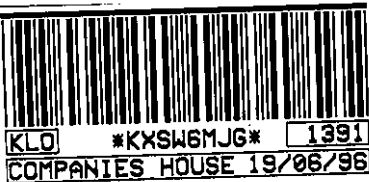


SEPARATOR SHEET

1491292



RUTLAND TRUST PLC



BAR

1491292

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 immediately.

Applications under the Open Offer may only be made on the accompanying Application Form, which is personal to the shareholder(s) named thereon and cannot be assigned, transferred, or split except to satisfy bona fide market claims.

If you have sold or transferred all of your Ordinary Shares in Rutland Trust PLC, please send this document together with the accompanying Application Form, Form of Proxy and reply-paid envelope at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Ordinary Shares in Rutland Trust PLC you are referred to the instructions regarding split applications set out in the accompanying Application Form.

UBS Limited, which is regulated by The Securities and Futures Authority Limited, is acting for Rutland Trust PLC in relation to the Transactions and is not acting for any other persons and will not be responsible to such other persons for providing the protections afforded to customers of UBS Limited or advising them on the contents of this document or any matter in relation to the Transactions.

A copy of this document, which comprises a prospectus relating to Rutland Trust PLC in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales as required by section 149 of that Act. ✓

Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List. It is expected that dealings in the New Ordinary Shares will commence on 18 July, 1996. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended or qualified for sale under the securities laws of any state of the United States or province or territory of Canada, Australia or Japan and may not, subject to certain exceptions, be offered or sold within the United States or to US persons or within Canada, Australia or Japan.

RUTLAND TRUST PLC

(Registered in England and Wales under the Companies Act 1985 with registered number 1491292) ✓

Proposed Placing and Open Offer by UBS Limited of 49,588,560 New Ordinary Shares at 50p per share and Acquisition of up to 29.9 per cent. of the issued ordinary share capital of Cape PLC

A letter from the Chairman of Rutland Trust PLC is set out on pages 6 to 11 of this document.

Notice of an Extraordinary General Meeting of Rutland Trust PLC to be held at Rutland House, Rutland Gardens, London, SW7 1BX on Friday 12 July, 1996 at 10.00 a.m. is set out on pages 79 and 80 of this document. To be valid, the enclosed Form of Proxy for use at this meeting should be completed, signed and returned in accordance with the instructions thereon so as to be received by the Company's Registrars, Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible but in any event no later than 10.00 a.m. on Wednesday 10 July, 1996. Completion of a Form of Proxy will not preclude a shareholder from attending and voting at the meeting in person.

The Open Offer expires at 3.00 p.m. on Wednesday 10 July, 1996. The procedure for application is set out in Part II of this document. To be valid, Application Forms should be completed and returned with the appropriate remittance to New Issues Department, Independent Registrars Group Limited, P.O. Box No. 166, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH, so as to arrive as soon as possible but in any event no later than 3.00 p.m. on Wednesday 10 July, 1996.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	1996
Record date for the Open Offer	close of business on Wednesday 12 June
Latest time and date (to satisfy bona fide market claims) for splitting Application Forms	3.00 p.m. Monday 8 July
Latest time and date for receipt of Forms of Proxy	10.00 a.m. Wednesday 10 July
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer	3.00 p.m. Wednesday 10 July
Extraordinary General Meeting	10.00 a.m. Friday 12 July
Dealings expected to commence in New Ordinary Shares	18 July
Expected date of despatch of definitive share certificates for New Ordinary Shares	24 July

DEFINITIONS

In this document, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of up to 29.9 per cent. of the issued ordinary share capital of Cape, the Cape Preference Shares and the Cape Deferred Shares as described in this document
"Acquisition Agreement"	the conditional agreement dated 19 June, 1996 between Charter (1) and Rutland (2), further details of which are set out in paragraph 1 of Part VI of this document
"Act"	the Companies Act 1985, as amended by the Companies Act 1989
"Admission"	the admission of the New Ordinary Shares to the Official List becoming effective in accordance with the Listing Rules of the London Stock Exchange
"Application Form"	the application form relating to the Open Offer being sent to Qualifying Shareholders with this document
"Board" or "Directors"	the directors of the Company
"Cape"	Cape PLC
"Cape Deferred Shares"	the 291,033,800 deferred shares of 1p each in Cape currently owned by Cecil Holdings Limited, a subsidiary of Charter
"Cape Preference Shares"	the 250,000 3½ per cent. cumulative preference shares of £1 each in Cape currently owned by Cecil Holdings Limited, a subsidiary of Charter
"Cape Shares"	ordinary shares of 25p each in the capital of Cape
"Charter"	Charter plc
"the Conditions"	means the conditions set out in the Acquisition Agreement to which the obligations of Charter and Rutland are subject of which further details are set out in paragraph 1(d) of part VI of this document
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 10.00 a.m. on 12 July, 1996 by the notice set out on pages 79 and 80 of this document or any adjournment of such meeting
"Executive Scheme"	the Rutland Executive Share Option Scheme adopted by the Company on 5 May, 1987
"Existing Ordinary Shares"	the 247,942,804 Ordinary Shares of Rutland currently in issue
"Form of Proxy"	the proxy form for use at the Extraordinary General Meeting accompanying this document
"Issue Price"	50p per New Ordinary Share
"KBS"	Kleinwort Benson Securities Limited
"KBS Placing Agreement"	means the placing agreement dated 19 June, 1996 between Charter (1) and KBS (2)
"London Stock Exchange"	London Stock Exchange Limited

"New Ordinary Shares"	the 49,588,560 new Ordinary Shares of 1p each to be issued in connection with the Placing and Open Offer
"Official List"	the Official List of the London Stock Exchange
"Open Offer"	the conditional offer by UBS on behalf of the Company of New Ordinary Shares, as set out in Part II of this document and the Application Form
"Ordinary Share(s)"	ordinary shares of 1p each in the capital of the Company
"Placing"	the conditional placing of New Ordinary Shares by UBS pursuant to the Placing Agreement, as described in this document
"Placing Agreement"	the conditional agreement between the Company, the Directors and UBS dated 19 June, 1996, further details of which are set out in paragraph 2 of Part VI of this document
"Qualifying Shareholders"	the holders of Existing Ordinary Shares on the register of members of the Company on the Record Date and others with a bona fide market claim
"Record Date"	the record date for the Open Offer, being the close of business on 12 June, 1996
"Registrars"	Independent Registrars Group Limited
"Resolutions"	the resolutions set out in the notice of the Extraordinary General Meeting on pages 79 and 80 of this document
"Rutland", "Rutland Trust" or "the Company"	Rutland Trust PLC
"Rutland Trust Group" or "Group"	Rutland Trust and its subsidiaries at the date of this document
"Services Agreement"	the conditional agreement dated 19 June, 1996 between Rutland (1) and Cape (2), further details of which are set out in paragraph 3 of Part VI of this document
"Shareholder"	a holder of ordinary shares of 1p each in Rutland Trust PLC
"the Taxes Act"	the Income and Corporation Tax Act 1988
"Transactions"	the Acquisition and the Placing and Open Offer
"UBS"	UBS Limited

DIRECTORS AND ADVISERS

Directors	<p>Admiral Sir Raymond Lygo KCB (Non-Executive Chairman)</p> <p>Michael Robert Finch Langdon (Deputy Chairman and Chief Executive)</p> <p>Christopher Bruce Dowling (Deputy Chief Executive)</p> <p>Gerard Anthony Loughney (Executive Director)</p> <p>Alexander Cassels (Non-Executive Director)</p> <p>Brian John Michael Dally (Non-Executive Director)</p> <p>all of Rutland House</p> <p>Rutland Gardens</p> <p>London SW7 1BX</p>
Secretary	Simon James Jackson
Registered Office	<p>Rutland House</p> <p>Rutland Gardens</p> <p>London SW7 1BX</p>
Financial Adviser, Sponsor and Broker	<p>UBS Limited</p> <p>100 Liverpool Street</p> <p>London EC2M 2RH</p>
Solicitors to the Company	<p>Taylor Joynson Garrett</p> <p>Carmelite</p> <p>50 Victoria Embankment</p> <p>Blackfriars</p> <p>London EC4Y 0DX</p>
Solicitors to the Placing and Open Offer	<p>Travers Smith Braithwaite</p> <p>10 Snow Hill</p> <p>London EC1A 2AL</p>
Auditors	<p>Price Waterhouse</p> <p>32 London Bridge Street</p> <p>London SE1 9SY</p>
Registrars	<p>Independent Registrars Group Limited</p> <p>Bourne House</p> <p>34 Beckenham Road</p> <p>Beckenham</p> <p>Kent BR3 4TU</p>
Bankers	<p>Bank of Scotland</p> <p>38 Threadneedle Street</p> <p>London EC2P 2EH</p>
Receiving Agents	<p>Independent Registrars Group Limited</p> <p>P.O. Box No. 166</p> <p>Bourne House</p> <p>34 Beckenham Road</p> <p>Beckenham</p> <p>Kent BR3 4TH</p>

PART I
LETTER FROM THE CHAIRMAN
RUTLAND TRUST PLC

(Registered in England and Wales No. 1491292)

Directors

Admiral Sir Raymond Lygo KCB (Chairman)*
M R F Langdon (Deputy Chairman and Chief Executive)
C B Dowling (Deputy Chief Executive)
G A Loughney
A Cassels*
B J M Dally*

Registered Office:

Rutland House
Rutland Gardens
London
SW7 1BX

19 June, 1996

*Non executive

To the holders of Ordinary Shares and, for information only, to the holders of options under the Executive Scheme

Dear Shareholder

Proposed Placing and Open Offer by UBS Limited of 49,588,560 New Ordinary Shares at 50p per share and Acquisition of up to 29.9 per cent. of the issued share capital of Cape PLC

1. Introduction

Your Directors have announced today that Rutland Trust has agreed subject to the Conditions to acquire 13,581,452 Cape Shares (representing 25.0 per cent. of Cape's issued ordinary share capital) from Charter for a consideration of approximately £17.66 million (equivalent to 130p per Cape Share).

Charter currently owns approximately 65.3 per cent. of the issued ordinary share capital of Cape. The balance of Charter's interest in Cape, not being sold directly to Rutland, is to be placed with institutional investors by KBS who have underwritten the placing at 130p per share. However, Rutland has an option, pursuant to the Acquisition Agreement, to acquire up to a further 2,661,964 Cape Shares representing approximately 4.9 per cent. of the issued share capital of Cape at the price at or above 130p per share which KBS may achieve in its placing to institutional investors. Rutland has an obligation to purchase these shares at 130p per share if KBS so requires. At the 130p level, the total consideration for a 29.9 per cent. interest in Cape would be approximately £21.12 million.

Upon completion of the Acquisition, certain Rutland Trust executives will be appointed by Cape to the Cape board of directors. Rutland will be remunerated for their services under the Services Agreement.

The consideration of approximately £17.66 million for 25.0 per cent. of Cape's issued share capital and any additional consideration for further Cape shares will be payable in cash on completion of the Acquisition Agreement and will be funded from the net proceeds of the Placing and Open Offer amounting to approximately £24.0 million. Any surplus cash will be added to the Group's existing resources for investment in other activities. Details of how Qualifying Shareholders can apply for New Ordinary Shares are set out in the letter from UBS in Part II of this document. The Placing and Open Offer is conditional, inter alia, on completion of the Acquisition.

Due to the size and nature of the Transactions, the approval of Shareholders in an Extraordinary General Meeting is required. The purpose of this document is to provide you with information regarding the Transactions and to seek your approval for the necessary Resolutions to be proposed at the Extraordinary General Meeting to be held at 10.00 a.m. on Friday 12 July, 1996.

2. Information on Rutland

Rutland is the holding company for an industrial and professional services group which is directly engaged in corporate finance, container port operations and professional services. It also

has a 40.1 per cent. stake in Capital Industries PLC, an industrial packaging group whose ordinary shares are listed on the London Stock Exchange.

Rutland's stated purpose is to add value to its investments by using its central management team to work alongside the executives of each of its businesses. Each investment derives financial, commercial and strategic advantages from its relationship with Rutland and by seeking out further strategic opportunities, Rutland aims to enhance shareholder value over the medium term.

Rutland's activities are operated through three divisions as follows:

Corporate Finance and Investment comprises Rutland Corporate Finance, which is the Group's corporate advisory and investment services arm, which holds direct responsibility for the Benjamin Shaw & Sons (soft drinks manufacture) and Rutland Motor Holdings (motor dealerships) subsidiaries. The division is also responsible for the Group's investment in Capital Industries PLC.

Container Port Services consists of Maritime Transport Services, which is a deep-water container port and road haulage operation based in Kent.

Professional Services combines Ellis & Buckle which provides loss adjusting and specialist insurance services, and Hunter & Partners, an architectural and building surveying practice.

3. Information on Cape

Cape specialises in the manufacture of fire protection, insulation and building products for the construction industry and provides maintenance services to the power generation and petrochemical industries.

Cape is a listed company whose ordinary shares are traded on the London Stock Exchange. At the close of business on 18 June, 1996 (being the latest practicable business date prior to the publication of this document) the middle market price of Cape's ordinary shares was 165p as derived from the Official List.

For the year ended 31 December, 1995 Cape reported an operating profit of £12.4 million, earnings per share of 14.0p and turnover of £243.7 million. Cape had net assets of approximately £62.5 million at 31 December, 1995.

The principal activities of Cape are carried out in two divisions, the Manufacturing Division and the Industrial Services Division. Each division of Cape has its own operating management which reports to central management based at Cape's head office in Uxbridge, Middlesex. The head office also provides the group with central functions such as treasury, tax, management accounting and computer services.

Manufacturing Division

This division is involved in the manufacture and sale of an extensive range of primarily calcium silicate based fire protection building boards for the construction industry in the UK, Europe and the Far East. The products are used in a wide range of niche applications capitalising on the key attributes of fire resistance, dimensional stability and moisture resistance. As well as the main building boards business, the division also includes businesses involved in the production of specialist industrial insulation and construction materials, the manufacture of external cladding boards for use on new buildings and refurbishment projects and the manufacture of mineral fibre and plaster ceiling systems. The division employed approximately 950 people in 1995 in factories in the UK, Germany and France.

Cape uses calcium silicate and other technologies which it has developed to manufacture internationally established products used by the building and construction industry for fire protection. Export sales are channelled through subsidiaries in France, the Netherlands, Germany and Singapore and via specialist distributors in other countries.

In 1990 Cape set up a company headquarters in Singapore to develop the markets for this division's products and services in the Asia Pacific region. Cape Asia Pacific now 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.

Industrial Services Division

This division is divided into two operations: International and UK. Both provide industrial insulation, industrial scaffolding, specialised coatings and associated services to major industrial

users. The major onshore markets for Cape Industrial Services are the power generation and petrochemical industries. Cape believes it is a market leader in these sectors in the UK. In addition Cape provides fabric maintenance services for offshore oil and gas platforms. The UK headquarters are located at Normanton, West Yorkshire and the operations are supported by more than twenty strategically located depots employing approximately 2,000 people throughout the UK.

The international operation has headquarters at Watford and has operating companies in the Netherlands, France, Germany, Belgium, the Middle East, Asia Pacific and Australia. More than 1,500 people are employed in the international operation providing services to the oil, gas, petrochemical and power generation industries. Cape has established a regional head office in Kuala Lumpur to manage expansion in Asia Pacific through operations in Singapore, Thailand, Malaysia, the Philippines and Indonesia.

Litigation

Arising from their previous involvement in the manufacture and use of asbestos related products, certain undertakings in the Cape group continue to be named, along with several other asbestos fibre and asbestos product suppliers, as defendants in a significant number of legal actions in the United States of America. The plaintiffs in such actions are claiming substantial damages as a result of the use of these products and substantial judgments have already been obtained in the United States against Cape group companies. Cape's policy with regard to such claims has been and remains not to recognise the jurisdiction of the United States Courts. Cape's policy arises from the fact that Cape has no assets within the jurisdiction of the United States Courts and attempts by the plaintiffs to enforce the existing judgments against Cape's assets in England and Wales have been tested in the English Courts where Cape's policy has been upheld. In addition, the Cape group has retained obligations in respect of claims made within a limited period against undertakings disposed of within its former mining division. The Cape directors have stated in the financial statements for the year ended 31 December, 1995 that, in the light of legal advice they have received, the above mentioned matters are unlikely to have a material effect on Cape's financial position.

In addition, claims for compensation predominantly for industrial disease have been and continue to be brought against Cape group companies in England and Wales arising out of Cape's involvement in the manufacture of asbestos related products and the use of those products in industry. Rutland understands that Cape substantially reduced its manufacture of asbestos related products in the late 1960s. Cape has made and continues to make provisions on an annual basis for all such related claims, both for claims which have been lodged and claims which remain outstanding. The provision made in the year ended 31 December, 1995 was £1.9 million for new claims made in that period less claims discontinued in that period. Further details in respect of this provision are set out in paragraphs 5.7 and 6.1(a) of Part IV of this document.

Rutland has taken legal advice in England and the United States in connection with the Acquisition which has concluded that it is extremely unlikely that Rutland could be found liable for claims in respect of Cape's asbestos related activities in the UK or the United States.

Further financial information relating to Cape is set out in Parts IV and V of this document.

4. Reasons for the Acquisition

For the past 27 years Charter has beneficially owned an interest in the issued share capital of Cape which currently amounts to approximately 65.3 per cent. During this time the Directors understand that Charter's representation on the Cape board has been confined to non-executive positions. In recent years, Cape has pursued a trading strategy which embraces both manufacturing and industrial services activities within the same group. It has also maintained a dividend policy which is generous relative to the building materials sector with historic dividend cover of around 1.2 times.

Rutland believes that greater value could be achieved for shareholders if Cape's operations are focused more effectively on its core activities. Consequently, there are a number of peripheral businesses within Cape which are not of sufficient size or do not fit within the main business areas of the group, and it would be our intention to seek to dispose of or close these businesses. Rutland Trust anticipates that this will involve a significant exceptional write down of Cape's net asset value by an amount which is estimated to be of the order of £15 million.

It would be Rutland's intention that Cape adopt a dividend policy more closely related to the building materials sector whereby the annual dividend will be reduced to increase dividend

cover and to increase investment in Cape's businesses. In particular, further investment in production processes and product development will assist the growth of Cape's manufacturing operations where we believe Cape is well placed to capitalise on its specialist calcium silicate based technology, particularly in overseas markets. However, it is intended that the interim dividend for the six months ended 30 June, 1996 will be maintained at the prior year level of 3p (net), payable to shareholders in the normal course.

Rutland has, through its other investments, accumulated considerable experience of company restructurings. The Directors believe that making available the services of certain key Rutland executives pursuant to the Services Agreement will considerably assist Cape's re-focusing of its various businesses and will crystallise value for shareholders over the medium term.

Finally, the Directors consider that the Acquisition represents a significant step in the development of Rutland in accordance with its declared strategy of investing in businesses where with the support of the central financial and management resources of Rutland, it is expected that considerable improvements in value can be achieved.

5. Services Agreement

Upon completion of the Acquisition, the Services Agreement will become unconditional. Accordingly, and in order to assist in the strategic re-focusing of Cape as outlined above, Michael Langdon, Chief Executive of Rutland Trust, will be appointed as part-time Chairman of Cape. Christopher Dowling, Deputy Chief Executive of Rutland Trust and Paul Cartwright, a Director of Rutland Corporate Finance Limited (a Rutland subsidiary) will be seconded on a full time basis to become Chief Executive and Finance Director respectively of Cape. It is envisaged that in due course an industrial management team will be appointed to replace the two individuals seconded from Rutland.

Rutland Trust will be remunerated at a rate of £650,000 per annum plus any applicable value added tax for its provision of management services under the Services Agreement. Further details of the Services Agreement are set out in paragraph 3 of Part VI of this document.

Following completion of the Acquisition, it is intended that Cape will convene a meeting of its shareholders for the purpose of approving a proposed incentive arrangement for Rutland. A summary of the proposed package, which is related to improvements in the Cape share price, is set out in paragraph 4 of part VI of this document. Cape shareholders will also be asked to approve certain amendments to Cape's articles of association which are to be amended in the light of the Services Agreement.

6. The Board of Cape

Upon completion of the Acquisition, it is expected that Sean O'Connor, non-executive Chairman of Stoves PLC and MediaKey Plc will be appointed as a non-executive director of Cape. At the same time Jeffrey Herbert, Chairman of Charter, Charles Parker and Nigel Robson, directors of Charter, will stand down as Cape directors, as will Michael Farebrother and Keith Jackson, Cape's current chief executive and finance director respectively. Sir Michael Grylls MP and Michael Millwood OBE have indicated that they are prepared to remain as non-executive directors.

7. Terms of the Acquisition

In accordance with the Acquisition Agreement, Rutland has agreed subject to the Conditions to purchase 13,581,452 Cape Shares (representing 25.0 per cent. of Cape's issued ordinary share capital) from Charter for a total consideration of approximately £17.66 million.

As part of the transaction Rutland will also acquire the Cape Preference Shares and the Cape Deferred Shares for a nominal consideration.

