

Results in Brief

	<i>Twelve months ended 31st December 1995 £m</i>	<i>Unaudited twelve months ended 31st December 1994 £m</i>	<i>Nine months ended 31st December 1994 £m</i>
Turnover	243.7	224.4	168.1
Profit on ordinary activities before interest	12.4	12.3	9.6
Profit on ordinary activities before taxation	11.5	11.6	9.1
Profit on ordinary activities after taxation	7.6	7.2	5.6
Profit on ordinary activities before interest as a percentage of turnover	5.1%	5.5%	5.7%
Earnings per ordinary share	14.0p	13.1p	10.2p
Dividends per ordinary share	11p		8.25p
	<i>At 31st December 1995 £m</i>		<i>At 31st December 1994 £m</i>
Net assets	62.5		59.3
Net assets per ordinary share	115p		109p

CAPE**Industrial Services**

Thermal and acoustic insulation

Industrial scaffolding

Refractory linings

Industrial coatings

Offshore maintenance

Asbestos removal

Manufacturing

Fire protection products

Specialist building boards

External cladding

Thermal insulation materials

Industrial materials

Ceiling tiles and systems



CHAIRMAN'S STATEMENT



Turnover for the year ended 31st December 1995 was £244 million compared with £168 million for the nine months ended 31st December 1994. This produced an operating profit of £12.4 million and a profit before tax of £11.5 million compared with an operating profit of £9.6 million and profit before tax of £9.1 million for the nine months ended 31st December 1994. Earnings per share were 14 pence compared with 10.2 pence for the previous nine months. The directors are recommending a final ordinary dividend of 8 pence payable on 9th May 1996 to shareholders who are on the register at the close of business on 26th March 1996 which, together with the interim dividend of 3 pence, brings the total for the year to 11 pence compared with the total dividend of 8.25 pence for the nine month period which represented an annual rate of 11 pence.

Cape changed its year end in 1994 to come in line with the year end of Charter plc, Cape's largest shareholder, which means that the comparative figures are based on the results for the nine months ended 31st December 1994.

The UK operations of the Industrial Services division have maintained activity levels in a competitive environment and have obtained some significant long term maintenance contracts. International operations have increased turnover, undertaking a number of large contracts in the Middle East and Asia Pacific.

The Manufacturing division has experienced difficult conditions in the UK, but this has been offset by an increase in the demand for Cape products in Germany and Asia Pacific.

On 3rd November 1995 the company sold its metal ceilings business to Armstrong Metal Ceilings Limited.

In 1994 the company applied for planning permission to construct a Motorway Service Area on its freehold land at Iwer on the Western section of the M25 Motorway. There was a public inquiry in November 1994 and a year later the Secretary of State for the Environment indicated that he was minded to approve the project, but as yet no final decision has been taken.

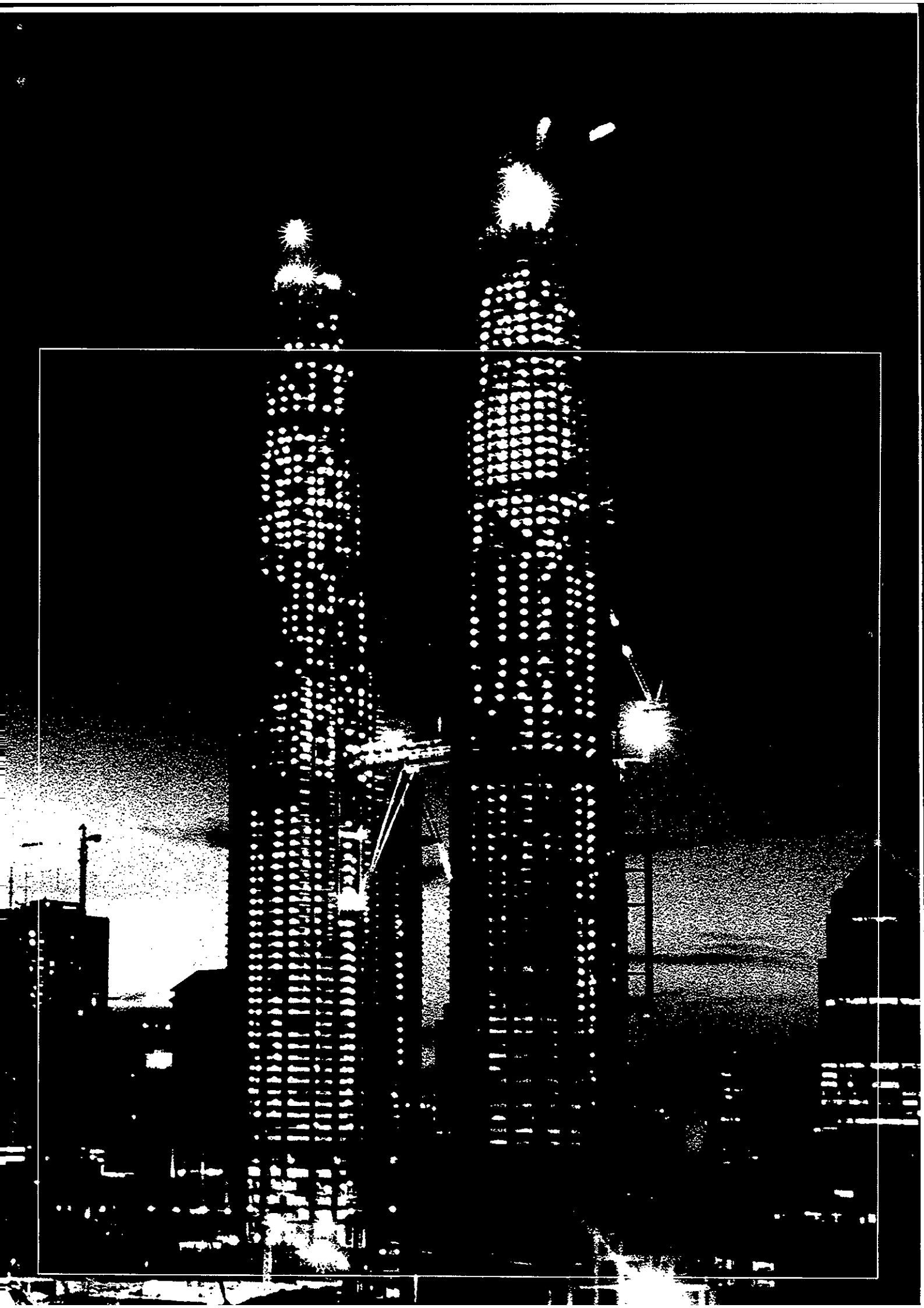
During the past year the group has reduced fixed costs and the full year impact of these savings should be reflected in the results for 1996. The group entered the year with a strong order book and a number of profitable contracts will be completed within the next twelve months. The development of overseas markets has produced good results and the growth achieved during 1995 is expected to continue.

Cape continues to adapt to changing circumstances in all its markets. Cape's flexibility is a credit to its management and employees and I thank them for their loyalty and hard work.



J W Herbert Chairman - 5th March 1996

Industrial Services International has installed Cape Durasteel ductwork on the twin towers of the world's tallest office building in Kuala Lumpur shown here under construction. (opposite page)



CHIEF EXECUTIVE'S REVIEW



Following the change last year in Cape's year end, it is not possible to make a direct comparison between the results for the nine months ended 31st December 1994 and those for the year ended 31st December 1995. Therefore unaudited results for the year ended 31st December 1994 are used below for comparative purposes.

Group turnover of £244 million for the year ended 31st December 1995 compared with turnover of £224 million for the year ended 31st December 1994. Group operating profit for the year ended 31st December 1995 was £12.4 million compared with operating profit of £12.3 million for the year ended 31st December 1994. The financial performance of the group is discussed in more detail in the Financial Review on pages 18 and 19.

During the past year the company has been reorganised to concentrate management attention on the development of new products and services to consolidate our market position. Cape has responded decisively to a trend driven by our major clients in the petrochemical and power generation sectors to provide multi-discipline services.

UK insulation, scaffolding and other services have now been placed under the control of one management team. A separate team manages all international industrial services. This has enabled us to use resources more effectively and to reduce administration costs.

The Manufacturing division has seen a slow recovery from the recession in the UK and emphasis has been

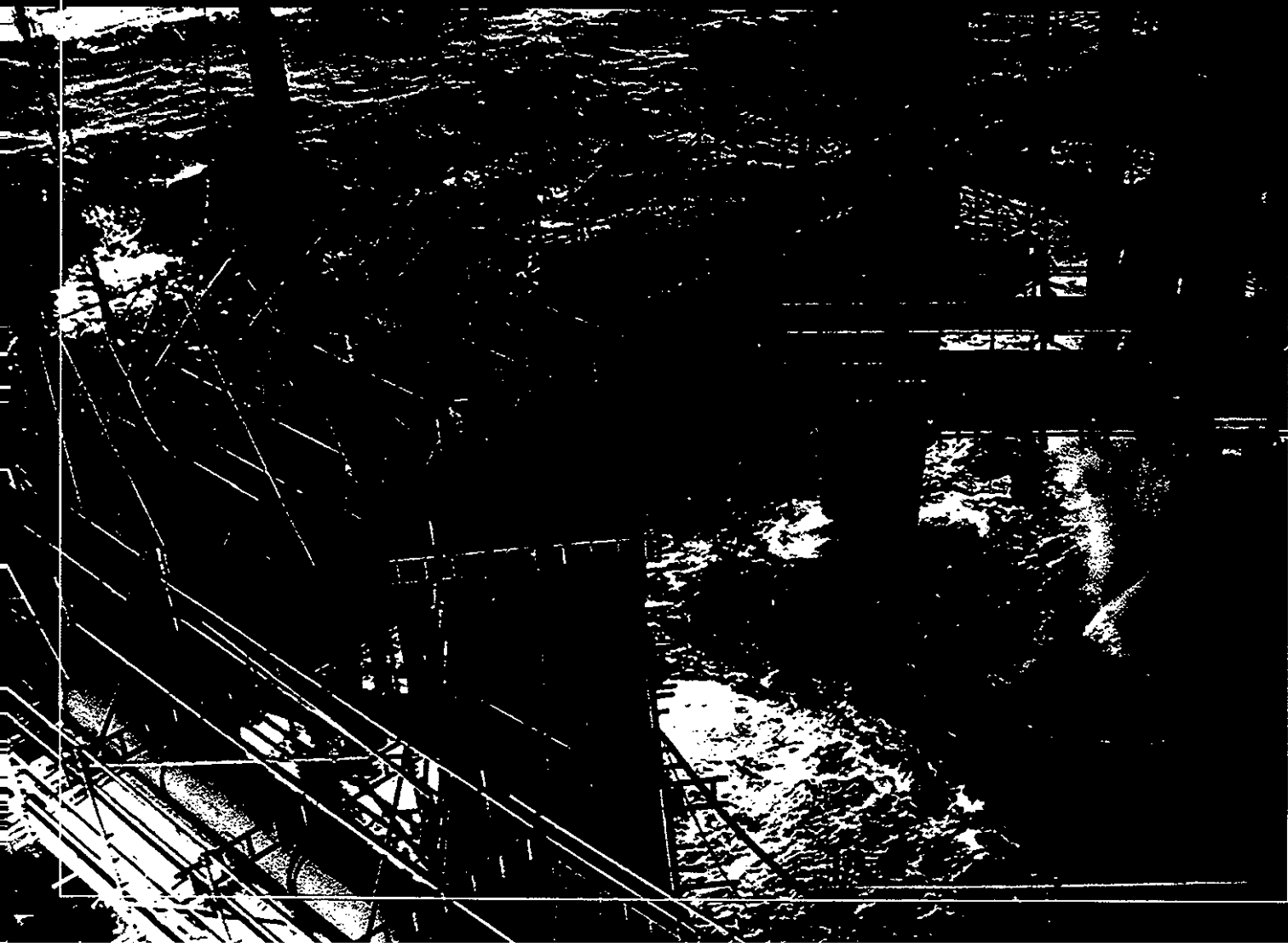
placed on increasing growth in international markets. I have described in more detail the activities of the Industrial Services and Manufacturing divisions in the pages which follow.

A handwritten signature in dark ink, reading "Michel J. Farebrother". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

M J Farebrother Chief Executive – 5th March 1996

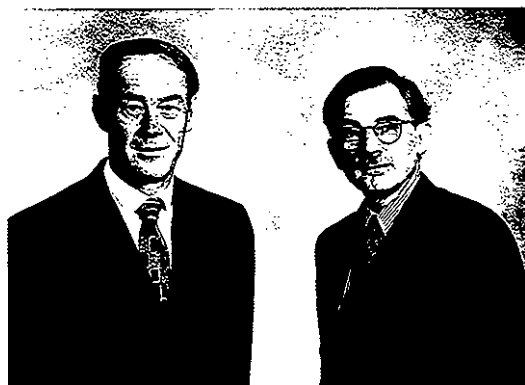
CAPE HAS GROWN SALES IN 1995 IN DIFFICULT MARKET CONDITIONS. THE MOMENTUM CREATED WILL CONTINUE TO DRIVE EXPANSION IN CONTINENTAL EUROPE, THE MIDDLE EAST AND ASIA PACIFIC.

