Directors' remuneration report

This report has been approved by the Board and the Remuneration Committee and has been voluntarily prepared in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and with due account taken of the Combined Code on Corporate Governance. The report also provides the information required to be reported on Directors' remuneration under AIM Rule 19.

Remuneration Committee

Composition of the Committee

The members of the Committee, the majority of whom were independent, who served thoughout the year were:

- David McManus (Chairman)
- David Robins
- Sean O'Connor

Michael Merton was appointed as a member of the Committee on 1 February 2011, and David Robins retired as a member of the Committee on 2 March 2011.

Tim Eggar was appointed as a member of the Committee on 1 May 2011, and Sean O'Connor retired as a member of the Committee on 30 April 2011.

Role of the Committee

The key responsibilities of the Committee are to:

- determine the broad policy and elements for the remuneration of the Executive Directors;
- determine all individual elements of the remuneration of those Directors; and
- select and appoint any remuneration consultants who advise the Committee.

No Director takes part in any discussion directly concerning his own remuneration.

The full terms of reference of the Committee are available on the Company's website at www.capeplc.com

Advisers to the Committee

The Committee has appointed independent remuneration consultants, Hewitt New Bridge Street (a trading name of Aon Corporation) to advise on all aspects of senior executive remuneration. Hewitt New Bridge Street has no other connection with the Group other than in the provision of advice on executive and employee remuneration. Aon Corporation provides insurance brokering services to the Group.

The Committee also seeks advice where appropriate from the Group Human Resources Director to ensure that the remuneration packages of the Executive Directors take due account of pay and conditions in the Group as a whole.

Remuneration policy for Executive Directors

Remuneration policy is based on the following broad principles set by the Committee:

- to provide a competitive remuneration package to attract and retain quality individuals;
- to align remuneration to drive the overall objectives of the business;
- to align the interests of management with the interests of shareholders; and
- to set the pay of the Executive Directors with due account taken of (i) pay and conditions throughout the Group and (ii) corporate governance best practice.

The objective of this policy is aligned with the recommendations of the Combined Code as they relate to Directors' remuneration. That is to provide a level of remuneration to attract, retain and motivate Directors of the quality required to run the Company successfully, but avoid paying more than is necessary for this purpose. As explained below, a significant proportion of Executive Directors' remuneration is structured to link rewards to corporate and individual performance.

The Committee ensures that account is taken of environmental, social and governance ('ESG') risks when setting remuneration and is comfortable that remuneration packages do not raise any ESG risks by motivating irresponsible behaviour. The Committee also ensures that inappropriate operational/financial risk-taking is neither encouraged nor rewarded through the Company's remuneration policies and that, instead, a sensible balance is struck between fixed and variable pay, short and long-term incentives and cash and equity.

As part of the process for the Company's proposed move from AIM to the Official List of the London Stock Exchange, the Company has undertaken a full review of its executive remuneration structures so as to ensure these structures take due account of market and best practice in addition to incentivising and rewarding the Executive Directors for achieving the Company's strategic goals. These strategic goals are established with the intention of generating outstanding returns for shareholders.

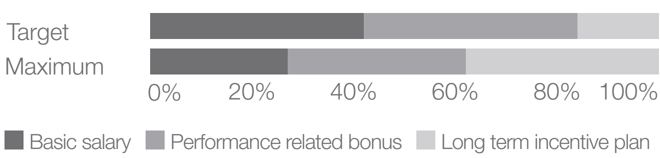
When comparing remuneration levels with market practice, the Committee considered pay practices for similar roles in two comparator groups of companies, (i) a group of International Oil Equipment & Services companies and (ii) a group of International Goods and Services companies. Both groups comprised companies of a broadly comparable size.

The main output from this review was that certain changes should be made to the ongoing long-term incentive provision at the Company for which shareholder approval is to be sought, and further details of which can be found in the Notice relating to the General Meeting of the Company convened for 25 May 2011 (GM), which has recently been mailed to shareholders.

Fixed versus variable remuneration

In order to incentivise management whilst aligning their interests with those of the shareholders, a substantial proportion of the Executive Directors' pay is performance related. The table below shows the balance between fixed and performance related pay at target and maximum performance levels based on the elements of Cape's remuneration package set out below (including the proposed changes to long-term incentive provision referred to above). Maximum performance assumes achievement of maximum bonus and full vesting of shares under the Performance Share Plan:

Performance related versus fixed remuneration



Remuneration of Non-Executive Directors

The fees of the Chairman and Non-Executive Directors are set by the Board. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees or as Senior Independent Director. For 2010 the basic fee for acting as a Non-Executive Director was £40,000 per annum. A supplementary fee of £5,000 per annum is paid for being a member of a committee and £10,000 per annum is paid for chairing either the Remuneration or Audit Committee. Tim Eggar, who was appointed Chairman on 1 May 2011, receives a fee of £150,000 per annum or he may elect to receive a fixed proportion of the net value (after tax) of the fees in Ordinary shares at the prevailing market value with the balance paid in fees. Non-Executive Directors are not eligible to receive pension entitlements or bonuses and may not participate in long-term incentive schemes.

