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Cape plc
("Cape" or the "Group")

PRELIMINARY RESULTS: 12 months ended 31 December 2009

Fifth consecutive year of growth

Cape plc (AIM: CIU), the international provider of essential non-mechanical support services to the energy and resources sectors, announces its results for the twelve months ended 31 December 2009.

Highlights

- Adjusted Profit Before Tax⁽¹⁾ up 25.7% to £60.7m (2008: £48.3m) at AER⁽¹⁰⁾ and up 8.9% at CER⁽¹⁰⁾
- Adjusting operating profit margin⁽²⁾ improved to 10.8% (2008: 10.4%)
- Adjusted diluted earnings per share⁽³⁾ up 25.0% to 37.5p (2008: 30.0p)
- Free cash flow⁽⁴⁾ up 128.3% to £54.1m (2008: £23.7m) with 95.9% (2008: 87.7%) operating cash conversion⁽⁵⁾ at AER
- Net debt⁽⁶⁾ reduced by 31.4% to £113.6m (2008: £165.5m), 1.3 times⁽⁷⁾ EBITDA⁽⁸⁾ (2008: 2.1 times EBITDA)
- Firm intention to reinstate dividend payments later this year
- Increased level of confidence in future IDC liability enables a provision to be booked of £70.5m and the modified audit opinion is no longer required in the Group's audited accounts
- Loss before tax of £15.6m (2008: profit before tax of £37.8m) reflects booking of IDC provision for future liabilities of £70.5m
- Basic loss per share of 3.5p (2008: earnings per share of 26.7p)
- 53% growth in order book with over 61% of consensus 2010 revenues⁽⁹⁾ secured

Results	FY 2009	FY 2008	Growth	
			AER	CER
Revenue	£655.1m	£622.7m	+5.2%	-2.7%
Adjusted profit before tax ⁽¹⁾	£60.7m	£48.3m	+25.7%	+8.9%
Adjusted operating profit margin ⁽²⁾	10.8%	10.4%	+0.4% pts	
Provision for future IDC liabilities	£70.5m	nil		
Profit / (loss) before tax	£(15.6)m	£37.8m	-141.3%	
Adjusted diluted earnings per share ⁽³⁾	37.5p	30.0p	+25.0%	
Basic earnings / (loss) per share	(3.5)p	26.7p	-113.1%	
Net debt	£113.6m	£165.5m	-31.4%	

AER – Actual exchange rates; CER – Constant 2008 exchange rates⁽¹⁰⁾

Martin K May, Chief Executive Officer, commented:

“Cape delivered on its promises in 2009 with another solid year of progress, winning high quality contracts right across our footprint and delivering real value for our customers and shareholders alike. This focus on operational excellence and safety has been achieved at the same time as exceeding our targets for both cost savings and debt reduction.

I am pleased to confirm that we are now able to draw a line in the sand under our asbestos liabilities by providing for the estimated liability in full and obtaining Cape's first clean audit report since 1999.

Looking ahead, we expect similar levels of activity in 2010. We will continue to focus on cost reduction, margin development, improving customer service and laying the foundations for a return to higher growth levels in 2011 and beyond.”

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- 1 Adjusted PBT comprises loss before tax of £15.6m (2008: profit of £37.8m), adjusted for exceptional items of nil (2008: £4.1m), IDC charge of £74.2m (2008: £5.7m), IDC finance income of £0.8m (2008: £2.0m) and amortisation of intangible assets of £2.9m (2008: £2.7m).
- 2 Adjusted operating profit margin is calculated as adjusted operating profit (before share from joint ventures) of £70.6m (2008: £65.0m) divided by revenue of £655.1m (2008: £622.7m).
- 3 Adjusted diluted earnings per share is calculated by dividing adjusted operating profit, net of tax, by the weighted average number of ordinary shares in issue during the period adjusted to assume conversion of all potentially dilutive ordinary shares.
- 4 Free cash flow is defined as cash generated from operations adjusted for the impact of industrial disease costs, interest, tax, net capital expenditure, amortisation of bank fee and exceptional costs paid.
- 5 Operating cash conversion is defined as cash generated from operating activities of £84.4m (2008: £70.9m) divided by adjusted EBITDA⁽⁶⁾.
- 6 Net debt is calculated by deducting current borrowings of £32.0m (2008: £38.9m) and non current borrowings of £134.9m (2008: £159.9m) from cash and cash equivalents of £53.3m (2008: £33.3m).
- 7 Ratio of net debt to adjusted EBITDA is calculated by dividing the net debt figure at the period end of £113.6m (2008: £165.5m) by the adjusted EBITDA of £88.0m (2008: £80.8m).
- 8 Adjusted EBITDA is calculated by adding back depreciation of £15.8m (2008: £15.3m) to adjusted operating profit of £72.2m (2008: £65.5m).
- 9 Based on 2010 consensus revenues.
- 10 Constant currency figures reflect actual 2009 results retranslated using the foreign currency exchange rates used for the 2008 reporting. The average exchange rates for the year ended 31 December 2009 were GBP/AUD 1.98282 and GBP/USD 1.55135 (2008: GBP/AUD 2.19628 and GBP/USD 1.85175).
- 11 Adjusted operating profit (EBITA) comprises loss before interest and taxation of £4.9m (2008: profit of £53.0m), adjusted for exceptional items of £nil (2008: £4.1m), IDC charge of £74.2m (2008: £5.7m) and amortisation of intangible assets of £2.9m (2008: £2.7m).
- 12 Gearing is net debt divided by total equity.
- 13 Return on Managed Assets (ROMA) is calculated as operating profit (before share from joint ventures) of £70.6m (2008: £65.0m) divided by managed assets.
- 14 Managed assets is calculated by deducting the trade and other payables of £95.7m (2008: £133.0m) from the sum of property, plant and equipment of £142.9m (2008: £152.3m), inventories of £17.3m (2008: £17.2m) and trade and other receivables of £156.0m (2008: £184.7m).
- 15 Interest cover is calculated by dividing the adjusted EBITA of £70.6m (2008: £65.0m) by the finance costs of £12.3m (2008: £18.0m).

Chairman's Statement

Cape's businesses delivered a robust operating and financial performance in 2009 with record revenue of £655.1 million (2008: £622.7 million) and record adjusted PBT⁽¹⁾ of £60.7 million (2008: £48.3 million). Adjusted diluted earnings per share⁽³⁾ increased by 25% to 37.5 pence (2008: 30.0 pence). With five consecutive years of growth, the Group has delivered compound annual growth in adjusted diluted earnings per share⁽³⁾ of 41%.

The cash generative qualities of the business were again evident in the Group's performance with strong operating cash flows of £84.4 million (2008: £70.9 million). This solid result was achieved despite some intense pricing pressures in more mature markets and reflects the rapid and decisive actions taken by our business unit heads in response to the downturn.