Cape Offshore has provided scaffolding services to the Amoco Montrose Platform in the North Sea.



CHIEF EXECUTIVE'S REVIEW

Industrial Services



Industrial Services

	Turnover	Operating profit
	£m	£m
Year to 31st December 1995	159	5.7
Year to 31st December 1994	150	5.1

UK Operations

Cape Industrial Services provides industrial insulation, industrial scaffolding, specialist coatings and associated services to major onshore industrial users. In addition, the company also provides fabric maintenance services for offshore oil and gas platforms. The headquarters is centrally located at Normanton, West Yorkshire and the operations are supported by more than twenty strategically located depots throughout the UK and more than 2,000 employees.

The major onshore markets for Cape Industrial Services are the power generation and petrochemical industries and the company is market leader in these sectors in the UK. The trend is for the company's clients to require contractors to provide a full range of associated services under one contract and management team. Accordingly, the division has been restructured to bring together Cape Scaffolding and Cape Contracts to maximise flexibility in servicing its clients.

In power generation, Cape Industrial Services has a market share of over 30%. The work is a mixture of new construction, shutdown and maintenance contracts. During the year the division provided the scaffolding services for the construction of the flue gas desulphurisation plant at Drax Power Station.

There is an established trend for coal-fired power stations to be closed and replaced by combined cycle gas turbines which have lower maintenance requirements. This change is likely to occur gradually over the next five years but the sector will continue to offer good opportunities for the division.

The petrochemical sector was relatively buoyant and Cape provided the scaffolding services for the major shutdown at the Texaco Pembroke refinery.

Amongst achievements in 1995 were the award of multi-discipline contracts at the ICI chemical plant in Wilton and at Drax Power Station for three and five years respectively.

The offshore activities, based in Aberdeen, provide thirty different trade disciplines to operators of oil platforms in the North Sea and currently have a market share of approximately 15%. During 1995 the offshore team received Gold Awards for outstanding performance on two offshore fire protection contracts.

Cape Industrial Services has started two new businesses during the last two years. A new company has been established in Norway to take advantage of the growing demand for insulation services particularly related to the offshore industry. The new business in the UK, Cape Hire, now has seven depots for the hire and sale of access and ancillary equipment and further expansion of the depot network is planned.

Paul Ainley (above left)
Divisional Managing Director
Industrial Services UK.

Peter Gartside (above right)
Divisional Managing Director
Industrial Services International.



Cape Industrial Services UK
Hire and Sales Turnover

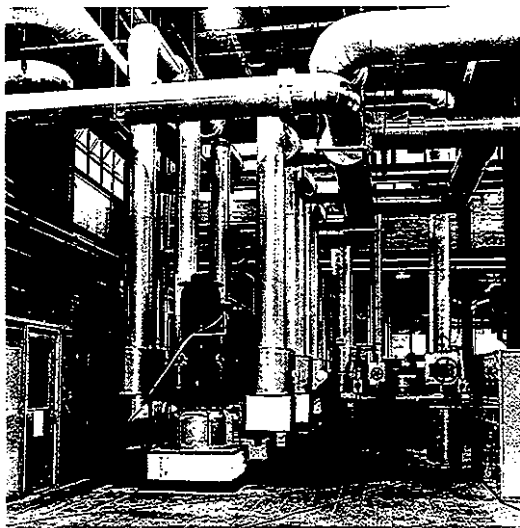
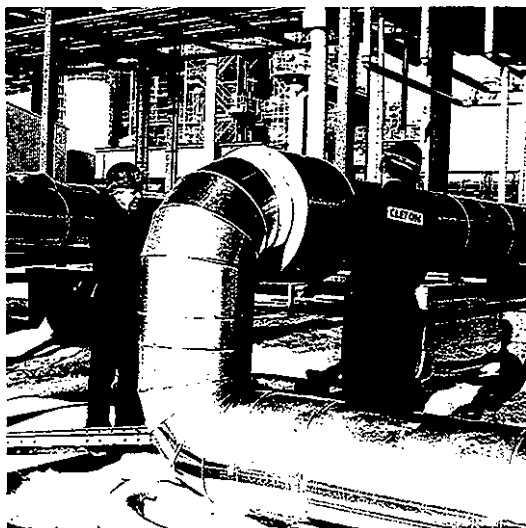
**INDUSTRIAL SERVICES UK HAS BEEN
SUCCESSFUL IN ADDING TO ITS LIST OF LONG
TERM MAINTENANCE CONTRACTS WHICH
UNDERPIN THE STRENGTH OF THE DIVISION.**

*Cape Contracts completed a specialist
insulation contract on a chemical plant for
Shell UK at Stanlow.*



CHIEF EXECUTIVE'S REVIEW

Industrial Services



International Operations

The international division provides industrial insulation, refractory lining, fire protection, scaffolding and painting services.

The division has operating companies in The Netherlands, France, Germany, Belgium, the Middle East, Asia Pacific and Australia. More than 1,500 people are employed providing services to the oil, gas, petrochemical and power generation industries.

Cleton Insulation is the core operation in continental Europe, a market leader in The Netherlands with subsidiaries in Germany and Belgium. Conditions in the Dutch market have been static for the past two years because of depressed conditions in the petrochemical industries at Europoort, but Cleton managed to maintain its market position in 1995 and the outlook for 1996 is encouraging.

The French operations were rationalised following the disposal of the loss making depots in the south. The remaining French activities have been merged with Cape's German operations which concentrate on asbestos removal contracts. The French Government's support for asbestos removal projects will produce growth opportunities in 1996. The 1995 performance of Cape's German operations was adversely affected by difficulties on a major Public Health Authority asbestos removal contract.

Cape has a strong market position in the United Arab Emirates, Qatar, Bahrain and Saudi Arabia where it offers a wide range of services to the power generation, oil and gas industries. These are

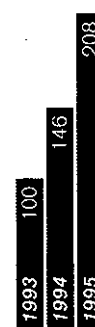
supported by a manufacturing and distribution base in Abu Dhabi which had an excellent year in 1995. It is planned to expand these operations throughout the Gulf in 1996.

Cape is a market leader in the cryogenic insulation of liquid natural gas plants. During the year work commenced on the Qatargas LNG facility in the Middle East, whilst in Australia the Cape Modern Joint Venture benefitted from continued involvement on the North West Shelf project.

A regional head office was established in Kuala Lumpur to manage expansion in Asia Pacific through operations in Singapore, Thailand, Malaysia, the Philippines and Indonesia. In addition to providing industrial scaffolding and maintenance services to major oil companies in Thailand and the Philippines the division is supplying and installing Cape Durasteel fire protection on the eighty eight storey KLCC twin tower building in Kuala Lumpur.

Akzo Nobel Chemicals rely on Cleton Insulation for maintenance services at their Delfzijl plant in The Netherlands. (above left)

Specialist pipework insulation using Rockwool sections and Aluzinc sheeting. (above right)



Cape Industrial Services International
New Orders – Middle East and Asia Pacific

INDUSTRIAL SERVICES INTERNATIONAL
HAS MAINTAINED ITS POSITION IN THE
NETHERLANDS, WHILST GROWING STRONGLY
IN THE MIDDLE EAST AND EXPANDING FURTHER
IN ASIA PACIFIC.

*Dust extraction units being fabricated
for the Marandoo Iron Ore Complex in north
west Australia.*



CHIEF EXECUTIVE'S REVIEW

Manufacturing



Manufacturing

	Turnover	Operating profit
	£m	£m
Year to 31st December 1995	85	8.6
Year to 31st December 1994	74	8.8

The Manufacturing division is responsible for the production and marketing of a range of specialised products which are used internationally in general construction, cladding, fire protection, industrial and commercial insulation, shipbuilding and a range of high temperature industrial applications.

Building Boards

The building boards business employs over 400 people manufacturing products at factories in Uxbridge, Glasgow and Ystrad Mynach, South Wales. The products are used in a wide range of niche applications capitalising on the key attributes of fire resistance, dimensional stability and moisture resistance. They are sold to the building and construction industry, system builders, original equipment manufacturers and shipbuilders.

The Uxbridge factory uses calcium silicate technology developed by Cape's research and development facility to manufacture the internationally established brands, Masterboard, Supalux, Masterclad and BluClad. Four new calcium silicate products were launched in 1995 and more are planned for 1996. The strategy is to launch new products tailored to suit specific applications and thereby provide precise solutions for specifiers and cost effective solutions for clients. Niche market development will help to protect the business from the general decline in the construction industry.

Sales volumes in the UK have been maintained while exports to continental Europe have increased by 23% on the back of a 48% increase in sales to Germany. Sales are channelled through subsidiaries in France, The Netherlands and Germany and via specialist distributors in other countries. In the UK, as in all European sales outlets, Cape has become a recognised expert and authoritative technical resource to industry.

The Glasgow factory produces monolithic calcium silicate thick boards marketed under the brand names Vermiculux and Monolux. These boards are used by the building and construction industry for fire protection and to construct bulkheads and compartmentalisation for cruise ships. Sales of Marine Board increased by 20% in 1995 and further growth is expected in 1996 following the launch of two new products.

The Pyrok factory in South Wales was purchased in May 1994 and manufactures cement bonded particle boards with high impact resistance and first class acoustic properties. Pyrok has broadened the product range, refocused the marketing strategy and increased sales. New applications are being developed as market penetration increases. During 1995 Pyrok secured the prestigious supply contracts for the Newcastle Rock Arena and the acoustic roof deck for the new Hong Kong airport.

Margins were maintained in all businesses despite large increases in the cost of raw materials which were offset by increases in efficiency and better utilisation of capacity. All operating units improved their performance during 1995.

David Flynn (above left)
Divisional Managing Director
Building Boards.

Michael Barton (above middle)
Divisional Managing Director
Industrial and Architectural.

Ian Robb (above right)
Divisional Managing Director
Asia Pacific.



Cape Boards Limited
Total Sales

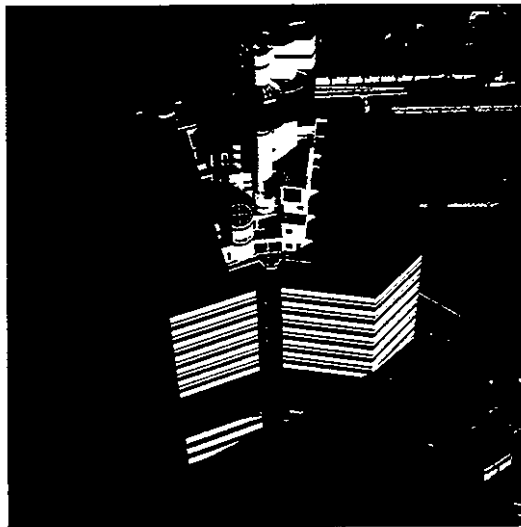
BUILDING BOARDS IMPROVED PERFORMANCE
IN ALL OPERATING UNITS DURING 1995. SALES
TO GERMANY AND ASIA PACIFIC ARE EXPECTED
TO CONTINUE GROWING STRONGLY IN THE
COMING YEAR.

*Building and fire protection boards are
subjected to stringent quality control checks
at Cape's Uxbridge factory.*



CHIEF EXECUTIVE'S REVIEW

Manufacturing



External Claddings

The external claddings business provides a range of external cladding boards and systems for use on new buildings and refurbishment projects. The products include aggregate and smooth faced glass reinforced polyester boards produced by Cape's factories at Blackburn and Longwy in France and calcium silicate claddings produced at the Cape Boards factory in Uxbridge. These products are supplemented by factored products which enable Cape's salesforce to offer a comprehensive range of external cladding solutions in the major markets of Europe. The sales of systems for Rainscreen overcladding for high rise buildings continued to grow throughout the UK during 1995. A doubling of product sales to Germany helped offset a difficult year in the French market.

Ceilings

The sale of the metal ceilings business will enable Cape Ceilings to focus on the higher margin specialist ceiling products made from high density mineral fibre, calcium silicate and plaster. The retained businesses increased export sales by 30% during 1995 and are experiencing strong demand in the UK from national retailers and new projects, which include seven new hospitals.

Durasteel

Based in Wellingborough, Cape Durasteel manufactures impact resistant fire protection boards, fire doors, and fire protection systems for the building and construction, petrochemical and power generation industries. During 1995 there was a strong demand for Durasteel boards in export markets and sales to Asia Pacific reached record levels. Cape Durasteel

has a major contract on the London Underground Jubilee Line Extension but rescheduling of the work led to an overall reduction in turnover compared with 1994. The increase in the order book during the year provides a good base for 1996 and growth will be stimulated by the launch of new systems and products including radiant heat shields and blast doors.

