Group	
		1999 £m	1998 £m
(i) The net book amount of land and buildings comprises:			
Freehold		15.8	16.6
Long leasehold		0.7	0.7
Short leasehold		0.3	0.3
		16.8	17.6
(ii) The total cost or valuation of land and buildings comprises:			
At cost		8.8	9.6
At 1988 professional valuation		11.5	11.5
At 1990 directors' valuation		0.6	1.1
		20.9	22.2
(iii) The net book amount of group freehold land and buildings at 31st December 1999 includes £6.8 million (1998: £7.8 million) of depreciable assets.			
(iv) Historical cost figures for land and buildings, i.e. the original cost of all land and buildings and related depreciation are:			
Historical cost		10.4	11.9
Aggregate depreciation		(4.8)	(5.0)
Net book amounts		5.6	6.9
(v) Included in plant and machinery are the following assets which are held under finance leases:			
Net book amount		0.7	1.1
Depreciation charge to date		1.4	1.0

12 Fixed asset investments

Company	Group undertakings		
	Total £m	Shares £m	Loans £m
Cost or valuation at 1st January 1999	90.2	38.8	51.4
Net increase in advances	3.1	–	3.1
(Increase)/release of provision	(0.2)	(0.4)	0.2
Revaluation of investments in subsidiary undertakings	0.4	0.4	–
Cost or valuation at 31st December 1999	93.5	38.8	54.7

If investments in shares in subsidiary undertakings had not been revalued they would have been included at the following amounts:

	1999 £m	1998 £m
Cost	15.6	15.6
Aggregate amounts provided	1.4	0.9

The principal subsidiary undertakings at 31st December 1999 are shown on page 47.

The company's next annual return will be sent to the Registrar of Companies by 1st September 2000.

Group

	1999 £m	1998 £m
Interest in joint ventures		
Share of gross assets	3.3	1.6
Share of gross liabilities	(1.9)	(1.2)
	1.4	0.4

The company has a 51% interest in the Cape Modern joint venture based in Perth, Australia for the manufacture and installation of commercial air-conditioning systems and thermal insulation.

The company has a 50% interest in the Cape Goldsun joint venture based in Taiwan for the manufacture of calcium silicate boards.

13 Stocks

	Group	
	1999 £m	1998 £m
Short-term contract work in progress	66.1	50.2
Less: progress payments received and receivable	(60.9)	(44.9)
Short-term contract balances	5.2	5.3
Long-term contract work in progress	18.3	15.9
Less: progress payments received and receivable	(17.5)	(11.8)
Long-term contract balances	0.8	4.1
Raw materials and consumables	3.5	3.7
Work in progress	1.6	1.5
Finished goods and goods for resale	5.7	4.1
	10.8	9.3
	16.8	18.7

Payments received on account in excess of the value of the work performed on the related contract are included within creditors (note 15).

Notes to the Financial Statements continued

14 Debtors

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts falling due within one year:				
Trade debtors	47.5	47.0	–	–
Amounts recoverable on contracts	5.2	7.0	–	–
Amounts owed by subsidiary undertakings	–	–	0.4	0.3
Other debtors	2.0	1.8	6.0	3.7
U.K. taxation	–	–	0.1	–
Prepayments and accrued income	9.8	7.4	–	–
	64.5	63.2	6.5	4.0
Amounts falling due after more than one year:				
Advance corporation tax recoverable	0.8	1.3	0.8	1.3
Trade debtors	0.4	0.2	–	–
	65.7	64.7	7.3	5.3

15 Creditors: amounts falling due within one year

	Note	Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
Finance leases	16	0.2	0.4	–	–
Bank loans and overdrafts		27.3	22.6	27.3	22.3
Short-term borrowings		27.5	23.0	27.3	22.3
Other creditors					
Payments received on account	13	4.1	2.5	–	–
Trade creditors		20.1	21.7	–	–
Amounts owed to subsidiary undertakings		–	–	0.7	0.3
Payroll and other taxes, including social security		5.3	5.4	–	–
U.K. taxation		1.6	2.0	–	1.0
ACT payable		–	0.4	–	0.4
Overseas taxation		0.7	1.2	–	–
Other creditors		6.1	5.0	1.5	2.0
Accruals and deferred income		9.8	11.4	1.5	1.5
Dividends payable		2.0	2.0	2.0	2.0
Government grants		0.3	–	–	–
		50.0	51.6	5.7	7.2
		77.5	74.6	33.0	29.5