Gearing at 31 December 2009 reduced to 42.4% compared to 67.2% at the end of 2008, with a further 31% reduction in net debt⁽⁶⁾ to £113.6 million (2008: £165.5 million). This reduces the Group's ratio of net debt to adjusted EBITDA⁽⁸⁾ to 1.3 times⁽⁷⁾ (2008: 2.1 times) and represents significant progress towards the Boards current target range of up to one times EBITDA.

Market view

Cape largely serves downstream energy and resources related markets whose longer term growth prospects are robust. We won some important milestone contracts with International Oil Companies (IOCs), power generators and global mining customers last year which again showed the compelling nature of Cape's intelligent bundled service solution, tailored to meet the needs of our clients.

Whilst the Gulf/Middle East market remained particularly strong, the slowdown in the global economy clearly delayed the pace of new orders in certain of our markets. However, the fundamentals of Cape's business remain strong. The defensive nature of the maintenance business, some 48% of revenues (2008: 48%), combined with the longevity of the typical large industrial projects we work on provides excellent revenue visibility.

Rapid response to downturn

Although strong trading continued in certain markets, a range of short-term initiatives were implemented to conserve cash and ensure that all Cape's operations remained profitable and robust, even in a prolonged downturn. The peripheral Hire and Sales operations in the UK together with certain marginal operations in Australia and Malta were closed, capital expenditure was tightly controlled and overhead cost savings initiatives were implemented across the Group.

The devolved nature of Cape's business model emphasises accountability and responsibility at the local level and encourages an entrepreneurial approach to running operations. Nowhere is this approach more apparent than in the timely and decisive actions taken and innovative responses to conserving cash and cutting cost without impairing safety performance, operational integrity, or future growth opportunities.

Strategic update

Since 2006, Cape has pursued a strategy of value creation through growth. This strategy has focused on:

- Capturing increasing levels of maintenance and capital spending to maintain and extend the life of ageing energy infrastructure in the UK (e.g. British Energy fleet wide maintenance contract signed in Q1 2009)
- Building strong positions in high growth international markets such as Gulf/Middle East and Far East/Pacific Rim (e.g. Pluto module access and hook up in Thailand and Karratha, Western Australia in Q3 2008 and Q3 2009)
- Capitalising on the increasing industry trend towards sourcing cost effective bundled multi-disciplinary services from a single source provider (e.g. BP Federal Contract UKCS in Q1 2010)
- Maintaining our uncompromising safety proposition with a strive to provide injury free project execution
- Building on Cape's world class reputation and track record for consistent project execution and delivery on time and on budget

In 2006 and 2007, Cape's strategy was delivered through a combination of both organic and acquisition-led growth to build a portfolio diversified by geographic region and service offering and with the scale, capacity and capability to compete for large-scale, new projects. This transformational period was completed in 2007 with the three acquisitions in Australia. These acquisitions were supplemented by the targeted bolt-on acquisitions of specialist cleaning businesses DBI and Endecon and further broadened Cape's service offering. The transformation of acquired

operations and the development of an integrated, international business under the Cape brand is now fully complete within our existing footprint.

The successful delivery of this strategy to date has created an international industrial services group, focused on the energy and mining services sectors with a strong track record and reputation for successful project execution, and winning awards for innovation and safety from major international clients.

Delivering future growth

The ongoing focus on ROMA⁽¹³⁾ enhancement and operational excellence will continue to play a significant role in Cape's strategy.

Overseas, a number of substantial announced projects are now reaching the final approval and construction stage in the Far East/Pacific Rim, Middle East and North Africa and should provide Cape with real organic growth opportunities over the medium term.

Whilst we see few opportunities for substantial growth in the UK in the short to medium term, we have reinforced our positions both onshore and offshore in the mature maintenance led UK market and are increasingly well placed to benefit from the onshore new build power generation opportunities and North Sea asset abandonment programmes that are likely to come through towards the end of the decade.

With the de-gearing of the Group nearing the Board's (1x EBITDA) target, selective bolt on acquisitions in international markets will be considered.

IDC Scheme and provision for future claims

Following further work from independent actuaries in the final quarter of last year, the Board consider that the value of the total future asbestos related liabilities can be estimated with sufficient reliability to enable a provision to be booked. The Group has previously provided for the estimated costs of notified claims only and disclosed by way of note details of actuarial assessments of the total discounted aggregate liability. The recent actuarial work conducted by the Scheme's independent actuaries concluded that a reasonable estimate of the net discounted reserve would lie in the range £60 million to £100 million with a central estimate of £79 million. With the increased confidence this study provided, the Board has recognised an additional provision of £70.5 million and considers that in making this change to the Group's financial statements they are now more informative and meaningful. It should be noted that whilst we are making full provision, on the basis of the information currently available Scheme funds currently equate to eleven years of anticipated claims.

In addition, the Emphasis of Matter paragraph contained in the auditor's opinion with regards to the fundamental uncertainty of IDCs will not be required in respect of the 2009 financial statements.

The total provision for Industrial Disease related liabilities at 31 December 2009 is £80.2 million and includes estimated costs of £9.7 million (2008: £9.7 million) in respect of notified claims.

Board

With the increasing international focus of the business, we recognise it would be beneficial to broaden the Board. A process has therefore commenced, overseen by the Nomination Committee, to appoint two additional non-executive directors to assist the Group's objectives of growing its international business and also of returning to the Full List. Although I shall be remaining on the Board, it is my intention to step down as Chairman later this year.

People

Cape now employs over 14,000 people and again delivered in excess of 41 million man hours in 2009. I would like to thank them all for their continuing dedication and commitment and also the Executive Board and regional management teams whose leadership once again delivered a record financial performance.

Outlook and prospects

The ongoing investment in large industrial projects in the Gulf/Middle East combined with our rapid but measured response to the downturn in other regions in the early part of the year delivered a creditable result in 2009. Whilst we continue to be suitably cautious about growth in 2010, we believe the swift resumption of E&C contract awards and investment in key growth projects offers a more favourable environment to drive sustainable organic growth in 2011 and beyond.

Cape's investments over the last three years have delivered a focused business with real scale and internationally recognised capability and the Board is confident the Group is ideally positioned to benefit from the increasing capex spend of our energy and resources sector clients.

Our increased confidence in the medium term outlook and Cape's encouraging prospects and financial position, have enabled the Board to signal a firm intent to reinstate dividend payments later this year. Cape last paid a dividend to shareholders ten years ago, and it would be particularly pleasing to mark another step in Cape's rejuvenation and recovery with a return to the dividend list.

Sean O'Connor
Chairman
10 March 2010

Chief Executive's Review

Introduction

Cape delivered on its promises in 2009 with another solid year of progress, winning high quality contracts right across our footprint and delivering real value for our customers. This focus on operational excellence has been achieved at the same time as exceeding our targets for both cost savings and debt reduction.

