

# Chief Executive's review

These results highlight the strength of our international footprint across strategically important growth markets within the energy sector



Martin K May  
Chief Executive

Over the past five years the Group has been transformed. Our 2010 EBITA<sup>(1)</sup> was six times higher than the equivalent 2005 figure and 8.2% above the prior year; our EBITA margin was twice that in 2005 and we have a strong balance sheet with gearing<sup>(2)</sup> reduced to 14.3%.

Cape is now a world leader in the provision of essential non-mechanical services to both plant operators in the maintenance of large industrial assets and to large engineering and construction (E&C) contractors with construction support services. By focusing on our core services and through a mix of both organic growth and strategic acquisitions in selective high growth markets, we have built a world class industrial services business.

## Overview of performance in 2010

Cape delivered an excellent operational performance in 2010. Working directly with International Oil Companies (IOCs), National Oil Companies (NOCs), power generators, and resource companies, we provided essential maintenance services on 245 industrial assets in 2010. We also assisted in the safe delivery of 58 major construction projects in the year.

Adjusted profit before tax<sup>(1)</sup> increased by 13.8% to £69.1 million (2009: £60.7 million) including a £2.5 million reduction in net finance costs, before the Industrial Disease Claims (IDC), to £9.0 million (2009: £11.5 million) and a £2.2 million (2009: £8.3 million) benefit from favourable foreign exchange movements. The EBITA<sup>(1)</sup> (excluding exchange) therefore increased by £3.7 million or 5.1%.

Our cash generated from operations was again outstanding at £98.5 million (2009: £84.4 million) with net debt<sup>(6)</sup> reducing from £113.6 million to £52.9 million.

## Strategy update

A year ago, I outlined the progress we had made against our key objectives. We were determined to deliver consistent and outstanding service to our customers while at the same time reducing the costs of running the business. Achieving a high level of profit to cash conversion from our activities and strengthening our balance sheet were the key financial objectives.

During the second half of 2010, we re-examined the validity of these objectives and how we saw the business developing over the next five years.

With delivery of the margin expansion and de-gearing of the past three years, the emphasis is now on achieving controlled value-enhancing growth. We have a high performing business focused on a compelling combination of services and our exposure to both opex and capex trends in the energy and mineral resources sectors provides us with attractive growth opportunities. On the opex side, we have market leading positions in the UK oil and gas and power generation sectors, together with a strong position in the mining and mineral processing sector in Australia. On the construction services side we have positions of scale in two of the three big E&C markets; downstream in the Middle East and gas/Liquid Natural Gas (LNG) in the Far East/Pacific Rim. Our smaller positions in the CIS and North Africa also provide interesting opportunities.

## Developing the capability of our organisation and people

Key to our growth ambition is the continued development of our people. In 2010 we launched 'CapePeople' – a shared vision and set of values which acknowledge that it is our people that are at the heart of the business. CapePeople is focused around the three pillars of Opportunity, Capability and Commitment, and it is these three

**Safe delivery**  
At the core of  
everything we do



pillars that will drive our commitment to ensure Cape is the employer of choice in our industry and continues to deliver world class service for our customers. Our performance is not only measured in terms of financial numbers but also by the service level and peace of mind we bring to our customers. We have best in class operational teams with a wealth of experience gained over many years with Cape. The majority of our management team have been promoted from within, having worked their way through the ranks and in some cases have over 20 years experience with Cape. Building on this expertise, in 2010 we introduced our 'Future Leaders Programme' which provides in depth management development for future leaders. These group-led development programmes supplement the already well established programmes in our regional businesses, for example supervisor training and skills competence.

#### Cape's commitment to safety

We can never be complacent about safety. It is pleasing to report that it has also been another record year in terms of our health and safety performance, with the Lost Time Injury (LTI) frequency rate of only 0.032 per 100,000 hours worked (2009: 0.065 per 100,000 hours worked).

Safety is at the core of everything we do. Our clients' activities around the world are often in the most hostile climates and due to the nature of their operations they expect only the highest of safety standards. Our world-class, sustainable safety performance has been delivered due to our continued investment in our safety framework by extending our systems, culture and performance across the entire footprint.

The total recordable LTI frequency rates have been reduced by 46% from the previous 2009 record and since 2007 there is an average reduction of around 22% each year. This dramatic improvement brings our performance a large step closer to our ultimate goal of 'zero accidents, no harm to our people and the environment'. The success to date has only been delivered by investing in our systems and people and expecting only exemplary operational safety wherever we operate in the world.

#### Key risks and uncertainties

The key risks and uncertainties for the Group are described on pages 26 and 27 of the Annual Report and Accounts 2010.

#### Outlook and prospects

Looking ahead, as the pause in global exploration and production (E&P)

capex we saw in 2009/10 gives way to a return to growth, we expect demand for our construction support services to commence a sustained period of growth from the second half of 2011. Whilst the maintenance (Production Support) market is not expected to grow as strongly as the capital funded E&C projects market, we anticipate growth will be driven by the commissioning of new plants in growth markets, the maintenance of ageing infrastructure in mature markets and the increasing focus of plant operators on safety.

As we enter the new up-cycle for our construction support services markets, particularly downstream Gulf/Middle East region and gas/LNG in the Far East/Pacific Rim region, we believe Cape is ideally positioned to deliver top-line growth. The opportunities presented currently by the construction of two of the world's largest LNG projects in Australia are on our horizon and Cape has been pre-qualified to tender for work on both the Gorgon and the Papua New Guinea LNG terminals due to commence construction in 2012. The lengthy qualification, contract award, revenue cycle continues to provide us with excellent revenue visibility with over 63% of consensus 2011 revenues<sup>(9)</sup> now secured.

I wish to join Sean O'Connor in expressing appreciation to all who work for Cape for their contribution to a very busy and successful year. All have played a part in strengthening the business for our next phase of growth and we can look forward to an exciting future for the Cape Group.

Finally, I would like to express my sincere thanks and gratitude, and those of everyone at Cape, to Sean O'Connor.

Sean has served the Group as Chairman and Director since 1996, through good and bad times. He leaves the Board at a time when the fortunes of the business could not be better. We wish him all the best for the future.

#### Martin K May

Chief Executive  
16 May 2011