Insulation Products

Cape produces a broad range of industrial insulation materials at its factory in Washington, Tyne & Wear. Sales increased by 52% during 1995 as a result of a substantial order which was obtained against international competition to supply calcium silicate insulation to the Bandar Abbas oil refinery in Iran. There was a significant increase in demand for all products during the second half of the year resulting in a strong order book from which to build in 1996.

High Density Products

The Cape Siborit factory in Germany manufactures specialist high density calcium silicate products used to produce heat resisting components for industry. Sales have increased by 35% during the year as a result of a growing demand in the aluminium industry, the successful launch of a new premium grade product and sales to new markets. The new premium grade product is of particular interest to those industries seeking engineered parts with exceptional electrical and thermal insulation properties combined with strength and machinability. New applications accounted for 10% of sales in 1995 and further growth is expected in 1996.

Capex Rainscreen external cladding was used to refurbish a housing estate in London. (above left)

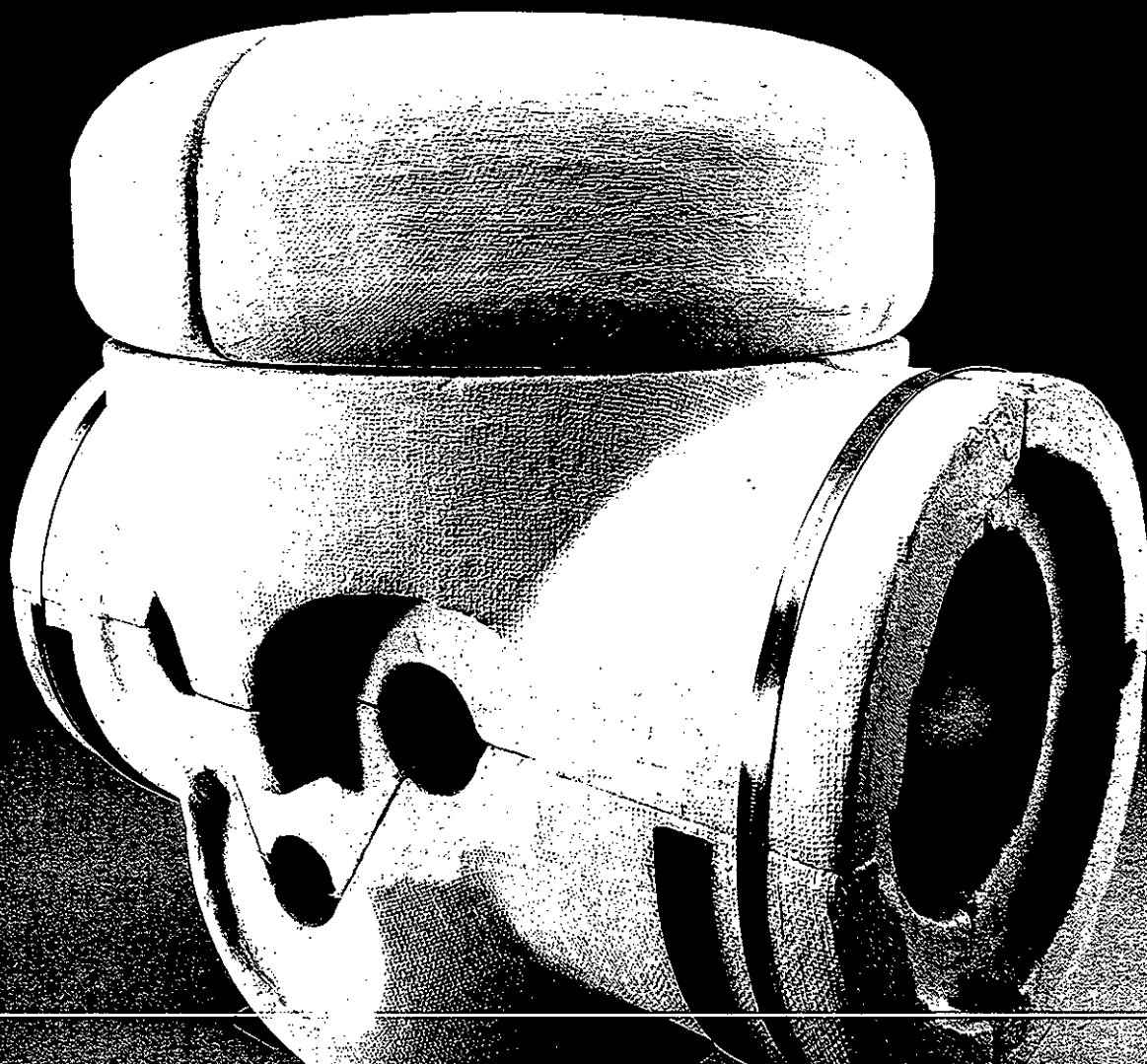
Pyrok board is used as a substrate for prestigious high rise buildings. (above right)



Cape Industrial Products
Sales Revenue Increase

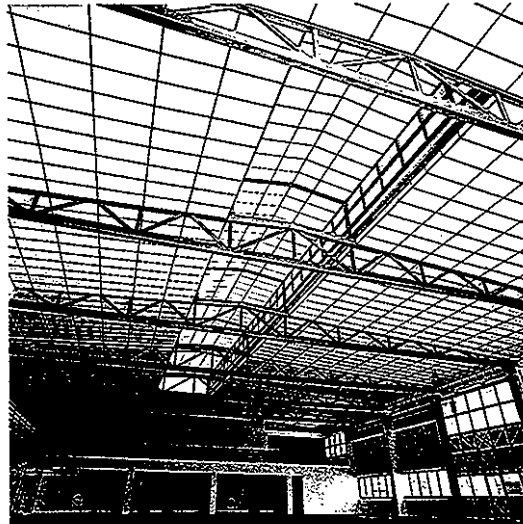
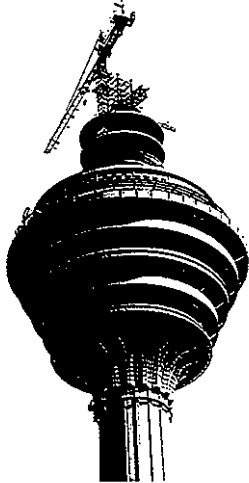
**INDUSTRIAL AND ARCHITECTURAL HAD A
GOOD YEAR LED BY GROWTH IN SALES AND
PROFITS FROM CAPE SIBORIT AND CAPE
INSULATION PRODUCTS.**

*Modlag insulation is tailor-made by Cape
Insulation Products to protect emergency valves
on Trafalgar and Vanguard Class submarines.*



CHIEF EXECUTIVE'S REVIEW

Manufacturing



Asia Pacific

In 1990 Cape set up a company headquartered in Singapore to develop the markets for products and services in Asia Pacific. This initiative produced positive results and by 1995 the level of business was capable of supporting independent activities for products and services. Cape Asia Pacific, based in Singapore, was formed in November 1995 to take over the promotion of Cape's manufactured products in the region.

Cape Asia Pacific has branch offices in Taiwan, Kuala Lumpur and Hong Kong and the support of distributors in Australia, New Zealand, Thailand, Indonesia, Korea, Brunei and Japan. This organisation is responsible for selling all the products which are manufactured by Cape's Manufacturing division.

Cape's calcium silicate boards with their moisture resistant qualities are ideally suited to the climatic conditions in Asia Pacific. Masterclad and Masterboard have been used extensively in Singapore to refurbish Housing Development Board apartments and in the construction of factory units by the Jurong Town Corporation.

Fire protection of buildings is a stringent requirement in Singapore, Malaysia, Hong Kong, Australia and Japan and these are ready markets for Cape's specialised fire protection products such as Supalux, Durasteel, Monolux and Vermiculux. There is a growing awareness in Taiwan, Indonesia and Thailand of the need to set higher building standards, eliminate the use of asbestos products and improve fire regulations. Cape is well placed to capitalise on these opportunities.

Cape's cladding products have been chosen for the new Hong Kong airport, and they have been installed in underground tunnels and car parks in Taiwan and on the KLCC twin tower project in Kuala Lumpur. This prestigious office development is the world's tallest office building.

Insulation and industrial products such as Newtherm, Monalite, Duratec and Capaphen have been promoted for the first time during 1995. The market has been receptive to these products which accounted for 10% of Cape Asia Pacific's sales during the year.

The fastest growing construction markets in the world are in Asia Pacific. Cape is well established and increasing market share of its products in the region. A number of facilities such as painting, cutting and finishing are being established to add value and stimulate growth. The major emphasis is on broadening the range of products and increasing geographical penetration.

Cape Asia Pacific supplied Monolux fire-rated ducts for the television tower in Kuala Lumpur. (above left)

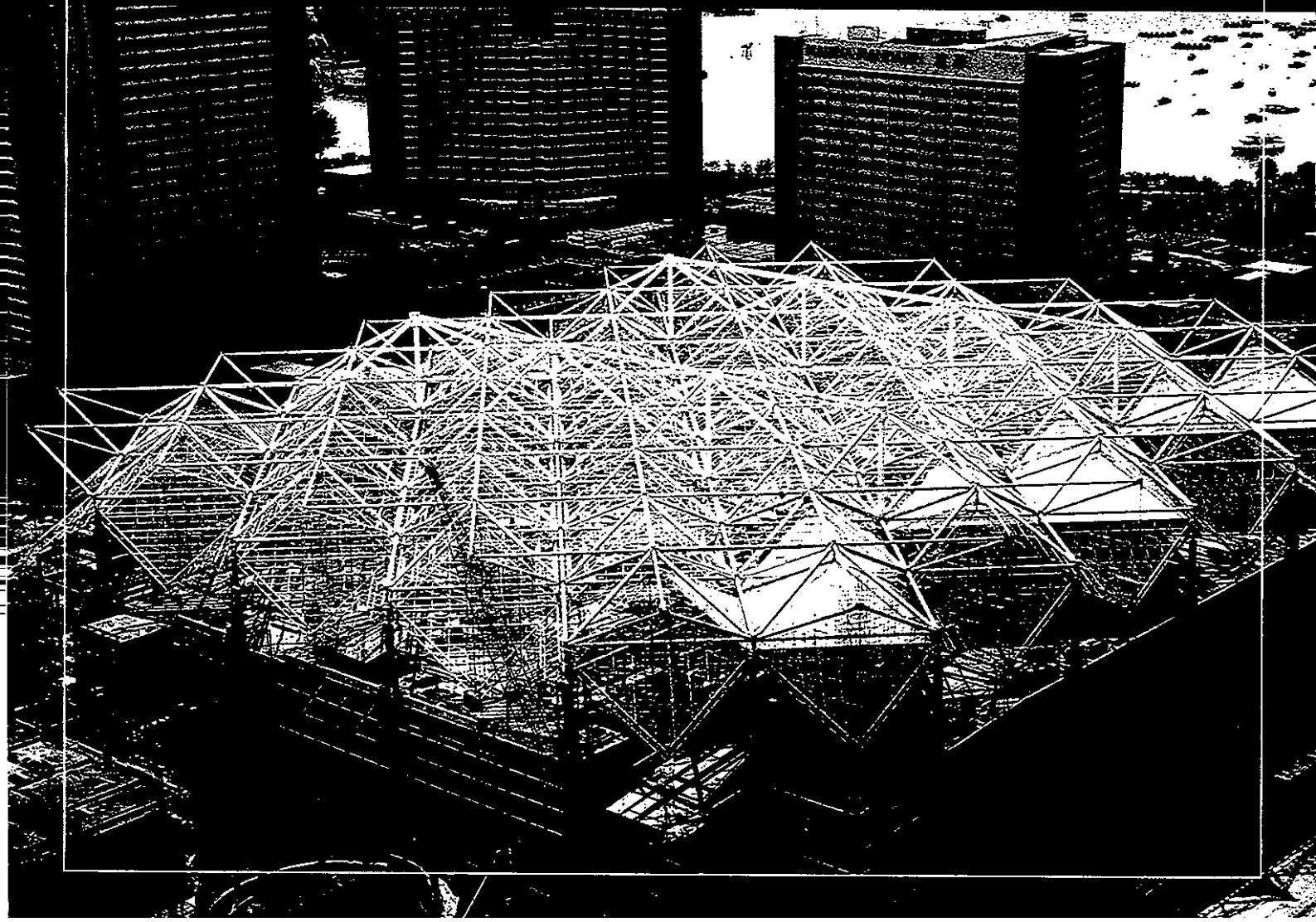
Masterboard has been used in Singapore as ceiling panels on a major programme to construct factory units. (above right)



Cape Asia Pacific
Sales Turnover

CAPE ASIA PACIFIC SERVICES THE FASTEST
GROWING CONSTRUCTION MARKETS IN THE
WORLD AND IS WELL PLACED TO INCREASE
ITS MARKET SHARE.

*Supalux and Durasteel were used
extensively for fire resisting ceilings and barriers
in the Suntec City development in Singapore.*





Business Outlook

Our UK markets will show little change in 1996. Manufacturing product sales are mainly in the industrial and commercial markets, whilst Industrial Services focus on the power generation and petrochemical sectors. There is limited exposure to the infrastructure and housing sectors.