Adjusted profit before tax⁽¹⁾ increased by 25.7% to £60.7 million (2008: £48.3 million) reflecting a £5.7 million reduction in finance costs to £12.3 million (2008: £18.0 million) and £8.1 million benefit from favourable foreign exchange movements.

Cape has again continued to deliver margin progression, demonstrating the resilience of our business model. The Groups revenues are largely derived from maintenance works and large scale Engineering and Construction (E&C) projects in the Oil Field Services (OFS) and mining services sectors. Maintenance spending is an essential operating expense of plant operators and therefore impacted less by short term changes in the macro environment.

Developing people and organisational capability

Strong progress was made in 2009 in driving through initiatives to strengthen senior operational and functional management across the Group.

We have strengthened the Key Management Group with the appointment of a number of Regional Operations Directors, CFOs and HR professionals during the year. Cape's Key Management Group now comprises 36 executives across the business. In addition, the rolling out of structured Performance Development Review processes and other HR process improvements have greatly added to the assessment and development of the Cape management pool.

During the course of 2009, we continued to review and make changes to the Group's operating business unit structure to ensure all business units remained appropriately sized and resourced to achieve success in the current market conditions.

Also throughout 2009 steps were taken to create stronger linkage between the Group's commercial and financial processes and improve the internal control and reporting environment. Greater rigour has been introduced to financial review processes across the Group under the direct control of the Group CFO. In Australia, we have carried out a major Enterprise Resource Planning (ERP) systems implementation creating a common platform across the acquired businesses.

Finally, we have made progress with building a more structured Business Development capability within the Group and I expect further developments in this area in 2010.

Overall much of the work done this year has been to create a platform for future growth.

Regional overview

The Group continues to manage its business on a geographical basis with 12 business units reporting into four geographic regions.

For the twelve months ended 31 December:

Region	Revenue		Adjusted EBITA ¹¹		
	(£m)		(£m)		
	2009	2008	2009	2008	Growth
UK	304.7	309.0	25.4	27.0	(5.9)%
Gulf / Middle East	170.7	112.0	38.6	23.1	67.1%
CIS, Med & North Africa	48.4	54.4	6.1	5.8	5.2%
Far East / Pacific Rim	131.3	147.3	7.9	16.1	(50.9)%
Joint Venture	-	-	1.6	0.5	220%
Total before central costs	655.1	622.7	79.6	72.5	9.8%
Central costs	-	-	(7.4)	(7.0)	
Total	655.1	622.7	72.2	65.5	10.2%

As reported at the half year, the proportion of Group profits generated from outside the UK continued to grow and now represents 68% of Group operating profit before central items (2008: 63%). The Gulf/Middle East was the key growth region in the year, driven by significant maintenance shutdown and project E&C activity particularly in Qatar.

Our results in the Far East/Pacific Rim, principally Australia, were adversely impacted by the Group's exposure to the weak commercial and residential scaffold hire markets, the deferral of projects in the mining services sector and delays to Pluto LNG, the one large scale oil and gas project currently in progress.

The performance of each of the four regions is discussed further in the Operating Review below.

Safety first and last

Safety is a way of life of Cape. No matter how hazardous the environments in which we work, we believe that every accident is preventable. We have in place a world-class sustainable safety framework which governs every managed operation and project. Total recordable lost time injury frequency rates have been reduced by 35% since 2007 or an average reduction of around 18% each year, including dramatic improvements at acquired operations. This is very pleasing and an indication of our businesses' success in prioritising safety resources at the site level and in encouraging a strong safety culture.

Outlook and prospects

Our clients have sought to reduce costs whilst maintaining productivity and safety performance. Cape will continue to assist them to achieve these objectives by specifically tailoring the scope of the services provided and adopting more flexible pricing mechanisms.

Looking ahead, we do not expect to see a significant change in the Group's overall activity levels this year. We will aim to continue to improve customer service and lay the foundations for a return to higher growth levels in 2011 and beyond.

Martin K May
Chief Executive Officer

10 March 2010

- 1 Adjusted PBT comprises loss before tax of £15.6m (2008: profit of £37.8m), adjusted for exceptional items of nil (2008: £4.1m), IDC charge of £74.2m (2008: £5.7m), IDC finance income of £0.8m (2008: £2.0m) and amortisation of intangible assets of £2.9m (2008: £2.7m).
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- 5 Operating cash conversion is defined as cash generated from operating activities of £84.4m (2008: £70.9m) divided by adjusted EBITDA^(B).
- 6 Net debt is calculated by deducting current borrowings of £32.0m (2008: £38.9m) and non current borrowings of £134.9m (2008: £159.9m) from cash and cash equivalents of £53.3m (2008: £33.3m).
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OPERATING REVIEW

UK Region

The UK Region delivered a solid result in 2009 given the impact of pricing pressures and the global financial crisis on a number of the Group's clients and markets. Revenues declined by 1.4% to £304.7m (2008: £309.0m) with an adjusted operating profit of £25.4m (2008: £27.0m).

The region's safety performance was again world class evidenced by a 48% improvement in the Lost Time Incident frequency rate (LTI) and an improvement of 19% in the all injury accident frequency rate (AFR). The UK business also received several prestigious safety awards including:

- SABIC Global Contractor SHE Award & SABIC European Contractor SHE Award
- Sellafeld's Resident Engineer Safety Award
- RoSPA Gold Award
- Drax Power's "Safe Contractor of the Outage" Award

The value of the UK Region's order book is currently at record levels having increased by 72% since year end 2008 levels with high quality strategic long term contract wins both onshore and offshore. Some 71% of the region's 2010 budgeted revenues are now secured.

Onshore Industrial Services

UK Onshore revenues declined by 12.8% at £169.3m (2008: £194.2m) reflecting:

1. the completion and demobilisation of three major projects at Marchwood Power's natural gas combined cycle (CCGT) plant, Fiddlers Ferry power station's Flue Gas Desulphurisation (FGD) plant and the SABIC new low density polyethylene (LDPE) chemical plant at Wilton, Teesside;
2. the substantial completion of the South Hook LNG receiving terminal with CB&I;
3. a reduction in the upgrade work undertaken at British Energy's Heysham power station relative to that undertaken in 2008; and
4. completion of the strategic exit from the commercial Hire and Sale business with reduced revenues of £3.9m in 2009 (2008: £8.7m).

In the power generation sector, the cyclical nature of the outage/shutdown programmes produce annual fluctuations as specific sites target expansive pieces of work to meet legislative requirements. However, increases in gas and coal prices linked with a falling megawatt price clearly resulted in the deferral of some discretionary investment last year.

