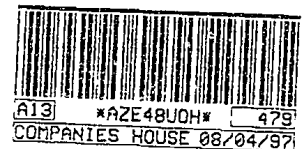


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CAPE INDUSTRIAL SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 1996

Company's Registered Number: 457763



CAPE INDUSTRIAL SERVICES LIMITEDREPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31st December 1996.

Review of the business

The business of the company is to provide a range of services to industry which include thermal and acoustic insulation, asbestos removal, fire protection, industrial scaffolding and painting, and flooring systems. The principal agency businesses of the company are Cape Contracts, Cape Scaffolding, Cape Specialist Coatings and Cape East.

The directors expect the company will return to profitability in the coming year.

Dividends and transfer to reserves

The directors do not recommend the payment of a dividend (1995 - £1,000,000).

The loss for the year of £1,274,000 (1995 - profit of £425,000) has been transferred to reserves.

Share capital

There was no change in the share capital during the year.

Fixed assets

Particulars of the changes in tangible fixed assets are shown in note 7 of the financial statements on page 14.

Directors and directors' interests

The following persons served as directors during the year:

P R Ainley	
P I Cartwright	(appointed 18.7.96)
W T Craig	(appointed 25.3.96)
C B Dowling	(appointed 18.7.96)
S F Drew	
M J Farebrother	(resigned 18.7.96)
J P Gartside	
F K J Jackson	(resigned 18.7.96)
I Nickerson	(appointed 25.3.96)
M G Pitt-Payne	
M T Reynolds	

The directors had no beneficial interests in the shares of the company.

CAPE INDUSTRIAL SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

Directors and directors' interests (continued)

Beneficial interests in shares of the holding company are as follows:

	CAPE PLC					
	31.12.96		Ordinary Shares of 25p each		31.12.95	
	Fully Paid	Options	Granted	Lapsed	Fully Paid	Options
P R Ainley	-	83,313	2,809	1,894	-	82,398
P I Cartwright	-	-	-	-	-	-
W T Craig	-	25,000	15,000	-	-	*10,000
C B Dowling	-	-	-	-	-	-
S F Drew	-	65,000	15,000	-	-	50,000
J P Gartside	-	21,813	2,809	1,894	-	20,898
I Nickerson	-	33,154	17,355	-	-	*15,799
M G Pitt-Paig	8,902	68,402	3,801	5,243	8,902	69,844
M T Reynolds	-	25,000	15,000	-	-	10,000

*Interest at date of appointment

The directors held the above options under the Cape Executive and Savings Related Schemes approved by shareholders on 30th July 1986. The options are exercisable between 31st December 1996 and 5th April 2006 at share prices between 167p and 258p per share.

Employment policies

Training, career development and promotional policies within the group provide equal opportunities for all employees.

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 whilst in the service of the company, every effort is made to rehabilitate them in their former occupation or some suitable alternative.

Employee involvement - the policy of providing employees with information regarding the financial and economic factors affecting the performance of the group and on other matters of concern to them as employees through regular newsletters and briefing groups has continued throughout the year. Employees are encouraged to participate in the equity of the company via SAYE schemes.

The holding company, Cape PLC, operates pension schemes covering all eligible employees. The schemes' funds are administered by trustees and are independent of the company's finances.

CAPE INDUSTRIAL SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

Supplier payment policy

The supplier payment policy for the company is to agree terms and conditions for business transactions with suppliers. Payment is then made on these terms and conditions being met by the supplier.

Auditors

The auditors, Coopers & Lybrand, have indicated their willingness to continue in office and in accordance with Section 385 of the Companies Act 1985, a resolution proposing their re-appointment will be put to the annual general meeting.

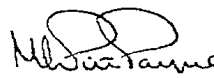
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements
- prepare the financial statements 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 to enable them to ensure that the financial statements 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.

By Order of the Board



Iver Lane
Uxbridge

M G Pitt-Payne
Secretary

12th March 1997

CAPE INDUSTRIAL SERVICES LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF CAPE INDUSTRIAL SERVICES LIMITED

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

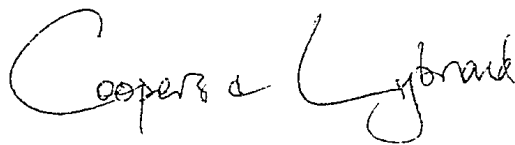
Basis of opinion

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 the company's affairs at 31st December 1996 and of its loss and total recognised losses 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

12th March 1997

CAPE INDUSTRIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996

	Note	<u>1996</u> £000	<u>1995</u> £000
Turnover - continuing operations		105,247	109,209
Cost of sales			
- continuing operations		<u>(106,135)</u>	<u>(106,487)</u>
Operating (loss)/profit			
- continuing operations	2	(888)	2,722
Interest payable and other similar charges	5	<u>(410)</u>	<u>(432)</u>
(Loss)/profit on ordinary activities before taxation		(1,298)	2,290
Tax credit /(charge) on (loss)/profit on ordinary activities	6	24	(865)
(Loss)/profit on ordinary activities after taxation		<u>(1,274)</u>	<u>1,425</u>
Dividends			(1,000)
(Loss)/profit for the year		<u>(1,274)</u>	<u>425</u>

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

Movements in reserves are set out in note 15 on page 19.