Elements of remuneration

The table below summarises the components of the Executive Directors' remuneration.

	Objective	Performance period	Policy
Basic salary	To position at a competitive level for similar roles within comparable markets	Annually	Individual pay levels are determined by reference to the individual's performance, experience in post and potential
Performance related bonus	To incentivise delivery of performance objectives	1 year	Bonus payments are based on the achievement of specified corporate and individual objectives
Pension	To provide competitive benefits in line with market practice and to act as a retention mechanism and reward long service	Ongoing	The policy is to provide market competitive retirement benefits or, depending on individual circumstances, to provide a cash alternative with which the executive may make his own arrangements. Only basic salary is pensionable
Long Term Incentive Plan	To drive performance, aid retention and align the interests of Executive Directors with shareholders	3 years	Awards are subject to stretching EPS growth targets
Other benefits	To provide competitive benefits in line with market practice	Ongoing	Executive Directors receive a car allowance, private medical insurance, health insurance and life assurance

(i) Basic salary

The salary of individual Executive Directors is reviewed with effect from 1 January each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred and the rates for similar roles within the appropriate comparator groups.

As of 1 January 2011, the following increases have been effected:

- Chief Executive: £488,000 (increased by 4.9% from £465,000)
- Chief Financial Officer: £325,000 (increased by 3.2% from £315,000).

These increases are believed to reflect the calibre of the individuals and are in line with the salary increases awarded to high performing individuals across the Group as a whole.

(ii) Performance related bonus

The maximum potential bonus payable to Executive Directors in 2010 was capped at 125% of salary for the Chief Executive and 100% of salary for the Chief Financial Officer. Performance measures, all of which were equally weighted, were based on the achievement of Adjusted Earnings Per Share (EPS) targets, cash flow targets and personal objectives.

The bonuses paid to Martin K May and Richard Bingham were 125% and 100% of salary respectively, reflecting a year of outstanding corporate and individual performance.

The use of the above targets is seen as supporting the delivery of the Company's strategic goals. In light of this, it is intended that similar measures are used in 2011, with the same bonus opportunities also applying. However, should the proposed changes to long-term incentive provision be approved at the forthcoming GM, a clawback provision will be introduced into the annual bonus plan that will enable any excess bonus earned in respect of a misstatement of financial results to be reclaimed by the Company at the Committee's discretion. The ability to claw-back bonus will operate for two years following the payment of bonus in any year.

(iii) Long-term incentive arrangements

a) The Cape Performance Share Plan (PSP)

The Cape Performance Share Plan was approved by shareholders at the 2007 Annual General Meeting and currently operates as the Company's sole type of executive long-term incentive arrangement (previously awards were made under an 'Employee Incentive Plan' under which market value options were granted subject to earnings per share (EPS) based performance conditions, further details of which are set out below. Annual awards are made in the form of performance shares. Details of the PSP as historically operated are provided below. However, as stated above, certain changes are proposed to be made to long-term incentive provision, further details of which are set out in the Notice of GM. Should shareholders approve these changes, share ownership guidelines will be introduced that will require the Executive Directors to retain half the after tax number of vested shares from future long-term incentive awards until the following shareholding levels are achieved:

– Chief Executive: 300% of salary; and
– Chief Financial Officer: 100% of salary.

Maximum award

Executive Directors have previously been eligible to receive a conditional award of shares up to an equivalent of 100% of their annual basic salary (up to 200% of salary on an exceptional basis).

The changes to be proposed at the forthcoming GM will increase the plan limit of 100% of salary to 175% of salary.

Performance conditions

The vesting of awards made to date has been subject to the achievement of a sliding scale of challenging EPS growth targets in excess of inflation over a fixed three-year period, calculated on an annually compounded basis, commencing with the financial year in which the award is made. EPS has been seen as an appropriate measure as it is a key indicator of the Company's underlying financial performance and is an important driver in creating shareholder value. The targets applied to grants made in 2010 are as follows:

Annual EPS growth	Percentage that vests
Less than RPI + 3%	0%
RPI + 3%	30%
RPI + 10%	100%
Between performance points	30%–100% pro rata

Details of the performance conditions to be applied to future awards are set out in the Notice of GM. Should the proposed changes to long-term incentive provision be approved at the forthcoming GM, the Remuneration Committee intends to introduce an appropriate claw-back provision.