16 Creditors: amounts falling due after more than one year

	Note	Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
Long-term borrowings					
Finance leases		0.2	0.2	–	–
Amounts owed to subsidiary undertakings		–	–	16.1	16.9
		0.2	0.2	16.1	16.9
		Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
The finance lease rentals fall due as follows:					
Within one year	15			0.2	0.4
Between one and two years				0.2	0.2
Between two and five years				0.1	0.1
Total rentals due				0.5	0.7
Less: finance charges allocated to future periods				(0.1)	(0.1)
				0.4	0.6
The aggregate of secured finance leases is shown as:					
Amounts falling due within one year	15			0.2	0.4
Amounts falling due between one and two years				0.2	0.2
Amounts falling between two to five years				–	–
				0.4	0.6

Finance leases are at the weighted average interest rate of 12.1%, over an average period to termination of 1.1 years.

17 Provisions for liabilities and charges

		Total £m	Compensation for industrial disease £m	Deferred taxation £m	Other provisions £m
Group					
At 1st January 1999		14.5	12.1	0.8	1.6
Charged to profit and loss account	(i)	6.1	4.5	1.4	0.2
Applications		(6.1)	(5.5)	–	(0.6)
At 31st December 1999		14.5	11.1	2.2	1.2
Company					
At 1st January 1999		3.8	3.7	(0.2)	0.3
Charged to profit and loss account		1.3	–	0.8	0.5
Applications		(1.8)	(1.4)	–	(0.4)
At 31st December 1999		3.3	2.3	0.6	0.4

- (i) The net charge to profit for the compensation for industrial disease in the year is £3.2 million, after £1.3 million of insurance recoveries in accordance with Financial Reporting Standard 12.

The provision for industrial disease represents the expected costs of settling notified claims. It is expected that most of these claims will be paid in the next financial year and that all amounts will be paid within two years of the balance sheet date. Insurance recoveries of £4.0 million (1998 : £2.8 million) are receivable against certain of these claims and are included in the balance sheet under "prepayments and accrued income".

Other provisions include expected liabilities in respect of product warranties and provision for dilapidation under a lease that expires during the next financial year. Both amounts will be utilised within two years of the balance sheet date.

Notes to the Financial Statements continued

18 Share capital

	1999 £m	1998 £m
(a) Authorised		
Equity:		
73,663,439 ordinary shares of 25p each (1998: 73,663,439 ordinary shares of 25p each)	18.4	18.4
Non-equity:		
15,067 8.4% cumulative preference shares of £1 each (1998: 15,067)	–	–
250,000 3½% cumulative preference shares of £1 each (1998: 250,000)	0.3	0.3
431,906,031 deferred shares of 1p each (1998: 431,906,031)	4.3	4.3
	4.6	4.6
	23.0	23.0
(b) Called up, fully paid and allotted		
Equity:		
54,326,021 ordinary shares of 25p each (1998: 54,326,021)	13.6	13.6
Non-equity:		
250,000 3½% cumulative preference shares of £1 each (1998: 250,000)	0.3	0.3
431,906,031 deferred shares of 1p each (1998: 431,906,031)	4.3	4.3
	4.6	4.6
	18.2	18.2

(c) Share options

The following share options in respect of ordinary shares were outstanding at 31st December 1999.