In addition, Rutland has an option to acquire up to a further 2,661,964 Cape Shares (representing 4.9 per cent. of Cape's issued share capital) at the price achieved by KBS in its placing to institutional and other investors. Furthermore, KBS can oblige Rutland to purchase these 2,661,964 Cape Shares at 130p per share if it so requires, resulting in additional consideration of £3.46 million.

The obligations of Charter and Rutland under the Acquisition Agreement are conditional *inter alia* on the approval of the Acquisition by both the shareholders of Rutland and Charter, the

Placing Agreement having become unconditional, the KBS Placing Agreement having become unconditional and Admission having occurred.

Rutland Trust has indicated its intention to retain substantially all of its shares in Cape for 18 months.

Further details of the Acquisition Agreement are set out in paragraph 1 of Part VI of this document.

8. Details of the Placing and Open Offer

To further the development of Rutland Trust and to preserve its cash resources for investment in its existing businesses, the Directors believe that it is appropriate to raise funds for the purpose of the Acquisition by way of a placing and open offer. UBS, acting as agent for the Company, is arranging for the New Ordinary Shares to be conditionally placed, subject to the right of recall of Qualifying Shareholders, with institutional investors at the Issue Price. Under the Open Offer, UBS is inviting Qualifying Shareholders to apply for New Ordinary Shares on the basis of 1 New Ordinary Share for every 5 Existing Ordinary Shares held at the Record Date (fractional entitlements to be rounded down) at the price of 50p per share, free of expenses. Fractional entitlements will be aggregated and will be taken up in the Placing.

The Placing and Open Offer is conditional upon the Placing Agreement becoming unconditional in all respects (which will involve, *inter alia*, the approval of the Acquisition by Shareholders at the EGM and the completion of the Acquisition) by no later than 25 July, 1996 and upon the Placing Agreement not being terminated in accordance with its terms before Admission.

Further details of the Open Offer (including the conditions to which it is subject) are set out in the letter from UBS in Part II of this document.

9. Current trading and prospects

The audited results of the Group which were published on 27 March, 1996 showed that for the year ended 31 December, 1995, the Group achieved a consolidated profit before tax of £12.6 million (1994 – £9.3 million) after an exceptional profit of £2.1 million (1994 – £NIL). Turnover for the period was £104.6 million (1994 – £113.1 million). During 1995 the Group disposed of Leasecontracts PLC, its vehicle contract hire subsidiary and acquired Maritime Transport Services Limited, the deep water container port and road haulage operation based on The Isle of Grain in Kent. In light of the improved results for the year ended 31 December, 1995, Rutland Trust increased its full year dividend by 20 per cent. from 1.0p to 1.2p.

Overall, the Group is trading in line with expectations. The Board remains confident of the outcome for the year, and will continue to take advantage of opportunities for expansion over the medium term.

A pro forma statement of net assets of the Group taking account of the Transactions, assuming Rutland acquires 25 per cent. of the ordinary share capital of Cape, is shown in Part V of this document. This statement is prepared for illustrative purposes only and shows that following the Transactions the pro forma net assets of Rutland Trust as at 31 December, 1995 would have increased to approximately £69.2 million before fair value adjustments, an increase of some £22.1 million over the audited net assets at 31 December, 1995.

10. Extraordinary General Meeting

Ordinary Shareholders will find at the end of this document the notice convening an Extraordinary General Meeting of the Company to be held at Rutland House, Rutland Gardens, London SW7 1BX at 10.00 a.m. on Friday 12 July, 1996.

At the Extraordinary General Meeting an ordinary resolution and a special resolution will be proposed to approve the Acquisition and to make changes to Rutland's share capital necessary to facilitate the Placing and Open Offer.

11. Action to be taken

Enclosed with this document is a Form of Proxy for use at the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the meeting, they are requested to complete, sign and return the Form of Proxy to the Company's registrars, Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to arrive no later than 10.00 a.m. on Wednesday 10 July, 1996.

Completion of the Form of Proxy will not preclude Shareholders from attending the meeting and voting in person should they so wish.

Qualifying Shareholders who wish to apply for New Ordinary Shares under the Open Offer, should follow the application procedures set out in the letter from UBS contained in Part II of this document and the instructions printed on the Application Form. Qualifying Shareholders who do not wish to apply for shares under the Open Offer need take no further action in relation to the Open Offer.

12. Further information

Your attention is drawn to the further information in Parts II to VII of this document.

13. Recommendation

The Directors, who have received financial advice from UBS, consider that the Acquisition and the Placing and Open Offer are in the best interests of the Company and its shareholders. In providing advice to the Directors in relation to the Acquisition, UBS has placed reliance upon the Directors' commercial assessment of the Acquisition. The Directors recommend Ordinary Shareholders to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial shareholdings, which amount to 5,717,519 Ordinary Shares representing approximately 2.3 per cent. of the Existing Ordinary Shares of the Company.

Yours sincerely

Admiral Sir Raymond Lygo KCB
Chairman

PART II
LETTER FROM UBS LIMITED



UBS Limited

(Registered in England and Wales, No. 1546399)

Registered Office:
100 Liverpool Street
London
EC2M 2RH

19 June, 1996

To Qualifying Shareholders and, for information only, to holders of options under the Executive Scheme

Dear Sir or Madam,

Proposed Open Offer of 49,588,560 New Ordinary Shares in Rutland Trust at 50p per share

The letter from your Chairman set out in Part I of this document explains the reasons for the Placing and Open Offer and that UBS has agreed, as agent for the Company, to make an Open Offer to Qualifying Shareholders of 49,588,560 New Ordinary Shares.

This letter and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

1. The Open Offer

Subject to the terms and conditions set out below and in the enclosed Application Form, UBS, acting as agent for the Company, hereby invites Qualifying Shareholders to apply to subscribe for New Ordinary Shares at a price of 50p per share free of expenses and payable in full on application. The Open Offer is made on the terms and subject to the conditions set out in this Part II and in the Application Form. Qualifying Shareholders may apply for New Ordinary Shares on the following basis:

1 New Ordinary Share for every 5 Existing Ordinary Shares

held on the Record Date and so in proportion for any greater number of Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of New Ordinary Shares. Fractional entitlements that would otherwise have arisen will not be allotted to Qualifying Shareholders but will be aggregated and taken up under the Placing for the benefit of the Company. Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their maximum entitlement. No application in excess of the maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied only for his maximum entitlement. Completed Application Forms and payment in full must be received by 3.00 p.m. on Wednesday 10 July, 1996 at the latest.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

The Placing and Open Offer are conditional on the satisfaction of the following conditions on or before 18 July, 1996 or on such later date as the Company and UBS may agree, being on or before 25 July, 1996:

- (a) the passing at the Extraordinary General Meeting of the Company (or any adjournment of such meeting) of the Resolutions;
- (b) the Acquisition Agreement becoming unconditional and not having been terminated;
- (c) the Placing Agreement having become unconditional in all respects and not having been terminated; and

- (d) the London Stock Exchange having admitted the New Ordinary Shares to the Official List and such admission having become effective.

If valid applications from Qualifying Shareholders are not received for any of the New Ordinary Shares, such New Ordinary Shares will form part of the Placing.

The rights of Qualifying Shareholders to subscribe for New Ordinary Shares will lapse if they are not taken up. Any New Ordinary Shares not taken up pursuant to the Open Offer will be allocated pursuant to the Placing and will not be sold in the market for the benefit of Qualifying Shareholders.

2. Procedure for Application

The Application Form enclosed with this document shows the number of Ordinary Shares registered in your name at the Record Date and also shows your *pro rata* maximum entitlement to New Ordinary Shares under the Open Offer. You may apply for less than your entitlement should you wish.

Qualifying Shareholders may only apply for New Ordinary Shares under the Open Offer on the enclosed Application Form which may not be assigned or transferred except to satisfy bona fide market claims in relation to purchases through the market prior to the date on which the Existing Ordinary Shares are marked "ex" the entitlement to the Open Offer (namely 19 June, 1996).

The Application Form is not a document of title and may not be traded. Qualifying Shareholders who have sold all or part of their Shareholding through the London Stock Exchange should consult their stockbroker or other professional advisers through whom the sale or transfer was effected as soon as possible, as the invitation to apply to subscribe for the New Ordinary Shares under the Open Offer may represent a benefit which may be claimed from them by the purchasers under the rules of the London Stock Exchange.

If you wish to apply for all or any New Ordinary Shares to which you are entitled, you should complete the enclosed Application Form in accordance with the instructions thereon and send or deliver it in the enclosed reply-paid envelope, by post or by hand, together with a remittance for the full amount payable in accordance with the instructions on the Application Form and in this document, to New Issues Department, Independent Registrars Group Limited, P.O. Box No. 166, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only (during normal business hours) to Independent Registrars Group Limited, 5th Floor, 56-60 Gresham Street, London EC2 so as to arrive not later than 3.00 p.m. on Wednesday 10 July, 1996. Subject as set out below, Application Forms received after this time will not be accepted. The instructions and other terms set out on the Application Form are terms of the Open Offer.

Applications once made will be irrevocable. UBS may (at its sole discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or not accompanied by a power of attorney where required.

The Company and UBS reserve the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 10 July, 1996 from an authorised person (as defined in the Financial Services Act 1986) specifying the New Ordinary Shares concerned and undertaking to lodge the relevant Application Form in due course. UBS reserves the right (but shall not be obliged) to treat as valid Application Forms which do not comply strictly with the terms and conditions of the Open Offer.

If you do not intend to apply for any New Ordinary Shares, you should not complete and return the enclosed Application Form. You are, however, requested to complete and return the enclosed Form of Proxy for use at the Extraordinary General Meeting.

All payments must be made in pounds sterling by cheque or bankers' draft drawn on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited, or a member of either of the Committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for any such members and must bear the appropriate sort code in the top right-hand corner. Cheques and bankers' drafts should be made payable to "Independent Registrars a/c Rutland Trust" and crossed "A/C Payee only". The Application Form contains a warranty that cheques will be honoured on first presentation. The Company and UBS reserve the right to present the cheques and bankers' draft for clearance at any time after receipt. Following the closing date of the Open Offer, application

monies will be transferred to a separate bank account pending satisfaction of the conditions of the Placing and Open Offer set out above. No monies payable under the Open Offer will be released to the Company until the Open Offer has become unconditional. If any of these conditions are not satisfied by 18 July, 1996 or on such later date as the Company and UBS may agree, being on or before 25 July, 1996, all monies will, subject to the Money Laundering Regulations 1993 ("Money Laundering Regulations"), be returned to applicants without interest as soon as possible and, in any event within 14 days of that date. All documentation or remittances sent through the post by or to an applicant, or as he may direct, will be sent at the applicant's risk.

3. Money Laundering Regulations

The Money Laundering Regulations may require the Registrars to establish the identity of the person by whom, or on whose behalf, an Application Form is lodged (which requirements are referred to below as the "verification of identity requirements"). A person (the "acceptor") who, by lodging an Application Form as described above, applies for New Ordinary Shares (the "relevant shares") and any agent lodging such an Application Form on his behalf shall thereby be deemed as a term of the Open Offer to agree to provide the Registrars and/or the Company with such information and other evidence as they may require in their absolute discretion to satisfy the verification of identity requirements.

If the Registrars determine that the verification of identity requirements apply to any acceptance of an application and that the verification of identity requirements have not been satisfied (which the Registrars shall in their absolute discretion determine) by 3.00 p.m. on 10 July, 1996, the Company may, in its absolute discretion, treat the acceptance as invalid or may allot the relevant shares to the acceptor but (notwithstanding any other term of the Open Offer) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrars shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, not being less than twenty-one days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares and for that purpose the Company will be expressly authorised to act as agent of the acceptor. Any proceeds of sale of the relevant shares (net of expenses of sale) which shall be issued to and registered in the name of the purchaser(s) will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations.

The Registrars are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied and neither the Registrars nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion or as a result of any sale of relevant shares.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delays in the despatch of a share certificate.

The verification of identity requirements will not usually apply:

- (a) if the acceptor is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (b) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (c) if the aggregate subscription price for the relevant shares is less than £11,000.

Where the verification of identity requirements apply, satisfaction of requirements may be facilitated in the following ways:

- (i) if payment is made by bank or building society cheque (not being a cheque drawn on an account of the acceptor) or a bankers' draft, the acceptor should request the bank or building society to endorse on the cheque or draft the acceptor's name and the number of an account held in the acceptor's name at such bank or building society. Such endorsement must be validated by a stamp and an authorised signature;
- (ii) if payment is not made by cheque drawn on an account in the name of the acceptor, the acceptor should enclose with his Application Form evidence of his name and

address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the acceptor's name and address (originals of such documents (not copies) are required; such documents will be returned in due course); or

- (iii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti-money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Australia, Canada, Hong Kong, Iceland, Japan, New Zealand, Norway, Singapore, Switzerland, Turkey and the United States of America) the agent should provide written confirmation that it has that status, and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrars or the relevant authority.

In order to confirm the acceptability of any written assurance referred to in (iii) above or in any other case, the acceptor should contact the Registrars.

If an Application Form is delivered by hand by the acceptor in person he should ensure that he has with him evidence of identity bearing his photograph (for example his passport) and evidence of his address.

4. Overseas Shareholders

The making of the Open Offer to persons who are resident in, or citizens of, countries other than the United Kingdom ("Overseas Shareholders") may be affected by the law of the relevant jurisdiction. Such persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements to enable them to take up the New Ordinary Shares under the Open Offer. It is the responsibility of all Overseas Shareholders receiving this document and/or an Application Form and wishing to apply for the New Ordinary Shares under the Open Offer to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document and/or Application Form in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him, nor should he in any event use an Application Form, unless in the relevant territory such an offer or invitation can lawfully be made to him, or the Application Form can lawfully be used without compliance with any registration or other legal requirements. The Company reserves the right in its absolute discretion to treat an application represented by an Application Form as invalid if it believes that acceptance of such application may violate applicable legal or regulatory requirements. All payments must be made in pounds sterling.

In particular, Overseas Shareholders should note the following:

(a) United States and Canada

The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended ("the Securities Act"), and the relevant exemptions are not being obtained from the Securities Commission of any province of Canada. Accordingly, the New Ordinary Shares are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in the United States of America or Canada or to or for the benefit of any US person or resident of Canada (other than under the applicable exemption) or to any person purchasing the New Ordinary Shares for re-offer, sale, renunciation or transfer in the United States and Canada. By completing and delivering an Application Form a Qualifying Shareholder will be deemed to have represented and warranted to the effect that he is not a US person or resident of Canada, that he does not hold Ordinary Shares on behalf of a US person or resident of Canada and that he is not applying on behalf of a US person or a resident of Canada and will not hold or acquire any of the New Ordinary Shares which are the subject of the application for the account or benefit of such a person or with a view to the offer, re-offer, sale, renunciation or transfer to any such person or, directly or indirectly, in the United States or Canada. No invitation is being made to any shareholder who is a US person or a resident of Canada and no Application Form is being sent to any shareholder whose registered address is in the United States or Canada.

For the purpose of this document: "United States" means the United States of America, each state thereof (including the District of Columbia), its territories, possessions and all areas

subject to its jurisdiction; "Canada" means Canada and each province thereof; "US person" has the meaning given in Regulation S promulgated under the Securities Act; and "resident of Canada" means a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Canada, or any estate or trust, the income of which is liable to Canadian income tax regardless of its source.

(b) Australia

No prospectus in relation to the New Ordinary Shares has been or will be lodged with or registered by the Australian Securities Commission and the Open Offer is not therefore being made in the Commonwealth of Australia, its states, territories or possessions ("Australia") nor may this document, any advertisement or other offer material in relation to the New Ordinary Shares be distributed, directly or indirectly, in Australia. The New Ordinary Shares will not be available for subscription or purchase by any resident of Australia, including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia.

5. Taxation

(a) Capital gains tax

The Directors have been advised that the Inland Revenue takes the view that, in circumstances such as these, the issue of New Ordinary Shares under the Open Offer by the Company to Qualifying Shareholders up to such shareholders' maximum entitlement will amount to a reorganisation of the share capital of the Company for the purposes of United Kingdom taxation on capital gains. Accordingly, New Ordinary Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer, together with such shareholder's existing holding, will be treated for capital gains tax purposes as the same asset as such existing holding and the price paid by the Qualifying Shareholder for such New Ordinary Shares will be added to the base cost of his existing holding (save for the purposes of calculating any indexation allowance). The capital gains tax position on any future disposal of any shares in the Company will depend on the Qualifying Shareholder's individual circumstances.

(b) Stamp duty and stamp duty reserve tax

The issue of the New Ordinary Shares by the Company to Qualifying Shareholders pursuant to the Open Offer should not be subject to any stamp duty or stamp duty reserve tax. Any future dealings with these shares will be subject to stamp duty or stamp duty reserve tax in the normal way.

(c) Income tax

Shareholders are referred to the information set out in paragraph 14 of Part VII of this document.

If you are in any doubt as to your tax position you should consult your own professional adviser.

6. Settlement and Dealings

Application has been made for the New Ordinary Shares to be admitted to the Official List. Subject to satisfaction of the conditions of the Placing and the Open Offer, dealings in the New Ordinary Shares for rolling settlement are expected to commence on Thursday 18 July, 1996. Definitive certificates in respect of New Ordinary Shares, which will be in registered form, are expected to be despatched by post at the risk of applicants on 24 July, 1996. No temporary documents of title will be issued and, pending the issue of definitive share certificates, transfers will be certified against the register.

7. Further information

Your attention is drawn to the further information set out in Parts III to VII of this document.

Yours faithfully
for and on behalf of
UBS Limited

Jonathan Dutton
Executive Director

PART III

FINANCIAL INFORMATION ON RUTLAND TRUST

1. Basis of preparation

The financial information set out below is extracted without material adjustment from the audited financial statements of Rutland Trust for the three financial years ended 31 December, 1995.

The financial information contained in this Part III does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Statutory accounts of Rutland Trust for the three financial years ended 31 December, 1995 have been delivered to the Registrar of Companies in England and Wales. These financial statements contained unqualified auditor's reports under Section 235 of the Companies Act and did not include a statement under sections 237(2) or (3) of the Companies Act.

2. Profit and loss accounts

The following information is extracted from the audited consolidated profit and loss accounts of Rutland Trust for the three financial years ended 31 December, 1995.

	Note	1995 £'000	1994 £'000	1993 £'000
Turnover				
Continuing operations		50,972	50,404	110,374
Acquisitions		7,605	—	—
		<u>58,577</u>	<u>50,404</u>	<u>110,374</u>
Discontinued operations (Note A)		46,071	62,737	—
	5.2	<u>104,648</u>	<u>113,141</u>	<u>110,374</u>
Operating profit				
Continuing operations		3,082	2,848	5,228
Acquisitions		649	—	—
		<u>3,731</u>	<u>2,848</u>	<u>5,228</u>
Discontinued operations (Note A)		3,829	3,953	—
	5.3	<u>7,560</u>	<u>6,801</u>	<u>5,228</u>
Income from interests in associated undertakings	5.6	2,687	2,100	1,928
Exceptional items — profit on disposal of discontinued businesses	5.7	2,076	—	3,301
Interest receivable and similar income		1,443	1,166	1,088
Interest payable and similar charges	5.8	(1,136)	(738)	(606)
Profit on ordinary activities before tax	5.2	<u>12,630</u>	<u>9,329</u>	<u>10,939</u>
Tax on profit on ordinary activities	5.10	(2,975)	(2,905)	(2,446)
Profit on ordinary activities after tax		<u>9,655</u>	<u>6,424</u>	<u>8,493</u>
Minority interests (including non-equity)	5.11	(999)	(733)	(671)
Profit attributable to shareholders		<u>8,656</u>	<u>5,691</u>	<u>7,822</u>
Dividends	5.12	(2,973)	(2,478)	(2,155)
Retained profit for the financial year		<u>5,683</u>	<u>3,213</u>	<u>5,667</u>
Earnings per 1p ordinary share	5.13			
– excluding Exceptional items		2.75p	2.30p	1.97p
– including Exceptional items		3.49p	2.30p	3.17p

Notes

(A) Discontinued operations comprise the 1995 trading results attributable to Leasecontracts PLC up to its disposal by the Group on 3 November, 1995 together with the 1994 comparative results. The results for 1993 have not been restated.