The notes on pages 9 to 21 form part of these financial statements.

CAPE INDUSTRIAL SERVICES LIMITED

BALANCE SHEET

AT 31ST DECEMBER 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	7	8,422	8,130
Current assets			
Stocks	8	1,748	3,278
Debtors	9	25,580	25,386
Cash at bank and in hand		3,634	950
		30,962	29,614
Current liabilities			
Creditors: Amounts falling due within one year	10	(17,548)	(20,854)
Net current assets		13,414	8,760
Total assets less current liabilities		21,836	16,890
Creditors: Amounts falling due after more than one year	11	(19,279)	(12,998)
Provisions for liabilities and charges	12	(1,415)	(1,355)
Net assets		1,142	2,537
Capital and reserves			
Equity:			
Called up share capital	14	414	414
Share premium reserve	15	223	223
Other reserves	15	561	561
Profit and loss account	15	(56)	1,339
Shareholders' funds		1,142	2,537

The financial statements were approved by the Board of Directors on 12th March 1997.

P. J. CARTWRIGHT
Director

The notes on pages 9 to 21 form part of these financial statements.

CAPE INDUSTRIAL SERVICES LIMITED

YEAR ENDED 31ST DECEMBER 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
(Loss)/profit on ordinary activities after taxation	(1,274)	1,425
Currency translation differences on foreign currency net investments	(121)	-
Total recognised (losses)/gains relating to the year	(1,395)	1,425

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
(Loss)/profit on ordinary activities after taxation	(1,274)	1,425
Dividends	-	(1,000)
	(1,274)	425
Currency translation differences on foreign currency net investments	(121)	-
Net (reduction)/addition to shareholders' funds	(1,395)	425
Shareholders' funds at 1st January	2,537	2,112
Shareholders' funds at 31st December	1,142	2,537

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 1996

1. Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Foreign currencies

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet dates. Profits and losses of overseas branches are translated into sterling at the average rates of exchange during the year. The differences arising from the translation of net interests in overseas branches are dealt with through reserves as are differences between profits translated at average and closing rates.

c) Turnover

Turnover is the invoiced value of sales and services including the value of work executed for contracts during the year.

d) Cost of sales

The company considers that all expenses are incurred in carrying out the contracting activities and seeks to recover those expenses against contracts. The expenses are therefore regarded as cost of sales and the employees are all categorised as involved in contracting activities.

e) 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 33 $\frac{1}{3}$ % per annum

Scaffolding equipment - 6 $\frac{2}{3}$ % to 25% per annum

Motor vehicles - 25% per annum

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CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

f) 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.

g) 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 attributable profit on a long term contract is determined by applying the percentage of the contract completed to the estimated final contract profit. The amount by which work executed on contracts exceeds invoicing on account is shown as amounts recoverable on contracts within debtors.

h) Technical development expenditure

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

i) 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.

j) 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 for the year.

k) 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.

l) Pensions

Pension costs for defined benefit schemes are charged against profits on a systematic basis. The pension expense for defined contribution schemes represents amounts payable in the year.

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

2. Operating (loss)/profit

	<u>1996</u> £000	1995 £000
Operating (loss)/profit is stated after charging:		
Auditors' remuneration	45	70
Depreciation on tangible fixed assets	2,647	2,636
Hire of plant and machinery	147	257
Other operating leases	412	657

3. Directors' emoluments

	<u>1996</u> £000	1995 £000
The emoluments of the directors of the company were:		
Salaries and other emoluments	500	432
Pension contributions	74	71
Compensation for loss of office	-	180
	<u>574</u>	<u>683</u>

Directors' emoluments excluding pension contributions and compensation for loss of office are as follows:

	£NIL	£NIL
Chairman's emoluments	£150,188	£119,966
Highest paid director		
	Number of directors	
All directors:		
Up to - £ 5,000	6	4
£30,001 - £35,000	-	1
£50,001 - £55,000	-	2
£60,001 - £65,000	1	-
£65,001 - £70,000	1	-
£85,001 - £90,000	-	2
£90,001 - £95,000	1	-
£115,001 - £120,000	-	1
£125,001 - £130,000	1	-
£150,001 - £155,000	1	-

Six directors were remunerated by the group parent company and received no emoluments in respect of their services to the company.