	Date of grant	Number of shares	Price	Date of exercise
Savings related share option scheme	8.7.93	49,055	241p	28.9.00
	7.4.95	176,665	206p	31.5.00 or 31.5.02
	5.4.96	270,263	167p	31.5.01 or 31.5.03
	7.5.99	580,600	68p	1.7.02 or 1.7.04
These options must be exercised within six months of the above dates.				
Executive share option scheme	5.1.90	31,000	176p	5.1.93 to 5.1.00
	8.7.93	189,800	241p	8.7.96 to 8.7.03
	31.12.93	22,500	258p	31.12.96 to 31.12.03
	5.4.96	261,500	167p	5.4.99 to 5.4.06
	2.7.98	1,026,000	153.5p	2.7.01 to 2.7.08
	20.10.98	12,500	112.5p	20.10.01 to 20.10.08

18 Share capital continued

(d) 3½% cumulative preference shares

Dividend rights:

Fixed cumulative preferential dividend at the rate of 3½% per annum payable half yearly in arrears on 31st March and 30th September.

Redemption of shares:

The shares have no redemption entitlement.

Winding up:

On a winding up the holders have priority before all other classes of share to receive repayment of capital plus all arrears of dividend.

Voting rights:

The holders have no voting rights unless the dividend is in arrears by six months or more.

(e) Deferred shares

Dividend rights, redemption of shares and voting rights:

The holders have no dividend rights, no redemption entitlement and no voting rights.

Winding up:

On a winding up the holders are entitled to repayment of capital only after ordinary shareholders have received £100 for each ordinary share.

19 Reserves

	Total £m	Share premium account £m	Revaluation reserve £m	Profit and loss account £m
Group				
At 1st January 1999	35.4	1.6	11.3	22.5
Currency translation differences net of tax on foreign currency net investments	(1.0)	–	–	(1.0)
Profit for the year	2.6	–	–	2.6
At 31st December 1999	37.0	1.6	11.3	24.1
Company				
At 1st January 1999	35.4	1.6	24.4	9.4
Surplus arising on revaluation of investments in subsidiary undertakings	0.4	–	0.4	–
Profit for the year	1.2	–	–	1.2
At 31st December 1999	37.0	1.6	24.8	10.6

Included in the currency translation differences net of tax on foreign currency net investments for the group is a credit of £0.1 million (1998: debit of £0.8 million) in relation to foreign currency borrowings.

The cumulative goodwill charged to reserves at 31st December 1999 was £12.7 million (1998: £12.7 million).

As permitted by Section 230 of the Companies Act 1985 no separate profit and loss account is presented for the company. Of the group profit for the year, a profit of £1.2 million (1998: loss of £4.7 million) is dealt with in the financial statements of the company. Auditors' remuneration for the company was £85,000 (1998: £75,000).

Notes to the Financial Statements continued

20 Consolidated cash flow statement

(a) Reconciliation of operating profit to net operating cash flow from operating activities		1999 £m	1998 £m
Operating profit		10.2	9.8
Joint venture		(0.1)	(0.1)
Depreciation charge		7.1	7.2
Decrease/(increase) in stocks		1.5	(6.1)
(Increase)/decrease in debtors		(1.3)	1.1
(Decrease)/increase in creditors		(0.7)	0.1
(Decrease)/increase in net industrial disease provision		(1.3)	3.8
(Decrease) in other provisions		(0.4)	(0.3)
Exceptional provisions		–	(3.7)
Net cash inflow from operating activities		15.0	11.8

(b) Analysis of tax paid		1999 £m	1998 £m
U.K. corporation tax		(1.6)	(1.3)
Overseas tax		(0.5)	(0.5)
		(2.1)	(1.8)

(c) Reconciliation of movement in net debt		Note	At 31st December 1999 £m	Cash flow £m	non-cash changes £m	Other Exchange movement £m	At 1st January 1999 £m
Cash at bank and in hand			18.0	5.1	–	(0.6)	13.5
Short term borrowings	15		(27.3)	(5.9)	–	0.5	(21.9)
Finance leases	16		(0.4)	0.3	(0.1)	–	(0.6)
			(9.7)	(0.5)	(0.1)	(0.1)	(9.0)

21 Financial Instruments

In accordance with the requirements of Financial Reporting Standard 13 the following information is given to provide a clear understanding of the group's treasury position. As allowed under the Standard, certain short term debtors and creditors have been excluded from the figures.

The group's approach to managing liquidity, currency and interest rate risk, and its use of forward currency contracts in that process, is described on page 7 of the financial review.