Cape currently maintains 70% of the UK's coal and oil fired power generation capacity and 87% of the current nuclear generation capacity. Together these provide nearly half of the country's total generating capacity.

With the fleet wide British Energy contract secured early in the year, Cape consolidated its position as the largest onshore provider of specialist non-mechanical industrial services in the UK with an estimated 25% of the overall UK onshore market and 46% of the UK power generation market. In addition to the British Energy contract, our UK Onshore business secured several significant contract awards at UK power stations including:

- renewal of our contract with Scottish & Southern for the supply of access, insulation and painting services at the Ferrybridge coal-fired power station in North Yorkshire;
- two year extensions of our long-standing relationship with EDF Energy for services at Cottam and West Burton coal-fired power stations in Nottinghamshire and Eggborough power station in North Yorkshire;
- a four year contract at Rugeley power station with International Power; and
- the three year contract renewal, with a further two year option, at Fawley power station from RWE nPower.

In addition to the power generation sector, Cape also continued to win high quality long term industrial contracts. These included the renewal of a contract with SABIC for the supply of safety critical maintenance services at the Wilton and North Tees industrial plants, a three year term maintenance contract with Novartis at its Grimsby facility and with BAE Systems Surface Ships Ltd for the Royal Navy's new generation aircraft carriers through Cape's joint venture company, Ship Support Services Limited.

Maintenance revenues now account for 87% of total onshore revenues and we do not anticipate significant change to the business in the medium term or until the UK government's nuclear decommissioning and new build programmes commence later this decade. All ten of the announced new nuclear power stations are to be built at or near existing nuclear sites.

Offshore industrial services

Despite a difficult and demanding trading year for service companies in the UK North sea, Cape's UK Offshore revenues grew by 26.6% to £112.2m (2008: £88.6m) benefiting from:

- significant work on the BG Armada Platform on a Field Life Extension Integrity upgrade;
- increased activity at BP Schiehallion; and
- additional works on Shell's Northern Gas plants rejuvenation project

The key contract win, announced on 20 January 2010, was the five year BP Federal Contract for the provision of fabric maintenance support and deck operations at all BP's nine North Sea assets incorporating three additional assets for Cape: ETAP, Andrew and Clair in addition to the Dimlington gas terminal.

In common with all North Sea contractors, Cape has been subject to considerable pressure from operators to reduce costs and non essential spends. All expenditure is focussed around production and safety critical operations only and we continue to work with our clients to provide enhanced value through innovation and efficiency improvements.

Other notable contract awards in the year included a contract for provision of multi-disciplinary services for the Aurora Project at the BP operated Sullom Voe Terminal in the Shetland Isles and phase 1 of the decommissioning project for the Norwegian Ekofisk 1 platforms with Hareema.

The offshore business is currently experiencing increased tendering activity with an upturn in the quantum of fabric maintenance work available from both smaller operators in the UK sector and in the wider North West European Continental Shelf (NWECS) including the Norwegian and Dutch sectors.

Environmental Services

The environmental services business (Cape DBI) delivered a creditable result in challenging circumstances with revenues down 11.5% at £23.2m (2008: £26.2m).

The continued resilience of our integrated technical service offerings for the power industry pre-commissioning market and oil and gas installations (both onshore and offshore) helped mitigate the deferred or cancelled works in the steel and petrochemical sectors.

Notable contract awards and renewals during the period included:

- a three year contract renewal from BP at the Sullom Voe Terminal in the Shetland Islands for waste management services, industrial cleaning (including crude oil storage tanks) and drain management;
- pre-commissioning hydro-testing and chemical cleaning at the Staythorpe Combined Cycle Gas Turbine (CCGT) power station in Newark with Alstom;
- a one year extension to our existing contract with Dow Corning for specialist cleaning services at its plant in Barry, South Wales;
- a 12 month contract from Nexen for "On-line" sand separator cleaning support in the North Sea; and
- the two year renewal of our industrial cleaning contract with Huntsman Tioxide at their Seal Sands complex on Teesside.

Whilst we have seen a downturn in environmental services work on Teesside, we continue to see higher activity levels in the oil and gas and power generation sectors although a return to growth is unlikely in the short term.

Gulf/Middle East Region

The region delivered another year of strong revenue growth and margin progression in 2009. Headline revenues increased by 52.4% to £170.7m (2008: £112.0m) with operating profits up 67.1% to £38.6m (2008: £23.1m). On a constant currency⁽¹⁰⁾ basis, revenue and profit grew 27.9% and 40.7% respectively.

The continuation of several large scale industrial construction projects in the region has underpinned Cape's performance with approximately 70% of revenues now generated from construction projects. With a tight labour market and clients seeking to limit project delays, margins remained robust throughout the year. Of our three business units in the region, Qatar delivered a particularly strong result.

Some 87% (2008: 97%) of the region's 2009 revenues were from the oil and gas and petrochemical sectors and the key drivers of our success have been our growing reputation for providing a cost effective bundled service offering combined with our excellent safety track record.

Employee numbers in the region peaked at over 7,500 and we delivered more than 24 million man hours (2008: 19 million) with an excellent safety performance. Our clients recognised this achievement with a number of awards:

- RasGas in recognition of Cape's contribution towards 10 million man hours without a LTI across their LNG trains at Ras Laffan;
- BAPCO in Bahrain with "Safety Contractor of the Year - category 2";
- Abu Dhabi Gas Liquefaction Company Ltd (ADGAS) in recognition of Cape's contribution towards ten million man hours worked without a LTI over the last three years on the ADGAS annual turnaround;
- In Saudi Arabia, a certificate of excellence was received from Samsung for Cape's access and insulation work on the Saudi Kayan PP/PH project.

The region's order book has remained broadly flat since the beginning of 2009 and this reflects the slow-down in new oil, gas and petrochem projects nonetheless about 60% of budgeted 2010 revenue is now secured.

Qatar

Our Qatar business has enjoyed particularly favourable trading conditions in 2009. Project revenues remained strong throughout the year with some 69% of revenues project-related as clients utilised Cape to complete major projects in Ras Laffan and Mesaaied including the Pearl Gas to Liquids (GTL) project, RasGas Train 7, Al-Khaleej Gas Phase-2, the Ras Girtas Power and Desalination plant and the Q-CHEM 2 project.

Cape also won new long term maintenance contracts at Qatargas' onshore and offshore facilities and at the ORYX Gas to Liquids (GTL) plant. We continue to benefit from the growing maintenance market in Qatar with substantial shutdown contracts with Dopeit, Qatar Petroleum, Dolphin LNG and RasGas.

With the completion or near completion of numerous major projects, we expect activity levels in Qatar to reduce significantly in 2010.

Northern Gulf

In the Northern Gulf (KSA, Bahrain and Kuwait) we undertook extensive work on the Yanbu National Petrochemical Company (YANSAB) Olefins project, the Khurais Oilfield Development project and the Rabigh Petrochemical Complex. Our work on the Saudi Kayan project is progressing well and we finished the year at peak manning levels.