3. Balance Sheets

The following information is extracted from the audited consolidated balance sheets of Rutland Trust as at 31 December, 1995, 1994 and 1993:

	Note	1995 £'000	1994 £'000	1993 £'000
Fixed Assets				
Tangible assets	5.14	63,979	95,930	99,255
Investments	5.15	6,506	5,998	6,861
		<u>70,485</u>	<u>101,928</u>	<u>106,116</u>
Current Assets				
Stock and work in progress	5.16	10,122	7,572	7,526
Debtors – amount due within one year	5.17	20,929	20,567	31,401
– amounts due after more than one year	5.18	—	1,479	1,813
Investments	5.19	—	1,788	—
Cash at bank and in hand		10,368	24,437	14,697
Total current assets		<u>41,419</u>	<u>55,843</u>	<u>55,437</u>
Creditors: amounts falling due within one year				
Borrowings	5.20	(9,083)	(44,107)	(43,963)
Other creditors	5.22	(23,981)	(22,416)	(29,845)
Total current liabilities		<u>(33,064)</u>	<u>(66,523)</u>	<u>(73,808)</u>
Net current assets/(liabilities)		<u>8,355</u>	<u>(10,680)</u>	<u>(18,371)</u>
Total assets less current liabilities		<u>78,840</u>	<u>91,248</u>	<u>87,745</u>
Creditors: amounts falling due after more than one year				
Borrowings	5.20	(29,540)	(50,965)	(50,737)
		<u>49,300</u>	<u>40,283</u>	<u>37,008</u>
Provisions for liabilities and charges	5.23	<u>(2,239)</u>	<u>(7,627)</u>	<u>(5,960)</u>
Net assets		<u>47,061</u>	<u>32,656</u>	<u>31,048</u>
Capital and Reserves				
Called up share capital	5.24	2,478	2,478	2,478
Share premium account	5.25	2,390	2,390	2,390
Capital reserves	5.25	9,555	(787)	254
Other reserve	5.25	453	—	—
Profit and loss account	5.25	31,555	25,872	22,659
Equity shareholders' funds		<u>46,431</u>	<u>29,953</u>	<u>27,781</u>
Minority interests (including non-equity)	5.31	630	2,703	3,267
		<u>47,061</u>	<u>32,656</u>	<u>31,048</u>

4. Consolidated Cash Flow Statements

The following information is extracted from the audited consolidated cash flow statements of Rutland Trust for the three financial years ended 31 December, 1995.

		1995 £'000	1994 £'000	1993 £'000
Net cash inflow from operating activities	Note 5.26a	<u>33,189</u>	<u>29,893</u>	<u>33,752</u>
Return on investments and servicing of finance:				
Interest received		1,421	1,121	1,060
Interest paid		(1,064)	(834)	(509)
Dividends received from associated undertakings		746	523	465
Dividends paid		(2,556)	(2,225)	(1,975)
Dividends paid to minority shareholders in subsidiary undertakings	5.30a	<u>(3,366)</u>	<u>(181)</u>	<u>(26)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(4,819)</u>	<u>(1,596)</u>	<u>(985)</u>
Taxation:				
Corporation tax paid		(2,295)	(1,292)	(973)
ACT paid		(493)	(457)	(553)
Tax paid		<u>(2,788)</u>	<u>(1,749)</u>	<u>(1,526)</u>
Investing activities:				
Capital expenditure		(10,566)	(11,975)	(28,062)
Increase in investments and associated undertakings		(251)	(1,507)	(203)
Acquisition of minority interests		(838)	(355)	(2,389)
Purchase of subsidiary undertakings	5.26d	(55,730)	—	(13,726)
Proceeds of sale of fixed assets		18,163	20,334	19,163
Disposal of subsidiary undertakings	5.26e	18,029	—	—
Disposal of investments and other businesses	5.26g	<u>5,513</u>	<u>6,000</u>	<u>7,763</u>
Net cash (outflow)/inflow from investing activities		<u>(25,680)</u>	<u>12,497</u>	<u>(17,454)</u>
Net cash (outflow)/inflow before financing		<u>(98)</u>	<u>39,045</u>	<u>13,787</u>
Financing:				
Loan finance		23,054	(500)	1,500
Repayment of loan notes		(2,604)	(493)	(93)
Lease financing		<u>(30,861)</u>	<u>(30,855)</u>	<u>(15,974)</u>
Net cash outflow from financing	5.26c	<u>(10,411)</u>	<u>(31,848)</u>	<u>(14,567)</u>
(Decrease)/increase in cash and cash equivalents	5.26b	<u><u>(10,509)</u></u>	<u><u>7,197</u></u>	<u><u>(780)</u></u>

5. Notes to the Financial Statements

5.1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements for each of the three financial years ended 31 December, 1995 and 1994 and 1993 were as follows:

(a) Convention

The consolidated accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated accounts comprise the audited financial statements of the Company and its subsidiary undertakings which are made up for the three years ended 31 December, 1995. The results of companies acquired or disposed of during each year are included in the consolidated accounts from or to their respective dates of acquisition or disposal.

(c) Goodwill

Goodwill arising on consolidation is written off against capital reserves. On disposal of a business goodwill previously written off is reinstated to the capital reserves and written off through the profit and loss account in arriving at the profit or loss on disposal.

(d) Associated undertakings

The consolidated profit and loss account includes the Group's share of the results of its associated undertakings where there is a substantial holding in the equity and participation in financial and operating policy decisions.

Investments in the associated undertakings are included in the consolidated balance sheet at cost less goodwill written off plus the Group's share of post-acquisition retained reserves.

No account is taken of stock market fluctuations in the value of the shares of associated undertakings unless, in the view of the directors, there has been a permanent change in the underlying value.

(e) Turnover

The invoiced amounts of services provided during each year are stated net of value added tax. Turnover includes amounts attributable to long-term contracts.

(f) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported in sterling at the rates of exchange ruling at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

(g) Tangible fixed assets

Tangible fixed assets are written off on a straight line basis over their estimated useful lives as follows:

Freehold property	20-50 years
Leasehold property	Length of lease
Plant and machinery	3-20 years
Jetty	50 years
Motor vehicles	3-4 years
Operating leases	3-5 years
Computers and office equipment	3-5 years
Fixtures and fittings	5-10 years

Depreciation on operating leases for customer vehicles is calculated on an ascending scale which is inversely proportional to the finance charge.

(h) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Cost of manufactured goods includes materials, labour and factory overheads. Consumables are written off in the year of consumption. Where the replacement cost of stock of goods for resale is materially different from the lower of cost and net realisable value, this is separately stated.

Cost of short-term professional work in progress includes operating expenses attributable to client work in progress.

Long-term work in progress is assessed on a contract by contract basis and turnover and related costs are included in the profit and loss account where the outcome of the contract is reasonably certain. Long-term contracts are stated at cost net of amounts transferred to cost of sales and foreseeable losses less applicable payments on account. Where a provision for loss exceeds cost incurred it is included in creditors.

(i) Deferred taxation

Provision is made for deferred taxation on the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The provision is maintained to the extent that timing differences are not expected with reasonable probability to continue into the foreseeable future.

(j) Pensions

The Group operates a number of defined contribution schemes, contributions to which are charged to the profit and loss account against the profits of the year in which they become payable.

Various defined benefit schemes are also operated through contributions made to separately administered funds, benefits for which are based on final pensionable pay. The contributions to the schemes are charged to the profit and loss account so as to spread costs over the average remaining service lives of the employees in the scheme. The pension costs are assessed in accordance with the advice of qualified actuaries. Actuarial surpluses or deficits are spread forward over the average remaining service lives of the employees.

(k) Vacant property costs

Where leasehold property becomes vacant or substantially ceases to be used for the business, provision is made to the extent that the net recoverable amount of interest is expected to be insufficient to cover the net future obligations relating to the lease, including rent and other associated costs.

(l) Acquisition of interests from minority shareholders

Where agreement exists for the Company to acquire further shareholdings in its subsidiary undertakings from their minority shareholders, provision is made in the financial statements for a reasonable estimate of the cost of acquisition and corresponding goodwill adjustment.

(m) Debt finance costs

In accordance with the accounting standard FRS 4 "Accounting for Capital Instruments" finance costs of debt are allocated to periods over the term of the debt at a constant rate on the carrying amount of the relevant debt instrument.

(n) Leases

Profits from asset financing transactions are recognised at a constant after-tax return on the balance of funds invested in each transaction.

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is capitalised as a tangible fixed asset and depreciated on a basis consistent with other fixed assets. The investment in assets for rental under operating leases is shown as a fixed asset valued at cost less accumulated depreciation.

Operating lease rentals payable and receivable are recognised in the profit and loss account on a straight line basis over the period of the lease.

(o) Leases to customers under hire purchase contract

Leases to customers under hire purchase contracts for motor vehicles, which are accounted for in the asset financing division, are regarded as operating leases with the result that the investment in hire purchase contracts is classified within debtors. Turnover includes the capital element of the monthly rentals and operating costs are adjusted accordingly to reflect the additional depreciation charge.

The balance sheet also includes within debtors certain leases which are non-recourse to the Group, with the corresponding liability included within short term creditors.

5.2 Segmental information

All material segments of the Group's business operate within the UK. Turnover by geographical destination is not materially different from geographical origin, and relates entirely to external customers. The divisional analysis by activity is:

	Turnover			Profit before tax			Net assets		
	1995 £'000	1994 £'000	1993 £'000	1995 £'000	1994 £'000	1993 £'000	1995 £m	1994 £m	1993 £m
Continuing operations									
Corporate finance/ Investment	20,466	17,072	6,662	3,134	2,507	1,997	22.5	17.5	17.3
Container port services	4,770	—	—	412	—	—	20.3	—	—
Asset financing	—	—	65,737	—	—	1,723	—	—	9.7
Professional services	33,341	33,332	37,975	2,556	2,434	3,918	4.3	4.1	4.0
	58,577	50,404	110,374	6,102	4,941	7,638	47.1	21.6	31.0
Discontinued operations									
Asset financing	46,071	62,737	—	4,452	4,388	—	—	11.1	—
	104,648	113,141	110,374	10,554	9,329	7,638	47.1	32.7	31.0
Exceptional items									
	—	—	—	2,076	—	3,301	—	—	—
	104,648	113,141	110,374	12,630	9,329	10,939	47.1	32.7	31.0

The results attributable to Capital Industries PLC, the associated undertaking, are included in the Corporate finance and investment division, details of which are given in Notes 5.6 and 5.15.

The results of the Container port services division wholly comprise the results attributable to Maritime Transport Services Limited and MTS (Holdings) Limited since acquisition. The Corporate finance and investment division also includes the post acquisition results of Rutland Motor Holdings Limited, which are not material for separate disclosure. The net assets attributable to the Rutland Motor Holdings Group at 31 December, 1995 were £1.9 million.

5.3 Operating profit

	Continuing operations	Discontinued operations	1995 Total	Continuing operations	Discontinued operations	1994 Total	1993 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	58,577	46,071	104,648	50,404	62,737	113,141	110,374
Change in stocks of goods for sale and work in progress	(1,394)	494	(900)	85	(131)	(46)	1,237
Other external charges	15,626	19,695	35,321	10,213	31,164	41,377	39,525
Staff costs (Note 4)	23,934	2,360	26,294	22,114	2,922	25,036	24,188
Depreciation	2,956	18,229	21,185	1,839	24,142	25,981	25,792
Other operating charges	14,463	1,514	15,977	13,826	752	14,578	15,382
Other operating income	(739)	(50)	(789)	(521)	(65)	(586)	(978)
	54,846	42,242	97,088	47,556	58,784	106,340	105,146
Operating profit	3,731	3,829	7,560	2,848	3,953	6,801	5,228

The results of the Group for 1993 comprised only continuing operations.

5.4 Staff costs

	1995	1994	1993
	£'000	£'000	£'000
Wages and salaries	22,735	21,006	20,141
Social security costs	1,945	1,886	2,033
Other pension costs	1,614	2,144	2,014
	26,294	25,036	24,188

At 31 December, 1995, pension contributions totalling £51,000 (1994: £54,000; 1993: £54,000) were included in prepayments and a total of £55,000 (1994: £179,000; 1993: £272,000) payable to the various pension funds at the year end was included in creditors. Further information is given in Note 5.34.

The average number of persons employed by the Group during the period was:

	1995	1994
Corporate finance and investment	173	166
Container port services (pro-rated – full year 320)	46	—
Asset financing (pro-rated up to disposal)	131	144
Professional services	765	699
Total	1,115	1,009

The average number of persons employed by the Group in 1993 was 989, comprising sales, marketing and distribution (580), finance, administration and office (397) and manufacturing (12).

5.5 Directors' emoluments

	1995	1994	1993
	£'000	£'000	£'000
Non-executive directors' fees	61	58	56
Executive directors' emoluments (excluding pension contributions)	427	409	401
Profit related bonuses	229	174	307
Pension contributions	121	161	200
	<u>838</u>	<u>802</u>	<u>964</u>

The total emoluments of the directors (including profit related bonus but excluding pension contributions) were within the following bands:

	Number	Number	Number
£0 — £5,000	—	—	2
£5,001 — £10,000	—	—	2
£10,001 — £15,000	2	2	—
£35,001 — £40,000	1	1	1
£160,001 — £165,000	—	1	—
£190,001 — £195,000	—	1	—
£200,001 — £205,000	—	—	1
£210,001 — £215,000	1	—	—
£215,001 — £220,000	1	—	—
£220,001 — £225,000	1	—	—
£225,001 — £230,000	—	1	1
£275,000 — £280,000	—	—	1

Under the sole discretion of the Remuneration Committee the executive directors participate in profit related bonus schemes dependent upon the trading profits of the relevant businesses under their responsibility.

The following table shows an analysis of the remuneration of the directors:

	Salary/ Fees £'000	Bonus £'000	Benefits £'000	Pension £'000	1995 Total £'000	1994 Total £'000
Admiral Sir Raymond Lygo*	37	—	—	—	37	36
M R F Langdon	154	60	11	36	261	259
C B Dowling	110	94	9	41	254	202
G A Loughney	132	75	11	44	262	283
A Cassels*	12	—	—	—	12	11
B J M Dally*	12	—	—	—	12	11
Total	<u>457</u>	<u>229</u>	<u>31</u>	<u>121</u>	<u>838</u>	<u>802</u>

*Non-executive

In 1993, the Chairman received fees of £35,000, the Chief Executive received remuneration of £226,000 (excluding pension contributions), and the highest paid director received total remuneration of £279,000 of which £131,000 was a trading related bonus.

In 1995, the Chief Executive received 250,000 share options at 37p per share in addition to his bonus. His bonus was quantified on the basis of the Group's profit performance in accordance with his service contract.

In 1994, the pension contributions paid on behalf of the Chairman were £nil (1993 £nil), and in respect of the highest paid director were £57,000 (1993 £55,000).

The Company adopted on 5 May, 1987 an Inland Revenue approved Share Option Scheme, the Executive Scheme. Options issued under this scheme may be exercised between three and ten years after the date granted. No options were exercised or lapsed during the 3 years ended 31 December, 1995. The middle market price at 31 December, 1995 was 39½p and the range during 1995 was 25p to 41p.

Details of the share options held at 1 January, 1995, granted during the year, and the balance held at 31 December, 1995, are as follows:

	At 1 January 1995	Granted	At 31 December 1995	Option exercise price per share (p)	Date from which exercisable	Expiry date
M R F Langdon	743,501	—	743,501	40.35	5/6/1990	5/6/1997
	2,000,000	—	2,000,000	20.50	16/4/1996	16/4/2003
	—	250,000	250,000	37.00	16/10/1998	16/10/2005
	<u>2,743,501</u>	<u>250,000</u>	<u>2,993,501</u>			
C B Dowling	743,501	—	743,501	40.35	5/6/1990	5/6/1997
	1,000,000	—	1,000,000	20.50	16/4/1996	16/4/2003
	<u>1,743,501</u>	<u>—</u>	<u>1,743,501</u>			
G A Loughney	198,551	—	198,551	40.35	5/6/1990	5/6/1997

5.6 Income from interests in associated undertakings

The Group's share of the results for the year ended 31 December, 1995 attributable to Capital Industries PLC, the associated undertaking, comprise:

	1995 £'000	1994 £'000	1993 £'000
Profit before tax	2,687	2,100	1,917
Tax	(589)	(360)	(275)
Profit after tax	<u>2,098</u>	<u>1,740</u>	<u>1,642</u>

In 1993 an additional £11,000 of profit before tax was attributable to other associated undertakings.

5.7 Exceptional item — profit on disposal of discontinued businesses

	1995 £'000	1994 £'000	1993 £'000
Profit on disposal of Leasecontracts PLC	101	—	—
Profit on disposal of investment in Benjamin Shaw (Pontefract) Limited	1,975	—	—
Disposal of certain assets and liabilities of Benjamin Shaw & Sons Limited	—	—	3,301
	<u>2,076</u>	<u>—</u>	<u>3,301</u>

The share of profit attributable to the minority interests in respect of the exceptional items in 1995 is £231,000 (1993: £353,000). Further information relating to the disposal of Leasecontracts PLC is given in Note 5.30.

5.8 Interest payable and similar charges

	1995 £'000	1994 £'000	1993 £'000
Bank overdrafts and loans repayable within 5 years	1,113	738	606
Bank loans repayable after 5 years	23	—	—
Amortisation of debt finance costs (note 5.20)	—	—	—
Hire purchase interest and finance charges	5,782	7,435	8,959
	<u>6,918</u>	<u>8,173</u>	<u>9,565</u>
Transfer to operating costs (Note 5.9)	(5,782)	(7,435)	(8,959)
	<u>1,136</u>	<u>738</u>	<u>606</u>

The hire purchase interest and finance charges relate primarily to the Group's asset financing activities, which were discontinued during 1995.

5.9 Profit on ordinary activities before tax

	1995 £'000	1994 £'000	1993 £'000
This is stated after charging:			
Auditors' remuneration — audit fees — Price Waterhouse	93	86	77
— audit fees — other	45	36	41
— other services — Price Waterhouse	42	43	51
Operating lease rentals — land and buildings	2,570	2,589	2,634
— other	609	769	536
Depreciation — owned tangible fixed assets	9,143	13,344	17,098
— assets held under finance leases, hire purchase contracts and similar agreements	12,042	12,637	8,694
Hire purchase interest and finance charges	5,782	7,435	8,959
and after crediting:			
Rent receivable	544	389	575

5.10 Tax on profit on ordinary activities

	1995 £'000	1994 £'000	1993 £'000
UK corporation tax at 33% (1994: 33%; 1993: 33%) on taxable profits for the year	2,193	2,421	1,738
Deferred taxation	193	124	433
Share of tax of associated undertakings	589	360	275
	<u>2,975</u>	<u>2,905</u>	<u>2,446</u>

No tax charge was attributable to the disposal of discontinued businesses in 1995 and 1993 due to the availability of unutilised capital losses.

5.11 Minority interests

	1995 £'000	1994 £'000	1993 £'000
Equity interests	968	702	659
Non-equity interests	31	31	12
	<u>999</u>	<u>733</u>	<u>671</u>

5.12 Dividends

	1995 £'000	Pence per share	1994 £'000	Pence per share	1993 £'000	Pence per share
Interim dividend	818	0.33	740	0.30	670	0.27
Proposed final dividend	2,155	0.87	1,738	0.70	1,485	0.60
	<u>2,973</u>	<u>1.20</u>	<u>2,478</u>	<u>1.00</u>	<u>2,155</u>	<u>0.87</u>

5.13 Earnings per 1p ordinary share

	1995 Pence	1994 Pence	1993 Pence
Excluding exceptional items	2.75	2.30	1.97
Exceptional items	0.74	—	1.20
	<u>3.49</u>	<u>2.30</u>	<u>3.17</u>

The figure for earnings per share of 3.49 pence (1994: 2.30 pence; 1993: 3.17 pence) is calculated on the profit of the Group of £8,656,000 (1994: £5,691,000; 1993: £7,822,000) after taxation and minority interests, on a weighted average of 247,788,411 shares of 1p each (1994: 247,788,411; 1993: 247,135,008).

The directors consider that the disclosure of a figure for earnings per share of 2.75p (1994: 2.30p; 1993: 1.97p) excluding exceptional items provides a meaningful indicator of the performance of the Group.

Fully diluted earnings per share have not been stated as the dilution is less than 5 per cent.