(a) Financial assets

The group's financial assets comprise cash and deposits. These earn interest at a floating rate which is receivable at rates between -0.4% and -0.1% below bank base rate.

(b) Financial liabilities

The group's financial liabilities comprise bank loans, overdrafts and finance leases. All bank overdrafts are at a floating interest rate of +1% over bank base rate and committed borrowings at a floating interest rate of +0.4% over LIBOR. The weighted average interest rate for finance leases is disclosed in note 16.

	£m
Analysis of financial liabilities by major currency at 31st December 1999:	
£ Sterling	7.4
Euro	8.5
United States Dollar (US\$)	6.9
Singapore Dollar (Sing\$)	3.1
Netherlands Guilder (NLG)	1.4
	27.3
Finance leases	0.4
	27.7

The group has committed undrawn facilities of £7.1 million at 31st December 1999. The group has total committed and uncommitted facilities of £40.2 million of which £35.2 million matures within one year, with the remainder expiring within two years.

In the board's opinion, the carrying value of all financial assets/(liabilities) represents the "fair value" of such assets.

(c) Net foreign monetary assets/(liabilities)

	Euro £m	Sing\$ £m	US\$ £m
At 31st December 1999	1.4	0.6	(0.1)

All net foreign monetary assets/(liabilities) arise from U.K. operations.

(d) Unrecognised currency gains/(losses)

	Euro £m	Sing\$ £m	US\$ £m
At 31st December 1999	0.1	—	—
At 31st December 1998	(0.1)	—	—

The group enters into forward contracts to eliminate the exposures that arise on sales and purchases denominated in foreign currency.

The above represents unrealised gains/(losses) in respect of forward exchange contracts accounted for in the following year.

Notes to the Financial Statements continued

22 Acquisitions

	Note	1999 £m
Acquisition of business	(i)	0.4
Acquisition of joint venture	(ii)	1.0
		1.4

- (i) On 1st October 1999 the group purchased the business and fixed assets of Duffy & McGovern Maintenance Services for cash consideration. The book value and fair value of fixed assets at acquisition was £0.4 million and no goodwill has arisen on this acquisition.
- (ii) During 1999, the group acquired an investment in the Cape Goldsun joint venture in Taiwan. Goodwill of £0.1 million has arisen on this acquisition, as disclosed in note 11(a).

23 Deferred taxation

Group	1999 £m	Movement £m	1998 £m
The provision for deferred taxation comprises:			
Excess of the book values of assets including finance leases qualifying for taxation allowances over their written down values for taxation purposes	1.9	0.6	1.3
Timing difference related to pension prepayment	1.5	0.5	1.0
Disposal of properties	0.1	(0.1)	0.2
Other timing differences	(1.3)	0.4	(1.7)
	2.2	1.4	0.8

The group has no potential liability for deferred taxation not provided arising on timing differences between the treatment of items for accounts and taxation purposes at 31st December 1999 (1998 : £nil).

Tax relief is available in respect of trading losses carried forward amounting to approximately £2.9 million (1998: £3.8 million). The losses carried forward are in certain subsidiary undertakings and can only be utilised against future profits of those undertakings.

Deferred taxation has not been provided in the event of the distribution of the unappropriated profits or reserves of certain overseas subsidiary undertakings as the group does not intend to make such distributions.

Company	1999 £m	Movement £m	1998 £m
The provision for deferred taxation comprises:			
Timing difference related to pension prepayment	1.5	0.5	1.0
Other timing differences	(0.9)	0.3	(1.2)
	0.6	0.8	(0.2)

24 Capital commitments

	Group 1999 £m	1998 £m
Capital expenditure authorised but not provided for in these accounts against which orders have been placed	1.1	1.2

25 Commitments under operating leases

	Group	
	1999 £m	1998 £m
Land and buildings		
Annual commitments under operating leases expiring:		
Within one year	0.4	0.2
Between one year and five years	0.1	0.4
After five years	0.3	0.3
	0.8	0.9
Other		
Annual commitments under operating leases expiring:		
Within one year	0.1	–
Between one year and five years	0.5	–
	0.6	–

26 Contingent liabilities

The parent company has contingent liabilities amounting to £6.1 million (1998: £4.8 million) in respect of bank and other guarantees and indemnities, the majority on behalf of subsidiary undertakings. In addition, both the company and its subsidiary undertakings have given guarantees and performance bonds of a normal trading nature.