Cape will continue to expand in Germany, Scandinavia and other parts of continental Europe where our market share in building products is still relatively low. The slow-down in Germany is a challenge but not likely to damage our expansion plans.

In Asia Pacific, where construction growth continues to be the highest in the world, Cape has developed an infrastructure to exploit the growth in demand from these markets.

The Middle East will continue to be a strong market for Industrial Services.

Research and Development

Cape is a world leader in calcium silicate technology making substantial investments for the future in both primary and applications research.

The need for innovation has never been more important as competition becomes more global and information technology erodes specialist knowledge.

Cape concentrates on profitable niche markets defended by technology and places great emphasis on research and development which is

centred on Uxbridge with satellite research units at the other production centres.

A new carbon fibre calcium silicate composite recently developed by Cape Siborit is an example of leadership in technology. Cape Boards has adjusted to the competitive environment by launching specially formulated products tailored to suit constructions, cultures and climates.

Cape People

Above all Cape has the good fortune to have long serving and dedicated employees who continue to play a crucial role in its businesses. Allied to more recently appointed senior management, our divisional teams are moving Cape away from dependence on UK markets and are gaining leadership in operating efficiency. It is a tribute to all of our employees that we continue to make headway in difficult markets and in the face of fierce competition.

Cape looks forward with confidence to 1996 with firm plans to strengthen the business and enhance value for our shareholders.

Richard Stephenson (above left)
Group Commercial Director

RESEARCH AND DEVELOPMENT IS DIRECTED
TOWARDS MAINTAINING WORLD LEADERSHIP
IN CALCIUM SILICATE TECHNOLOGY AND
DEVELOPING NEW PRODUCTS FOR CAPE'S
GLOBAL MARKETS.

*Calcium silicate fire protection boards
being treated at high temperature and high
pressure in autoclaves at the Uxbridge factory
to ensure stability and longevity.*





As noted in the Chief Executive's Review it is not meaningful to make a direct comparison between the results for the nine months ended 31st December 1994 and those for the year ended 31st December 1995. Therefore unaudited results for the year ended 31st December 1994 are used below for comparative purposes.

Financial Results

The 1995 group turnover of £244 million represents a 9% improvement on the full year 1994 group turnover of £224 million. The Industrial Services division increased turnover by 6% compared to a 15% improvement by the Manufacturing division. As a result the percentage of total group turnover contributed by the Manufacturing division rose from 33% to 35%. The increased total group turnover improved operating profit from £12.3 million to £12.4 million in 1995 although the group net margin reduced from 5.5% to 5.1%. This reduction in the overall group margin derived entirely from the Manufacturing division where the net margin fell from 12% to 10%. This reduction was due both to competitive pressures and to the increasing level of exports by the group with resultant higher shipping costs. Nearly 48% of the group's turnover in 1995 was overseas, compared with 40% in 1994. The net margin achieved by the Industrial Services division held constant, at 3.5%, despite the increasingly competitive market place.

The charge for industrial disease compensation to meet UK claims of £1.9 million compares with £1.6 million in 1994 and £1.8 million for the year ended 31st March 1994. The impact of this increased charge was offset in the year by an improvement in the benefit derived from the SSAP 24 pension credit. This improvement arose from the triennial valuation of the pension fund conducted by independent actuaries which showed the fund to be in a surplus position.

The interest incurred on funding the group's working capital requirements during the year amounted to £0.9 million, compared to £0.7 million in 1994. The working capital requirements of the group's Industrial Services division are at their height during the summer months and the group net debt peaked at £14.6 million in September 1995.

The group tax rate reduced substantially in 1995 to 34% from 38% in the previous year. The exceptionally high tax rate in 1994 was due to losses incurred overseas, which could not be offset against mainstream UK corporation tax. The group has brought forward tax losses overseas to offset against future profits earned in those countries.

With the reduced tax rate, Cape's earnings per share improved by 7% in 1995 to 14 pence compared with 13.1 pence in 1994.

The Board is recommending the payment of a final dividend of 8 pence which, together with the interim dividend of 3 pence, will maintain the annual dividend rate of 11 pence.

Balance Sheet

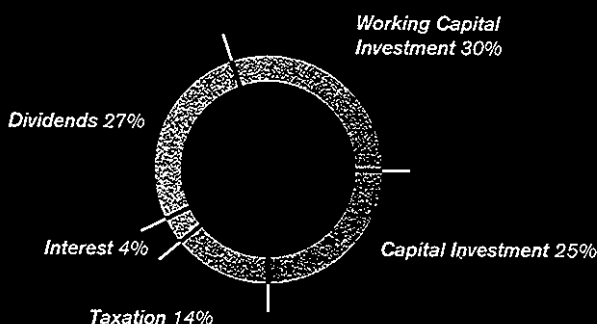
On 3rd November 1995 the group sold the metal ceilings business of Cape Ceilings Limited for £4.3 million in cash. Of this amount £0.9 million is a deferred payment which will be received on 3rd November 1996. This sale has given rise to a gross profit of £1.9 million which has been credited to the profit and loss account and is offset by the goodwill previously charged to reserves when the business was originally acquired. The reserves have been credited with £1.9 million as a result of the reversal of this prior year goodwill charge.

Shareholder's funds have improved from £59.3 million at 31st December 1994 to £62.5 million at 31st December 1995 due to the profit from the disposal together with the retained profit for the year. Net assets per ordinary share have increased from 109 pence to 115 pence.

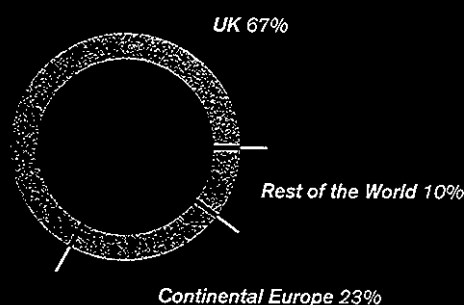
Cash Flow

During the year, the group invested £5.8 million in capital items, £2.3 million less than the depreciation charge for the year of £8.1 million. Despite this, and the cash receipt from the sale of the metal ceilings business,

Application of Net Cash 1995



Capital Employed 1995



the group net debt position over the year increased slightly from £0.5 million to £0.8 million. This was partially due to the impact of the depreciation of sterling during the year which adversely affected the sterling equivalent of the group's foreign currency asset hedging loans by £1.3 million. However, there has also been an increase in the net working capital requirement at 31st December 1995 compared to 31st December 1994. This increase was particularly marked during the last quarter of 1995 when turnover, mainly by the industrial service companies operating in the Middle East and Asia Pacific, was 12% higher than for the same period in 1994. The net effect of this increased activity level was an additional £3.7 million funding requirement at the year end. In addition, there was a rise in the level of stocks held by the manufacturing companies of £1.4 million due to increased stock piling of raw materials to protect the continuity of production.

overseas subsidiaries are designated in foreign currencies. Currency hedging arrangements have been established using a combination of foreign currency loans and forward exchange contracts to ensure that the group is protected against any significant movements in exchange rates.

The group has sufficient borrowing facilities in place with several major international banks to fund its foreseeable working capital requirements.

F K J Jackson Finance Director – 5th March 1996

Treasury Policy

Cape operates a central Treasury function which manages financial risks relating to the group's trading activities and acts on behalf of its operating divisions. The group's funds are managed within policies defined by the Board of Directors to minimise risk.

The group invoices most of its exports from the UK in currencies other than sterling. In addition, the assets and liabilities of

THE BOARD OF DIRECTORS



Jeffrey Herbert (53)

Appointed Chairman in July 1985 having joined the board in April of that year. He is Chief Executive of Charter plc and a non-executive director of Vickers PLC and M&G Recovery Investment Trust. He joined Charter from the General Electric Company as a director in 1985 having previously been a director of Jaguar Rover Triumph.

Michael Farebrother (54)

Chief Executive, Cape PLC since 1989. A chartered engineer whose early career was spent in industrial engineering, he held senior management positions within the Dunlop Group. He was also Managing Director, Industrial Division of the Chloride Group, prior to joining Cape.

Keith Jackson (46)

Finance Director. Joined Cape PLC in 1989 having held Financial Director and general management positions in Argentina, Malaysia and the Philippines. An economist through his first degree, he also has an MBA from Manchester Business School.

Sir Michael Grylls MP (62)

Non-executive director appointed in August 1990, he has been Member of Parliament for North West Surrey since 1974 and is parliamentary spokesman for the Institute of Directors. He is also a non-executive director of Le Carbone Lorraine (GB) Limited and Small Business Bureau Limited.

Michael Millwood OBE (67)

Non-executive director since 1986, he was a director of John Laing PLC until 1988 having spent his career in the contracting industry.

Charles Parker (42)

Non-executive director appointed in March 1990. He is Commercial Director of Charter plc.

Nigel Robson (50)

Non-executive director appointed in January 1991. He is Finance Director of Charter plc. He was formerly the Corporate Finance Director at the Burton Group and Finance Director of London Brick.

GROUP MANAGEMENT BOARD

Michael Farebrother

Director of Cape PLC

Keith Jackson

Director of Cape PLC

Paul Ainley (50)

Joined Cape in 1976 as General Manager of the Scaffolding division. Became Managing Director of Cape Scaffolding in 1990, prior to his present appointment in 1995 as Managing Director of the merged UK scaffolding and insulation contracting businesses, Cape Industrial Services UK. Before joining Cape he held management positions within the UK scaffolding sector.

Mike Barton (44)

Joined Cape in 1990 as Managing Director of the then recently acquired ceilings business and became Managing Director of the Industrial and Architectural division in 1993. His career started with Dunlop as a technical apprentice, and following a mechanical engineering degree he became Truck Division Manufacturing Manager. He subsequently held general management positions with Chloride, spending part of this time in the USA.

David Flynn (47)

A chemistry degree through Shell Research led to technical and production management positions within Bowater UK, before joining Armstrong World Industries and becoming European Manufacturing Manager for the Architectural Building Products Group. With Cape since 1991, initially as Operations Director Cape Boards and, since 1993, as Managing Director of the Building Boards division.

Peter Gartside (52)

Joined Cape in 1977 within the Building Services division and has held a number of senior management positions in the Industrial Services division prior to his appointment in 1995 as Managing Director of Cape Industrial Services International. His early career was spent in marketing management, business development and general management in refrigeration engineering, after degrees in economics and business studies.

Ian Robb (36)

Joined Cape in 1984 as a project engineer at the Cape Industrial Products factory in Glasgow. Moving into production management he became Director and General Manager of Cape Insulation Products in 1990 before being appointed Managing Director of the Industrial Products division in 1993. He took up his present position as Managing Director of Cape Asia Pacific in 1995.

Richard Stephenson (41)

Joined Cape in 1990 and spent four years as Sales and Marketing Director in the Building Products division before becoming Group Commercial Director for Cape PLC. A graduate in economics and material science he first joined Unilever PLC and then progressed into sales and general management with building materials companies, spending periods in the Middle East and Far East.

Company Secretary

Michael Pitt-Payne (55)

Appointed Company Secretary of Cape PLC in 1992 after spending two years developing Cape's business in Singapore. He joined Cape in 1984 as Financial Director of the Manufacturing division and became Group Development Executive in 1989. Prior to joining Cape he was Finance Director of a BTR subsidiary and Financial Controller of Plessey Radar after training in the accountancy profession.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the financial statements of the company for the year ended 31st December 1995.

Principal Activities

The company and its subsidiaries form an international group with a presence in over twenty countries. It manufactures high performance fire protection, insulation, and building products for the construction industry and is a market leader in the UK, The Netherlands, the Middle East and Asia Pacific for the supply of thermal insulation and scaffolding services to the power generation and petrochemical industries. The principal subsidiary undertakings are set out on pages 55 and 56. 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 16. The Financial Review is on pages 18 and 19.

Results and Dividends

The profit before taxation for the year was £11.5 million and the profit after taxation amounted to £7.6 million.

The directors recommend the payment of a final ordinary dividend of 8p per share on 9th May 1996 to shareholders on the register at the close of business on 26th March 1996. The total ordinary dividend for the year is 11p per share. The retained profit for the year after payment of dividends is £1.6 million which has been added to the reserves.

Disposals

On 3rd November 1995 the company sold the metal ceilings business of Cape Ceilings Limited to Armstrong Metal Ceilings Limited for a consideration of £4.3 million in cash. £3.4 million was received during the year and a deferred consideration of £0.9 million is due to be received on 3rd November 1996.

On 23rd November 1995 the company disposed of its interests in the two depots of SOCAP in Marseilles for a nominal consideration of 1 French franc. These depots had been operating at a loss for several years.

Directors

The directors at the date of this report and their biographical details are listed inside the front cover and on page 20.

Mr C H Parker and Sir Michael Grylls are the directors retiring by rotation under Article 90 and being eligible offer themselves for reappointment at the annual general meeting.

The interests of the directors and their associates in the shares and share option schemes of the company and where applicable of Charter plc are shown in note 4 to the accounts on pages 37 to 40. 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 provisions for predetermined compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind.