A number of high profile projects in our Northern Gulf area were delayed to benefit from the reduction in raw material prices and this will impact on activity levels this year. New project awards in the second half of the year included packages on the National Chevron Phillips (NCP) Olefins project at Al-Jubail and the Ma'aden Aluminium Refinery at Ras Al Zavr.

In addition to project work, we have secured further maintenance contracts with both SABIC, for the provision of insulation and refractory services, and with Saudi Aramco for access services during the year.

In Bahrain we have completed a major refractory and insulation project at the Gulf Industrial Investment Co (GIIC) aluminium plant for Kobe Steel and were awarded a four year maintenance contract by BAPCO at their Bahrain refinery.

Southern Gulf

Our project work in the Southern Gulf (UAE and Oman) continued to increase throughout the year with project starts in Abu Dhabi unaffected by the financial crisis. We finished the year with record levels of employees in Abu Dhabi with major projects being the GASCO third Natural Gas Liquid (NGL 3) plant in Ruwais, IGD Habshan 5 and Borouge II.

Shutdowns accounted for 30% of the full year revenue with these being carried out at the Ruwais Fertiliser plant, Bourouge, Ruwais and the Takreer refinery.

Whilst we see activity levels in the Southern Gulf area continuing to increase, we also see an increase in competition with new contractors entering the market, particularly from Korea and China.

CIS, Mediterranean and North Africa Region

Last year proved to be another successful year in the development of the Cape business in the region with adjusted operating profits increasing by 22% to £7.7m (2008: £6.3m) including a £1.6m (2008: £0.5m) post tax contribution from the joint venture Cape-Resa in Southern Europe. Revenues in the region (excluding Cape's share of JV revenue) reduced to £48.4m (2008: £54.4m). On a constant currency⁽¹⁰⁾ basis revenue fell by 25.4% whilst operating profits increased by 3.2%.

The region's order book closed slightly ahead of year end 2008 level, with 54% of the region's Budgeted 2010 revenue having been secured.

CIS

Revenues from Cape's operations in the CIS countries remained broadly flat at £46.0m (2008: £46.3m) with the main activities continuing in Kazakhstan and Russia. The reduction of work in Russia following completion of the Sakhalin 2 project, was largely replaced by further awards in Western Kazakhstan at:

- Kashagan - Onshore processing facility at Karabatan (Bolashak);
- Kashagan – Offshore, first phase central processing facilities (Island D), and
- Karachaganak (Aksai) - 4th Train expansion project with Petrofac and KPO (Karachaganak Petroleum Operating B. V.).

During the year Cape successfully completed extensive works at our onshore facilities at Aktau for ERSAI Caspian Contractor LLC. Operating from our three bases in Kazakhstan and with our regional management team based locally in Atyrau, Cape's long term commitment to the region continues with further increases in resources and equipment made in the year.

In Russia, we continued to win work on Sakhalin Island with project works at Odoptu and the Chayvo Onshore Processing Facility, in addition to the Sakhalin 2 maintenance contract.

Cape repeated the excellent safety performance on the KPO site in Aksai and has again won the General Directors' Annual award as "Best Contractor HSSE Practice" for a million hours achieved without a LTI. SGS ISO certification is confirmed and extended for Kazakhstan operations.

The market for Cape's services in the CIS countries will remain stable in 2010. Current projects are coming to completion phase with major new projects planned to commence early next year. The emphasis will be on securing these works and continuing to develop our capability and resources for growth in 2011.

Mediterranean & North Africa

In 2009 Cape's operations in the Mediterranean and North Africa generated revenues of only £2.4m (2008: £8.1m). The only major contract in the year was for the construction phase of the ExxonMobil Adriatic LNG receiving terminal with Aker Solutions which was successfully carried out by our Cape-Resa joint venture. The Cape-Resa JV, together with its new Italian partner, has also successfully won a five year multidiscipline maintenance contract for Adriatic LNG.

In North Africa, our target projects in Algeria and Libya continue to be suspended or delayed and we do not expect contracts to be awarded until the final quarter of this year or 2011. In any event North Africa will not have a material impact on this year's results. As highlighted at the half year, we have opened a small facility in Arzew, Algeria adjacent to the industrial zone where the Sonatrach LNG facility is to be built.

Cape also secured the first expansion project for the Mejillones LNG receiving and re-gasification terminal in Chile.

Far East/Pacific Rim Region

Revenue in the region reduced by £16.0m to £131.3m (2008: £147.3m) with adjusted operating profits reducing to £7.9m (2008: £16.1m). As explained at the interim stage, our business in this region operates in a number of sectors which have been less resilient to the prevailing economic conditions than the energy sector these include commercial and residential construction and mining services.

In many respects last year was a challenging year for Cape in the region and required a degree of restructuring including depot rationalisation, management de-layering and overhead reduction measures. These were undertaken at a time when key post acquisition integration projects were still ongoing. We are seeing signs of confidence returning to our markets and believe our business is well positioned to benefit from the expected increase in activity levels in 2010.

Safety performance also continued to improve as Cape systems were rolled out across the acquired businesses. Notable safety achievements included the milestone two million man hours worked on the Pluto LNG project in Thailand without a LTI, a significant contribution to the project's 29 million safe working hours and awards from Esso in respect of its Sriracha Refinery in Thailand and Foster Wheeler/Shell on the Shell Monoethylene Glycol (MEG) plant in Singapore.

The region's order book has continued to grow and has increased over year end 2008 levels. Pleasingly, secured revenues now represent some 48% of 2010 budgeted revenues. The secured revenue is lower than other regions, reflecting the different nature of the business.

Onshore Industrial Services

Revenues in our onshore industrial services business in the region fell 9.8% to £102.8m (2008: £114.0m) reflecting both the cancellation or deferral of both project works and non-essential maintenance works by plant operators.

Maintenance activities represented 29.9% of Onshore IS revenues (2008: 28.8%) with the mining services sector remaining dominant. We have continued to work with our major operator clients to significantly reduce maintenance costs at their sites by adopting a more innovative approach to service delivery. Principal maintenance sites last year again included Alcoa's three refineries in Western Australia (WA) together with the Alcoa managed Portland Aluminium smelter in Victoria, BHP's multi mineral Olympic Dam site in South Australia and the BHP owned Worsley Alumina refinery in WA.

In the oil and gas sector, our principal maintenance client was again BP at its Kwinana refinery in WA.

Significant maintenance contract awards or renewals in the year included a three year multi disciplinary maintenance contract at the Minara Resources/Glencore owned Murrin Murrin Nickel refinery in WA.