5.14 Tangible fixed assets

	Land and Buildings £'000	Jetty £'000	Owned Motor Vehicles £'000	Fixtures, Fittings and Equipment £'000	Plant and Machinery £'000	Rental Assets £'000	Total £'000
Cost							
At 1 January, 1994	9,762	—	6,194	7,734	5,114	110,786	139,590
Additions	69	—	1,969	714	1,167	37,733	41,652
Disposals	(127)	—	(2,339)	(607)	(84)	(32,045)	(35,202)
Reclassification	—	—	346	—	—	(7,141)	(6,795)
At 31 December, 1994	9,704	—	6,170	7,841	6,197	109,333	139,245
On acquisition of subsidiary undertakings	30,005	17,502	206	404	18,759	—	66,876
On disposal of subsidiary undertakings	(1,809)	—	(925)	(1,080)	(176)	(108,099)	(112,089)
Additions	111	—	679	1,039	740	27,380	29,949
Disposals	(320)	—	(896)	(1,394)	(370)	(28,614)	(31,594)
At 31 December, 1995	37,691	17,502	5,234	6,810	25,150	—	92,387
Depreciation							
At 1 January, 1994	998	—	2,667	4,196	2,195	30,279	40,335
Provision for the year	227	—	1,238	1,253	423	22,840	25,981
Disposals	(114)	—	(1,562)	(554)	—	(14,303)	(16,533)
Reclassification	—	—	115	—	—	(6,583)	(6,468)
At 31 December, 1994	1,111	—	2,458	4,895	2,618	32,233	43,315
On acquisition of subsidiary undertakings	4,724	2,716	146	271	10,159	—	18,016
On disposal of subsidiary undertakings	(197)	—	(449)	(794)	(156)	(32,714)	(34,310)
Provision for the year	281	54	958	1,221	805	17,866	21,185
Disposals	(123)	—	(748)	(1,295)	(247)	(17,385)	(19,798)
At 31 December, 1995	5,796	2,770	2,365	4,298	13,179	—	28,408
Net book amount							
At 31 December, 1995	31,895	14,732	2,869	2,512	11,971	—	63,979
At 31 December, 1994	8,593	—	3,712	2,946	3,579	77,100	95,930
At 31 December, 1993	8,764	—	3,527	3,538	2,919	80,507	99,255

The amounts relating to assets acquired under finance leases included in the Group balance sheet at 31 December were:

	1995 £'000	1994 £'000	1993 £'000
Cost	5,025	78,267	63,301
Depreciation	(2,194)	(21,051)	(15,061)
Net book amount	2,831	57,216	48,240

The net book amount of land and buildings comprises:

	1995	1994	1993
	£'000	£'000	£'000
Freehold	6,462	6,328	6,411
Long leasehold	24,369	1,159	1,177
Short leasehold	1,064	1,106	1,176
Net book amount	<u>31,895</u>	<u>8,593</u>	<u>8,764</u>

5.15 Fixed asset investments

	1995	1994	1993
	£'000	£'000	£'000
Associated undertakings — share of net assets	6,161	5,394	4,550
Other investments — at cost less amounts provided	345	604	2,311
	<u>6,506</u>	<u>5,998</u>	<u>6,861</u>

The movement in investments comprises:

	Associated Undertakings	Other Investments	Total
	£'000	£'000	£'000
At 1 January, 1994	4,550	2,311	6,861
Shares acquired	5	1,500	1,505
Shares disposed	(83)	(1,419)	(1,502)
Share of post acquisition retained reserves	1,255	—	1,255
Goodwill written off	(333)	—	(333)
Transfer to current investments	—	(1,788)	(1,788)
At 31 December, 1994	<u>5,394</u>	<u>604</u>	<u>5,998</u>
Shares acquired	251	—	251
Shares disposed	—	(99)	(99)
Diminution in value of investments	—	(160)	(160)
Share of post acquisition retained reserves	423	—	423
Unrealised profit reserve (Note 5.25)	453	—	453
Goodwill written off	(360)	—	(360)
At 31 December, 1995	<u>6,161</u>	<u>345</u>	<u>6,506</u>

Associated undertakings include the results of Capital Industries PLC, details of which are given in Notes 5.6 and 5.15(b). Other investments comprise listed and unlisted investments, and include an investment which was listed on the London Stock Exchange in 1994 and whose net book amount and market value at 31 December, 1995 was £240,000 (1994: £252,000). Unlisted investments comprise minority holdings in certain companies where development capital investments have been made by the Corporate Finance and Investment division.

(b) Capital Industries PLC

Capital Industries PLC is listed on the London Stock Exchange. The market value of the Company's shareholding at 31 December, 1995 was £20.4 million (1994: £16.8 million; 1993: £15.1 million).

The summarised balance sheet of Capital Industries PLC at 31 December was as follows:

	1995 £'000	1994 £'000	1993 £'000
Tangible fixed assets	13,471	14,188	14,348
Current assets:			
Property held for disposal	2,703	2,703	—
Stock	9,129	8,402	7,139
Debtors	22,969	19,888	20,007
Investments	5,280	93	112
Cash	—	458	1,812
	40,081	31,544	29,070
Creditors falling due within one year	(33,968)	(28,633)	(27,979)
Net current assets	6,113	2,911	1,091
Total assets less current liabilities	19,584	17,099	15,439
Creditors falling due after more than one year and provisions	(2,969)	(3,126)	(3,210)
Net assets	16,615	13,973	12,229
Ordinary share capital and reserves	14,440	11,798	10,054
Preference shares	2,175	2,175	2,175
	16,615	13,973	12,229

During 1995 Capital Industries PLC paid fees of £85,000 to Rutland Corporate Finance Limited in respect of corporate finance advice relating to the disposal of its financial services division.

5.16 Stock and work in progress

The amounts attributable to the different categories were:

	1995 £'000	1994 £'000	1993 £'000
Raw materials and consumables	463	2,352	2,234
Stock of finished goods and goods held for resale	3,637	447	710
Professional work in progress	6,022	4,773	4,582
	10,122	7,572	7,526

5.17 Debtors: amounts due within one year

	1995 £'000	1994 £'000	1993 £'000
Trade debtors	12,860	7,877	12,875
Amounts receivable on disposal of business	200	—	6,000
Loan notes receivable	—	1,750	1,750
Rentals receivable (Note 5.18)	—	4,643	4,919
Other debtors	2,006	2,307	1,144
Prepayments and accrued income	3,856	2,164	3,060
Corporation tax recoverable	314	—	—
ACT recoverable	663	448	351
Amounts recoverable on long-term contracts	1,030	1,378	1,302
	20,929	20,567	31,401

5.18 Rentals receivable

	1995 £'000	1994 £'000	1993 £'000
Under finance leases:			
Amounts due within one year	—	4,643	4,919
Amounts due after more than one year	—	1,479	1,813
Net rentals receivable	<u>—</u>	<u>6,122</u>	<u>6,732</u>

5.19 Current asset investments

	1995 £'000	1994 £'000	1993 £'000
Unlisted investments	<u>—</u>	<u>1,788</u>	<u>—</u>

Unlisted investments comprised a 49 per cent. option in the ordinary shares of Benjamin Shaw (Pontefract) Limited, which was disposed of in June 1995.

5.20 Borrowings

The total borrowings of the Group are repayable as follows:

	1995 £'000	1994 £'000	1993 £'000
Amounts falling due within one year			
Bank overdrafts and loans repayable within three months	4,372	7,932	5,389
Other borrowings repayable within one year	2,350	—	—
Vendor loan notes	1,251	3,803	4,144
Obligations under finance leases and hire purchase agreements	1,110	19,530	15,813
Block discount/revolving credit loans	<u>—</u>	<u>12,842</u>	<u>18,617</u>
	<u>9,083</u>	<u>44,107</u>	<u>43,963</u>
Amounts falling due after more than one year			
Bank loans	23,500	1,000	1,500
Less: debt finance costs	(396)	—	—
	<u>23,104</u>	<u>1,000</u>	<u>1,500</u>
Vendor loan notes	4,844	4,896	5,048
Obligations under finance leases and hire purchase agreements	1,592	34,937	28,445
Block discount/revolving credit loans	<u>—</u>	<u>10,132</u>	<u>15,744</u>
	<u>29,540</u>	<u>50,965</u>	<u>50,737</u>
Total borrowings	<u>38,623</u>	<u>95,072</u>	<u>94,700</u>

Vendor loan notes comprise floating rate loan notes issued to vendors of subsidiary companies acquired, and are repayable between 1-2 years.

Block discount/revolving credit loans related to the business of Leasecontracts PLC which was disposed of during the year.

Amounts falling due after more than one year are repayable:

Between one and two years	8,488	28,741	30,698
Between two and five years	11,709	22,224	20,039
After five years	<u>9,343</u>	<u>—</u>	<u>—</u>
	<u>29,540</u>	<u>50,965</u>	<u>50,737</u>

Net obligations under finance leases and hire purchase agreements are repayable:

	1995	1994	1993
	£'000	£'000	£'000
Within one year	1,110	19,530	15,813
Between one and two years	702	17,290	14,006
Between two and five years	890	17,647	14,439
	<u>2,702</u>	<u>54,467</u>	<u>44,258</u>

MTS (Holdings) Limited has a bank loan of £24 million, which was drawn on 23 December, 1995, and is repayable in six-monthly tranches over the period from 31 December, 1996 to 31 December, 2003. The loan carries a rate of interest which fluctuates dependent mainly upon the London interbank market. Concurrent with the draw down of the loan, the company entered into an interest rate swap transaction which fixes, at a rate of approximately 7 per cent., the variable element of the interest rate for a proportion of the loan outstanding from time to time over the period to 31 December, 2000.

5.21 Guarantees and secured creditors

At 31 December, 1995 the following companies had secured overdrafts and loans:

- (i) Benjamin Shaw & Sons Limited — a loan of £1,000,000 and an overdraft of £1,198,000 secured on a fixed charge over certain assets;
- (ii) Hunter & Partners Limited — an overdraft of £549,000 secured on a fixed and floating charge over its assets;
- (iii) MTS (Holdings) Limited — a loan of £24,000,000 secured on fixed and floating charges over shares and assets of Maritime Transport Services Limited.
- (iv) Rutland Motor Holdings Limited — a loan of £850,000 secured on fixed and floating charges over certain assets.

Rutland Trust PLC has given the following additional guarantee:

- (i) Hivegate Limited — an amount of £275,000 per annum in respect of a property rental agreement.

5.22 Other creditors falling due within one year

	1995	1994	1993
	£'000	£'000	£'000
Trade creditors	6,553	4,618	9,980
Corporation tax	—	1,874	1,256
Advance corporation tax	786	630	479
Other taxes and social security	2,482	2,940	4,352
Other creditors	981	680	510
Accruals and deferred income	10,593	9,634	11,328
Proposed dividends	2,155	1,738	1,485
Long-term work in progress payments on account	431	302	455
	<u>23,981</u>	<u>22,416</u>	<u>29,845</u>

5.23 Provisions for liabilities

	1995 £'000	1994 £'000	1993 £'000
Deferred tax:			
Accelerated capital allowances	1,177	1,440	1,193
Other timing differences	417	270	393
	<u>1,594</u>	<u>1,710</u>	<u>1,586</u>
Provision for acquisition of minority interests in subsidiary undertakings	—	1,130	—
Provision for vacant property costs	645	810	1,020
Provision for maintenance costs on motor vehicles leased to customers	—	3,977	3,354
Total	<u>2,239</u>	<u>7,627</u>	<u>5,960</u>
The full potential for deferred tax is:			
Accelerated capital allowances	1,684	1,670	1,193
Other timing differences	417	270	393
	<u>2,101</u>	<u>1,940</u>	<u>1,586</u>

Movements in the provisions comprise:

	Deferred tax £'000	Minority interests £'000	Vacant properties £'000	Maintenance provision £'000
At 1 January, 1994	1,586	—	1,020	3,354
Provision for acquisition of minority interests in subsidiary undertakings	—	1,130	—	—
Profit and loss account	124	—	(210)	623
At 31 December, 1994	<u>1,710</u>	<u>1,130</u>	<u>810</u>	<u>3,977</u>
Disposal of subsidiary undertakings	(309)	—	—	(3,899)
Release of provision for acquisition of minority interests	—	(1,130)	—	—
Profit and loss account	193	—	(165)	(78)
At 31 December, 1995	<u>1,594</u>	<u>—</u>	<u>645</u>	<u>—</u>

The provision of £1,130,000 at 1 January, 1995 in respect of the acquisition of minority interests in Leasecontracts PLC was released during 1995.

5.24 Share capital

	1995 £'000	1994 £'000	1993 £'000
Authorised 300,000,000 shares of 1p each (1994 and 1993: 300,000,000)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Issued, called up and fully paid 247,788,411 ordinary shares of 1p each (1994 and 1993: 247,788,411)	<u>2,478</u>	<u>2,478</u>	<u>2,478</u>

There was no movement in the authorised, issued, called up and fully paid share capital during the years ended 31 December, 1994 and 31 December, 1995.

The issued share capital comprises only equity shares.

At 31 December, 1995 options to purchase a total of 7,837,292 ordinary shares were outstanding under the Rutland Trust PLC Executive Share Option Scheme at prices ranging from 20.5p to 49p per share. Options over 250,000 ordinary shares were granted on 16 October, 1995 and are exercisable at a price of 37p per share between 16 October, 1998 and 16 October, 2005. The remaining options are exercisable during a period of seven years starting from between 5 June, 1990 and 16 April, 1996. During 1995, no options were exercised under the Scheme and a total of 923,112 options lapsed.

Since the restructuring of the issued share capital on 3 November, 1986, options have been exercised under the rules of the Scheme over 689,500 shares at 8.4p and over 803,248 shares at 8.27p each, as adjusted for the rights issue in August 1987.

5.25 Reserves

	Share premium account £'000	Capital reserves £'000	Other reserves £'000	Profit and loss account £'000
At 1 January, 1994	2,390	254	—	22,659
Goodwill on consolidation written off during the year	—	(1,041)	—	—
Retained profit for the financial year	—	—	—	3,213
At 31 December, 1994	2,390	(787)	—	25,872
Goodwill on consolidation written off during the year	—	(5,801)	—	—
Goodwill released during the year	—	16,143	—	—
Unrealised profit reserve	—	—	453	—
Retained profit for the financial year	—	—	—	5,683
At 31 December, 1995	2,390	9,555	453	31,555

Capital reserves include an amount of £108,000 (1994 and 1993: £108,000) in respect of a capital redemption reserve representing the nominal value of shares acquired for cancellation during 1986 and prior years.

Goodwill of £5,801,000 (1994: £1,041,000) written off during 1995 includes £5,129,000 (1994: £160,000) in respect of acquisitions, £360,000 (1994: £333,000) in respect of associated undertakings, and £312,000 (1994: £548,000) relating to the acquisition of minority interests. Further details are given in Notes 5.29 and 5.31.

Goodwill of £16,143,000 released during 1995 includes £15,643,000 in respect of the disposal of Leasecontracts PLC and £500,000 relating to the release of a provision previously held by Rutland to acquire minority interests in Leasecontracts PLC.

The cumulative amount of goodwill written off resulting from acquisitions during 1995 and prior years, net of goodwill which has been written back in respect of subsidiary undertakings or businesses disposed of prior to 31 December, 1995, is £36,293,000 (1994: £46,635,000; 1993: £45,594,000).

The other reserve comprises the Group's share of an unrealised profit reserve attributable to Capital Industries PLC.

The Group profit and loss account includes retained profits attributable to associated undertakings at 31 December, 1995 of £2,720,000 (1994: £2,297,000; 1993: £1,042,000) and retained profits for 1995 of £423,000 (1994: £1,255,000; 1993: £1,033,000).

5.26 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1995 £'000	1994 £'000	1993 £'000
Operating profit	7,560	6,801	5,228
Depreciation	21,185	25,981	25,792
Loss/(profit) on sale of fixed assets	210	(163)	1,023
(Increase)/decrease in stocks	(900)	(46)	1,237
Decrease in debtors	2,485	5,251	2,963
Increase/(decrease) in creditors	2,892	(8,344)	(3,480)
Movement in provisions	(243)	413	989
Net cash inflow from operating activities	33,189	29,893	33,752

During 1994 and 1993 various lease arrangements relating to customer vehicles were reclassified between stock and tangible fixed assets.

(b) Analysis of changes in cash and cash equivalents during the year

	1995 £'000	1994 £'000	1993 £'000
Balance at 1 January:			
Cash	24,437	14,697	18,957
Bank overdrafts and loans	(7,932)	(5,389)	(8,869)
	<u>16,505</u>	<u>9,308</u>	<u>10,088</u>
Net inflow/(outflow) during the year:			
Cash	(14,069)	9,740	(4,260)
Bank overdrafts and loans	3,560	(2,543)	3,480
	<u>(10,509)</u>	<u>7,197</u>	<u>(780)</u>
Balance at 31 December:			
Cash	10,368	24,437	14,697
Bank overdrafts and loans	(4,372)	(7,932)	(5,389)
	<u>5,996</u>	<u>16,505</u>	<u>9,308</u>

(c) Analysis of changes in financing during the year

	1995 £'000	1994 £'000	1993 £'000
Loans and lease financing:			
Balance at 1 January	87,140	89,311	98,461
Acquisition of subsidiary undertakings	1,434	—	3,356
Cash outflow from financing	(10,411)	(31,848)	(14,567)
Net investment in finance leases	26,233	29,677	14,219
Disposal of subsidiary undertakings	(70,145)	—	(12,158)
Balance at 31 December	<u>34,251</u>	<u>87,140</u>	<u>89,311</u>

(d) Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1995 £'000	1994 £'000	1993 £'000
Cash consideration including costs	55,970	—	3,219
Cash and cash equivalents of subsidiary undertakings acquired	(240)	—	10,507
Net outflow of cash and cash equivalents	<u>55,730</u>	<u>—</u>	<u>13,726</u>

Further information relating to the purchase of subsidiary undertakings is given in Note 5.29.

(e) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary undertakings

	1995 £'000	1994 £'000	1993 £'000
Cash consideration	18,996	—	—
Cash and cash equivalents of subsidiary undertakings	(967)	—	—
	<u>18,029</u>	<u>—</u>	<u>—</u>

Further information relating to the disposal of Leasecontracts PLC is given in Note 5.30.

(f) Major non cash transactions

During 1995 the Group entered into finance lease arrangements in respect of assets with a capital value at the inception of the leases of £26,233,000 (1994: £29,677,000; 1993: £14,219,000). The arrangements were primarily attributable to the trading operations of Leasecontracts PLC prior to its disposal.

(g) Analysis of net inflow of cash and cash equivalents in respect of the sale of investments and other businesses

	1995 £'000	1994 £'000	1993 £'000
Cash consideration	5,513	6,000	100
Bank overdrafts and loans of businesses discontinued	—	—	7,663
	<u>5,513</u>	<u>6,000</u>	<u>7,763</u>

5.27 Principal subsidiary and associated undertakings

The Group's principal subsidiary undertakings at 31 December, 1995, all of which are registered and operate in England and were included in the consolidated financial statements, were:

	<i>Proportion of shares held</i>		<i>Proportion of voting rights held</i>
	<i>Direct per cent.</i>	<i>indirect per cent.</i>	<i>per cent.</i>
Rutland Corporate Finance Limited (corporate finance)	100		100
Rutland Ventures Limited (investment holding and trading)		100	100
Property Leasing Corporation Limited (property leasing)	100		100
Benjamin Shaw & Sons Limited (manufacturer of soft drinks)		94	94
Rutland Motor Holdings Limited (motor dealership)	100		100
Bramwells of Wigan Limited (motor dealership)		100	100
Sherdley Hall Garage Limited (motor dealership)		100	100
Wood Street Garage Limited (motor dealership)		100	100
MTS (Holdings) Limited (container port services holding company)	95		95
Maritime Transport Services Limited (container port services)		95	95
Maritime Haulage Limited (road transport)		95	95
Ellis & Buckle (loss adjusting)		100	100
Hunter & Partners Limited (architects and building surveyors)		77	77

The Group's principal associated undertaking at 31 December, 1995 which is registered and operates in England was:

	<i>Ordinary share capital £</i>	<i>Proportion of shares held Direct per cent.</i>
Capital Industries PLC (packaging)	293,630	40.2

5.28 Movements on provisions relating to Benjamin Shaw & Sons Limited

Fair value adjustments totalling £1,450,000 were made following the acquisition of Benjamin Shaw & Sons Ltd in August 1993, relating to redundancy and restructuring costs, further costs of closure and reorganisation including stock and debtor provisions, and deferred tax provisions. Provisions totalling £350,000 were utilised during 1994, and a further £600,000 utilised during 1995.

5.29 Acquisitions

(a) Acquisition of Maritime Transport Services Limited

On 7 November, 1995, MTS (Holdings) Limited, a newly formed subsidiary in which Rutland Trust PLC acquired an interest in 95 per cent. of its ordinary share capital, acquired the whole of the share capital of Maritime Transport Services Limited ("MTSL") for a consideration of £52.45 million excluding acquisition costs, which was satisfied wholly in cash. The fair value of the net assets acquired is consistent with the book values at the date of acquisition. The summarised balance sheet attributable to MTSL on acquisition, was as follows:

	<i>Fair value at 7 November 1995 £'000</i>
Tangible fixed assets	47,796
Stock	586
Debtors	6,560
Cash	—
Loans and lease financing	(4)
Other creditors	(6,607)
Net assets acquired	48,331
Minority interests	(50)
Goodwill	5,129
Consideration (including costs of acquisition)	<u>53,410</u>

MTSL's summarised profit and loss account for the financial year prior to acquisition on 7 November, 1995 and the previous financial year, comprising all recognised gains or losses, is:

	<i>1 January – 7 November 1995 £'000</i>	<i>1 January – 31 December 1994 £'000</i>
Turnover	<u>22,416</u>	<u>23,231</u>
Operating profit/(loss) before provision for permanent impairment	3,115	(1,633)
Provision for permanent impairment in value of fixed assets	—	(36,308)
Operating profit/(loss)	3,115	(37,941)
Write back of debt	25,622	—
Loss on disposal of fixed assets	—	(642)
Interest payable and similar charges	(5,997)	(6,248)
Profit/(loss) before and after tax	<u>22,740</u>	<u>(44,831)</u>

In the year prior to acquisition, MTSL made provisions of £270,000 in the period to 7 November, 1995, relating to pensions and legal claims, and £36.3 million for the permanent impairment in the value of fixed assets in the year ended 31 December, 1994. On acquisition MTS (Holdings) Limited acquired an amount of MTSL's debt in exchange for the issue of share capital, which was issued in full satisfaction of the debt. The write back of debt of £25.6 million related to the excess of the debt over the value of share capital issued.