CAPE INDUSTRIAL SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)31ST DECEMBER 19964. Employees

	<u>1996</u> £000	<u>1995</u> £000
The average number of persons employed by the company (including directors) during the year was as follows:		

Contracting	2,059	2,060
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	<u>1996</u> £000	<u>1995</u> £000
The aggregate payroll costs of these persons were as follows:		

Wages and salaries	46,198	48,075
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Social security costs	4,473	4,615
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Other pension costs	632	624
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	51,303	53,314
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CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

5. Interest payable and other similar charges

	<u>1996</u> £000	<u>1995</u> £000
Interest payable to parent company and fellow subsidiary undertakings	427	450
Interest receivable from third parties	(17)	(18)
	<hr/> 410	<hr/> 432

6. Tax credit/(charge) on (loss)/profit on ordinary activities

	<u>1996</u> £000	<u>1995</u> £000
Taxation for the year comprises:		
United Kingdom Corporation tax at 33% (1995 - 33%)	(473)	(1,051)
United Kingdom deferred Corporation tax	552	(345)
(Under)/over provision in respect of prior years	(55)	531
	<hr/> 24	<hr/> (865)

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

7. Tangible fixed assets

	Land and Buildings £000	Plant, Machinery, Fixtures and Fittings £000	Total £000
Cost			
At 1st January 1996	1,434	19,797	21,231
Exchange adjustments	(18)	(39)	(57)
Additions at cost	73	3,138	3,211
Disposals	(17)	(2,403)	(2,420)
Intra-group transfers	-	(9)	(9)
At 31st December 1996	1,472	20,484	21,956
Depreciation			
At 1st January 1996	283	12,818	13,101
Exchange adjustments	(2)	(27)	(29)
Provided during the year	51	2,596	2,647
Disposals	(5)	(2,172)	(2,177)
Intra-group transfers	-	(8)	(8)
At 31st December 1996	327	13,207	13,534
Net book value			
At 31st December 1996	1,145	7,277	8,422
At 31st December 1995	1,151	6,979	8,130

Notes:

- (i) The net book value of land and buildings includes short leaseholds of £209,000 (1995 - £188,000)
- (ii) The net book value of plant and machinery held under finance leases is £944,000 (1995 - £180,000). The depreciation charge in the year on those assets was £235,000 (1995 - £4,000).

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

8. Stocks

	<u>1996</u> £000	<u>1995</u> £000
Short term contract work in progress	14,180	34,922
Less: Progress payments received and receivable	(13,399)	(32,495)
	<hr/>	<hr/>
Short term contract balances	781	2,427
	<hr/>	<hr/>
Long term contract work in progress	-	5,572
Less: Progress payments received and receivable	-	(5,572)
	<hr/>	<hr/>
Long term contract balances	-	-
	<hr/>	<hr/>
Raw materials and consumables	967	851
	<hr/>	<hr/>
	1,748	3,278
	<hr/>	<hr/>

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

9. Debtors

	<u>1996</u> £000	<u>1995</u> £000
Amounts falling due within one year:		
Trade debtors	14,726	19,492
Amounts recoverable on contracts	7,456	2,004
Amounts owed by parent company and fellow subsidiary undertakings	2,380	2,713
Other debtors	358	790
Prepayments and accrued income	548	387
Deferred taxation	112	-
	<hr/>	<hr/>
	25,580	25,386
	<hr/>	<hr/>

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

10. Creditors: Amounts falling due within one year

	<u>1996</u> £000	<u>1995</u> £000
Obligations under finance leases	269	62
Bank overdraft	61	3,270
Payments received on account	215	510
Trade creditors	5,310	5,277
Amounts owed to parent company and fellow subsidiary undertakings	4,160	2,968
Taxation	445	991
Payroll and other taxes, including social security	2,317	3,948
Other creditors	550	860
Accruals and deferred income	4,221	2,968
	<hr/> 17,548	<hr/> 20,854

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

11. Creditors: Amounts falling due after more than one year

	<u>1996</u> £000	<u>1995</u> £000
Obligations under finance leases	428	107
Amounts owed to parent company and fellow subsidiary undertakings	18,851	12,891
	<hr/> 19,279	<hr/> 12,998
Obligations under finance leases: Rentals fall due as follows:		
Within one year	295	68
Between one and two years	354	68
Between two and five years	118	50
	<hr/> 767	<hr/> 186
Less: finance charges allocated to future periods	70	17
	<hr/> 697	<hr/> 169
Shown as:		
Amounts falling due within one year	269	62
Amounts falling due after more than one year	428	107
	<hr/> 697	<hr/> 169

No interest is paid on the amounts owed to parent company and fellow subsidiary undertakings. These amounts will be repaid as and when agreed between the applicable parties.