The Committee will seek third party confirmation of the extent to which the EPS growth targets are achieved.

Dilution

The rules of the Performance Share Plan provide that no more than 10% of the issued ordinary share capital of the Company, from time to time, should be issued under all share incentive schemes operated by the Group in any rolling ten year period. Currently, there is approximately 1.61% headroom available under this dilution limit.

(b) Employee Incentive Plan

The Company has operated an Employee Incentive Plan (EIP) which allowed the Group to grant options to Executive Directors and senior employees. The contractual life of the options was 10 years from the date of grant. The options became exercisable on the third anniversary from the date of grant, subject to growth in earnings per share over that period exceeding an average 3% compounded annually above the growth in the consumer price index over the same period. The Chief Executive was granted options under the EIP. All EIP options have now vested in full and can be exercised up to 10 years from the date of grant subject to continued employment.

(iv) Benefits

It is Company policy to provide Executive Directors with a car allowance, private medical, health and income protection insurance and life assurance amounting to four times basic salary for the Chief Executive and three times basic salary for the Chief Financial Officer.

(v) Pensions

Under the terms of their service agreement, Executive Directors are either entitled to become members of one of the Group pension schemes or to receive payment of a fixed percentage of salary.

Martin K May (Chief Executive) receives a salary supplement in lieu of pension contributions amounting to 15% of basic salary. Richard Bingham (Chief Financial Officer) participates in the Company's defined contribution plan and receives 15% of his basic salary.

Directors' service contracts, notice periods and termination payments

Executive Directors

The contract dates and notice periods for the Executive Directors are as follows:

Director	Contract date	Notice period from the Company	Notice period from the Director
Martin K May	1 July 2006	12 months	12 months
Richard Bingham	1 June 2008	12 months	12 months

The service contracts of both Directors, which are rolling contracts, are subject to standard terms in the event of termination. For Martin K May, his contract contains a provision (exercisable at the option of the Company) to pay an amount on early termination of employment equal to one year's salary. In the event of a change of control of the Company, Martin K May is entitled to a cash bonus (less income tax and national insurance) equal to the aggregate amount by which the value of a notional 500,000 Cape Ordinary Shares at the exit price exceeds £2.30 per Cape Ordinary Share.

Executive Directors' external appointments

Board approval is required before any external appointment can be accepted by an Executive Director. Whether the Executive Director is permitted to retain any fees paid for such services or whether such fees are remitted to the Company will be determined on a case by case basis.

Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-Executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or by the Company on one month's written notice. The Chairman's notice period is one month. The Company may invite a Non-Executive Director to serve for a further period after the expiry of two three-year terms subject to a particularly rigorous review of performance and taking into account the need for progressive refreshing of the Board. Under the Company's Articles of Association, all Directors are required to stand for re-election by shareholders at least once every three years. The appointment dates of the Non-Executive Directors are:

Tim Eggar	1 May 2011, appointed Chairman
David McManus	3 November 2004
Michael Merton	10 January 2011
Sean O'Connor	1 April 2007, appointed Chairman from 11 June 2008, retired 30 April 2011
David Robins	1 September 2006, retired 2 March 2011

Directors' emoluments

	Salary/fees £000	Performance related bonus £000	Benefits[1] £000	Pension £000	**Total 2010 £000**	Total 2009 £000
Executive Directors						
Martin K May	465,000	581,250	35,391	69,750	**1,151,391**	997,750
Richard Bingham	315,000	315,000	16,582	47,250	**693,832**	689,348
Non-Executive Directors						
Sean O'Connor[2]	75,000	N/A	N/A	N/A	**75,000**	75,000
David Robins[3]	60,000	N/A	N/A	N/A	**60,000**	60,000
David McManus[4]	60,000	N/A	N/A	N/A	**60,000**	60,000

1 Benefits in kind include a company car, private medical insurance, health and income protection insurance and life assurance
2 Sean O'Connor was also Chairman of the Board, Chairman of the Nomination Committee and a member of the Remuneration Committee throughout the year
3 David Robins was also Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee throughout the year
4 David McManus is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees

Directors' shareholdings

Directors' interests and transactions in the Ordinary Shares of the Company

The beneficial and non-beneficial interests of the Directors in office as at 31 December 2010 and at 16 May 2011 are shown below:

	As at 16 May 2011	At 31 December 2010 or on appointment if later
Executive Directors		
Martin K May	600,000	600,000
Richard Bingham	99,437	36,500
Non-Executive Directors		
Sean O'Connor (retired 30 April 2011)	150,700	150,700
David Robins (retired 2 March 2011)	–	36,350
David McManus	35,000	35,000
Michael Merton (appointed 10 January 2011)	–	–
Tim Eggar (appointed 1 May 2011)	8,000	8,000

Performance Share Awards

Details of the awards made under the Employee Incentive Plan and Performance Share Plan are set out below. Details of the performance conditions that have applied to each award are shown on page 31.