(b) Acquisition of Rutland Motor Holdings Limited

On 3 November, 1995, Rutland Motor Holdings Limited ("RMH"), a newly formed wholly owned subsidiary of Rutland Trust PLC, acquired a group of garage dealerships for a consideration of £2.6 million, which was satisfied wholly in cash. The summarised balance sheet attributable to the garage businesses on acquisition was as follows:

	<i>Book value at 3 November 1995 £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value balance sheet at acquisition £'000</i>
Tangible fixed assets	1,364	(300)	1,064
Stock	2,608	(200)	2,408
Debtors	838	—	838
Cash	240	—	240
Loans and lease financing	(1,430)	—	(1,430)
Other creditors	(1,934)	—	(1,934)
Net assets acquired	<u>1,686</u>	<u>(500)</u>	<u>1,186</u>
Write down consequent to disposal of Leasecontracts			<u>1,374</u>
Consideration (including costs of acquisition)			<u>2,560</u>

The fair value adjustments relate to provisions in respect of the value of freehold property, and realignment of accounting policies in respect of stock. The results attributable to RMH for the financial period prior to acquisition are not material.

(c) Consideration for acquisitions in 1995

	<i>Maritime Transport Services £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
Fair value of net assets acquired:			
Tangible fixed assets	47,796	1,064	48,860
Stock	586	2,408	2,994
Debtors	6,560	838	7,398
Cash	—	240	240
Loans and lease financing	(4)	(1,430)	(1,434)
Other creditors	(6,607)	(1,934)	(8,541)
Net assets acquired	<u>48,331</u>	<u>1,186</u>	<u>49,517</u>
Minority interests	(50)	—	(50)
Goodwill	5,129	—	5,129
Write down consequent to disposal of Leasecontracts	<u>—</u>	<u>1,374</u>	<u>1,374</u>
Consideration	<u>53,410</u>	<u>2,560</u>	<u>55,970</u>

The subsidiary undertakings acquired during 1995 contributed £992,000 to the Group's net operating cash flows, paid £229,000 in respect of the net returns on investments and servicing of finance, utilised £31,000 for investing activities and absorbed £512,000 of financing.

(d) Acquisition of Benjamin Shaw & Sons Limited

On 12 August, 1993, Benjamin Shaw & Sons Holdings Limited, a newly formed subsidiary in which Rutland Trust PLC has an interest in 84 per cent. of its ordinary share capital, acquired the whole of the share capital of Benjamin Shaw & Sons Limited for a consideration of £5.7 million. The summarised balance sheet of Benjamin Shaw & Sons Limited on acquisition was as follows:

	<i>Book value at 12 August 1993 £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value balance sheet at acquisition £'000</i>
Tangible fixed assets	14,875	—	14,875
Stock	5,660	(350)	5,310
Debtors	10,923	(250)	10,673
Bank overdraft and loans	(10,507)	—	(10,507)
Creditors falling due within one year	(13,301)	(650)	(13,951)
Creditors falling due after one year	(906)	—	(906)
Provisions for liabilities and charges	—	(200)	(200)
Net assets	<u>6,744</u>	<u>(1,450)</u>	<u>5,294</u>
Minority interests			(462)
Goodwill			<u>837</u>
Consideration			<u>5,669</u>
Satisfied by:			
Loan notes issued			2,450
Cash			<u>3,219</u>
			<u>5,669</u>

The fair value adjustments relate to redundancy costs, further costs of closure and reorganisation including stock and debtor provisions, and deferred tax provisions. Benjamin Shaw & Sons Limited made a profit before tax for the period 1 February to 12 August, 1993 of £158,000, and a loss for the year to 31 January, 1993 of £1,086,000.

5.30 Disposals

(a) Sale of Leasecontracts PLC

	<i>1995 £'000</i>
Net assets disposed of:	
Fixed assets	77,779
Stock	1,344
Debtors	7,928
Cash	967
Creditors due within one year	(36,304)
Creditors due after one year	(45,145)
Provisions for liabilities and charges	(4,208)
Minority interests	<u>(283)</u>
	2,078
Goodwill released on disposal	15,643
Write down consequent to disposal (Note 5.29)	1,374
Profit on disposal (Note 5.7)	<u>101</u>
Consideration (net of costs)	<u>19,196</u>

An initial consideration of £19,983,000 was received in cash in November 1995 prior to settlement of costs of disposal and commitments retained by Rutland. The balance will be settled upon final agreement of Leasecontracts' net assets on completion, which is expected to give rise to additional consideration of £200,000.

In the period prior to disposal, Leasecontracts utilised £12.3 million of cash. It contributed £22.4 million to the Group's net operating cash flows, paid £11.9 million in respect of the net returns on investments and servicing of finance, paid tax of £1.6 million, realised £9.0 million from investing activities and utilised £30.2 million of financing. The cash flows included payment of a pre-disposal dividend of £7.7 million to Rutland and £2.8 million to the minority shareholders.

(b) Sale of part of business of Benjamin Shaw & Sons Limited

	1993
	£'000
Fixed assets	8,661
Stock	4,385
Debtors	20
Bank overdrafts and loans	(7,006)
Other creditors falling due within one year	(2,033)
Creditors falling due after one year	(377)
	<u>3,650</u>
Costs of sale	837
Profit on sale	<u>3,301</u>
	<u>7,788</u>
Satisfied by:	
Debtors – cash receivable	6,000
Investment in shares of Benjamin Shaw (Pontefract) Limited	1,788
	<u>7,788</u>

(c) Sale of overseas business

The net assets attributable to Leasecontracts Nederland B.V. on disposal in 1993 included £12,705,000 of fixed assets, a bank overdraft of £657,000, other net working capital liabilities of £45,000 and long term creditors of £11,893,000. The goodwill written back on disposal was £620,000 and the net cash consideration was £100,000.

5.31 Minority interests

	1995	1994	1993
	£'000	£'000	£'000
Equity interests	318	2,354	2,887
Non-equity interests	312	349	380
	<u>630</u>	<u>2,703</u>	<u>3,267</u>

(a) On 18 May, 1993, Rutland Trust acquired 33,334 shares in E & B Holdings Limited, representing 6.67 per cent. of that company's ordinary share capital, for cash consideration of £1,983,000. This took Rutland Trust's interests in the ordinary shares of E & B Holdings Limited to 96.67 per cent. On 2 June, 1995 the minority shareholders of E&B Holdings Limited exercised their option to require Rutland to purchase their remaining 3.33 per cent. shareholding. The total consideration was £142,000.

(b) On 3 June, 1993, Rutland Trust acquired the total minority interests of 25 per cent. in Rutland Corporate Finance Limited for £728,000 which was satisfied in cash and by the issue of a total of 1,568,168 ordinary shares at 20.5p per share.

(c) On 6 June, 1995, Rutland acquired a further 10 per cent. of the ordinary shares of Benjamin Shaw & Sons Holdings Limited from one of its former directors. The total consideration was £696,000.

(d) The fair value of assets acquired in respect of each of the above transactions was not materially different from their net book value.

(e) As a result of the disposal of Leasecontracts PLC, Rutland has released the provision of £1.13 million made in 1994 in respect of the option of the minority shareholders of Leasecontracts PLC to require Rutland to acquire a further 5 per cent. shareholding in their company.

(f) The minority shareholders of MTS (Holdings) Limited have an option to acquire rights over a further 15 per cent. of the ordinary share capital of the company subject to achievement of certain pre-agreed performance criteria in respect of the period between acquisition of Maritime Transport Services Limited and the year ended 31 December, 2000. In view of the time scale involved, it is not considered possible to quantify the consideration with any certainty.

(g) Non-equity interests represent preference shares held by minority shareholders. Related finance costs are included in the minority interests charge in the profit and loss account.

5.32 Capital commitments

	1995 £'000	1994 £'000	1993 £'000
Contracted but not provided for	—	10,328	9,077
Authorised but not contracted	1,880	610	1,130

Capital commitments existing in 1994 mainly comprised outstanding motor vehicle operating leases in the ordinary course of business.

5.33 Operating lease commitments

	Land and Buildings 1995 £'000	Other 1995 £'000	Total 1995 £'000
Operating leases expiring:			
Within one year	140	252	392
Between two and five years	660	3,508	4,168
After more than five years	1,702	165	1,867
	2,502	3,925	6,427

5.34 Pension commitments

The defined benefit schemes of the Group's subsidiary undertakings provide benefits based on final pensionable salary. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs and contributions for the schemes are determined by qualified independent actuaries on the basis of triennial valuations using the projected unit method. It was assumed during 1995 that investment returns would exceed increases in pensionable salaries by an average of up to 2 per cent. per annum (during 1994 and 1993 by an average of between 0.5 per cent. and 1.5 per cent.). Throughout the period it was assumed that present and future pensions in payment would increase at an average of up to 3 per cent. per annum.

The most recent actuarial valuation of the most significant of the Group's schemes was carried out at 1 March, 1995 when the market valuation of the scheme's assets was £17.9 million and showed that there was no material surplus or deficit at that date. A funding rate of 16 per cent. of pensionable salaries was advised.

The previous actuarial valuation of this scheme was carried out at 1 March, 1992, when the market value of the scheme's assets was £10.3 million, showed that the pension scheme was in deficit both in the on-going position and theoretical wind up situation. On an on-going basis the liabilities of the scheme exceeded scheme assets by £3.5 million. Accordingly, the rate of contributions paid to the scheme was increased between 1 March, 1992 and 1 March, 1993 to 18 per cent. of pensionable salaries, and to 24 per cent. of pensionable salaries thereafter until the deficiency on a current funding level basis was eliminated.

The most recent actuarial valuation of the pension scheme of Maritime Transport Services Limited was carried out at 1 January, 1994, when the market valuation of the scheme's assets was approximately £1 million. This showed that there was no material surplus or deficit at that date and a funding rate of 7.8 per cent. of pensionable salaries was advised.

5.35 Contingent liabilities

The directors believe that adequate provision has been made in the accounts in respect of litigation, guarantees and other contingent liabilities arising in the ordinary course of business.

PART IV

FINANCIAL INFORMATION ON CAPE

1. Basis of preparation

The financial information set out below is extracted without material adjustment from the audited financial statements of Cape for the three financial periods ended 31 December, 1995.

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Statutory accounts of Cape for the three financial periods ended 31 December, 1995 have been delivered to the Registrar of Companies in England and Wales. These financial statements contained unqualified auditor's reports under Section 235 of the Companies Act and did not include a statement under sections 237(2) or (3) of the Companies Act.

2. Profit and loss accounts

Set out below are the audited consolidated profit and loss accounts of Cape for the three financial periods ended 31 December, 1995 and 1994 and 31 March, 1994.

		<i>Twelve months ended 31 December 1995 £m</i>	<i>Nine months ended 31 December 1994 £m</i>	<i>Twelve months ended 31 March 1994 £m</i>
Turnover	<i>Note</i>			
	6.1			
Continuing operations		237.3	162.8	230.0
Discontinued operations (Note A)		6.4	5.3	—
		<u>243.7</u>	<u>168.1</u>	<u>230.0</u>
Cost of sales	6.2	(213.2)	(145.1)	(199.7)
Gross profit		<u>30.5</u>	<u>23.0</u>	<u>30.3</u>
Other operating expenses	6.2	(18.1)	(13.4)	(16.6)
Operating profit	6.3			
Continuing operations		12.8	10.1	13.7
Discontinued operations (Note A)		(0.4)	(0.5)	—
		<u>12.4</u>	<u>9.6</u>	<u>13.7</u>
Profit on disposal of discontinued businesses	6.20	—	—	—
Profit on ordinary activities before interest		<u>12.4</u>	<u>9.6</u>	<u>13.7</u>
Net interest payable	6.6	(0.9)	(0.5)	(1.0)
Profit on ordinary activities before taxation		<u>11.5</u>	<u>9.1</u>	<u>12.7</u>
Tax on profit on ordinary activities	6.7	(3.9)	(3.5)	(4.2)
Profit on ordinary activities after taxation		<u>7.6</u>	<u>5.6</u>	<u>8.5</u>
Dividends	6.8	(6.0)	(4.5)	(6.0)
Retained profit for the period	6.18	<u>1.6</u>	<u>1.1</u>	<u>2.5</u>
Earnings per ordinary share	6.9	14.0p	10.2p	15.8p

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.

Note

(A) Discontinued operations comprise the 1995 trading results attributable to Cape Ceilings Limited up to its disposal by Cape on 3 November, 1995, together with the 1994 trading results. The results for 1993 have not been restated.

3. Consolidated Balance Sheet

Set out below is the audited consolidated balance sheet of Cape as at 31 December, 1995 and 1994, and as at 31 March, 1994:

	<i>Note</i>	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Fixed Assets				
Tangible Assets	6.10	50.1	53.4	51.0
Current Assets				
Stocks	6.12	16.2	14.8	13.3
Debtors	6.13	62.0	51.9	52.3
Cash at bank and in hand		28.6	22.0	20.7
		<u>106.8</u>	<u>88.7</u>	<u>86.3</u>
Creditors:				
Amounts falling due within one year	6.14			
Short term borrowings		(29.1)	(22.3)	(15.3)
Other creditors		(57.6)	(53.5)	(56.6)
		<u>(86.7)</u>	<u>(75.8)</u>	<u>(71.9)</u>
Net current assets		<u>20.1</u>	<u>12.9</u>	<u>14.4</u>
Total assets less current liabilities		<u>70.2</u>	<u>66.3</u>	<u>65.4</u>
Creditors:				
Amounts falling due after more than one year	6.15			
Long term borrowings		(0.3)	(0.2)	(0.2)
Provisions for liabilities and charges	6.16	(7.4)	(6.8)	(6.2)
Net Assets		<u>62.5</u>	<u>59.3</u>	<u>59.0</u>
Capital and Reserves				
Called up share capital (includes non-equity interests)	6.17	18.2	18.2	18.2
Share premium account	6.18	1.6	1.6	1.6
Revaluation reserve	6.18	11.4	11.4	11.4
Profit and loss account	6.18	31.3	28.1	27.8
Shareholders' funds		<u>62.5</u>	<u>59.3</u>	<u>59.0</u>

4. Consolidated Cash Flow Statement

		Twelve months ended 31 December 1995	Nine months ended 31 December 1994	Twelve months ended 31 March 1994
	Note	£m	£m	£m
Net cash inflow from operating activities	6.19(a)	13.7	10.6	18.0
Returns on investments and servicing of finance				
Interest received		0.6	0.7	1.3
Interest paid		(1.5)	(1.1)	(1.8)
Dividends paid		(6.1)	(4.3)	(5.8)
Net cash outflow from returns on investments and servicing of finance		(7.0)	(4.7)	(6.3)
Tax paid	6.19(b)	(3.3)	(2.0)	(4.1)
Investing activities				
Purchase of tangible fixed assets net of grants		(5.8)	(5.4)	(8.3)
Purchase of subsidiary undertakings		—	(3.9)	—
Sale of plant and machinery		0.6	0.3	0.7
Disposal of businesses	6.20(b)	3.4	—	—
Movement in financial deposits		—	4.0	2.0
Net cash outflow from investing activities		(1.8)	(5.0)	(5.6)
Net cash inflow/(outflow) before financing		1.6	(1.1)	2.0
Financing				
Capital element of finance lease rental payments	6.19(d)	(0.1)	—	0.7
Net cash (outflow)/inflow from financing		(0.1)	—	0.7
Net increase/(decrease) in cash and cash equivalents	6.19(c)	1.5	(1.1)	2.7

5. Accounting policies

The principal accounting policies adopted in the preparation of the accounts for each of the three financial periods ended 31 December, 1995 and 1994 and 31 March, 1994, were as follows:

5.1 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.

5.2 Basis of consolidation

- The consolidated accounts comprise the accounts of the company and all subsidiary undertakings for the three financial periods ended 31 December, 1995 and 1994 and 31 March, 1994.
- 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.
- The group's interest in non-corporate joint ventures is accounted for under the proportional consolidation method.

5.3 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.

5.4 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.

5.5 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 cent. per annum

Leasehold land and buildings — the period of the lease

Plant machinery, fixtures and fittings — 10 per cent. to 33 $\frac{1}{3}$ per cent. per annum

Scaffolding equipment — 6 $\frac{2}{3}$ per cent. to 25 per cent. per annum

Motor vehicles — 25 per cent. per annum

5.6 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.

5.7 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.

5.8 Technical development expenditure

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

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 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.

6. Notes to the accounts

6.1 Segmental analysis

	Twelve months ended 31 December 1995			Nine months ended 31 December 1994			Twelve months ended 31 March 1994		
	Turnover	Profit before tax	Net assets	Turnover	Profit before tax	Net assets	Turnover	Profit before tax	Net assets
	£m	£m	£m	£m	£m	£m	£m	£m	£m
(a) Business analysis									
Manufacturing	85.0	8.6	40.6	55.7	6.6	43.0	70.2	9.4	36.3
Industrial Services	158.7	5.7	29.4	112.4	4.2	25.1	159.8	6.1	27.3
	<u>243.7</u>	<u>14.3</u>	<u>70.0</u>	<u>168.1</u>	<u>10.8</u>	<u>68.1</u>	<u>230.0</u>	<u>15.5</u>	<u>63.6</u>
Central accruals and provisions		—	(4.0)		—	(5.5)		—	(7.1)
Compensation for industrial disease		(1.9)	(2.7)		(1.2)	(2.8)		(1.8)	(2.7)
		<u>12.4</u>	<u>63.3</u>		<u>9.6</u>	<u>59.8</u>		<u>13.7</u>	<u>53.8</u>
Net interest/net borrowings		(0.9)	(0.8)		(0.5)	(0.5)		(1.0)	5.2
		<u>11.5</u>	<u>62.5</u>		<u>9.1</u>	<u>59.3</u>		<u>12.7</u>	<u>59.0</u>
(b) Geographical analysis by origin									
United Kingdom	168.6	8.4	42.3	119.9	8.5	38.9	166.4	11.9	37.3
Continental Europe	63.9	1.8	14.9	38.8	(0.4)	13.4	59.3	(0.5)	12.8
Rest of World	39.2	2.2	6.1	22.0	1.5	7.5	19.3	2.3	3.7
Inter-segment sales	(28.0)	—	—	(12.6)	—	—	(15.0)	—	—
	<u>243.7</u>	<u>12.4</u>	<u>63.3</u>	<u>168.1</u>	<u>9.6</u>	<u>59.8</u>	<u>230.0</u>	<u>13.7</u>	<u>53.8</u>
Net interest/net borrowings		(0.9)	(0.8)		(0.5)	(0.5)		(1.0)	5.2
		<u>11.5</u>	<u>62.5</u>		<u>9.1</u>	<u>59.3</u>		<u>12.7</u>	<u>59.0</u>

(c) Geographical analysis by market

	Twelve months ended 31 December 1995 £m	Nine months ended 31 December 1994 £m	Twelve months ended 31 March 1994 £m
United Kingdom	128.0	100.7	138.2
Continental Europe	70.1	43.2	63.6
Rest of World	45.6	24.2	28.2
	<u>243.7</u>	<u>168.1</u>	<u>230.0</u>

Note: Turnover in continental Europe includes The Netherlands £27.9 million (1994: £19.3 million; 1993/94: £26.2 million), France £13.7 million (1994: £9.5 million; 1993/94: £13.8 million) and Germany £20.3 million (1994: £9.6 million; 1993/94: £16.4 million).

6.2 Cost of sales and other operating expenses

	Twelve months ended 31 December 1995			Nine months ended 31 December 1994			Twelve months ended 31 March 1994
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m	£m
Cost of sales	206.8	6.4	213.2	139.7	5.4	145.1	199.7
Distribution costs	9.6	0.1	9.7	7.4	0.1	7.5	9.0
Administrative expenses	6.7	0.3	7.0	4.7	0.3	5.0	6.3
Research and development expenditure	1.4	—	1.4	0.9	—	0.9	1.3
Other operating expenses	17.7	0.4	18.1	13.0	0.4	13.4	16.6

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.

6.3 Operating profit

	Twelve months ended 31 December 1995 £m	Nine months ended 31 December 1994 £m	Twelve months ended 31 March 1994 £m
Operating profit is stated after charging/(crediting):			
Auditors' remuneration	0.3	0.3	0.3
Non audit fees payable to auditors	0.1	0.1	0.1
Depreciation on tangible fixed assets	8.2	6.0	8.6
Hire of plant and machinery	1.2	0.9	1.3
Other operating leases	0.7	0.7	0.9
Capital expenditure grants	(0.1)	(0.1)	(0.1)

6.4 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 Gylls 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.