The company accounts for industrial disease claims as they are lodged (see Accounting Policies, Paragraph 8). Based on historical experience, such claims will continue to be received in the foreseeable future.

The parent company has an incentivisation arrangement with Rutland Trust PLC which would require the company to pay amounts up to a maximum of £2.5 million to Rutland Trust PLC dependent on the company's share price during any six week period following the date of the preliminary announcements of the group's annual results in respect of each of the financial years ending 31st December 1999 through to 2004. At the date of the accounts the share price was at a level below the incentivisation agreement with Rutland Trust PLC.

Certain companies in the group continue to be named, along with several asbestos fibre and asbestos product suppliers, as defendants in a significant number of legal actions in North America. The plaintiffs in such actions are claiming substantial damages as a result of the use of their products. The company has received legal advice in the U.K. that such actions, if brought in the U.K., would be likely to fail and that, if no defence is mounted or response made abroad and so long as the normal rules governing corporate individuality apply, judgements obtained in North America against companies within the group would not be enforceable in the U.K. In addition, the group has retained obligations in respect of claims made within a limited period against companies disposed of within its former mining division. The company is also subject to litigation arising out of mining activities in South Africa where plaintiffs are seeking compensation in respect of asbestos-related diseases. The company has received legal advice that there are good prospects of defending these actions as long as the normal rules governing corporate individuality apply. The directors believe, in the light of legal advice they have received, that the above-mentioned matters are unlikely to have a material effect on the group's financial position.

27 Pensions

The group operates two major pension schemes in the U.K., one is of the defined benefit type and the other of the defined contribution type. The assets of both schemes are held in trustee administered funds. The latest valuation of the defined benefit scheme was assessed by independent qualified actuaries as at 6th April 1998 using the projected unit method. The main actuarial assumptions adopted in the valuation were that over the long term the annual investment return would be 1.5% higher than general earnings inflation and 2.5% higher than the annual increase in present and future pensions. The valuation showed that the defined benefit scheme had a market value of £110.0 million and was 144% funded. The defined benefit scheme actuarial surplus is being spread over the remaining service lives of the current employees in accordance with advice from independent qualified actuaries.

Following the changes to the tax position of pension schemes announced in the July 1997 Budget, the pension cost for the defined benefit scheme was reassessed and the pension costs now include a charge of £1.6 million (1998: £1.7 million) and a credit of £2.9 million (1998: £2.3million). A pension prepayment of £5.0 million (1998: £3.5 million) is included in the balance sheet at 31st December 1999. The pension expense in the period for the defined contribution pension scheme of £0.2 million (1998: £0.3 million) equalled the group contributions to the scheme. Pensions for employees of overseas companies are provided in accordance with local requirements and practices.

Notes to the Financial Statements continued

28 Related party transactions

The group's related party transactions during 1999, as defined by Financial Reporting Standard 8, are summarised below:

	Note	1999 £m	1998 £m
Management services charge to the Cape PLC Staff Pension Fund in respect of pension fund administration staff paid by the group	(i)	0.1	0.1
Accounting for the actuarial surplus in the Cape PLC Staff Pension Fund as defined by Statement of Standard Accounting Practice 24:			
– actuarially defined pension contributions from the group not paid to the fund	(ii)	1.6	1.7
– actuarially defined proportion of surplus not paid to the group by the fund	(ii)	2.9	2.3
– prepayment included in the group balance sheet at 31st December	(ii)	5.0	3.5
Management service charges to the group by Rutland Trust PLC	(iii)	0.2	0.6
Contingent liability of Cape PLC at 31st December resulting from the incentivisation arrangement with Rutland Trust PLC	(iii & iv)	2.5	2.5
During the year certain items of plant were sold to the new joint venture in Taiwan.		0.4	–

- (i) The trustees of the Cape PLC Staff Pension scheme include four persons employed by the group and two persons receiving pensions from the scheme.
- (ii) See Notes to the Accounts 27.
- (iii) Since 18th July 1996 Rutland Trust PLC has owned 25% of the ordinary share capital of Cape PLC. During 1999, Rutland Trust PLC provided Mr M R F Langdon as the Chairman and Mr C B Dowling as a non-executive director and has provided financial advice. See Notes to the Accounts 5(b).
- (iv) See Notes to the Accounts 26.