Onshore major project work in the region included:

- packages on the Woodside Petroleum Pluto LNG project both in Thailand and Australia;
- access services at the Vale Inco Goro Nickel project on the South Pacific Island of New Caledonia;
- the Shell Monoethylene Glycol (MEG) plant in Singapore, and
- protective coatings at Boddington Gold Mine, WA.

Our major project awards in the year included access, insulation, fire proofing and coatings services at the ExxonMobil Singapore Parallel Train (SPT) project at Jurong Island, Singapore with Shaw Stone & Webster and access services at Woodside's Pluto LNG project in Karratha, Western Australia.

As we fully mobilise on existing contracts throughout the year and with the visible uptick in tendering activity now being seen across the region, we anticipate a return to growth in activity levels both in 2010 and beyond.

Offshore Industrial Services

Our Offshore revenues in the region increased by 26.9% to £6.6m (2008: £5.2m) with continuing activity on our two principal maintenance contracts with ConocoPhillips Bayu-Undan in the Timor Sea and the Shell Malampaya platform in the South China Sea.

Our regional offshore management team will relocate from the Philippines to Australia in the first half of this year given the more extensive offshore opportunities in Australia.

Access Solutions

Our Access Solutions business, which is entirely focused on commercial and residential construction markets in Australia, has been the most impacted by the adverse economic conditions with revenue reducing by 22% to £21.9m (2008: £28.1m).

Steps have been taken to reduce fixed costs and rationalise yards in the face of intense competition. Our three major depots are based at Malaga, Perth WA, Springvale, Victoria and Beenleigh, Queensland and all service local markets.

We expect the commercial and residential construction markets to remain soft in Australia with no expected pick up until the fourth quarter of this year at the earliest.

FINANCIAL REVIEW

Revenue for the year increased 5.2% to £655.1m (2008: £622.7m) with total adjusted operating profit (EBITA)¹¹ increasing by 10.2% to £72.2m (2008: £65.5m).

The strong performance during the year resulted in growth of 25.0% in adjusted diluted earnings per share to 37.5p (2008: 30.0p). Basic earnings per share decreased by 113.1% to a 3.5p loss (2008: earnings per share of 26.7p).

As reported at the half year, the Group's headline results have materially benefitted from favourable exchange movements, the Group's results being retranslated at different average rates from year to year. In 2009, the headline results benefited from the weakness in sterling against the US Dollar relative to last year particularly in the first half. The table below sets out the impact on 2009 revenues and operating profit before other items had 2008 average exchange rates applied.

	2009- translated at actual average rates		2009- translated at 2008 average rates	
	Revenue £'m	EBITA ⁽¹¹⁾ £'m	Revenue £'m	EBITA ⁽¹¹⁾ £'m
UK	304.7	25.4	304.7	25.4
Gulf/Middle East	170.7	38.6	143.3	32.5
CIS, Med & NA (incl. JV)	48.4	7.7	40.6	6.5
Far East/Pacific Rim	131.3	7.9	117.1	6.9
Central		(7.4)		(7.4)
Total	655.1	72.2	605.7	63.9

The overall foreign exchange impact has been to increase revenues by £49.4m or 8.2% and adjusted operating profits by £8.3m, equivalent to 5.4p per share.

Operating and free cash flow

The Group's strong operating cash generation continued throughout the year with a full year operating cash flow of £84.4m (2008: £70.9m) representing an operating cash conversion rate⁽⁵⁾ of 95.9% (2008: 87.7%). After servicing of debt the Group's free cash flow was £39.1m (2008: £3.7m). This result was driven by the increased EBITDA as well as continued tight controls on capital expenditure and working capital.

Capital structure and debt reduction

The Group's year end net debt excluding the ring fenced IDC Scheme funds amounted to £113.6m (2008: £165.5m) including finance lease obligations of £14.6m (2008: £20.7m). The Group's five year syndicated senior credit facility (with expiry on 3 September 2012) reduced by £15.0m (2008: £20.0m) to £185.0m (2008: £200.0m).

The Group's balance sheet gearing⁽¹²⁾ reduced to 42.4% (2008: 67.2%) and the ratio of net debt to adjusted EBITDA has fallen to 1.3 times (2008: 2.1 times) and close to the Board's target of up to 1 times.

Return on Managed Assets (ROMA)⁽¹³⁾ increased to 32.0% (2008: 29.4%) with the Group's investment in receivables and work in progress reducing to 96 days (2008: 118 days).

Debt financing costs

The net finance charge (excluding Scheme interest) amounted to £11.5m (2008: £17.2m) and included finance lease interest of £1.7m (2008: £1.7m) and amortisation of loan issue costs of £0.7m (2008: £0.7m) in respect of commitment and ancillary fees under the Group's Senior debt facility. The Group's effective interest rate fell to 7.3% (2008: 8.1%) with interest cover⁽¹⁵⁾ increasing to 5.7 times (2008: 3.6 times).

At the year end, the Group had an interest rate swap in place that converted the interest rate on £60.0m (2008: £90.0m) of its sterling denominated debt from a floating LIBOR rate to a fixed interest rate of 5.145%. In addition the Group had a swap in place converting the interest rate on \$30.0m of its US dollar denominated debt from a floating USD LIBOR rate to a fixed interest rate of 3.23%.

IDC and provision for estimated future asbestos related liabilities

Scheme funds reduced by £3.7m (2008: £1.6m) to £33.8m (2008: £37.5m). The reduction largely reflects the reduced interest received of £0.5m (2008: £2.0m) in the year. During the year a total of £4.1m (2008: £3.6m) was paid to asbestos related claimants.

The net charge to the income statement for industrial disease claims lodged and outstanding reduced to £3.7m (2008: £5.7m).

With five years having now elapsed since the first independent actuarial assessment of the Group's unpaid and uninsured UK asbestos related claims in 2004, the Directors considered it appropriate to review the accounting treatment whereby the Group provides in the income statement for the estimated liability in respect of claims lodged and outstanding but not for an estimate of the total aggregate discounted value of unpaid UK asbestos related liabilities. To assist in this review, the independent actuaries quantified a reasonable range of reserve estimates as between £60m and £100m with a central estimate of £79m. Following consideration of this report, the Directors consider that making an additional provision for the total aggregate discounted value of unpaid UK asbestos related liabilities is both appropriate and more meaningful to the users of the Group's financial statements. Consequently an additional provision of £70.5m has been recognised in the Group's financial statements with an additional charge to the income statement net of deferred tax of £50.8m (2008: £nil). Following the booking of this provision, the Group's auditors have confirmed that the emphasis of matter paragraph contained in their report concerning the fundamental uncertainty of future IDC liabilities will not be required in respect of the 2009 financial statements.