(a) Directors' emoluments

	Twelve months ended 31 December 1995 £'000	Nine months ended 31 December 1994 £'000	Twelve months ended 31 March 1994 £'000
The aggregate emoluments of the directors of the parent company were:			
Fees	32	22	41
Payment to Charter Central Services Limited for the services of three directors	80	60	80
Salaries and other emoluments of executive directors	244	179	233
Performance related pay of executive directors	—	30	—
Pension contributions for executive directors	49	35	44
	<u>405</u>	<u>326</u>	<u>398</u>

(b) Analysis of directors' emoluments

	Twelve months ended 31 December 1995					Nine months ended 31 December 1994	
	Base salary £'000	Benefits £'000	Performance related bonus £'000	Pension contributions £'000	Fees £'000	Total £'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 ⁽ⁱⁱ⁾⁽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
	<u>221</u>	<u>27</u>	<u>—</u>	<u>49</u>	<u>108</u>	<u>405</u>	<u>326</u>

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.
- (vi) In the year ended 31 March, 1994, the Chairman received fees of £60,000 and the highest paid director received emoluments (excluding pension contributions) of £142,386.

(c) Emoluments' bandings

	Number of directors		
	Twelve months ended 31 December 1995	Nine months ended 31 December 1994	Twelve months ended 31 March 1994
Emoluments of all directors, excluding pension contributions, were within the following ranges:			
£5,001 — £10,000	2	3	3
£10,001 — £15,000	1	1	1
£15,001 — £20,000	1	—	1
£40,001 — £45,000	—	1	—
£55,001 — £60,000	1	—	1
£80,001 — £85,000	—	1	—
£95,001 — £100,000	1	—	1
£125,001 — £130,000	—	1	—
£145,001 — £150,000	1	—	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 Ordinary shares of 25p each			Charter plc Fully paid shares of 2p each		
	At 31 December 1995	At 31 March 1994	At 31 March 1994	At 31 December 1995	At 31 March 1994	At 31 March 1994
M J Farebrother	13,598	13,598	13,598	970	900	720
Sir Michael Grylls	—	—	—	—	—	—
J W Herbert	1,000	1,000	1,000	20,264 ⁽ⁱ⁾	15,343 ⁽ⁱ⁾	11,631
F K J Jackson	11,145	11,145	11,145	6,774 ⁽ⁱ⁾	6,583 ⁽ⁱ⁾	5,267
A M Millwood	7,000	7,000	7,000	—	—	—
C H Parker	—	—	—	11,385 ⁽ⁱ⁾	10,566 ⁽ⁱ⁾	7,810
N E Robson	—	—	—	11,562 ⁽ⁱ⁾	4,625 ⁽ⁱ⁾	3,056

Note:

(i) Includes shares appropriated under profit sharing scheme.

	Cape PLC Share option schemes					
	At 31 December 1995	Granted 1995	Exercised 1995	At 31 December 1994	At 31 March 1994	At 31 March 1994
M J Farebrother	107,407	—	—	107,407	107,407	107,407
F K J Jackson	65,168	2,854	—	62,314	62,314	62,314

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

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

				<i>Date from</i>	
	<i>Option scheme</i>	<i>Number</i>	<i>Exercise</i>	<i>which</i>	<i>Expiry</i>
		<i>of shares</i>	<i>price</i>	<i>exercisable</i>	<i>date</i>
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 31 December, 1995 were:

	<i>Charter plc Share option schemes</i>				
	<i>At 31 December 1995</i>	<i>Granted 1995</i>	<i>Exercised 1995</i>	<i>At 31 December 1994</i>	<i>At 31 March 1994</i>
J W Herbert	95,648	12,332	(144,524)	227,840	169,614
C H Parker	42,612	10,090	—	32,522	85,997
N E Robson	53,739	11,211	(111,849)	154,377	118,037

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 31 December, 1995 and 29 February, 1996, being one month prior to the date of the notice of the annual general meeting.

6.5 Employees

	<i>Twelve months ended 31 December 1995</i>	<i>Nine months ended 31 December 1994</i>	<i>Twelve months ended 31 March 1994</i>
(a) Average number of employees by business:			
Manufacturing	958	990	886
Industrial Services	3,518	3,330	3,619
Central	21	22	22
	<u>4,497</u>	<u>4,342</u>	<u>4,527</u>
Geographically:			
United Kingdom	2,714	2,932	3,056
Continental Europe	665	654	780
Rest of World	1,118	756	691
	<u>4,497</u>	<u>4,342</u>	<u>4,527</u>

(b) Employment costs, including directors' emoluments:

	<i>£m</i>	<i>£m</i>	<i>£m</i>
Wages and salaries	83.7	61.2	82.4
Social security costs	9.8	7.6	10.9
Other pension costs (note 6.25)	0.1	0.5	0.3
	<u>93.6</u>	<u>69.3</u>	<u>93.6</u>

6.6 Net interest payable

	<i>Twelve months ended 31 December 1995 £m</i>	<i>Nine months ended 31 December 1994 £m</i>	<i>Twelve months ended 31 March 1994 £m</i>
Interest receivable	0.6	0.5	0.8
Interest payable on bank loans, overdrafts and other loans wholly repayable within five years	(1.5)	(1.0)	(1.8)
	<u>(0.9)</u>	<u>(0.5)</u>	<u>(1.0)</u>

No interest was payable by instalments.

6.7 Tax on profit on ordinary activities

	<i>Twelve months ended 31 December 1995 £m</i>	<i>Nine months ended 31 December 1994 £m</i>	<i>Twelve months ended 31 March 1994 £m</i>
Taxation for the year comprises:			
United Kingdom:			
Corporation tax at 33% (1994: 33%)	2.8	1.9	4.0
Deferred tax	0.9	0.3	—
Overseas taxes	0.5	1.0	1.0
Effective rate 36.5% (1994: 35.2%)	4.2	3.2	5.0
Adjustments relating to earlier years:			
United Kingdom	(0.4)	0.6	(1.1)
Overseas	0.1	(0.3)	0.3
Reported rate 33.9% (1994: 38.5%)	3.9	3.5	4.2

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

6.8 Dividends

	<i>Twelve months ended 31 December 1995 £m</i>	<i>Nine months ended 31 December 1994 £m</i>	<i>Twelve months ended 31 March 1994 £m</i>
Interim — paid 10 November, 1995 — 3p per share (1994: 3p per share; 1993/94: 3p per share)	1.6	1.6	1.6
Final proposed — 8p per share (1994: 5.25p per share; 1993/94: 8p per share)	4.4	2.9	4.4
	6.0	4.5	6.0

6.9 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 per cent. cumulative preference and 8.4 per cent. cumulative preference shares) of £7,598,000 (1994: £5,541,000, 1993/94: £8,514,000) by 54,325,811 ordinary shares (1994: 54,308,735, 1993/94: £53,999,886), 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 31 December, 1995 there is no material dilution of earnings per ordinary share.

6.10 Fixed assets – tangible assets

	<i>Total £m</i>	<i>Land and buildings £m</i>	<i>Plant, machinery, fixtures and fittings £m</i>
Cost or valuation:			
At 1 April, 1994	102.5	27.4	75.1
Exchange adjustments	0.4	0.2	0.2
Additions at cost	5.4	0.4	5.0
Acquisitions	3.1	1.0	2.1
Disposals	(2.1)	(0.1)	(2.0)
At 31 December, 1994	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 31 December, 1995	111.5	29.7	81.8
Depreciation:			
At 1 April, 1994	51.5	4.4	47.1
Exchange adjustments	0.2	—	0.2
Provided during the period	6.0	0.3	5.7
Disposals	(1.8)	—	(1.8)
At 31 December, 1994	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 31 December, 1995	61.4	5.5	55.9
Net book amounts:			
At 31 December, 1995	50.1	24.2	25.9
At 31 December, 1994	53.4	24.2	29.2
At 31 March, 1994	51.0	23.0	28.0

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
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(i) The net book amount of land and buildings comprises:

Freehold	23.3	23.4	22.2
Long leasehold	0.6	0.6	0.6
Short leasehold	0.3	0.2	0.2
	24.2	24.2	23.0

(ii) The total cost or valuation of land and buildings comprises:

At cost	16.8	16.0	14.5
At 1988 professional valuation	11.8	11.8	11.8
At 1990 directors' valuation	1.1	1.1	1.1
	29.7	28.9	27.4

(iii) The net book amount of group freehold land and buildings at 31 December, 1995 includes £11.5 million (1994: £11.2 million; 1993/94: £10.7 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:

	At 31 December 1995 £m	At 31 December 1994 £m	At 31 March 1994 £m
Historical cost	19.1	18.3	16.8
Aggregate depreciation	(6.4)	(5.6)	(5.2)
Net book amount	<u>12.7</u>	<u>12.7</u>	<u>11.6</u>
(v) Included in plant and machinery are the following assets which are held under finance leases:			
Net book amount	<u>0.2</u>	<u>0.2</u>	<u>0.5</u>
Depreciation charge for year	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>

The company has no assets held under finance leases.

6.11 Investments in subsidiary undertakings

The principal subsidiary undertakings at 31 December, 1995 comprise:

Manufacturing Division

Cape Boards Limited

Uxbridge, Ystrad Mynach

Manufacture and supply of non-combustible fire protection and high performance boards for use in building, construction and general industry.

Marketing Cape building products.

Cape Boards Nederland

's-Hertogenbosch, The Netherlands

Cape France SA*

Paris, France

Marketing Cape building products.

Cape Boards (Deutschland) GmbH*

Cologne, Germany

Marketing Cape building products

Cape Industrial Products Limited

Glasgow

Manufacture and supply of specialist non-combustible fire protection and heat resistant boards.

Cape Ceilings Limited

Stafford, Frome

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

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

Manufacture and supply of aggregate covered and decorative smooth faced glass reinforced external cladding panels.

Cape Insulation Products Limited

Washington

Manufacture and supply of calcium silicate and phenolic foam insulation and insulation systems.

Cape Boards Siborit GmbH*

Lüneberg, Germany

Manufacture and supply of high performance calcium silicate industrial and insulation products.

Cape Durasteel Limited

Wellingborough

Design, manufacture and installation of passive fire protection systems including barriers, ducting, doors and penetration seals.

Cape Asia Pacific Private Limited*

Singapore

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

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.

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

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 per cent.)
Abu Dhabi, United Arab Emirates

Industrial services.

R B Hilton Saudi Arabia Limited* (49 per cent.)
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

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

Industrial insulation services.

Cape Entsorgungstechnik GmbH*
Borken, Germany

Asbestos removal services.

Société Cape Contracts SA*
Saint Quentin, France

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.

6.12 Stocks

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Short term contract work in progress	52.2	29.1	42.2
Less: Progress payments received and receivable	(45.7)	(22.6)	(36.6)
Short term contract balances	<u>6.5</u>	<u>6.5</u>	<u>5.6</u>
Long term contract work in progress	5.3	9.6	1.1
Less: Progress payments received and receivable	(5.0)	(9.5)	(0.7)
Long term contract balances	<u>0.3</u>	<u>0.1</u>	<u>0.4</u>
Raw materials and consumables	4.4	3.5	2.8
Work in progress	0.6	0.9	0.7
Finished goods and goods for resale	4.4	3.8	3.8
	<u>9.4</u>	<u>8.2</u>	<u>7.3</u>
	<u>16.2</u>	<u>14.8</u>	<u>13.3</u>

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

6.13 Debtors

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Amounts falling due within one year:			
Trade debtors	50.1	44.2	42.1
Amounts recoverable on long term contracts	2.1	0.8	2.2
Amounts owed by subsidiary undertakings			
Other debtors	3.1	2.0	3.3
Prepayments and accrued income	3.0	2.5	2.7
	<u>58.3</u>	<u>49.5</u>	<u>50.3</u>
Amounts falling due after more than one year:			
Advance corporation tax recoverable	3.2	2.3	1.6
Trade debtors	0.5	0.1	0.4
	<u>62.0</u>	<u>51.9</u>	<u>52.3</u>

6.14 Creditors: Amounts falling due within one year

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Short term borrowings	<u>29.1</u>	<u>22.3</u>	<u>15.3</u>
Other creditors			
Payments received on account (note 6.12)	2.6	1.9	2.9
Trade creditors	21.6	18.4	18.0
Amounts owed to subsidiary undertakings			
Payroll and other taxes, including social security	6.2	6.4	7.4
United Kingdom taxation	4.7	3.9	2.7
Overseas taxation	0.8	1.0	0.9
Other creditors	4.7	6.1	7.5
Accruals and deferred income	12.7	11.3	12.8
Dividends payable	4.3	4.5	4.4
	<u>57.6</u>	<u>53.5</u>	<u>56.6</u>
	<u>86.7</u>	<u>75.8</u>	<u>71.9</u>

6.15 Creditors: Amounts falling due after more than one year

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Bank loans	0.2	0.2	0.2
Finance leases	0.1	—	—
Long term borrowings	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>
Amounts owed to subsidiary undertakings	—	—	—
	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
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	0.2
Between two and five years	0.1	0.1	0.1
After five years by instalments	0.1	0.1	0.1
	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>

6.16 Provisions for liabilities and charges

	Total £m	Compensation for industrial disease £m	Deferred taxation £m	Other provisions £m
At 1 April, 1994	6.2	2.7	—	3.5
Applications	(1.4)	(1.1)	—	(0.3)
Provided during the period	2.0	1.2	0.8	—
At 31 December, 1994	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 31 December, 1995	7.4	2.7	1.7	3.0

6.17 Share capital

	At 31 December 1995 £m	At 31 December 1994 £m	At 31 March 1994 £m
(a) Authorised			
Equity:			
73,663,439 ordinary shares of 25p each (1994: 73,660,540; 1993/94: 73,655,555)	18.4	18.4	18.4
Non-equity:			
15,067 8.4% cumulative preference shares of £1 each (1994: 16,345; 1993/94: 18,543)	—	—	—
250,000 3½% cumulative preference shares of £1 each (1994 and 1993/94: 250,000)	0.3	0.3	0.3
431,905,031 deferred shares of 1p each (1994: 431,852,035; 1993/94: 431,756,835)	4.3	4.3	4.3
	4.6	4.6	4.6
	23.0	23.0	23.0
	At 31 December 1995 £m	At 31 December 1994 £m	At 31 March 1994 £m
(b) Called up, fully paid and allotted			
Equity:			
54,325,811 ordinary shares of 25p each (1994: 54,322,912; 1993/94: 54,279,596)	13.6	13.6	13.6
Non-equity:			
15,067 8.4% cumulative preference shares of £1 each (1994: 16,345; 1993/94: 18,543)	—	—	—
250,000 3½% cumulative preference shares of £1 each (1994 and 1993/94: 250,000)	0.3	0.3	0.3
431,906,031 deferred shares of 1p each (1994: 431,852,035; 1993/94: 431,756,835)	4.3	4.3	4.3
	4.6	4.6	4.6
	18.2	18.2	18.2

(c) Share options

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

	<i>Date of grant</i>	<i>Number of shares</i>	<i>Price</i>	<i>Date of exercise</i>
Savings related share option scheme	6.1.89	24,535	167p	28.2.96
				28.8.95 or
	13.7.90	110,232	190p	28.8.97
				28.2.97 or
	2.1.92	242,596	243p	28.2.99
				28.9.98 or
	8.7.93	169,509	241p	28.9.00
				31.5.00 or
	7.4.95	346,012	206p	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
				31.12.96 to
	31.12.93	288,750	258p	31.12.03
				31.12.98 to
	31.12.93	53,750	219.3p	31.12.03
	8.7.94	30,000	277p	8.7.97 to 8.7.04
				30.12.97 to
	30.12.94	20,000	206p	30.12.04

(d) 8.4 per cent. Cumulative preference shares

Dividend rights:

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

Redemption of shares:

The holders of the 8.4 per cent. cumulative preference shares, which were issued on 11 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 per cent. 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 per cent. cumulative preference shares were converted on 16 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 per cent. cumulative preference shares at any time until 31 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.

(e) 3½ per cent. Cumulative preference shares

Dividend rights:

Fixed cumulative preferential dividend at the rate of 3½ per cent. per annum payable half yearly in arrears on 31 March and 30 September ranking in priority after the 8.4 per cent. 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 per cent. 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.

6.18 Reserves

	<i>Total</i>	<i>Share premium account</i>	<i>Revalu- ation reserve</i>	<i>Profit and loss</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 1 April, 1994	40.8	1.6	11.4	27.8
Currency translation differences on foreign currency net investments	(0.1)	—	—	(0.1)
Goodwill arising on acquisitions	(0.7)	—	—	(0.7)
Retained profit for the period	1.1	—	—	1.1
At 31 December, 1994	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 31 December, 1995	44.3	1.6	11.4	31.3

Notes:

- (i) 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; 1993/94: credit £0.6 million) in relation to foreign currency borrowings.
- (ii) The cumulative goodwill charged to reserves at 31 December, 1995 was £16.3 million (1994: £18.2 million; 1993/94: £17.5 million).
- (iii) 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; 1993/94: £8.2 million) is dealt with in the financial statements of the company. Auditors' remuneration for the company was £57,000 (1994: £50,000).

6.19 Consolidated cash flow statement

	Twelve months ended 31 December 1995 £m	Nine months ended 31 December 1994 £m	Twelve months ended 31 March 1994 £m		
(a) Reconciliation of operating profit to net cash inflow from operating activities					
Operating profit	12.4	9.6	13.7		
Depreciation charge net of grants amortised	8.1	5.9	8.5		
Increase in stocks	(1.7)	(1.5)	(0.5)		
(Increase)/decrease in debtors	(7.2)	1.3	5.8		
Increase/(decrease) in creditors	2.9	(4.5)	(9.8)		
Increase in provisions	1.9	1.2	2.0		
Compensation for industrial disease	(1.9)	(1.2)	(1.4)		
Net cash inflow from continuing operating activities	14.5	10.8	18.3		
Net cash outflow in respect of discontinued activities	(0.8)	(0.2)	(0.3)		
Net cash inflow from operating activities	13.7	10.6	18.0		
(b) Analysis of tax paid					
United Kingdom corporation tax	(2.4)	(1.5)	(2.6)		
Overseas tax	(0.9)	(0.5)	(1.5)		
	(3.3)	(2.0)	(4.1)		
(c) Analysis of balances of cash and cash equivalents as shown in the balance sheet					
	At 31 December 1995 £m	At 31 December 1994 £m	At 31 March 1994 £m	Movement 1995 £m	Movement 1994 £m
Cash at bank and in hand	28.6	22.0	20.7	6.6	1.3
Short term borrowings	(29.1)	(22.3)	(15.3)	(6.8)	(7.0)
	(0.5)	(0.3)	5.4	(0.2)	(5.7)
Analysis of the movements:					
Net increase in cash and cash equivalents				1.5	(5.1)
Effect of foreign exchange rate changes				(1.7)	(0.6)
				(0.2)	(5.7)
(d) Analysis of financing items as shown in the balance sheet					
	At 31 December 1995 £m	At 31 December 1994 £m	Movement 1994 £m		
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)		

6.20 Disposal of businesses

*Twelve
months
ended 31
December
1995
£m*

(a) Disposal proceeds

On 3 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

—

6.21 Deferred taxation

	<i>At 31 December 1995 £m</i>	<i>Movement 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>Movement 1994 £m</i>	<i>At 31 March 1994 £m</i>
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	0.4	—
Timing difference related to pension prepayment	0.5	0.1	0.4	0.4	—
	<u>1.7</u>	<u>0.9</u>	<u>0.8</u>	<u>0.8</u>	<u>—</u>
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	(0.8)	1.6
Taxation arising on the potential disposal of properties at their book values	0.5	0.1	0.4	—	0.4
Other timing differences	(0.5)	0.3	(0.8)	0.3	(1.1)
Trading losses carried forward (i)	<u>(0.8)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>0.5</u>	<u>(0.9)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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; 1993/94: £6.4 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.

6.22 Capital commitments

	<i>At 31 December 1995 £m</i>	<i>At 31 December 1994 £m</i>	<i>At 31 March 1994 £m</i>
Capital expenditure authorised but not provided for in these accounts:			
Against which orders have been placed	1.5	0.4	0.3
Against which orders have not been placed	0.3	1.1	0.2
	<u>1.8</u>	<u>1.5</u>	<u>0.5</u>

6.23 Commitments under operating leases

	At 31 December 1995 £m	At 31 December 1994 £m	At 31 March 1994 £m
(a) Land and buildings			
Annual commitments under operating leases expiring:			
Within one year	0.1	0.6	0.1
Between one year and five years	0.2	2.2	0.1
After five years	0.4	0.9	0.4
	<u>0.7</u>	<u>3.7</u>	<u>0.6</u>
(b) Other leases			
Annual commitments under operating leases expiring:			
Within one year	—	0.1	0.1
Between one year and five years	0.1	0.1	0.1
	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>

6.24 Contingent liabilities

The parent company has contingent liabilities amounting to £3.7 million (1994: £2.8 million; 1993/94: £4.0 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; 1993/94: £1.1 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.

6.25 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 6 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 2.0 per cent. higher than general earnings inflation and 3.5 per cent. 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 per cent. 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. The previous valuation as at 6 April, 1992 showed that the scheme had a market value of £53.8 million and was 125 per cent. funded after allowing for improved benefits for pensioners and members. The main actuarial assumptions adopted in that valuation were that over the long term the annual investment return would be 2 per cent. higher than general earnings inflation and 4 per cent. higher than the annual increase in present and future pensions.