Principal Subsidiary Undertakings

as at 31st December 1999

Cape Calsil Uxbridge

Managing Director: Peter Morton
Telephone 44(0) 1895 463000

Manufacture and supply of high performance products for use in building, construction and general industry.

Cape Calsil Systems Limited*

Uxbridge, Glasgow, Washington, Caerphilly
Manufacture and supply of non-combustible fire protection and high performance boards, calcium silicate industrial and insulation products.

Cape Mechanical Services Limited*

Wellingborough
Installation of fire protection systems.

Cape Asia Pacific Private Limited*

Singapore
Co-ordination of marketing and sales in the Asia Pacific region.

Cape Calsil Belgium SPRL*

Mechelen, Belgium
Marketing and sales in Belgium.

Cape Calsil SA*

Paris, France
Marketing and sales in France and Spain.

Cape Calsil Deutschland GmbH*

Cologne, Germany
Marketing and sales in Germany.

Cape Calsil Nederland

s-Hertogenbosch, The Netherlands
Marketing and sales in The Netherlands.

Cape Industrial Services Wakefield

Managing Director: Paul Ainley
Telephone 44(0) 1924 871000

The provision of specialised services to the contracting industries in the U.K. and internationally. Industrial insulation, scaffolding, painting, fire protection, refractory and asbestos removal services, hire and sale of scaffolding equipment and factoring insulation products.

Cape Industrial Services Limited*

Wakefield
Co-ordination of industrial services activities in the U.K.

Cape East Limited*

Watford
Co-ordination of international industrial services activities.

Cape East Private Limited*

Singapore
Co-ordination of industrial services activities in the Asia Pacific region.

Cleton Insulation BV*

Vlaardingen, The Netherlands
Co-ordination of industrial services activities in Continental Europe.

Cape East LLC* 49%

Abu Dhabi, United Arab Emirates
Co-ordination of industrial services activities in the Middle East.

- 1 The subsidiary undertakings listed are those whose results, in the opinion of the directors, principally affected the profit or assets of the group. The subsidiary undertakings operate principally in the countries in which they are incorporated.
- 2 The shareholdings in subsidiary undertakings are in ordinary shares which are held by Cape PLC except for those marked with an asterisk whose shares are held by subsidiaries.
- 3 Except where indicated all subsidiary undertakings are wholly-owned and incorporated in Great Britain and registered in England and Wales.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and seventh Annual General Meeting of Cape PLC (the 'Company') will be held at Iver Lane, Uxbridge, Middlesex UB8 2JQ on Monday 15th May 2000 at 12 noon when the following business will be considered:

Resolution 1

To receive the audited accounts and the reports of the directors and the auditors thereon for the year ended 31st December 1999.

Resolution 2

To declare a final dividend in respect of the year ended 31st December 1999 on the ordinary share capital of the Company.

Resolution 3

To re-appoint Mr S S O'Connor, who retires by rotation, as a director of the Company.

Resolution 4

To re-appoint Mr I D Maclellan, who retires by rotation, as a director of the Company.

Resolution 5

To re-appoint Mr P R Ainley, who having been appointed by the directors since the last Annual General Meeting retires at the end of this meeting, as a director of the Company.

Resolution 6

To re-appoint Mr P Morton, who having been appointed by the directors since the last Annual General Meeting retires at the end of this meeting, as a director of the Company.