The report of the Remuneration Committee is provided in note 4 on pages 37 to 40.

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

Annual General Meeting

The notice convening the annual general meeting to be held on Wednesday 24th April 1996 at The Founders Hall, 1 Cloth Fair, London EC1A 7HT is set out on pages 58 and 59.

Share Capital

On 16th May 1995 the holders of 1,278 8.4% cumulative convertible redeemable preference shares of £1 each exercised their rights to convert and accordingly 2,899 ordinary shares of 25p each and 55,325 deferred shares of 1p each were issued. The rights of conversion attaching to these shares came to an end on 31st December 1995. In future they will be referred to as the "8.4% cumulative preference shares".

Authority to allot shares

At the annual general meeting to be held on 24th April 1996 a special resolution will be proposed as special business to renew for a further year the directors' authority to allot equity securities for cash other than to existing shareholders up to an amount equal to 5 per cent of the issued share capital of the company at 1st March 1996. The text of the special resolution is set out in resolution 6 of the notice of the meeting on page 58.

Proposed Changes to the Articles of Association

At the annual general meeting to be held on 24th April 1996 a special resolution will be proposed as special business to amend the Articles of Association to permit the company to issue share certificates without the physical application of the seal. The text of the special resolution is set out in resolution 7 of the notice of the meeting on page 59.

Fixed Assets

Details of the movement in the tangible fixed assets during the year are given in note 10 to the accounts on pages 43 and 44.

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.

Charitable and Political Donations

During the year the company has made contributions of £56,400 to charitable organisations in the UK. There were no political donations.

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 Health and Safety audits at all UK subsidiaries and Environmental checks at the UK factories to ensure that proper procedures were in operation.

Employment of Disabled Persons

It is company 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 company, 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 UK and overseas. The funds of the pension schemes are administered by trustees and they are held separately from group funds.

Interests in Share Capital

On 5th March 1996 Popeshead Nominees Limited held 1,652,625 ordinary shares representing 3% of the issued ordinary share capital of the company.

On 5th March 1996 funds managed or advised by M & G Investment Management Limited held 5,667,091 ordinary shares representing 10.4% of the issued ordinary share capital of the company.

The directors have not been advised of any other notifiable interest of 3% or more in the company other than the ultimate holding company.

Ultimate Holding Company

On 5th March 1996 Charter plc, a company registered in England and Wales, held through a subsidiary 35,462,383 ordinary shares representing 65.3% of the issued ordinary share capital and the whole of the 3½% cumulative preference share capital of the company.

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 Coopers & Lybrand will be proposed at the annual general meeting on 24th April 1996.

Iver Lane
Uxbridge
Middlesex
UB8 2JQ



By order of the Board
M G Pitt-Payne
Secretary

5th March 1996

CORPORATE GOVERNANCE

In December 1992, the Cadbury Committee issued its report on the financial aspects of corporate governance. During the year ended 31st December 1995, the company complied with the Cadbury Committee's Code of Best Practice except for code paragraph 2.3. The non-executive directors are not appointed for specific periods but under the company's Articles of Association one third of the non-executive directors retire by rotation each year and may offer themselves for re-election by the shareholders at the annual general meeting.

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 of internal financial control.

The Board has put in place an organisational structure with clearly defined lines of responsibility, delegation of authority and authority limits. This 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.
- all investment expenditure is approved by the Board prior to commitment.
- the management of each operating unit annually provide written confirmation 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.

After making enquiries, the directors have a reasonable expectation that the group has adequate 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.

The auditors' report concerning the company's compliance with the Cadbury Committee's Code of Best Practice is on page 27.

REPORT OF THE AUDITORS TO CAPE PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 26 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

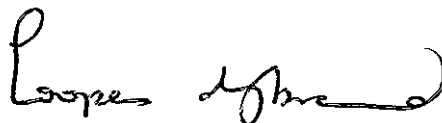
We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures, nor on the ability of the company or group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 26, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 26 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
West London



5th March 1996

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the profit or loss of the company 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF CAPE PLC

We have audited the financial statements on pages 29 to 56.

Respective responsibilities of directors and auditors

As described on page 27 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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.

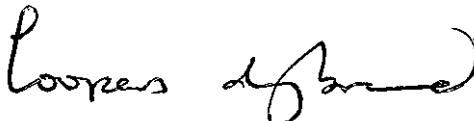
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1995 and of its profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
West London



5th March 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT*for the year ended 31st December 1995*

	Note	£m	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Turnover	1			
Continuing operations		237.3		162.8
Discontinued operations		6.4		5.3
			243.7	168.1
Cost of sales	2		(213.2)	(145.1)
Gross profit			30.5	23.0
Other operating expenses	2		(18.1)	(13.4)
Operating profit	3			
Continuing operations		12.8		10.1
Discontinued operations		(0.4)		(0.5)
			12.4	9.6
Profit on disposal of discontinued businesses	20		-	-
Profit on ordinary activities before interest			12.4	9.6
Net interest payable	6		(0.9)	(0.5)
Profit on ordinary activities before taxation			11.5	9.1
Tax on profit on ordinary activities	7		(3.9)	(3.5)
Profit on ordinary activities after taxation			7.6	5.6
Dividends	8		(6.0)	(4.5)
Retained profit for the period	18		1.6	1.1
Earnings per ordinary share	9		14.0p	10.2p

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

Movements in reserves are set out in note 18 on page 50.

The notes and information on pages 34 to 56 form part of these accounts.

CONSOLIDATED BALANCE SHEET

at 31st December 1995

	Note	1995 £m	1994 £m
Fixed assets			
Tangible assets	10	50.1	53.4
Current assets			
Stocks	12	16.2	14.8
Debtors	13	62.0	51.9
Cash at bank and in hand		28.6	22.0
		<u>106.8</u>	<u>88.7</u>
Creditors:			
Amounts falling due within one year	14		
Short term borrowings		(29.1)	(22.3)
Other creditors		(57.6)	(53.5)
		<u>(86.7)</u>	<u>(75.8)</u>
Net current assets		<u>20.1</u>	<u>12.9</u>
Total assets less current liabilities		<u>70.2</u>	<u>66.3</u>
Creditors:			
Amounts falling due after more than one year	15		
Long term borrowings		(0.3)	(0.2)
Provisions for liabilities and charges	16	(7.4)	(6.8)
Net assets		<u>62.5</u>	<u>59.3</u>
Capital and reserves			
Called up share capital (includes non-equity interests)	17	18.2	18.2
Share premium account	18	1.6	1.6
Revaluation reserve	18	11.4	11.4
Profit and loss account	18	31.3	28.1
Shareholders' funds		<u>62.5</u>	<u>59.3</u>

These accounts were approved by the Board of Directors on 5th March 1996 and were signed on its behalf by:

M J Farebrother

Director

F K J Jackson

Director

The notes and information on pages 34 to 56 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT*for the year ended 31st December 1995*

	Note	Twelve months ended 31st December 1995		Nine months ended 31st December 1994	
		£m	£m	£m	£m
Net cash inflow from operating activities	19(a)		13.7		10.6
Returns on investments and servicing of finance					
Interest received		0.6		0.7	
Interest paid		(1.5)		(1.1)	
Dividends paid		(6.1)		(4.3)	
Net cash outflow from returns on investments and servicing of finance			(7.0)		(4.7)
Tax paid	19(b)		(3.3)		(2.0)
Investing activities					
Purchase of tangible fixed assets net of grants		(5.8)		(5.4)	
Purchase of subsidiary undertakings		-		(3.9)	
Sale of plant and machinery		0.6		0.3	
Disposal of businesses	20(b)	3.4		-	
Movement in financial deposits		-		4.0	
Net cash outflow from investing activities			(1.8)		(5.0)
Net cash inflow/(outflow) before financing			1.6		(1.1)
Financing					
Capital element of finance lease rental payments	19(d)	(0.1)		-	
Net cash outflow from financing			(0.1)		-
Net increase/(decrease) in cash and cash equivalents	19(c)		1.5		(1.1)

The notes and information on pages 34 to 56 form part of these accounts.

COMPANY BALANCE SHEET

at 31st December 1995

	Note	1995 £m	1994 £m
Fixed assets			
Tangible assets	10	0.1	0.2
Investments	11	90.6	82.9
		<u>90.7</u>	<u>83.1</u>
Current assets			
Debtors	13	6.1	3.8
Cash at bank and in hand		14.2	13.1
		<u>20.3</u>	<u>16.9</u>
Creditors:			
Amounts falling due within one year			
Short term borrowings	14	(27.5)	(20.5)
Other creditors		(9.1)	(8.6)
		<u>(36.6)</u>	<u>(29.1)</u>
Net current liabilities		<u>(16.3)</u>	<u>(12.2)</u>
Total assets less current liabilities		<u>74.4</u>	<u>70.9</u>
Creditors:			
Amounts falling due after more than one year			
Provisions for liabilities and charges	15	(10.3)	(9.9)
	16	(1.6)	(1.7)
Net assets		<u>62.5</u>	<u>59.3</u>
Capital and reserves			
Called up share capital (includes non-equity interests)	17	18.2	18.2
Share premium account	18	1.6	1.6
Revaluation reserve	18	18.6	17.5
Profit and loss account	18	24.1	22.0
		<u>62.5</u>	<u>59.3</u>

These accounts were approved by the Board of Directors on 5th March 1996 and were signed on its behalf by:

M J Farebrother

Director

F K J Jackson

Director

The notes and information on pages 34 to 56 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES*for the year ended 31st December 1995*

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Profit on ordinary activities after taxation	7.6	5.6
Currency translation differences on foreign currency net investments	(0.3)	(0.1)
Total recognised gains relating to the period	<u>7.3</u>	<u>5.5</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS*for the year ended 31st December 1995*

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Profit on ordinary activities after taxation	7.6	5.6
Dividends	(6.0)	(4.5)
	<u>1.6</u>	<u>1.1</u>
Currency translation differences on foreign currency net investments	(0.3)	(0.1)
Goodwill written off	-	(0.7)
Reversal of prior year goodwill write-off released through the profit and loss account on disposal	1.9	-
Net addition to shareholders' funds	<u>3.2</u>	<u>0.3</u>
Shareholders' funds at commencement of period	59.3	59.0
Shareholders' funds at end of period	<u>62.5</u>	<u>59.3</u>

The notes and information on pages 34 to 56 form part of these accounts.

ACCOUNTING POLICIES

1. Accounting convention

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

2. Basis of consolidation

- (a) The consolidated accounts comprise the accounts of the company and all subsidiary undertakings for the year ended 31st December 1995.
- (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. The premium or discount between the purchase consideration and the fair value of net assets acquired is dealt with through reserves. 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 non-corporate joint ventures is accounted for under the proportional consolidation method.

3. Foreign currencies

Foreign currency assets and liabilities of United Kingdom 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.

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.

4. Turnover

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

5. 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

6. 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.

7. 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.

8. Technical development expenditure

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

9. Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and 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 amount by which work executed on long term contracts exceeds invoicing on account is shown as amounts recoverable on long term contracts within debtors. The attributable profit on a long term contract is determined by applying the percentage of the contract completed to the estimated final contract profit.

10. 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.

11. 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.

12. 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 disposal.

13. 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 ACCOUNTS

1 Segmental analysis

	Twelve months ended 31st December 1995			Nine months ended 31st December 1994		
	Turnover £m	Profit before tax £m	Net assets £m	Turnover £m	Profit before tax £m	Net assets £m
(a) Business analysis						
Manufacturing	85.0	8.6	40.6	55.7	6.6	43.0
Industrial Services	158.7	5.7	29.4	112.4	4.2	25.1
	<u>243.7</u>	<u>14.3</u>	<u>70.0</u>	<u>168.1</u>	<u>10.8</u>	<u>68.1</u>
Central accruals and provisions		-	(4.0)		-	(5.5)
Compensation for industrial disease		(1.9)	(2.7)		(1.2)	(2.8)
		<u>12.4</u>	<u>63.3</u>		<u>9.6</u>	<u>59.8</u>
Net interest/net borrowings		(0.9)	(0.8)		(0.5)	(0.5)
		<u>11.5</u>	<u>62.5</u>		<u>9.1</u>	<u>59.3</u>
(b) Geographical analysis by origin						
United Kingdom	168.6	8.4	42.3	119.9	8.5	38.9
Continental Europe	63.9	1.8	14.9	38.8	(0.4)	13.4
Rest of World	39.2	2.2	6.1	22.0	1.5	7.5
Inter-segment sales	(28.0)			(12.6)		
	<u>243.7</u>	<u>12.4</u>	<u>63.3</u>	<u>168.1</u>	<u>9.6</u>	<u>59.8</u>
Net interest/net borrowings		(0.9)	(0.8)		(0.5)	(0.5)
		<u>11.5</u>	<u>62.5</u>		<u>9.1</u>	<u>59.3</u>
				Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m	
(c) Geographical analysis by market						
United Kingdom				128.0	100.7	
Continental Europe				70.1	43.2	
Rest of World				45.6	24.2	
				<u>243.7</u>	<u>168.1</u>	

Note: Turnover in continental Europe includes The Netherlands £27.9 million (1994: £19.3 million), France £13.7 million (1994: £9.5 million) and Germany £20.3 million (1994: £9.6 million).