Other pension costs include a charge of £1.5 million (1994: £1.2 million; 1993/94: £1.5 million) and a credit of £2.0 million (1994: £1.1 million; 1993/94: £1.5 million). A pension prepayment of £1.6 million (1994: £1.1 million; 1993/94: £1.2 million) is included in the balance sheet at 31 December, 1995. The pension expense in the period for the defined contribution scheme of £0.2 million (1994: £0.1 million; 1993/94: £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.

PART V

PRO FORMA STATEMENT OF NET ASSETS

The following is a pro forma statement of the net assets of the Group following the Transactions. This statement has been prepared for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position.

	<i>Rutland Trust as at 31 December 1995 (Note 1) £'000</i>	<i>Placing and Open Offer (Note 2) £'000</i>	<i>Acquisition (Note 3) £'000</i>	<i>Pro forma (Note 4) £'000</i>
Fixed Assets				
Tangible assets	63,979	—	—	63,979
Investments	6,506	—	15,809	22,315
	<u>70,485</u>	<u>—</u>	<u>15,809</u>	<u>86,294</u>
Current Assets				
Stock and work in progress	10,122	—	—	10,122
Debtors	20,929	—	—	20,929
Cash at bank and in hand	10,368	23,994	(17,656)	16,706
	<u>41,419</u>	<u>23,994</u>	<u>(17,656)</u>	<u>47,757</u>
Creditors due within one year	(33,064)	—	—	(33,064)
Net current assets	<u>8,355</u>	<u>23,994</u>	<u>(17,656)</u>	<u>14,693</u>
Total assets less current liabilities	78,840	23,994	(1,847)	100,987
Creditors due after one year	(29,540)	—	—	(29,540)
Provisions for liabilities and charges	(2,239)	—	—	(2,239)
Net assets	<u><u>47,061</u></u>	<u><u>23,994</u></u>	<u><u>(1,847)</u></u>	<u><u>69,208</u></u>

Notes:

1. The financial information relating to Rutland has been extracted from the audited balance sheet of the Group as at 31 December 1995, as set out in Part III of this document.
2. Cash raised as a result of the Placing and Open Offer will amount to £24.0 million, net of total expenses of approximately £0.8 million. The Placing and Open Offer will result in the issue of 49,588,560 New Ordinary Shares.
3. The acquisition of the interest in Cape reflects:
 - (a) the purchase by Rutland of 13,581,452 Cape Shares, representing 25 per cent. of the issued ordinary share capital, at a price of 130p per share, together with the purchase for £1 of the Cape Deferred Shares and the Cape Preference Shares, for a total consideration of £17.66 million; and
 - (b) goodwill on acquisition of Cape which will be written off to reserves in accordance with Rutland's accounting policy.
4. The pro forma statement excludes the impact of:
 - (a) the trading results of Rutland and Cape since 31 December, 1995 being the date of the latest published audited accounts of those companies;
 - (b) any taxation liabilities arising on the Transactions;
 - (c) any fair value adjustments relating to the Acquisition; and
 - (d) the option held by Rutland, or its obligation pursuant to the Acquisition Agreement, to purchase a further 4.9 per cent. of the issued Cape Shares.

PART VI

**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS
OF THE ACQUISITION AGREEMENT, THE PLACING AGREEMENT AND THE
SERVICES AGREEMENT**

1. Acquisition Agreement

(a) Pursuant to the Acquisition Agreement dated 19 June, 1996, Rutland has conditionally agreed to purchase 13,581,452 Cape Shares, 250,000 3½ per cent. cumulative preference shares of £1 each and 291,033,800 deferred shares of 1p each, in Cape from Cecil Holdings Limited, a wholly owned subsidiary of Charter.

In addition, Rutland has conditionally agreed to purchase from KBS 2,661,964 Cape Shares at a price of 130p per Cape Share but only if KBS so requires. However, Charter has agreed in the Acquisition Agreement to procure that Rutland is given an option to acquire up to 2,661,964 Cape Shares if Rutland elects to do so at the price at which KBS is placing the balance of Charter's holding with institutions. Rutland is not obliged to exercise that option.

At the 130p level, the total consideration for 29.9 per cent. of Cape's issued share capital would be approximately £21.12 million.

(b) In the Acquisition Agreement, Charter gives representations and warranties in respect of Cecil Holdings Limited's title to the Cape Shares and the absence of any matter which should have but which has not been announced by Cape under the Listing Rules. Charter does not however give any other representations or warranties in relation to Cape's affairs. Rutland also acknowledges that it has not relied on any other statements, representations or warranties by Charter in deciding to proceed with the Acquisition.

(c) Charter undertakes in the Acquisition Agreement to disclose to Rutland any matter which comes to its attention and which in its reasonable opinion gives rise to an obligation on Cape to make an announcement under the Listing Rules in the period leading up to Admission of the New Ordinary Shares.

(d) The obligations of Charter and Rutland under the Acquisition Agreement are conditional upon:

- (i) approval of the Acquisition by the Charter Shareholders;
- (ii) approval of the Acquisition by the Rutland Shareholders;
- (iii) the Placing Agreement having become unconditional (save to the extent that the Placing Agreement remains conditional on the Acquisition Agreement having become unconditional) and not being rescinded or terminated;
- (iv) the KBS Placing Agreement having become unconditional (save to the extent that the KBS Placing Agreement remains conditional on the Acquisition Agreement having become unconditional) and not being rescinded or terminated; and
- (v) Admission having occurred.

(e) Pursuant to the Acquisition Agreement Rutland has entered into certain placing arrangements with KBS (payable in each case at completion of the Acquisition) in accordance with which:

- (i) Rutland has conditionally agreed to purchase from KBS up to 2,661,964 Cape Shares at a price of 130p per Cape Share. As indicated above, Rutland is obliged to effect this purchase only if KBS so requires.
- (ii) Rutland is to be given the option to purchase up to 2,661,964 Cape Shares at the price at which KBS has received from institutional investors bids at above 130p for all the Cape Shares which are the subject of the placing by KBS.

(f) Charter has agreed on completion of the Acquisition Agreement to pay to Rutland the sum of £300,000 by way of contribution to the Company's expenses in relation to the Acquisition Agreement.

2. Placing Agreement

(a) Pursuant to the Placing Agreement, dated 19 June, 1996, UBS has conditionally agreed, as agent for the Company, to make the Open Offer and to use its reasonable endeavours to procure placees at the Issue Price for the New Ordinary Shares subject to recall to meet valid applications by Qualifying Shareholders under the Open Offer. UBS has also agreed to take up at the Issue Price any New Ordinary Shares which are not taken up under the Open Offer and for which UBS is unable to procure placees.

(b) The Placing Agreement is conditional, *inter alia*, on the satisfaction of the following conditions on or before 18 July, 1996 or on such later date as the Company and UBS may agree, being on or before 25 July, 1996:

- (i) the passing at an Extraordinary General Meeting of the Company (or any adjournment of such meeting) of the Resolutions;
- (ii) the Acquisition Agreement becoming unconditional and not having been terminated; and
- (iii) the London Stock Exchange having admitted the New Ordinary Shares to the Official List and such admission having become effective.

(c) In consideration for its services under the Placing Agreement, UBS will receive (i) a corporate finance fee of £160,000; (ii) a commission of 2 per cent. of the aggregate value at the Issue Price of the New Ordinary Shares; and (iii) a further commission of $\frac{1}{8}$ th per cent. of the aggregate value at the Issue Price of the New Ordinary Shares for each subsequent period (if any) of 7 days or any part thereof of its placing commitment after the first 30 days of such commitment, in each case together with any VAT due thereon. Out of the commissions referred to above, UBS will pay any commissions payable to placees.

(d) Save for the commissions payable by UBS to placees, the Company will pay all other costs, charges and expenses for, or incidental, to the Transactions, including all advertising expenses, postage, professional costs and certain expenses of UBS, including its legal fees.

(e) The Placing Agreement contains representations, warranties and indemnities given by the Company to UBS relating to, *inter alia*, the accuracy of this document and the affairs of the Group.

(f) UBS is entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or in the event of any matter relating to Cape or any of its subsidiary undertakings which comes to the attention of UBS and which in the reasonable opinion of UBS is materially adverse to Cape and might reasonably affect the willingness of placees to subscribe for New Ordinary Shares in the Placing at the Issue Price.

3. Services Agreement

(a) Pursuant to the Services Agreement Rutland dated 19 June, 1996 has conditionally agreed to make available to Cape services suitable for the provision and completion to Cape's reasonable satisfaction of the functions of chief executive and finance director (on a full time basis), chairman (on the basis of not less than eight business days per month) and such other administrative and support services as may be agreed. The individuals initially to be appointed are: M R F Langdon who will act as Cape's chairman, C B Dowling as its chief executive and P I Cartwright as Cape's finance director.

(b) Cape is obliged to pay to Rutland, by way of consideration for its services a fee of £650,000 plus VAT per annum such sum to be payable in arrears in 12 equal instalments on the last day of each calendar month and to be reviewed annually.

(c) Either party may terminate the Services Agreement on giving six months' notice. However, the Services Agreement may be terminated immediately if Rutland has ceased to own beneficially at least 25 per cent. of Cape's issued share capital. In addition, either party may terminate the Services Agreement summarily upon the occurrence of certain events. On termination of the Services Agreement Cape is obliged to pay to Rutland, subject to the right of set-off in respect of any amount which it reasonably estimates to be due to it as damages for breach of the Services Agreement, all amounts outstanding by way of fees, expenses or otherwise. Save for such outstanding amounts, no sums are payable by either party to the other under the terms of the Services Agreement upon its termination.

(d) The Services Agreement is conditional upon the Acquisition having been completed.

(e) During the term of the Services Agreement Rutland is obliged to, and is obliged to procure that, the individuals whose services are made available to Cape thereunder, offer to Cape in priority to any member of the Group any business opportunities which would be suitable for Cape or its subsidiaries to develop.

4. Incentive Arrangement

As part of the Services Agreement, the independent non-executive directors have agreed that subject to their fiduciary duties, they will support a recommendation by the new Cape board of an incentivisation arrangement for Rutland Trust. Under this arrangement, Rutland Trust will be able to require Cape to make an incentive payment to Rutland Trust which will be calculated as the difference between 165p and the share price of Cape in various periods commencing after the announcement of Cape's results for the year ended 31 December, 1998 and ending with the results for the year ended 31 December, 2005 multiplied by 1.5 million. Rutland will be able to use this multiplier of 1.5 million in whole or part in respect of any of these periods until it is fully utilised. The maximum payment under this arrangement is £2.5 million. It is intended that, immediately following the acquisition by Rutland Trust of Cape Ordinary Shares, a resolution to approve the incentivisation arrangement will be put to Cape shareholders, excluding Rutland Trust, at an extraordinary general meeting of Cape shareholders.

PART VII

ADDITIONAL INFORMATION

1. Directors' responsibility

The Directors of the Company, whose names appear in paragraph 2(a) below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

(a) The Directors of Rutland Trust and their principal functions are as follows:

Admiral Sir Raymond Lygo	Non-Executive Chairman
Michael Robert Finch Langdon	Deputy Chairman and Chief Executive
Christopher Bruce Dowling	Deputy Chief Executive
Gerard Anthony Loughney	Executive Director
Alexander Cassels	Non-Executive Director
Brian John Michael Dally	Non-Executive Director

(b) The head office of the Group is at Rutland House, Rutland Gardens, London, SW7 1BX which is also the business address of each of the Directors, and the Group's principal place of business.

3. Incorporation

The Company was incorporated (with registered number 1491292) on 16 April, 1980 in England and Wales under the Companies Acts 1948 to 1976 as Kellock Trust Limited and re-registered on 15 February, 1982 as a public limited company with the name Kellock Trust PLC. The Company changed its name to Rutland Trust PLC by virtue of a special resolution registered on 14 September, 1987. The principal legislation under which the Company operates is the Act. The registered office of the Company is at Rutland House, Rutland Gardens, London SW7 1BX.

The Memorandum of Association of the Company provides that the Company's principal object is to act as a holding company and to hold shares, securities and other interests in any company but particularly companies engaged in the provision of finance to industry or commerce. The objects of the Company are set out in full in clause 4 of the Memorandum which is available for inspection as described in paragraph 17 below.

The principal activity of the Group is the provision of financial, industrial and professional services and it is directly engaged in corporate finance and investment, container port services and professional services.

4. Share capital

(a) The following table sets out the authorised, issued and fully paid capital of the Company as it is at the date of this document and as it will be immediately following completion of the Transactions (assuming the Resolutions are passed):

	£	Authorised Number	£	Issued and fully paid Number
		Ordinary Shares of 1p each:		
before completion of the Transactions	3,000,000	300,000,000	2,479,428	247,942,804
immediately following completion of the Transactions	3,900,000	390,000,000	2,975,314	297,531,364

(b) The following changes in the issued share capital of the Company have occurred since 19 June, 1993:

<i>Date of issue</i>	<i>Number of Ordinary Shares</i>	<i>Issue Price (pence)</i>	<i>Reason for issue</i>
9 May, 1996	116,798	42.1p	Exercise of share options
17 May, 1996	31,499	(average) 40.35p	Exercise of share options
31 May, 1996	6,096	40.35p	Exercise of share options

(c) The Directors were authorised by an ordinary resolution dated 9 May, 1996 to issue relevant securities up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company immediately following the passing of that resolution during the period expiring on 9 May, 2001 unless previously revoked or varied and, by a special resolution of the same date, to allot relevant securities for cash pursuant to that authority and other issues up to an aggregate nominal amount of £123,800 during the period ending on the annual general meeting of the Company to be held in 1997 free from statutory pre-emption rights.

(d) A special resolution, expressed to be conditional on, inter alia, the passing of the resolution approving the Acquisition, is to be proposed at the Extraordinary General Meeting of the Company to be held on 12 July, 1996:

- (i) increasing the authorised share capital of the Company from £3,000,000 to £3,900,000 by the creation of 90,000,000 Ordinary Shares of 1p each;
- (ii) authorising the Directors generally and unconditionally to allot relevant securities (as defined in section 80 of the Act) up to a maximum nominal value of £900,000 at any time before 12 July, 2001 but so as to enable the Company before such date to make offers or agreements which would or might require the relevant securities to be allotted after such date and to enable the Directors to allot relevant securities in pursuance of such offers or agreements as if the authority conferred thereby had not expired, such authority to be in substitution for all previous authorities granted to the Directors (including the authority contained in paragraph (c) above); and
- (iii) empowering the Directors to allot for cash equity securities (as defined in section 94(2) of the Act) pursuant to the authority given in (ii) above in connection with offers of securities open for acceptance by holders of shares in the Company and otherwise in relation to cash issues of securities up to a maximum nominal amount of £148,765 at any time before the earlier of the next Annual General Meeting of the Company to be held in 1997 and 31 December, 1997, as if sub-section 89(1) of the Act did not apply to any such allotment.

(e) The New Ordinary Shares will be allotted and, subject to the satisfaction of the conditions in the Placing Agreement, issued pursuant to a resolution of the Directors following the passing of the resolutions at the Extraordinary General Meeting.

(f) The provisions of section 89(1) of the Act, which to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotments of equity securities which are, or are to be, wholly or partly paid up in cash (other than allotments to employees under the Executive Scheme). This section will apply to all issues for cash of the authorised but unissued share capital of the Company as it will be following the Acquisition and the Placing and Open Offer, other than as provided in the Act and for issues of Ordinary Shares which are not subject to the disapplication referred to in paragraph 4(c) or (d) above.

(g) Immediately following completion of the Transactions, excluding the 7,648,353 Ordinary Shares reserved for issue under the Executive Scheme, 84,820,283 Ordinary Shares (representing 21.7 per cent. of the Company's enlarged authorised ordinary share capital) will remain unissued.

(h) Other than in respect of the Placing and Open Offer and the exercise of the options under the Executive Scheme there is no present intention to issue any of the authorised but unissued share capital of the Company.

(i) Save as disclosed in this paragraph 4 and paragraph 2 of Part VI of this document and save for intra-group issues by wholly owned subsidiaries, during the period since 19 June, 1993:

- (i) there has been no alteration in the share or loan capital of the Company and no share or loan capital of the Company or any of its subsidiaries has been issued, fully or partly paid up, either for cash or for a consideration other than cash; and
- (ii) no commissions, discounts or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital.

(j) Save as disclosed in paragraph 6(b) below, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

5. Summary of rights attaching to Ordinary Shares

The articles of association of the Company contain provisions, inter alia, to the following effect:

(a) *Voting rights*

On a show of hands every member who is present in person or being a corporation is represented by a duly authorised representative and in each case is entitled to vote shall have one vote and upon a poll every member present in person or by proxy and entitled to vote shall have one vote for every Ordinary Share held by him.

(b) *Variation of class rights and changes in capital*

Whenever capital is divided into different classes of shares, all or any rights or privileges attached to any class of share may, subject to the provisions of the Act, be modified varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class. At any such separate meetings (other than an adjourned meeting) the necessary quorum is at least two persons personally present and holding or presenting either by proxy or as the duly authorised representative of a corporate member at least one-third of the capital paid up on the issued shares of the class in question.

The Company in general meeting may:

- (i) consolidate and divide its share capital into shares of a larger amount;
- (ii) sub-divide its share capital into shares of a smaller amount;
- (iii) cancel any shares which have not been taken up or agreed to be taken up by any person and diminish its authorised share capital by the amount of the shares so cancelled;
- (iv) increase its authorised share capital by such sum to be divided into any shares of such amount, as the resolution shall prescribe; and
- (v) with the sanction of a special resolution and subject to the confirmation of the court, reduce its authorised share capital or any capital redemption reserve or any share premium account.

(c) *Dividends*

Subject to any preferential or other special rights attached to any special class of shares issued by the Company the profits of the Company available for dividend and which the Company shall so determine to distribute by way of dividend shall be apportioned and paid during any portion or portions of the period in respect of which the dividend is paid to the members entitled thereto proportionately to the amounts paid up on shares.

Any dividend unclaimed after a period of twelve years from the date such dividend is declared shall be forfeited and shall revert to the Company and belong to the Company absolutely.

(d) *Distribution of assets on winding-up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution, subject to the Act, divide among the members in specie or in kind the whole or

any part of the assets of the Company and may determine how such division shall be carried out as between different classes of members (if any).

(e) *Transfer*

A transfer of the Ordinary Shares shall be effected by the transfer in writing in the usual common form or in such other form approved by the Directors. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered into the Register of Members in respect thereof.

The Directors may in their absolute discretion, without assigning any reason, refuse to register any transfer of shares (not being a fully paid share) and they may also refuse to register any transfer of any share (whether fully paid or not) to more than four joint holders. The Directors may also decline to recognise any instrument of transfer unless it is:

- (i) deposited at the transfer office of the Company and accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (ii) in respect of only one class of share.

Subject to the provisions of section 358 of the Act, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares, provided that the register shall not be closed for more than thirty days in any year.

Save as aforesaid, the Articles of Association contain no restrictions as to the free transferability of fully paid Ordinary Shares.

6. Directors' and other interests

(a) The interests (all of which are beneficial) of the Directors in the Ordinary Shares which:

- (i) have been notified by each Director to the Company pursuant to section 324 or section 328 of the Act; or
- (ii) are required pursuant to section 325 of the Act to be entered in the register referred to therein; or
- (iii) are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (i) and (ii) above, and the existence of which is known or could with reasonable diligence be ascertained by that Director at the date of this document are as follows:

<i>Director</i>	<i>Ordinary Shares</i>	<i>per cent. of Ordinary Shares</i>	<i>Share Options under the Executive Scheme</i>
Sir Raymond Lygo	421,500	0.17	—
M R F Langdon	3,892,168	1.57	2,993,501
C B Dowling	1,117,000	0.45	1,743,501
G A Loughney	134,371	0.05	198,551
A Cassels	132,480	0.05	—
B J M Dally	120,000	0.05	—

The above figures do not take into account any New Ordinary Shares taken up pursuant to the Open Offer.

The interests shown above in share options under the Executive Scheme are as follows:

<i>Director</i>	<i>Date of grant</i>	<i>Ordinary Shares under option</i>	<i>Subscription price</i>
M R F Langdon	5 June, 1987	743,501	40.35p
	16 April, 1993	2,000,000	20.50p
	16 October, 1995	250,000	37.00p
C B Dowling	5 June, 1987	743,501	40.35p
	16 April, 1993	1,000,000	20.50p
G A Loughney	5 June, 1987	198,551	40.35p

These options are normally exercisable between three and ten years following the date of grant.