Resolution 7

To re-appoint PricewaterhouseCoopers as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

Resolution 8

That the directors be generally and unconditionally authorised pursuant to s.80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said s.80) up to an aggregate nominal amount of £4,527,168 (representing 33.3% of the total issued share capital of the Company as at 17th March 2000) provided that this authority shall expire on 15th May 2005 unless and to the extent that such authority is renewed or extended prior to that date so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

To propose the following Resolutions as special resolutions:

Resolution 9

That the directors be empowered, pursuant to s.95(1) of the Companies Act 1985, to allot equity securities (within the meaning of s.94(2) of the Companies Act 1985) of the Company pursuant to the authority under s.80 of the Companies Act 1985 conferred by an ordinary resolution of the Company passed on 15th May 2000 (the 's.80 Authority') as if s.89(1) of that Act did not apply to such allotment, provided that such power shall be limited:

- (i) to the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where the equity securities attributable to the interests of such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depository receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities to any person up to an aggregate nominal value of £679,075 (representing 5% of the issued ordinary share capital at 17th March 2000).

Such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2001 or, if earlier, the expiry of the s.80 Authority, except that the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Resolution 10

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25p each of the Company provided that:

- (i) the maximum number of ordinary shares hereby authorised to be acquired is 8,140,000;
- (ii) the minimum price which may be paid for any such share is 25p;
- (iii) the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
- (iv) the authority hereby conferred shall expire on 14th May 2001;
- (v) the Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By Order of the Board

S H Smith

Secretary

11th April 2000

Registered Office:

Iver Lane

Uxbridge

Middlesex

UB8 2JQ

Registered in England:

Number 40203

- 1 This notice is sent for information only to the holders of the 3½% cumulative preference shares and the holders of share options.
- 2 Any ordinary shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend *and, on a poll, to vote instead of him. A proxy need not be a member of the Company.* A proxy form is enclosed. Proxy forms should be received by the Company's registrars at the address on the back of the form not less than 48 hours before the time fixed for the meeting.
- 3 The Company has not entered into any directors' service contracts of more than one year's duration or with provisions for predetermined compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

Five Year Financial Summary

	Note	Twelve months ended 31st December 1999 £m	Twelve months ended 31st December 1998 £m	Twelve months ended 31st December 1997 £m	Twelve months ended 31st December 1996 £m	Twelve months ended 31st December 1995 £m
Profit and Loss Account						
Turnover	(i)					
Continuing operations		239.1	244.4	243.2	222.7	213.7
Discontinued operations		–	–	–	19.9	30.0
		239.1	244.4	243.2	242.6	243.7
Operating profit/(loss)						
Continuing operations	(ii)	10.2	13.1	12.3	11.1	12.3
Discontinued operations		–	–	–	(1.3)	0.1
		10.2	13.1	12.3	9.8	12.4
Operating exceptional items		–	(3.3)	(2.5)	(5.1)	–
Non-operating exceptional items		–	–	–	(17.2)	–
Profit/(loss) on ordinary activities before interest		10.2	9.8	9.8	(12.5)	12.4
Net interest payable		(1.1)	(1.0)	(0.9)	(0.7)	(0.9)
Profit/(loss) on ordinary activities before taxation		9.1	8.8	8.9	(13.2)	11.5
Tax on profit/(loss) on ordinary activities		(2.7)	(2.8)	(2.6)	(0.3)	(3.9)
Profit/(loss) attributable to ordinary shareholders		6.4	6.0	6.3	(13.5)	7.6
Operating profit of continuing operations as a percentage of turnover	(ii)	4.3%	5.4%	5.1%	5.0%	5.8%
Earnings per ordinary share (continuing operations)		11.7p	15.5p	15.7p	13.5p	14.4p
Dividend per ordinary share		7.0p	7.0p	6.5p	6.0p	11.0p
Balance Sheet						
Employment of capital		At 31st December 1999 £m	At 31st December 1998 £m	At 31st December 1997 £m	At 31st December 1996 £m	At 31st December 1995 £m
Fixed assets		46.9	45.3	42.0	42.5	50.1
Other assets		18.0	17.3	13.6	9.4	13.2
		64.9	62.6	55.6	51.9	63.3
Capital employed						
Capital and reserves		55.2	53.6	51.1	48.8	62.5
Net borrowings		9.7	9.0	4.5	3.1	0.8
		64.9	62.6	55.6	51.9	63.3
Note (iii)						
Return on average capital employed (based on operating profit before exceptional items)	(ii)	16.0%	22.2%	22.9%	20.0%	20.1%
Net assets per ordinary share	(iv)	102p	99p	94p	90p	115p

Notes:

- (i) Turnover includes the group's share of the turnover of the joint ventures.
- (ii) Operating profit is before operating exceptional items and after Cape's share of operating profit in joint ventures.
- (iii) The return on average capital employed for 1997 has been calculated for continuing operations.
- (iv) Net assets per ordinary share has been calculated on the basis of deferred shares having no real value.