2 Cost of sales and other operating expenses

	Twelve months ended 31st December 1995			Nine months ended 31st December 1994		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Cost of sales	<u>206.8</u>	<u>6.4</u>	<u>213.2</u>	<u>139.7</u>	<u>5.4</u>	<u>145.1</u>
Distribution costs	9.6	0.1	9.7	7.4	0.1	7.5
Administrative expenses	6.7	0.3	7.0	4.7	0.3	5.0
Research and development expenditure	1.4	—	1.4	0.9	—	0.9
Other operating expenses	<u>17.7</u>	<u>0.4</u>	<u>18.1</u>	<u>13.0</u>	<u>0.4</u>	<u>13.4</u>

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.

3 Operating profit

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Operating profit is stated after charging/(crediting):		
Auditors' remuneration	0.3	0.3
Non audit fees payable to auditors	0.1	0.1
Depreciation on tangible fixed assets	8.2	6.0
Hire of plant and machinery	1.2	0.9
Other operating leases	0.7	0.7
Capital expenditure grants	(0.1)	(0.1)

4 Directors**Report of the Remuneration Committee**

The remuneration of the executive directors is determined by the Remuneration Committee. The members of the Remuneration Committee are Mr J W Herbert, Sir Michael Grylls and Mr A M Millwood who are non-executive directors of Cape PLC. The company's policy on executive directors' remuneration is to provide packages which will attract, retain and motivate directors of the quality required to manage the company. In framing its remuneration policy the Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules of the London Stock Exchange.

There are no long term incentive schemes for executive directors apart from the share options which are listed below. The basic salary of the executive directors is the only element of directors' remuneration which is pensionable. No director has a service contract with a notice period in excess of one year nor does any contract contain a provision for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

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

NOTES TO THE ACCOUNTS *continued***4 Directors** *continued***(a) Directors' emoluments**

	Twelve months ended 31st December 1995	Nine months ended 31st December 1994
	£000	£000
The aggregate emoluments of the directors of the parent company were:		
Fees	32	22
Payment to Charter Central Services Limited for the services of three directors	80	60
Salaries and other emoluments of executive directors	244	179
Performance related pay of executive directors	-	30
Pension contributions for executive directors	49	35
	405	326

(b) Analysis of directors' emoluments

	Twelve months ended 31st December 1995					Nine months ended 31st December 1994	
	Base salary	Benefits	Performance related bonus	Pension contributions	Fees	Total	
	£000	£000	£000	£000	£000	£000	£000
Executive directors							
M J Farebrother ^{(i)(iv)}	132	14	-	29	-	175	149
F K J Jackson ⁽ⁱ⁾	89	9	-	20	-	118	95
Non-executive directors							
Sir Michael Grylls	-	-	-	-	13	13	8
J W Herbert ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	-	-	-	-	60	60	44
A M Millwood	-	4	-	-	15	19	14
C H Parker ⁽ⁱⁱⁱ⁾	-	-	-	-	10	10	8
N E Robson ⁽ⁱⁱⁱ⁾	-	-	-	-	10	10	8
	221	27	-	49	108	405	326

Notes:

- (i) The executive directors participate in an annual performance bonus scheme related to the performance of the group. Payments under this scheme are made in the year following.
- (ii) Mr J W Herbert is Chairman of the Board of Directors and received fees of £60,000 (1994: £44,000). Mr J W Herbert received no performance related pay during the year or the previous period.
- (iii) The directors' fees for Mr J W Herbert, Mr C H Parker and Mr N E Robson are paid to Charter Central Services Limited.
- (iv) The highest paid director was Mr M J Farebrother with emoluments of £145,941 (1994: £128,319) and pension contributions of £29,230 (1994: £20,696).
- (v) The executive directors are members of the group defined benefit pension scheme (note 25) which provides a pension based on final salary, age and length of service. No pensions are provided for non-executive directors.

4 Directors continued**(c) Emoluments' bandings**

	Number of directors	
	Twelve	Nine
	months	months
	ended 31st December 1995	ended 31st December 1994
Emoluments of all directors, excluding pension contributions, were within the following ranges:		
£5,001- £10,000	2	3
£10,001- £15,000	1	1
£15,001- £20,000	1	-
£40,001- £45,000	-	1
£55,001- £60,000	1	-
£80,001- £85,000	-	1
£95,001-£100,000	1	-
£125,001-£130,000	-	1
£145,001-£150,000	1	-

(d) Directors' interests

The beneficial interests of the directors of the company and their families in the shares of the company and of Charter plc, where applicable, are set out below:

	Cape PLC		Charter plc	
	Ordinary shares		Fully paid shares	
	of 25p each		of 2p each	
	1995	1994	1995	1994
M J Farebrother	13,598	13,598	970	900
Sir Michael Grylls	-	-	-	-
J W Herbert	1,000	1,000	20,264 ⁽ⁱ⁾	15,343 ⁽ⁱ⁾
F K J Jackson	11,145	11,145	6,774 ⁽ⁱ⁾	6,583 ⁽ⁱ⁾
A M Millwood	7,000	7,000	-	-
C H Parker	-	-	11,385 ⁽ⁱ⁾	10,566 ⁽ⁱ⁾
N E Robson	-	-	11,562 ⁽ⁱ⁾	4,625 ⁽ⁱ⁾

Note:

(i) Includes shares appropriated under profit sharing scheme.

	Cape PLC Share option schemes			
	Granted	Exercised		
	1995	in year	in year	1994
M J Farebrother	107,407	-	-	107,407
F K J Jackson	65,168	2,854	-	62,314

No options lapsed during the year. The middle market price of the shares on 31st December 1995 was 140p and the range during the year ended 31st December 1995 was 140p to 210p.

NOTES TO THE ACCOUNTS *continued***4 Directors** *continued*

The share options held by the executive directors at 31st December 1995 were:

	Option scheme	Number of shares	Exercise price	Date from which exercisable	Expiry date
M J Farebrother	Executive	100,000	241p	8.7.96	8.7.03
	Savings related	7,407	243p	28.2.99	28.8.99
F K J Jackson	Executive	60,000	241p	8.7.96	8.7.03
	Savings related	2,314	243p	28.2.97	28.8.97
	Savings related	2,854	206p	31.5.00	30.11.00

The share options held by the directors of Charter plc in the Charter plc share option schemes at 31st December 1995 were:

	Charter plc Share option schemes			
	1995	Granted in year	Exercised in year	1994
J W Herbert	95,648	12,332	(144,524)	227,840
C H Parker	42,612	10,090	-	32,522
N E Robson	53,739	11,211	(111,849)	154,377

Details of the share options held by Charter plc directors in Charter plc share option schemes are provided in the Annual Report of Charter plc which can be obtained from The Company Secretary, Charter plc, 7 Hobart Place, London SW1W 0HH.

There were no changes in any of the Cape PLC or Charter plc directors' interests shown above between 31st December 1995 and 29th February 1996, being one month prior to the date of the notice of the annual general meeting.

5 Employees

	Twelve months ended 31st December 1995	Nine months ended 31st December 1994
(a) Average number of employees by business:		
Manufacturing	958	990
Industrial Services	3,518	3,330
Central	21	22
	<u>4,497</u>	<u>4,342</u>
Geographically:		
United Kingdom	2,714	2,932
Continental Europe	665	654
Rest of World	1,118	756
	<u>4,497</u>	<u>4,342</u>

5 Employees continued

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
(b) Employment costs, including directors' emoluments:		
Wages and salaries	83.7	61.2
Social security costs	9.8	7.6
Other pension costs (note 25)	0.1	0.5
	<u>93.6</u>	<u>69.3</u>

6 Net interest payable

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Interest receivable	0.6	0.5
Interest payable on bank loans, overdrafts and other loans wholly repayable within five years	(1.5)	(1.0)
	<u>(0.9)</u>	<u>(0.5)</u>

No interest was payable by instalments.

7 Tax on profit on ordinary activities

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Taxation for the year comprises:		
United Kingdom:		
Corporation tax at 33% (1994: 33%)	2.8	1.9
Deferred tax	0.9	0.3
Overseas taxes	0.5	1.0
Effective rate 36.5% (1994: 35.2%)	<u>4.2</u>	<u>3.2</u>
Adjustments relating to earlier years:		
United Kingdom	(0.4)	0.6
Overseas	0.1	(0.3)
Reported rate 33.9% (1994: 38.5%)	<u>3.9</u>	<u>3.5</u>

There is no tax attributable to the profit on disposal of discontinued businesses.

NOTES TO THE ACCOUNTS *continued***8 Dividends**

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m
Interim – paid 10th November 1995 – 3p per share (1994: 3p per share)	1.6	1.6
Final proposed – 8p per share (1994: 5.25p per share)	4.4	2.9
	<u>6.0</u>	<u>4.5</u>

9 Earnings per ordinary share

Earnings per ordinary share on a net basis are calculated by dividing profits after tax (after taking account of dividends on the 3½% cumulative preference and 8.4% cumulative preference shares) of £7,598,000 (1994: £5,541,000) by 54,325,811 ordinary shares (1994: 54,308,735), being the weighted average number of such shares in issue during the year. Because no preference dividend has accrued this year on the preference shares converted, and the ordinary shares issued on conversion rank for dividend for the year, earnings per ordinary share has been calculated on the basis that the increased number of shares were in issue throughout the year.

Taking into consideration outstanding share options at 31st December 1995 there is no material dilution of earnings per ordinary share.

10 Fixed assets – tangible assets

	Total £m	Land and buildings £m	Plant, machinery, fixtures and fittings £m
Group			
Cost or valuation:			
At 1st January 1995	109.3	28.9	80.4
Exchange adjustments	2.1	0.8	1.3
Additions at cost	6.1	–	6.1
Disposals	(2.9)	–	(2.9)
Disposal of businesses	(3.1)	–	(3.1)
At 31st December 1995	111.5	29.7	81.8
Depreciation:			
At 1st January 1995	55.9	4.7	51.2
Exchange adjustments	1.1	0.3	0.8
Provided during the year	8.2	0.5	7.7
Disposals	(2.3)	–	(2.3)
Disposal of businesses	(1.5)	–	(1.5)
At 31st December 1995	61.4	5.5	55.9
Net book amounts:			
At 31st December 1995	50.1	24.2	25.9
At 31st December 1994	53.4	24.2	29.2
Company			
Cost or valuation:			
At 1st January 1995	0.6	–	0.6
Intra-group transfers	3.0	–	3.0
Disposal of businesses	(3.0)	–	(3.0)
At 31st December 1995	0.6	–	0.6
Depreciation:			
At 1st January 1995	0.4	–	0.4
Provided during the year	0.1	–	0.1
Intra-group transfers	1.5	–	1.5
Disposal of businesses	(1.5)	–	(1.5)
At 31st December 1995	0.5	–	0.5
Net book amounts:			
At 31st December 1995	0.1	–	0.1
At 31st December 1994	0.2	–	0.2

NOTES TO THE ACCOUNTS *continued***10 Fixed assets - tangible assets** *continued*

	Group	
	1995	1994
	£m	£m
(i) The net book amount of land and buildings comprises:		
Freehold	23.3	23.4
Long leasehold	0.6	0.6
Short leasehold	0.3	0.2
	<u>24.2</u>	<u>24.2</u>
(ii) The total cost or valuation of land and buildings comprises:		
At cost	16.8	16.0
At 1988 professional valuation	11.8	11.8
At 1990 directors' valuation	1.1	1.1
	<u>29.7</u>	<u>28.9</u>
(iii) The net book amount of group freehold land and buildings at 31st December 1995 includes £11.5 million (1994: £11.2 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	19.1	18.3
Aggregate depreciation	(6.4)	(5.6)
Net book amount	<u>12.7</u>	<u>12.7</u>
(v) Included in plant and machinery are the following assets which are held under finance leases:		
Net book amount	0.2	0.2
Depreciation charge for year	0.2	0.3
The company has no assets held under finance leases.		

11 Fixed assets – investments

	Group undertakings		
	Total	Shares	Loans
	£m	£m	£m
Company			
Cost or valuation at 1st January 1995	82.9	24.9	58.0
Net advances	3.8	–	3.8
Revaluation surplus/(deficit)	3.9	4.3	(0.4)
Cost or valuation at 31st December 1995	<u>90.6</u>	<u>29.2</u>	<u>61.4</u>

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

	1995	1994
	£m	£m
Cost	<u>33.9</u>	<u>33.9</u>
Aggregate amounts provided	<u>10.9</u>	<u>14.1</u>

The principal subsidiary undertakings at 31st December 1995 are shown on pages 55 and 56. Full information on all subsidiary undertakings will be included with the company's next annual return which will be sent to the Registrar of Companies by 5th September 1996.