Tax charge and effective tax rate

The tax charge in the period before other items increased to £13.9m (2008: £12.2m) with an effective tax rate of 23.7% (2008: 25.3%). Tax paid in the period increased to £7.6m (2008: £4.8m) this increase predominately relates to the Middle East and Far East regions where there has been the introduction of payment on account systems in certain jurisdictions along with the overall increase in profits in the Middle East.

The Group's total tax credit for the year of £14.1m (2008: £5.9m), comprising a current tax charge of £9.9m (2008: £7.1m) and a deferred tax credit of £24.0m (2008: £1.2m).

The deferred tax credit relates predominantly to the recognition of a deferred tax asset on the provision raised for future asbestos related liabilities and a further Australian tax benefit from the acquisition of PCH.

Balance sheet

Shareholders' equity at 31 December 2009 increased to £264.7m (2008: £245.5m) and reflects both the retained profits for the year and the change in accounting treatment relating to the provision for future industrial (largely asbestos related) disease claims in the UK.

The Group's intangible assets, which had a year end book value of £210.5m (2008: £188.0m), comprised acquired customer contracts and goodwill that arose on acquisitions predominantly in Australia and the increase in value of the assets during the year was due to changes in foreign exchange rates. The Group completed a goodwill impairment test based on value in use calculations which estimate the recoverable amounts of the Group's Cash Generating Units. The test demonstrated that no impairment was necessary.

The Group had a year end Property, Plant and Equipment balance of £142.9m (2008: £152.3m). Additions of £11.3m (2008: £26.2m) were made during the year and the depreciation charge for the year was £15.8m (2008: £15.3m). The most significant proportion some £117.7m (2008: £128.2m) relates to access and scaffolding equipment. The Group's real property assets totalled £17.1m (2008: £17.7m) and includes £2.0m in respect of 130 acres of land adjacent to the M25 in Uxbridge.

Current trade and other receivables decreased by £28.7m to £156.0m (2008: £184.7m). Trade receivables have decreased by £12.7m to £112.6m (2008: £125.3m) reflecting further improved credit control procedures across the Group. At the year end trade receivables represented 62.7 days (2008: 73.4 days) of invoicing.

Non-current provisions for other liabilities and charges of £85.6m (2008: £14.4m) primarily relate to industrial disease liabilities comprising £9.7m (2008: £9.7m) in respect of the estimated costs of settling notified claims and £70.5m (2008: £nil) in respect of the additional provision raised for the estimated future liability.

Pensions

The Group Defined Benefit Pension Scheme had a net surplus of £10.5m as at 31 December 2009 (2008: £10.1m), this continues to be restricted to nil in the accounts under IFRIC 14.

1 Adjusted PBT comprises loss before tax of £15.6m (2008: profit of £37.8m), adjusted for exceptional items of nil (2008: £4.1m), IDC charge of £74.2m (2008: £5.7m), IDC finance income of £0.8m (2008: £2.0m) and amortisation of intangible assets of £2.9m (2008: £2.7m).

2 Adjusted operating profit margin is calculated as adjusted operating profit (before share from joint ventures) of £70.6m (2008: £65.0m) divided by revenue of £655.1m (2008: £622.7m).

- 3 Adjusted diluted earnings per share is calculated by dividing adjusted operating profit, net of tax, by the weighted average number of ordinary shares in issue during the period adjusted to assume conversion of all potentially dilutive ordinary shares.
- 4 Free cash flow is defined as cash generated from operations adjusted for the impact of industrial disease costs, interest, tax, net capital expenditure, amortisation of bank fee and exceptional costs paid.
- 5 Operating cash conversion is defined as cash generated from operating activities of £84.4m (2008: £70.9m) divided by adjusted EBITDA⁽⁹⁾.
- 6 Net debt is calculated by deducting current borrowings of £32.0m (2008: £38.9m) and non current borrowings of £134.9m (2008: £159.9m) from cash and cash equivalents of £53.3m (2008: £33.3m).
- 7 Ratio of net debt to adjusted EBITDA is calculated by dividing the net debt figure at the period end of £113.6m (2008: £165.5m) by the adjusted EBITDA of £88.0m (2008: £80.8m).
- 8 Adjusted EBITDA is calculated by adding back depreciation of £15.8m (2008: £15.3m) to adjusted operating profit of £72.2m (2008: £65.5m).
- 9 Based on 2010 consensus revenues.
- 10 Constant currency figures reflect actual 2009 results retranslated using the foreign currency exchange rates used for the 2008 reporting. The average exchange rates for the year ended 31 December 2009 were GBP/AUD 1.98282 and GBP/USD 1.55135 (2008: GBP/AUD 2.19628 and GBP/USD 1.85175)
- 11 Adjusted operating profit (EBITA) comprises loss before interest and taxation of £4.9m (2008: profit of £53.0m), adjusted for exceptional items of £nil (2008: £4.1m), IDC charge of £74.2m (2008: £5.7m) and amortisation of intangible assets of £2.9m (2008: £2.7m).
- 12 Gearing is net debt divided by total equity.
- 13 Return on Managed Assets (ROMA) is calculated as operating profit (before share from joint ventures) of £70.6m (2008: £65.0m) divided by managed assets.
- 14 Managed assets is calculated by deducting the trade and other payables of £95.7m (2008: £133.0m) from the sum of property, plant and equipment of £142.9m (2008: £152.3m), inventories of £17.3m (2008: £17.2m) and trade and other receivables of £156.0m (2008: £184.7m).
- 15 Interest cover is calculated by dividing the adjusted EBITA of £70.6m (2008: £65.0m) by the finance costs of £12.3m (2008: £18.0m).

Cape plc

Unaudited consolidated income statement

for the year ended 31 December 2009

	Notes	2009			2008		
		Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
Continuing operations							
Revenue		655.1	–	655.1	622.7	–	622.7
Operating profit before other items		70.6	–	70.6	65.0	–	65.0
Amortisation of intangible assets		–	(2.9)	(2.9)	–	(2.7)	(2.7)
Industrial disease costs	8	–	(74.2)	(74.2)	–	(5.7)	(5.7)
Exceptional items	3	–	–	–	–	(4.1)	(4.1)
Operating profit/(loss)		70.6	(77.1)	(6.5)	65.0	(12.5)	52.5
Share of post tax profits from joint ventures		1.6	–	1.6	0.5	–	0.5
Total operating profit/(loss)		72.2	(77.1)	(4.9)	65.5	(12.5)	53.0
Finance income		0.8	0.8	1.6	0.8	2.0	2.8
Finance costs		(12.3)	–	(12.3)	(18.0)	–	(18.0)
Profit/(loss) before tax		60.7	(76.3)	(15.6)	48.3	(10.5)	37.8
Taxation		(13.9)	28.0	14.1	(12.2)	6.3	(5.9)
Profit/(loss) from continuing operations		46.8	(48.3)	(1.5)	36.1	(4.2)	31.9
Discontinued operations							
Loss attributable to discontinued operations		–	–	–	(0.2)	–	(0.2)
Profit/(loss) for the year		46.8	(48.3)	(1.5)	35.9	(4.2)	31.7
Attributable to:							
Equity shareholders				(4.1)			30.6
Minority interest				2.6			1.1
				(1.5)			31.7