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

12. Provisions for liabilities and charges

	Compensation for industrial disease £000	Deferred taxation £000	Total £000
At 1st January 1996	915	440	1,355
Applications	(635)	-	(635)
Provided/(released) during the year	1,135	(552)	583
Reclassified	-	112	112
At 31st December 1996	1,415	-	1,415

13. Deferred tax

The computation for deferred taxation as at 31st December 1996, using a rate of corporation tax of 33%, comprises a debtor balance as shown below:

	<u>Provided</u>		<u>Not Provided</u>	
	<u>1996</u> £000	<u>1995</u> £000	<u>1996</u> £000	<u>1995</u> £000
Taxation on the excess of the book value of assets qualifying for taxation allowances over their written down values for taxation purposes	218	440	-	-
Other timing differences	(330)	-	-	-
	<u>(112)</u>	<u>440</u>	<u>-</u>	<u>-</u>

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31ST DECEMBER 1996

14. Share capital

	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Authorised:		
2,000,000 ordinary shares of 25p each	500	500
Called up, fully paid and allotted:		
1,656,000 ordinary shares of 25p each	414	414

15. Reserves

	<u>Share</u> <u>premium</u> <u>reserve</u> <u>£000</u>	<u>Other</u> <u>reserves</u> <u>£000</u>	<u>Profit</u> <u>and loss</u> <u>account</u> <u>£000</u>	<u>Total</u> <u>£000</u>
At 1st January 1996	223	561	1,339	2,123
Currency translation differences on foreign currency net investments	-	-	(121)	(121)
Loss for the year	-	-	(1,274)	(1,274)
At 31st December 1996	223	561	(56)	728

16. Cash flow statement

Since the company is a wholly owned subsidiary and the cash flows of the company are included in the consolidated cash flow statement of Cape PLC, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

17. Related party transactions

Since the company is a wholly owned subsidiary of Cape PLC, the company is exempt under the terms of Financial Reporting Standard No. 8 from reporting related party transactions.

CAPE INDUSTRIAL SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS (continued)31ST DECEMBER 199618. Capital commitments

	<u>1996</u> £000	<u>1995</u> £000
Capital expenditure authorised but not provided for in these financial statements:		
Against which orders have been placed	108	894
Against which orders have not been placed	177	70
	<hr/> 285	<hr/> 964
<u>Commitments under operating leases</u>		
Land and buildings:		
Annual commitments under operating leases expiring:		
Within one year	30	80
Between one year and five years	207	155
After five years	147	422
	<hr/> 384	<hr/> 657

19. Contingent liability

Under a group registration, the company is jointly and severally liable for Value Added Tax due by the parent company. At 31st December 1996 this contingent liability amounted to £NIL (1995 - £42,531).

The company has undertaken together with certain UK undertakings within the Cape group to give joint and several guarantees to National Westminster Bank PLC in respect of any amounts due to the Bank from the company and other group undertakings.

CAPE INDUSTRIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31st DECEMBER 1996

20. Pensions

The company is a member of the Cape PLC group pension arrangements which include two major schemes in the United Kingdom. One scheme is a defined benefit scheme; the other is a defined contribution scheme. Pension contributions are based on pension costs across the group as a whole. The assets of both schemes are held in trustee administered funds.

The latest valuation of the defined benefit scheme was undertaken by independent qualified actuaries as at 6th April 1995 using the projected unit method. The main actuarial assumptions adopted in the valuation were that the long term annual investment return would be 2% higher than general earnings inflation and 3.5% higher than the increase in present and future pensions. The valuation showed that the defined benefit scheme had a market value of £69,600,000 and was 123% funded after allowing for improved benefits for pensioners and members. As a result, a net pension credit has been accounted for in the profit and loss account of Cape PLC. However, a pension charge has been made to the company by Cape PLC. The pension charge in the profit and loss account of the company in relation to both schemes for the period was £632,000 (1995 - £624,000).

21. Holding company

The company is a wholly owned subsidiary of Cape PLC, a company registered in England and Wales. Cape PLC is the smallest and largest group in which the results of the company are consolidated. Copies of the accounts of Cape PLC can be obtained from The Company Secretary, Cape PLC, Iwer Lane, Uxbridge, Middlesex, UB8 2JQ.