12 Stocks

	Group	
	1995	1994
	£m	£m
Short term contract work in progress	52.2	29.1
Less: Progress payments received and receivable	(45.7)	(22.6)
Short term contract balances	<u>6.5</u>	<u>6.5</u>
Long term contract work in progress	5.3	9.6
Less: Progress payments received and receivable	(5.0)	(9.5)
Long term contract balances	<u>0.3</u>	<u>0.1</u>
Raw materials and consumables	4.4	3.5
Work in progress	0.6	0.9
Finished goods and goods for resale	4.4	3.8
	<u>9.4</u>	<u>8.2</u>
	<u>16.2</u>	<u>14.8</u>

Payments received on account in excess of the value of the work done on the related contract are included within creditors.

NOTES TO THE ACCOUNTS *continued***13 Debtors**

	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	50.1	44.2	-	-
Amounts recoverable on long term contracts	2.1	0.8	-	-
Amounts owed by subsidiary undertakings			0.2	0.1
Other debtors	3.1	2.0	2.7	1.4
Prepayments and accrued income	3.0	2.5	-	-
	58.3	49.5	2.9	1.5
Amounts falling due after more than one year:				
Advance corporation tax recoverable	3.2	2.3	3.2	2.3
Trade debtors	0.5	0.1	-	-
	62.0	51.9	6.1	3.8

14 Creditors: Amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Short term borrowings	29.1	22.3	27.5	20.5
Other creditors				
Payments received on account (note 12)	2.6	1.9	-	-
Trade creditors	21.6	18.4	-	-
Amounts owed to subsidiary undertakings			0.1	0.1
Payroll and other taxes, including social security	6.2	6.4	0.3	0.1
United Kingdom taxation	4.7	3.9	2.0	1.5
Overseas taxation	0.8	1.0	-	-
Other creditors	4.7	6.1	1.3	1.6
Accruals and deferred income	12.7	11.3	1.1	0.8
Dividends payable	4.3	4.5	4.3	4.5
	57.6	53.5	9.1	8.6
	86.7	75.8	36.6	29.1

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
	£m	£m	£m	£m
Bank loans	0.2	0.2	-	-
Finance leases	0.1	-	-	-
Long term borrowings	0.3	0.2	-	-
Amounts owed to subsidiary undertakings			10.3	9.9
	0.3	0.2	10.3	9.9

	Group	
	1995	1994
	£m	£m
The bank loans are at interest rates between 7.5% and 9.25% and are secured on property and other assets in subsidiary undertakings and repayable as follows:		
Within one year	0.1	0.1
Between two and five years	0.1	0.1
After five years by instalments	0.1	0.1
	0.3	0.3

The finance lease rentals fall due as follows:

	1995	1994
	£m	£m
Within one year	0.1	-
Between two and five years	0.1	-
Total rental due	0.2	-

The aggregate of bank loans and finance leases are shown as:

	1995	1994
	£m	£m
Amounts falling due within one year	0.2	0.1
Amounts falling due after more than one year	0.3	0.2
	0.5	0.3

NOTES TO THE ACCOUNTS *continued***16 Provisions for liabilities and charges**

	Total £m	Compensation for industrial disease £m	Deferred taxation £m	Other provisions £m
Group				
At 1st January 1995	6.8	2.8	0.8	3.2
Applications	(2.2)	(2.0)	—	(0.2)
Provided during the year	2.8	1.9	0.9	—
At 31st December 1995	7.4	2.7	1.7	3.0
Company				
At 1st January 1995	1.7	—	0.6	1.1
Applications	(0.1)	—	(0.1)	—
At 31st December 1995	1.6	—	0.5	1.1

17 Share capital**(a) Authorised**

Equity:

73,663,439 ordinary shares of 25p each (1994: 73,660,540 ordinary shares of 25p each)

	1995 £m	1994 £m
Equity:		
73,663,439 ordinary shares of 25p each (1994: 73,660,540 ordinary shares of 25p each)	18.4	18.4
Non-equity:		
15,067 8.4% cumulative preference shares of £1 each (1994: 16,345)	—	—
250,000 3½% cumulative preference shares of £1 each	0.3	0.3
431,906,031 deferred shares of 1p each (1994: 431,852,035)	4.3	4.3
	4.6	4.6
	23.0	23.0

(b) Called up, fully paid and allotted

Equity:

54,325,811 ordinary shares of 25p each (1994: 54,322,912)

	1995 £m	1994 £m
Equity:		
54,325,811 ordinary shares of 25p each (1994: 54,322,912)	13.6	13.6
Non-equity:		
15,067 8.4% cumulative preference shares of £1 each (1994: 16,345)	—	—
250,000 3½% cumulative preference shares of £1 each	0.3	0.3
431,906,031 deferred shares of 1p each (1994: 431,852,035)	4.3	4.3
	4.6	4.6
	18.2	18.2

17 Share capital continued**(c) Share options**

The following share options in respect of ordinary shares were outstanding at 31st December 1995:

	Date of grant	Number of shares	Price	Date of exercise
Savings related share option scheme	6.1.89	24,535	167p	28.2.96
	13.7.90	110,232	190p	28.8.95 or 28.8.97
	2.1.92	242,596	243p	28.2.97 or 28.2.99
	8.7.93	169,509	241p	28.9.98 or 28.9.00
	7.4.95	346,012	206p	31.5.00 or 31.5.02

These options must be exercised within six months from the above dates.

Executive share option scheme	5.1.90	57,000	176p	5.1.93 to 5.1.00
	8.7.93	609,000	241p	8.7.96 to 8.7.03
	31.12.93	288,750	258p	31.12.96 to 31.12.03
	31.12.93	53,750	219.3p	31.12.98 to 31.12.03
	8.7.94	30,000	277p	8.7.97 to 8.7.04
	30.12.94	20,000	206p	30.12.97 to 30.12.04

(d) 8.4% Cumulative preference shares**Dividend rights:**

Fixed cumulative preferential dividend at the rate of 8.4% per annum payable half yearly in arrears on 1st April and 1st October in priority to any other class of shareholder.

Redemption of shares:

The holders of the 8.4% cumulative preference shares, which were issued on 11th June 1985 pursuant to a capital reorganisation, had the right to convert all or any such shares into fully paid ordinary shares of 25p each at the rate of 227 ordinary shares and 4,325 deferred shares of 1p each for every 100 8.4% cumulative preference shares during the six weeks following the publication of the Annual Report each year and not later than such publication in the year 1995. Therefore no further conversions of these shares can occur.

In accordance with the conversion rights, 1,278 8.4% cumulative preference shares were converted on 16th May 1995 to 2,899 new ordinary shares of 25p each and 55,325 deferred shares of 1p each.

The company is entitled to redeem the 8.4% cumulative preference shares at any time until 31st March 2000 at which date any of these shares remaining in issue must be redeemed.

Winding up:

On a winding up the holders have priority over 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.

NOTES TO THE ACCOUNTS *continued***17 Share capital** *continued***(e) 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 ranking in priority after the 8.4% cumulative preference shares.

Redemption of shares:

The shares have no redemption entitlement.

Winding up:

On a winding up the holders have priority after the 8.4% cumulative preference shares and 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.

(f) 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.

18 Reserves

	Total	Share premium	Revaluation	Profit and loss
	£m	account	reserve	account
	£m	£m	£m	£m
Group				
At 1st January 1995	41.1	1.6	11.4	28.1
Currency translation differences on foreign currency net investments	(0.3)	—	—	(0.3)
Reversal of prior year goodwill write-off released through the profit and loss account on disposal	1.9	—	—	1.9
Retained profit for the year	1.6	—	—	1.6
At 31st December 1995	44.3	1.6	11.4	31.3
Company				
At 1st January 1995	41.1	1.6	17.5	22.0
Surplus arising on revaluation of investments in subsidiary undertakings	1.1	—	1.1	—
Retained profit for the year	2.1	—	—	2.1
At 31st December 1995	44.3	1.6	18.6	24.1

Notes:

- Included in the currency translation differences on foreign currency net investments for the group is a charge of £2.1 million (1994: £0.5 million) in relation to foreign currency borrowings.
- The cumulative goodwill charged to reserves at 31st December 1995 was £16.3 million (1994: £18.2 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 retained profit for the year, £2.1 million (1994: £1.2 million) is dealt with in the financial statements of the company. Auditors' remuneration for the company was £57,000 (1994: £50,000).

19 Consolidated cash flow statement

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m	
(a) Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	12.4	9.6	
Depreciation charge net of grants amortised	8.1	5.9	
Increase in stocks	(1.7)	(1.5)	
(Increase)/decrease in debtors	(7.2)	1.3	
Increase/(decrease) in creditors	2.9	(4.5)	
Increase in provisions	1.9	1.2	
Compensation for industrial disease	(1.9)	(1.2)	
Net cash inflow from continuing operating activities	14.5	10.8	
Net cash outflow in respect of discontinued activities	(0.8)	(0.2)	
Net cash inflow from operating activities	13.7	10.6	
(b) Analysis of tax paid			
United Kingdom corporation tax	(2.4)	(1.5)	
Overseas tax	(0.9)	(0.5)	
	(3.3)	(2.0)	
(c) Analysis of balances of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand	28.6	22.0	6.6
Short term borrowings	(29.1)	(22.3)	(6.8)
	(0.5)	(0.3)	(0.2)
Analysis of the movement:			
Net increase in cash and cash equivalents			1.5
Effect of foreign exchange rate changes			(1.7)
			(0.2)
(d) Analysis of financing items as shown in the balance sheet			
Share capital	(18.2)	(18.2)	-
Long term borrowings	(0.3)	(0.2)	(0.1)
	(18.5)	(18.4)	(0.1)
Analysis of the movement:			
Capital element of finance lease rental payments			(0.1)

NOTES TO THE ACCOUNTS *continued*

20 Disposal of businesses

**Twelve
months
ended 31st
December
1995
£m**

(a) Disposal proceeds

On 3rd November 1995 the group sold for cash the metal ceilings business of Cape Ceilings Limited

4.3

(b) Reconciliation to amount in consolidated cash flow statement

Disposal proceeds as above

4.3

Deferred disposal proceeds

(0.9)

Amount included in consolidated cash flow statement

3.4

(c) Net tangible assets disposed of

Fixed assets

1.6

Stocks

0.8

Debtors

0.2

Creditors

(0.2)

2.4

(d) Profit on disposal of discontinued businesses

Gross profit from disposal

1.9

Goodwill in respect of the disposed businesses released to the profit and loss account in the year but which had been charged directly to reserves in prior years

(1.9)

Net profit from disposal

-

21 Deferred taxation

	1995	Movement	1994
	£m	£m	£m
Group			
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	1.2	0.8	0.4
Timing difference related to pension prepayment	0.5	0.1	0.4
	1.7	0.9	0.8
The potential liability for deferred taxation not provided comprises:			
Excess of the book values of assets including finance leases qualifying for taxation allowances over their written down values for taxation purposes	0.8	–	0.8
Taxation arising on the potential disposal of properties at their book values	0.5	0.1	0.4
Other timing differences	(0.5)	0.3	(0.8)
Trading losses carried forward (i)	(0.8)	(0.4)	(0.4)
	–	–	–

Notes:

- (i) The losses carried forward are in certain subsidiary undertakings and can only be utilised against future profits of those undertakings.
- (ii) In addition to the tax relief for trading losses carried forward shown above further tax relief is available in respect of trading losses carried forward amounting to approximately £6.7 million (1994: £7.1 million).
- (iii) 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.

	1995	Movement	1994
	£m	£m	£m
Company			
The provision for deferred taxation comprises:			
Timing difference related to pension prepayment	0.5	0.1	0.4
Other timing differences	–	(0.2)	0.2
	0.5	(0.1)	0.6

Note:

- (i) The company 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 1995 (1994: £NIL).

22 Capital commitments

	Group	
	1995	1994
	£m	£m
Capital expenditure authorised but not provided for in these accounts:		
Against which orders have been placed	1.5	0.4
Against which orders have not been placed	0.3	1.1
	1.8	1.5

NOTES TO THE ACCOUNTS *continued***23 Commitments under operating leases**

	Group	
	1995	1994
	£m	£m
(a) Land and buildings		
Annual commitments under operating leases expiring:		
Within one year	0.1	0.6
Between one year and five years	0.2	2.2
After five years	0.4	0.9
	0.7	3.7
(b) Other leases		
Annual commitments under operating leases expiring:		
Within one year	-	0.1
Between one year and five years	0.1	0.1
	0.1	0.2

24 Contingent liabilities

The parent company has contingent liabilities amounting to £3.7 million (1994: £2.8 million) in respect of bank and other guarantees and indemnities, the majority on behalf of subsidiary undertakings. The group has contingent liabilities of £1.1 million (1994: £1.3 million) in respect of guarantees and indemnities to third parties. In addition, both the company and its subsidiary undertakings have given guarantees and performance bonds of a normal trading nature.

Certain companies in the group, as well as the ultimate holding company, 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 UK that such actions, if brought in the UK, 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 UK. 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 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.