Plan	Grant date	At 31 December 2009	During 2010 Granted	During 2010 Exercised	During 2010 Lapsed	At 31 December 2010	Option price	Market price at date of exercise	Date from which exercisable/ awards vest	Expiry date
Martin K May										
EIP	7 July 2006	400,000	–	400,000	–	–	176p	305p*	7 July 2009	N/A
EIP	22 March 2007	200,000	–	–	–	200,000	269p	–	22 March 2010	22 March 2017
PSP	28 April 2008	190,122	–	–	–	190,122	–	–	28 April 2011	N/A
PSP	30 April 2009	703,835	–	–	–	703,835	–	–	30 April 2012	N/A
PSP	17 March 2010	–	243,455	–	–	243,455	–	–	17 March 2013	N/A
Richard Bingham										
PSP	28 April 2008	131,119	–	–	–	131,119	–	–	28 April 2011	N/A
PSP	30 April 2009	357,593	–	–	–	357,593	–	–	30 April 2012	N/A
PSP	17 March 2010	–	123,691	–	–	123,691	–	–	17 March 2013	N/A

* Exercised on 10 September 2010

On 8 March 2011, Martin K May exercised options over 200,000 Ordinary Shares under the EIP at a price of 269 pence per Ordinary Share and, on 8 and 9 March 2011, sold these shares for personal reasons at an average price of 496.06 pence per Ordinary Share.

On 13 April 2011 awards were made under the Performance Share Plan to Martin K May and Richard Bingham over 273,718 Ordinary Shares and 130,208 Ordinary Shares, respectively.

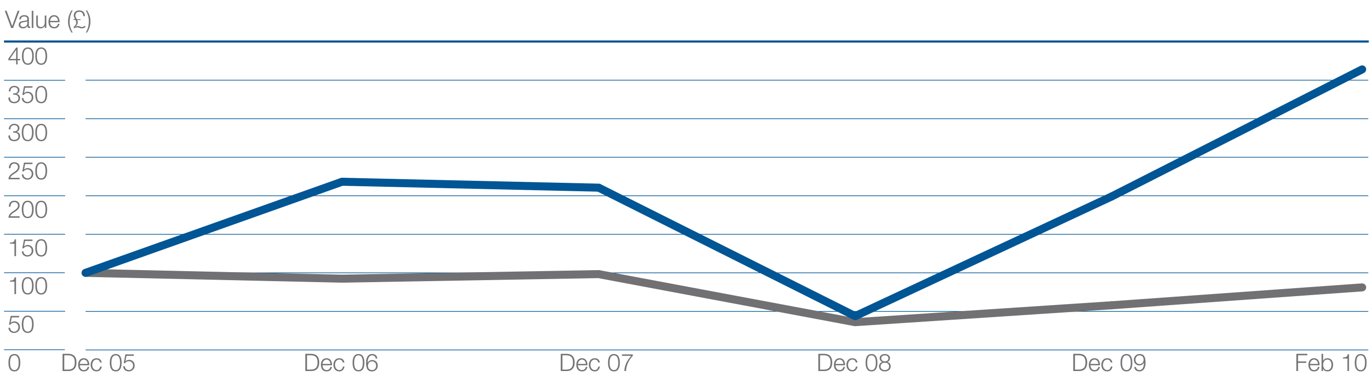
Awards made on 28 April 2008 under the Performance Share Plan to Martin K May and Richard Bingham over 190,122 and 131,119 shares, respectively, vested on 28 April 2011, of which Martin K May has subsequently sold 190,122 shares, and Richard Bingham has sold 68,182 shares.

Total Shareholder Return performance

The following graph shows a comparison of Cape plc's Total Shareholder Return against that achieved by the AIM 100 index. This index is seen as the most appropriate to represent the Company's relative performance for these purposes ahead of the Company's move to the Official List of the London Stock Exchange.

Total Shareholder Return

Source: Datastream



This graph shows the value, by 31 December 2010, of £100 invested in Cape plc on 31 December 2005 compared with the value of £100 invested in the AIM 100 Index. The other points plotted are the values at intervening financial year-ends.

Cape   AIM 100 Index

David McManus

Non-Executive Director and Chairman of the Remuneration Committee

16 May 2011