- (iv) Immediately following completion of the Acquisition and the Placing and Open Offer, the interests of the Directors and the Proposed Directors in the enlarged issued Ordinary Share capital of the Company are expected to be as follows:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>Per cent. of enlarged issued Ordinary Share capital</i>
Sir Raymond Lygo	505,800	0.17
M R F Langdon	4,000,000	1.34
C B Dowling	1,180,000	0.40
G A Loughney	161,245	0.05
A Cassels	132,480	0.04
B J M Dally	144,000	0.05

- (b) Save as disclosed at paragraph (a) above, none of the Directors, nor any person connected with a Director within the meaning of section 346 of the Act has an interest (including any non-beneficial interest) in any Ordinary Shares or other securities of the Company which are required to be notified to the Company pursuant to sections 324 or 328 or entered in the register maintained by the Company under section 325 of the Act (or would be so required to be disclosed or entered if such connected persons were directors).
- (c) As at 18 June, 1996 (being the latest practicable date before the publication of this document) the Company has been notified pursuant to Part VI of the Act that the following persons were interested in 3 per cent. or more of the existing Ordinary Shares:

<i>Name</i>	<i>Ordinary Shares</i>	<i>Per cent. of issued Ordinary Shares</i>	<i>Per cent. of enlarged issued Ordinary Share capital</i>
Afrifina N.V.	27,000,000	10.89	9.07
Schroder Investment Management Ltd	25,650,000	10.35	8.62
Scottish Amicable Investment Managers Ltd	16,810,000	6.78	5.65
Jupiter Tyndall Group PLC	13,485,000	5.44	4.53
Morgan Grenfell Group Plc	13,205,005	5.33	4.44
British Airways Pension Fund	11,300,000	4.56	3.80
Legal & General Investment Management Ltd	8,279,743	3.34	2.78
TR Smaller Companies PLC	8,000,000	3.23	2.69
General Accident Plc	7,650,000	3.09	2.57

Note: The above figures do not take into account any shares that may be taken up pursuant to the Placing and Open Offer.

- (d) Save as disclosed in paragraph 5(c) above, the Directors are not aware of any person who is interested (within the meaning of the Act), directly or indirectly, in 3 per cent. or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.
- (e) (i) Sir Raymond Lygo entered into a service agreement with the Company on 17 December, 1991 in relation to his position as Chairman and non-executive director of the Company, under which he currently receives annual fees of £15,000. He also entered into a consultancy agreement with the Company dated 17 December, 1991, under which he receives annual fees of £25,000 for consultancy services in respect of Group matters. Both agreements may be terminated by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.
- (ii) Michael Langdon entered into a service agreement with the Company on 5 May, 1987 in relation to his position as Deputy Chairman and Chief Executive of the Company. His remuneration is annually approved by the Company's remuneration committee. He receives a current fixed annual salary of £160,000, and a bonus based

on the profits of the Group as a whole subject to a maximum total remuneration of £250,000 per annum. A further bonus may be paid at the discretion of the remuneration committee based on exceptional profits. The agreement may be terminated at any time by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.

- (iii) Christopher Dowling entered into a service agreement with the Company on 5 May, 1987 in relation to his position as a director of the Company. He receives a current fixed annual salary of £130,000 together with pension contributions of £13,000. He also receives a discretionary bonus, approved by the Company's remuneration committee, based on the profits and growth in earnings per share of the Group as a whole and the performance of the businesses under his direct management. The agreement may be terminated by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.
- (iv) Gerard Loughney was appointed a director of the Company on 26 January, 1989 but receives no remuneration from the Company. He has a service agreement with Ellis & Buckle, a subsidiary of Rutland Trust, under which he receives a current fixed annual salary of £137,000, pension contributions under the company's present rate of funding of £43,000, and a percentage of the annual profits of Ellis & Buckle by way of bonus. This agreement may be terminated by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.
- (v) Alexander Cassels was appointed a non-executive director of the Company on 2 May, 1980. He currently receives an annual consultancy fee of £15,000. The contract with him may be terminated by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.
- (vi) Brian Dally was appointed a non-executive director of the Company on 1 February, 1984. He currently receives an annual consultancy fee of £15,000. The contract with him may be terminated by either party giving to the other one year's notice in writing. In the event that either party terminates the agreement, no compensation will be payable to either party in respect of such early termination.
- (f) The aggregate emoluments (including benefits in kind, pension contributions and bonuses) of the Directors in respect of the financial year ended 31 December, 1995 were £838,000. It is estimated that under the arrangements in force at the date of this document the aggregate emoluments (including benefits in kind and pension contributions but excluding bonuses) of the Directors in the current financial year ending 31 December, 1996 will be approximately £591,000.
- (g) There will be no variation to the remuneration or benefits paid to the Directors as a result of the Transactions.
- (h) None of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or which is or was significant in relation to the business of the Group and which was effected by the Group during the Company's current or immediately preceding financial year or during any earlier financial year and which remains in any respects outstanding or unperformed.
- (i) There are no outstanding loans granted by the Company or any of its subsidiaries to the Directors nor any guarantees by the Company or its subsidiaries for the benefit of the Directors.

7. Executive Scheme

The Company adopted on 5 May, 1987 an Inland Revenue approved share option scheme, the Executive Scheme, which enables options to be granted to employees or Directors to acquire shares in the Company.

- (a) A summary of the main terms of the Executive Scheme is set out below:
 - (i) *Eligible employees*
Eligible employees include any employee of the Group including executive directors in full-time employment.

(ii) *Grant of options*

Options may be offered to eligible employees chosen at the discretion of the Board during six weeks following the announcement of the Company's interim or final results. The consideration for the option is £1 and the share price to acquire the Ordinary Shares is the mid-market value of those Ordinary Shares on the dealing day immediately preceding the date of the offer (or nominal value if higher).

(iii) *Exercise of options*

Options are exercisable between 3 and 10 years after grant. Earlier exercise is permitted in special circumstances such as the death of a participant or a take-over. In the event of a take-over, a participant may be permitted to exchange his options for options over shares in the acquiring company.

(iv) *Limits*

No more than 5 per cent. of the issued share capital of the Company from time to time or 20,000,000 Ordinary Shares (if less) may be issued pursuant to the exercise of options under the Executive Scheme. No more than 4 per cent. of the issued share capital of the Company from time to time may be issued or remain issuable in any successive period of three calendar years under the Executive Scheme or any other employee share scheme adopted by the Company. The maximum value of the Ordinary Shares subject to options as at the date of grant for any individual under the Executive Scheme or any other Inland Revenue approved share option scheme (except a saving-related share option scheme) established by the Company exercised or remaining to be exercised is four times the participant's remuneration excluding any benefits in kind.

(v) *Variations of share capital*

On certain variations of the Ordinary Share capital of the Company the Board may, subject to the approval of the Company's auditors and the Inland Revenue, adjust the share price and the number of Ordinary Shares comprised in existing options.

(vi) *Termination*

The scheme will terminate 10 years after the approval date or earlier, if the Directors so determine.

- (b) Excluding the options granted to the Directors under the Executive Scheme which are described in paragraph 5(a) above, the following options over Ordinary Shares have been granted under the Executive Scheme:

<i>Date of grant</i>	<i>Exercise dates</i>	<i>Ordinary Shares under option</i>	<i>Subscription price</i>
5 June, 1987	6 June, 1990 – 5 June, 1997	842,739	40.35p
28 October, 1987	29 October, 1990 – 28 October, 1997	132,653	49.00p
7 November, 1988	8 November, 1991 – 7 November, 1998	70,900	40.00p
17 March, 1989	18 March, 1992 – 17 March, 1999	249,008	45.00p
16 April, 1993	17 April, 1996 – 16 April, 2003	1,417,500	20.50p

8. **Indebtedness**

- (a) At the close of business on 31 May, 1996, the indebtedness of the Group, was as follows:

	<i>£</i>
Bank overdrafts and borrowings:	
– secured	30,963,287
– unsecured	8,878,589
Obligations under finance leases and hire purchase agreements	87,037
	<u>39,928,913</u>

- (b) Save as otherwise stated herein and apart from intra-group indebtedness and guarantees given in the normal course of business, no member of the Group had at 31 May, 1996 any

loan capital (including term loans) outstanding or created but unissued, or any mortgages, charges, debentures or any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or obligations under finance leases or guarantees or other contingent liabilities.

- (c) At the close of business on 31 May, 1996 the Group had cash balances of £10,527,122.

9. Material contracts

- (a) The contracts listed below, which are or may be material, have been entered into by members of the Group within the two years immediately preceding the date of this document (not being contracts entered into within the ordinary course of business):

- (i) an agreement dated 1 June, 1995 between Rutland Trust, Benjamin Shaw (Pontefract) Limited ("BSP"), Cott Corporation and Cott UK Limited relating to the completion of the option to sell Rutland Trust's 49 per cent. shareholding in BSP for a consideration of £5 million;
- (ii) an agreement dated 6 June, 1995 between Rutland Trust, Benjamin Shaw & Sons Limited and M J Clegg relating to the purchase of Mr Clegg's 10 per cent. shareholding in Benjamin Shaw & Sons Holdings Limited for a total cash consideration of £693,000;
- (iii) an agreement dated 14 October, 1995 between (1) Rutland Trust and others (2) General Electric Capital Corporation and (3) Leasecontracts PLC relating to the sale and purchase of the entire issued capital of Leasecontracts PLC for a total and consideration of £37.7 million;
- (iv) an agreement dated 16 October, 1995 between (1) Lloyds Bank Plc and certain other banks (2) Lloyds Bank Plc (as agent) (3) MTS (Holdings) Limited (formerly Law 659 Limited) and (4) the Company relating to the acquisition and repayment of certain of the indebtedness and the purchase of the issued share capital of Maritime Transport Services Limited;
- (v) the Acquisition Agreement;
- (vi) the Placing Agreement; and
- (vii) the Services Agreement.

- (b) Save as disclosed in paragraph (a) above, no contracts which are or may be material have been entered into by the Group within the two years immediately preceding the date of this document (other than in the ordinary course of business).

10. Principal Subsidiary Undertakings and Associates

The principal subsidiaries and associate of the Company, all of which are registered in England and Wales are as follows:

Principal subsidiary undertakings

<i>Name</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Proportion of issued share capital held</i>
Rutland Corporate Finance Limited	Rutland House, Rutland Gardens, London SW7 1BX	corporate finance	100
Rutland Ventures Limited	Rutland House, Rutland Gardens, London SW7 1BX	investment holding & trading	100
Benjamin Shaw & Sons Limited	Willow Lane, Huddersfield, West Yorkshire HD1 5ED	manufacturer of soft drinks	94.3
Property Leasing Corporation Limited	Rutland House, Rutland Gardens, London SW7 1BX	property leasing	100
MTS (Holdings) Limited	Rutland House, Rutland Gardens, London SW7 1BX	container port services holding company	95
Maritime Transport Services Limited	Thamesport, Isle of Grain, Kent ME3 0EP	container port services	95
Maritime Haulage Limited	Thamesport, Isle of Grain, Kent ME3 0EP	road transport	95
Rutland Motor Holdings Limited	Rutland House, Rutland Gardens, London SW7 1BX	motor dealership	100
Sherdley Hall Garage Limited	Wilcock Street, Wigan WN3 4AR	motor dealership	100
Wood Street Garage Limited	Wilcock Street, Wigan WN3 4AR	motor dealership	100
Bramwells of Wigan Limited	Wilcock Street, Wigan WN3 4AR	motor dealership	100
Ellis & Buckle	Apex Plaza, Forbury Road, Reading, Berkshire RG1 1AX	loss adjusting	100
Hunter & Partners Limited	25 North Row, London W1R 1DJ	architects & building surveyors	77.1

Principal associate

Capital Industries PLC	Manor Park Place, Rutherford Way, Cheltenham, Gloucestershire GL51 9TR	packaging	40.1
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11. Premises

The following are the principal premises owned or leased by the Group:

<i>Premises</i>	<i>Company</i>	<i>Tenure</i>	<i>Approx. area (sq.ft.)</i>	<i>Annual rent (£)</i>	<i>Date of next rent review</i>
2 Stratford Place, London W1	Rutland Trust PLC	Leasehold	6,100	275,000	October 1999
25 North Row, London W1	Hunter & Partners Limited	Leasehold	22,300	685,000	March 1998
Apex Plaza, Forbury Road, Reading, Berkshire RG1 1AX	Ellis & Buckle	Leasehold	17,200	376,000	September 1999
Rutland House, Rutland Gardens, London SW7 1BX	Rutland Trust PLC	Freehold	7,000	n/a	n/a
Queens Square, Huddersfield Road, Honley, Huddersfield HD7 2QJ	Benjamin Shaw & Sons Limited	Freehold	104,500	n/a	n/a
Willow Lane, Birkby, Huddersfield HD1 5ED	Benjamin Shaw & Sons Limited	Virtual Freehold (999 yr lease)	61,200	n/a	n/a
Thamesport, Isle of Grain, Kent ME3 0EP	Maritime Transport Services Limited	Virtual Freehold (993 yr lease)	199 acres	n/a	n/a

12. Working capital

The Company is of the opinion that, following the Transactions the working capital available to the Group is sufficient for the Group's present requirements.

13. Litigation

No member of the Group is or has been engaged in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened.

14. UK taxation of dividends

The following information which sets out the taxation for holders of New Ordinary Shares, is based on the law and practice currently in force in the United Kingdom. The information is not exhaustive and if shareholders are in any doubt as to their taxation position, they should consult their professional adviser. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may alter the benefits of investment in the Company.

No tax is withheld from dividend payments by the Company, but whenever the Company pays a dividend it is required to account to the United Kingdom Inland Revenue for advance corporation tax ("ACT"). The current rate of ACT is one quarter of the dividend paid.

Subject as mentioned below in relation to foreign income dividends ("FIDs"), shareholders resident in the United Kingdom for taxation purposes (other than corporate shareholders) are generally liable to income tax on the aggregate amount of the dividend and a tax credit of 25 per cent. of the dividend. For example, on a dividend of £80, the tax credit is £20 and the individual is liable to income tax on £100. The tax credit satisfies in full the income tax liability in respect of the dividend for United Kingdom resident individual shareholders (and the trustees of certain trusts) who are liable to income tax at the basic or lower rate only. Individual shareholders resident in the

United Kingdom whose income tax liability is less than the aggregate amount of income tax deducted from other income paid to them and the tax credit in respect of the dividends are entitled to an appropriate repayment of tax. United Kingdom resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) are liable for additional tax to the extent that tax at such rate, on the aggregate of the dividend and the tax credit, exceeds the tax credit. For example, on a dividend of £80, such tax payer is liable for an additional tax of £20. For this purpose, dividends are treated as the top slice of the individual's income. United Kingdom resident trustees of discretionary trusts, who are liable to account for income tax at the rate of 34 per cent. on the trust's income, may also be liable for additional tax.

Subject as mentioned below in relation to FIDs, United Kingdom resident shareholders who are exempt from tax in respect of investment income (such as pension funds and charities) are entitled to repayment from the United Kingdom Inland Revenue of the tax credit in respect of dividends. United Kingdom resident corporate shareholders (other than certain insurance companies) are not liable to corporation tax or income tax in respect of dividends and, subject as mentioned below in relation to FIDs, such dividends are available to frank dividends paid by such companies.

Subject to special provisions which apply to Commonwealth citizens, residents of the Isle of Man or the Channel Islands, nationals of European Union countries, Iceland, Liechtenstein and Norway and certain others, shareholders not resident in the United Kingdom are generally not entitled to the benefit of a tax credit in respect of dividends. Such shareholders are treated as receiving gross income of an amount which, when reduced by income tax at 20 per cent., is equal to the dividend. However, no assessment is made on such shareholders in respect of lower or basic rate income tax and the non-resident individuals' liability, if any, to pay income tax in respect of dividends is limited to the excess of higher rate over lower rate (currently 20 per cent.). Special rules apply to non-resident discretionary trusts in receipt of United Kingdom dividends.

Subject as mentioned below in relation to FIDs, an entitlement to repayment from the Inland Revenue of part or all of the tax credit may be available to some non-United Kingdom Shareholders if there is an appropriate provision granting such entitlement in a double taxation agreement between the country in which they are resident and the United Kingdom. Non-United Kingdom resident shareholders may also be subject to tax on dividends under the law outside the United Kingdom to which they are subject.

Since 1 July, 1994, United Kingdom resident companies have been allowed to elect to pay a dividend as a FID. The company is still required to account for ACT in respect of a FID but is, subject to satisfying certain conditions, subsequently able to recover some or all of the ACT from the Inland Revenue. A dividend paid as a FID does not carry a tax credit, and therefore shareholders who are normally entitled to repayment of part or all of the tax credit from the United Kingdom Inland Revenue are not able to do so if a dividend is paid as a FID. Otherwise, individual and trustee shareholders have the same liability to tax in respect of a FID as they have in respect of a normal dividend. FIDs received by the United Kingdom resident company are not available to frank non-FID dividends paid by the company, but are available to frank FIDs paid by the Company.

15. Market quotations

The following table which has been derived from the Official List shows the middle market quotations for an Ordinary Share at the close of business on the first business day of each month from January 1996 to June 1996 inclusive and for 18 June, 1996 (the latest practicable date prior to the publication of this document):

<u>Date</u>	<u>Quotation</u>
02/01/96	40.5p
01/02/96	40.5p
01/03/96	44.5p
01/04/96	45.5p
01/05/96	53.5p
03/06/96	52.5p
18/06/96	53.5p

16. General

- (a) There has been no significant change in the financial or trading position of the Group since 31 December, 1995, the date to which the latest audited financial statements of the Company have been prepared.
- (b) Price Waterhouse, Chartered Accountants of Southwark Towers, 32 London Bridge Street, London SE1, were the Company's auditors for the three years ended 31 December, 1995.
- (c) UBS has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name and to references thereto in the form and context in which they appear and has authorised the contents of those parts of this document for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (d) UBS is registered in England and Wales under company number 1546399 and its registered office is at 100 Liverpool Street, London EC2M 2RH. UBS is regulated by The Securities and Futures Authority Limited.
- (e) It is estimated that the total expenses payable by the Company in connection with the Transactions (including stamp duty, the London Stock Exchange's listing fee, professional costs, placing commissions, costs of printing and distribution fees payable to the receiving banker, and the preparation of this document) will amount to approximately £0.8 million (excluding VAT).
- (g) The New Ordinary Shares have not been sold nor are they available in whole or in part to the public in connection with the application for Admission, other than in accordance with the terms of the Placing and Open Offer.
- (h) The New Ordinary Shares will be in registered form.
- (i) The Company is not a close company nor a close investment company.
- (j) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- (k) The New Ordinary Shares to be issued pursuant to the Placing and Open Offer are to be issued at 50p per share. This represents a premium of 49p over the nominal value of 1p.
- (l) Other than pursuant to the Placing and Open Offer, no New Ordinary Shares are being made available to the public.

17. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Taylor Joynson Garrett, Carmelite, 50 Victoria Embankment, London, EC4Y 0DX from and including the date of this document up to and including 12 July, 1996.

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts for the Company for the two years ended 31 December, 1995;
- (c) the audited accounts of Cape for the two financial years ended 31 December, 1995;
- (d) the Directors' service agreements referred to in paragraph 6.(e) above;
- (e) the material contracts referred to in paragraph 9 above; and
- (f) the written consent referred to in paragraph 16(c) above.

19 June, 1996

RUTLAND TRUST PLC

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at Rutland House, Rutland Gardens, London SW7 1BX on Friday 12 July, 1996 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. That the acquisition by the Company of shares representing up to 29.9 per cent. of the shares in the capital of Cape on the terms and conditions set out or referred to in the agreement dated 19 June, 1996 and made between Charter (1) and the Company (2) a copy of which agreement ("the Acquisition Agreement") initialled by the Chairman for the purposes of identification only has been produced to the meeting, be and is hereby approved and the Directors be and they are hereby authorised to take all steps necessary to complete the Acquisition Agreement with such immaterial modifications, variations, amendments or revisions as the Directors may in their absolute discretion agree.

SPECIAL RESOLUTION

2. That, subject to the passing of resolution 1 above and subject to and conditional upon the satisfaction of the conditions contained in the Placing Agreement (as defined and referred to in the circular dated 19 June, 1996 of which this notice of meeting forms part) ("the Circular") by no later than 25 July, 1996:
 - (a) the authorised share capital of the Company be and is hereby increased from £3,000,000 to £3,900,000 by the creation of an additional 90,000,000 ordinary shares of 1p each in the capital of the Company;
 - (b) the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £900,000 provided that such authority shall be for a period expiring on 12 July, 2001, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for any previous authority to allot relevant securities conferred upon the Directors; and
 - (c) the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph (b) above as if sub-section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (i) the allotment of equity securities pursuant to the Placing and Open Offer (as defined in the Circular);
 - (ii) the allotment of equity securities in connection with a rights issue or any pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and

- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) or (ii) above) of equity securities up to an aggregate nominal amount of £148,765;

and the power hereby granted shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company to be held in 1997 and 31 December, 1997 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board
S J Jackson

Secretary

Registered Office:
Rutland House
Rutland Gardens
London SW7 1BX

19 June, 1996

Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint another person to be his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (ii) A proxy card is enclosed for use at the meeting. To be valid, proxies must be deposited with Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not later than 48 hours before the time fixed for holding the meeting. Completion and return of a form of proxy will not prevent a member from attending and voting in person should he wish to do so.