25 Pensions

The group operates two major pension schemes in the UK, 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 1995 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 2% higher than general earnings inflation and 3.5% higher than the annual increase in present and future pensions. The valuation showed that the defined benefit scheme had a market value of £69.6 million and was 123% funded after allowing for improved benefits for pensioners and members. 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. Other pension costs include a charge of £1.5 million (1994: £1.2 million) and a credit of £2.0 million (1994: £1.1 million). A pension prepayment of £1.6 million (1994: £1.1 million) is included in the balance sheet at 31st December 1995. The pension expense in the period for the defined contribution scheme of £0.2 million (1994: £0.1 million) equalled the company contributions to the scheme. Pensions for employees of overseas subsidiaries are provided in accordance with local requirements and practices.

26 Ultimate holding company

Charter plc, a company registered in England and Wales, held through a subsidiary 65.3% (1994: 65.3%) of the issued ordinary share capital and the whole of the 3½% cumulative preference share capital of the company at 31st December 1995. Charter plc is the only group in which the results of the company are consolidated. Copies of the Annual Report of Cape PLC can be obtained from The Company Secretary, Cape PLC, Iver Lane, Uxbridge, Middlesex UB8 2JQ, and the Annual Report of Charter plc can be obtained from The Company Secretary, Charter plc, 7 Hobart Place, London SW1W 0HH.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

at 31st December 1995

MANUFACTURING DIVISION

Cape Boards Limited

Uxbridge, Ystrad Mynach
Managing director: D F Flynn
Manufacture and supply of non-combustible fire protection and high performance boards for use in building, construction and general industry.

Cape Boards Nederland

's-Hertogenbosch, The Netherlands
Marketing Cape building products.

Cape France SA*

Paris, France
Director and general manager: L F M Dupont
Marketing Cape building products.

Cape Boards (Deutschland) GmbH*

Cologne, Germany
Director and general manager: J Plate
Marketing Cape building products.

Cape Industrial Products Limited

Glasgow
Director and general manager: W Farrell
Manufacture and supply of specialist non-combustible fire protection and heat resistant boards.

Cape Ceilings Limited

Stafford, Frome
Managing director: M P Barton
Manufacture of decorative and acoustic glass reinforced gypsum and mineral fibre suspended ceiling systems for use in industrial, retail and commercial buildings.

Cape External Products Limited

Blackburn, Burnley, Stafford
Managing director: M P Barton
Manufacture of aggregate covered glass reinforced external cladding panels. Design and supply of cladding systems for high and low rise buildings. Supply of a wide range of decorative claddings for public sector, commercial, domestic and industrial buildings.

Cape Façade*

Villers la Montagne, France
Managing director: M P Barton
Manufacture and supply of aggregate covered and decorative smooth faced glass reinforced polyester external cladding panels.

Cape Insulation Products Limited

Washington
Director and general manager: G J Lough
Manufacture and supply of calcium silicate and phenolic foam insulation and insulation systems.

Cape Boards Siborit GmbH*

Lüneberg, Germany
Director and general manager: W Hüttner
Manufacture and supply of high performance calcium silicate industrial and insulation products.

Cape Durasteel Limited

Wellingborough
Managing director: R A J Stark
Design, manufacture and installation of passive fire protection systems including barriers, ducting, doors and penetration seals.

Cape Asia Pacific Private Limited*

Singapore
Managing director: I W Robb
Marketing and sale of Cape products in Asia Pacific.

Cape Asia Pacific Limited*

Hong Kong
Marketing and sale of Cape products in Hong Kong, Taiwan and PRC.

Cape Asia Sdn Bhd*

Kuala Lumpur, Malaysia
Marketing and sale of Cape products in Malaysia.

INDUSTRIAL SERVICES DIVISION

UNITED KINGDOM

Cape Industrial Services Limited

Normanton
Managing director: P R Ainley
Industrial insulation, scaffolding, painting, fire protection and asbestos removal services.

Cape Contracts Limited

Belfast, Birmingham, Cardiff, Dalton-in-Furness, Doncaster, Dublin, Elsham, Fareham, North Shields, Oldham, Watford
Industrial insulation and asbestos removal services.

Cape Scaffolding Limited

Billingham, Eastleigh, Elsham Wold, Linlithgow, Normanton, Plymouth, Port Talbot, Sutton Coldfield, Warrington
Industrial scaffolding services.

PRINCIPAL SUBSIDIARY UNDERTAKINGS *continued*

at 31st December 1995

Cape Hire Limited

Billingham, Elsham Wold, Glasgow, Normanton, Port Talbot, Sutton Coldfield, Warrington
Hire and sale of scaffolding equipment.

Cape Offshore Services Limited

Aberdeen, Scotland
Scaffolding, fire protection, insulation and painting services for the offshore and related industries.

Cape Specialist Coatings Limited

Elsham Wold, Linlithgow, North Shields, Sutton Coldfield, Warrington
Industrial painting and fire protection services and flooring systems.

Cape AS*

Tananger, Norway
Scaffolding, fire protection, insulation and painting services for the offshore and related industries.

INTERNATIONAL

Cape East Limited

Watford
Managing director: J P Gartside
Regional director Middle East: J E Hockin
Regional director Far East: P Richards
Co-ordination of Cape's international industrial services activities.
These include the provision of industrial insulation, refractory, fire protection, painting, asbestos removal and scaffolding services and factoring insulation products to the international contracting industry.
Sale of Cape products in the Middle East.

Cape East LLC*(49%)

Abu Dhabi, United Arab Emirates
Industrial services.

R B Hilton Saudi Arabia Limited* (49%)

Riyadh, Saudi Arabia
Industrial services.

R B Hilton Limited

Bahrain branch
Industrial services

Cape East Private Limited*

Singapore
Bataam – Indonesian branch
Industrial services.

Cape East (Thailand) Limited*

Sriracha, Thailand
Industrial services.

Cape East Philippines, Inc.*

Batangas, Philippines
Industrial services.

Cape Contracts International (WA) Pty Limited*

Perth, Western Australia
Industrial insulation services.

Cleton Insulation BV*

Vlaardingen, The Netherlands
Managing director: J Schokkenbroek-Vos
Industrial insulation and asbestos removal services.

Cleton Insulation Belgium NV*

Antwerp, Belgium
Industrial insulation and asbestos removal services.

Cleton Isolierungen GmbH*

Meppen, Germany
Industrial insulation and asbestos removal services.

Hessisches Isolierwerk GmbH*

Borken, Germany
Managing director: S R Martindale
Industrial insulation services

Cape Entsorgungstechnik GmbH*

Borken, Germany
Managing director: I Kattenberg
Asbestos removal services

Société Cape Contracts SA*

Saint Quentin, France
Director and general manager: G Grapinet
Industrial insulation and asbestos removal services.

Notes

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 subsidiary undertakings marked with an asterisk whose shares are held by wholly owned subsidiary undertakings.
3. Except where indicated all subsidiary undertakings are wholly owned and incorporated in Great Britain and registered in England and Wales.

NOTIFICATION OF DIRECTORS' RESOLUTION RELATING TO THE CREST SYSTEM

This is to give notice, in accordance with the Uncertificated Securities Regulations 1995 ("the Regulations") that, on 5th March 1996, the Company resolved by a resolution of its directors that the title to the ordinary shares of 25p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors will become effective immediately prior to CRESTCo Limited granting permission for the shares concerned to be transferred by means of the CREST system.

Explanatory Note

The above notice is the notice the Company is obliged to give to its members, under the Regulations, of the passing of a "directors' resolution" (as defined in the Regulations) in relation to its ordinary shares. The directors' resolution will enable the Company's ordinary shares to join CREST in due course. The shares have not become transferable by means of the CREST system merely by virtue of the passing of the directors' resolution; the permission of the Operator of the system, CRESTCo Limited, must also be given before the shares can become so transferable. It is anticipated that this will occur at some time between November 1996 and April 1997.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the one hundred and third Annual General Meeting of Cape PLC will be held at The Founders Hall, No 1 Cloth Fair, London EC1A 7HT on Wednesday 24th April 1996 at 12 noon for the following purposes:

Resolution 1 To receive the audited accounts and the reports of the directors and the auditors thereon for the year ended 31st December 1995.

Resolution 2 To declare a final dividend in respect of the year ended 31st December 1995 on the ordinary share capital of the Company.

Resolution 3 To re-appoint Mr C H Parker, who retires by rotation, as a director of the Company.

Resolution 4 To re-appoint Sir Michael Gylls, who retires by rotation, as a director of the Company.

Resolution 5 To re-appoint Coopers & Lybrand as auditors of the Company and to authorise the directors to fix their remuneration.

To propose Resolution 6 as a special resolution:

Resolution 6 That the directors be empowered, pursuant to s.95 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 conferred by an ordinary resolution of the Company passed on 26th April 1995 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 respectively attributable to the interests of such shareholders are proportionate (as nearly as may be) to the respective number 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 up to an aggregate nominal value of £679,072 (representing 5% of the issued ordinary share capital at 1st March 1996), and shall expire fifteen months following the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 1997, 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.

To propose Resolution 7 as a special resolution:

Resolution 7 That the Articles of Association of the Company be amended by the deletion of the present Article 11(1) in its entirety, and the substitution of the following:

Every holder of shares (other than a recognised clearing house or nominee in respect of whom the Company is not required by law to complete and have ready a certificate) shall be entitled without payment to one certificate for all the shares of each class held by him (and upon transferring a part of his holding of shares of any class, to a certificate for the balance of that holding) or, upon payment for every certificate after the first of such reasonable sum as the directors may determine, to several certificates each for one or more of his shares. Every certificate shall be executed under the seal, or bearing an imprint or representation of the seal or such other form of authentication as the directors may determine, and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid upon them. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

By Order of the Board
M G Pitt-Payne
Secretary

29th March 1996

Registered Office:

Iver Lane
Uxbridge
Middlesex
UB8 2JQ

Registered in England: Number 40203

Notes

1. This notice is sent for information only to the holders of the 3½% cumulative preference shares, the 8.4% 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

	Twelve months ended 31st December 1995 £m	Nine months ended 31st December 1994 £m	Twelve months ended 31st March 1994 £m	Twelve months ended 31st March 1993 £m	Twelve months ended 31st March 1992 £m
Profit and Loss Account					
Turnover					
Continuing operations	237.3	162.8	222.2	240.0	197.7
Discontinued operations	6.4	5.3	7.8	5.2	5.2
	<u>243.7</u>	<u>168.1</u>	<u>230.0</u>	<u>245.2</u>	<u>202.9</u>
Operating profit					
Continuing operations	12.8	10.1	13.6	12.5	12.4
Discontinued operations	(0.4)	(0.5)	0.1	(0.6)	0.1
	<u>12.4</u>	<u>9.6</u>	<u>13.7</u>	<u>11.9</u>	<u>12.5</u>
Loss on disposal of discontinued businesses	-	-	-	-	(1.2)
	<u>12.4</u>	<u>9.6</u>	<u>13.7</u>	<u>11.9</u>	<u>11.3</u>
Profit on ordinary activities before interest	(0.9)	(0.5)	(1.0)	-	1.1
Profit on ordinary activities before taxation	11.5	9.1	12.7	11.9	12.4
Tax on profit on ordinary activities	(3.9)	(3.5)	(4.2)	(3.9)	(4.3)
Profit attributable to ordinary shareholders	<u>7.6</u>	<u>5.6</u>	<u>8.5</u>	<u>8.0</u>	<u>8.1</u>
Profit on ordinary activities before interest as a percentage of turnover	5.1%	5.7%	6.0%	4.8%	5.6%
Earnings per ordinary share	14.0p	10.2p	15.8p	14.9p	15.3p
Dividends per ordinary share	11p	8.25p	11p	10.75p	10.5p
	At 31st December 1995 £m	At 31st December 1994 £m	At 31st March 1994 £m	At 31st March 1993 £m	At 31st March 1992 £m
Balance Sheet					
Employment of capital					
Fixed assets	50.1	53.4	51.0	51.8	50.5
Other assets	13.2	6.4	2.8	2.0	1.0
	<u>63.3</u>	<u>59.8</u>	<u>53.8</u>	<u>53.8</u>	<u>51.5</u>
Capital employed					
Capital and reserves	62.5	59.3	59.0	58.2	67.9
Net borrowings/(cash)	0.8	0.5	(5.2)	(4.4)	(16.4)
	<u>63.3</u>	<u>59.8</u>	<u>53.8</u>	<u>53.8</u>	<u>51.5</u>
Return on average capital employed (based on profit on ordinary activities before interest)	20.1%	Note (ii)	25.5%	22.6%	23.2%
Net assets per ordinary share	115p	109p	109p	108p	127p

Notes:

- (i) Net assets per ordinary share has been calculated on the basis of deferred shares having no real value.
- (ii) A comparable return on average capital employed percentage cannot be calculated for the nine months ended 31st December 1994.

1. The first part of the report

2. The second part of the report

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9. The ninth part of the report

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