Products and Services

Products

Fire Barriers and Doors

Durasteel Industrial Doors
Durabloc Insulated Barriers
Durasteel Hydrocarbon
Durasteel SS Barriers
Durasteel Fire Blast
Masterboard
Supalux

Partitioning & Internal Wall Linings

DecoStyle
Masterboard
Masterclima
Pyrok
Steriboard
Supalux
Master Impact
GP Class 0 Board

Cladding

BluClad
(Masterfacade, Masterfasadi)
Chromaclad
Masterclad (Supaclad)
Pyrok (Masterpanel)

Ceilings & Steelwork –

Fire Protection

Durasteel
Monolux
Supalux
Supalux Ceiling Panels
Vermiculux
Buckingham Range
Ceiling Panels
Steriboard Ceiling Panels

Ducting

Duraduct
Duraflex
Durastop
Monolux
Supalux L
Supalux M

Roofing

Mastersoffit
(Masterpanel)
Supalux (Supalux S)
Under-cloaking

Flooring

Durabloc
Masterlevel
Pyrok (Masterpanel)
Supalux (Supalux S)
Acoustifloor

Industrial/OEM & Marine

Capaphen K
Cape Lightweight System
Dalfratex
Duratec A, 750 and 1000
Marine Board
Mastercore
Modlag
Monalite M1, M1-A and G34
Monolux 500, 800 and 250
Newtherm 800, 1000
and 1050
Salu 800, 1000 and 1100

Services

Insulation

The division provides thermal and acoustic insulation for industrial applications. Thermal insulation is provided for temperature maintenance, personnel protection and for the conservation of heat and efficient cryogenic insulation at temperatures down to -160°C. Cape can provide heat loss calculations and evaluate savings from thermal insulation. The division also has infra-red equipment to enable it to undertake surveys of thermal insulation efficiency.

Scaffolding

Scaffolding is provided to enable site operators and other contractors to obtain access to all parts of an industrial plant. This can be for routine maintenance, shutdowns, major projects or new construction. Cape Industrial Services both supplies and erects scaffolding. Computer-aided design is used where appropriate.

Cape's U.K. network of hire and sale depots provides access and associated equipment to contractors and end users.

Specialist Coatings

The provision of a complete range of coatings for a variety of structures, including petrochemical plants, refineries and offshore installations in the North Sea. Cape Industrial Services provides surface protection and the application of coatings to prevent corrosion of bare surfaces or those to be insulated and clad.

Fire Protection

The application of fire protection to a variety of structures in environments ranging from the extreme weather conditions in the North Sea to onshore petrochemical and other installations exposed to fire risk. Cape Industrial Services offers a range of proprietary systems including products such as Durasteel from Cape Calsil.

Refractory Linings

The lining of boilers, furnaces, kilns and high temperature petrochemical reactors with materials to withstand temperatures in excess of 1000°C. Incorporating the business of RB Hilton, Cape Industrial Services offers design, supply and installation services to clients world-wide.

Associated Services

In response to client needs Cape Industrial Services seeks to maximise the range of industrial services offered. These include industrial cleaning, fabrication of both insulation and sheet metal and, for offshore installations, the provision of an integrated facilities management support service including lifting, crane operations and janitorial services through specialist partners.

Financial Calendar

Annual General Meeting

15th May 2000

Dividend payments

Final ordinary dividend payable 19th May 2000

Interim ordinary dividend payable November 2000

3½% cumulative preference shares 31st March and
30th September

Announcement of results

Interim results announced September 2000

Final results announced March 2001