(Loss)/earnings per share for profit attributable to equity shareholders

From continuing and discontinued operations

– Basic 4 **(3.5)p** 26.7p

– Diluted 4 **(3.4)p** 26.3p

From continuing operations

– Basic 4 **(3.5)p** 26.9p

– Diluted 4 **(3.4)p** 26.4p

* Other items include: amortisation of intangible assets, industrial disease related income and expenses and exceptional items

Cape plc
Unaudited consolidated statement of comprehensive income
for the year ended 31 December 2009

	2009 £m	2008 £m
(Loss)/profit for the year	(1.5)	31.7
Other comprehensive income		
Currency translation differences	17.9	42.6
Actuarial gain/(loss) recognised in the pension scheme	0.2	(3.3)
Movement in restriction of retirement benefit asset in accordance with IAS 19	(0.7)	2.6
Cash flow hedges – fair value gains/(losses)	2.1	(6.5)
Net investment hedges – fair value gains/(losses)	2.3	(5.5)
Deferred tax on hedges	(1.2)	3.3
Other comprehensive income for the year, net of tax	20.6	33.2
Total comprehensive income	19.1	64.9
Attributable to:		
Equity shareholders	16.6	63.8
Minority interest	2.5	1.1
	19.1	64.9

Cape plc
Unaudited consolidated balance sheet
at 31 December 2009

	Notes	2009 £m	2008 £m
Non current assets			
Intangible assets		210.5	188.0
Property, plant and equipment	6	142.9	152.3
Investments accounted for using equity method		0.1	0.6
Retirement benefit asset		0.1	0.1
Deferred tax asset		35.7	11.9
		389.3	352.9
Current assets			
Inventories		17.3	17.2
Trade and other receivables		156.0	184.7
Cash – IDC* Scheme funds (restricted)		33.8	37.5
Cash and cash equivalents	7	53.3	33.3
		260.4	272.7
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings		(32.0)	(38.9)
– Derivative financial instruments		(4.4)	(6.9)
Trade and other payables		(95.7)	(133.0)
Current tax liabilities		(11.3)	(9.4)
		(143.4)	(188.2)
Net current assets		117.0	84.5
Non current liabilities			
Financial liabilities			
– Borrowings		(134.9)	(159.9)
Retirement benefit liabilities		(5.6)	(5.2)
Deferred tax liabilities		(12.5)	(11.7)
IDC* provision	8	(80.2)	(9.7)
Other provisions		(5.4)	(4.7)
		(238.6)	(191.2)
Net assets		267.7	246.2
Shareholders' equity			
Called up share capital		33.3	33.1
Share premium account		9.2	8.4
Special reserve		1.0	1.0
Other reserves		60.6	39.4
Retained earnings		160.6	163.6
Total shareholders' equity		264.7	245.5
Minority interests in equity		3.0	0.7
Total equity		267.7	246.2

* IDC refers to the Industrial Disease Claims which are funded using the Scheme cash

Cape plc
Unaudited consolidated statement of changes in equity
for the year ended 31 December 2009

Unaudited	Share Capital £m	Share Premium £m	Special Reserve £m	Retained Earnings £m	Other reserves £m	Total £m	Minority interest £m	Total £m
At 1 January 2008	32.8	7.5	1.0	132.9	5.5	179.7	1.0	180.7
Profit for the year	-	-	-	30.6	-	30.6	1.1	31.7
Other comprehensive income:								
Currency translation differences	-	-	-	-	42.6	42.6	-	42.6
Cash flow hedges - fair value losses in year	-	-	-	-	(6.5)	(6.5)	-	(6.5)
Net investment hedges - fair value losses in year	-	-	-	-	(5.5)	(5.5)	-	(5.5)
Deferred tax on hedges	-	-	-	-	3.3	3.3	-	3.3
Actuarial loss recognised in the pension scheme	-	-	-	(3.3)	-	(3.3)	-	(3.3)
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	-	2.6	-	2.6	-	2.6
Total comprehensive income for the year ended 31 December 2008	-	-	-	29.9	33.9	63.8	1.1	64.9
Transactions with owners:								
Acquisition of minority interest	-	-	-	-	-	-	(1.0)	(1.0)
Reduction in minority interest	-	-	-	-	-	-	(0.4)	(0.4)
Share options								
- proceeds from shares issued	0.3	0.9	-	-	-	1.2	-	1.2
- value of employee services	-	-	-	1.2	-	1.2	-	1.2
- deferred tax on share options	-	-	-	(0.4)	-	(0.4)	-	(0.4)
	0.3	0.9	-	0.8	-	2.0	(1.4)	0.6
At 31 December 2008	33.1	8.4	1.0	163.6	39.4	245.5	0.7	246.2
At 1 January 2009	33.1	8.4	1.0	163.6	39.4	245.5	0.7	246.2
(Loss)/profit for the year	-	-	-	(4.1)	-	(4.1)	2.6	(1.5)
Other comprehensive income:								
Currency translation differences	-	-	-	-	18.0	18.0	(0.1)	17.9
Cash flow hedges - fair value gains in year	-	-	-	-	2.1	2.1	-	2.1
Net investment hedges - fair value gains in year	-	-	-	-	2.3	2.3	-	2.3
Deferred tax on hedges	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Actuarial gain recognised in the pension scheme	-	-	-	0.2	-	0.2	-	0.2
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Total comprehensive income for the year ended 31 December 2009	-	-	-	(4.6)	21.2	16.6	2.5	19.1
Transactions with owners:								
Acquisition of minority interest	-	-	-	-	-	-	-	-
Reduction in minority interest	-	-	-	-	-	-	(0.2)	(0.2)
Share options								
- proceeds from shares issued	0.2	0.8	-	-	-	1.0	-	1.0
- value of employee services	-	-	-	1.6	-	1.6	-	1.6
- deferred tax on share options	-	-	-	-	-	-	-	-
	0.2	0.8	-	1.6	-	2.6	(0.2)	2.4
At 31 December 2009	33.3	9.2	1.0	160.6	60.6	264.7	3.0	267.7

Cape plc

Unaudited consolidated cash flow statement

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operating activities	5	84.4	70.9
Interest received		1.2	2.6
Interest received on restricted funds		(0.5)	(2.0)
Net interest received		0.7	0.6
Interest paid		(11.4)	(17.0)
Issue costs of new bank loans		–	(1.5)
Tax paid		(7.6)	(4.8)
Net cash inflow from operating activities		66.1	48.2
Cash flows from investing activities			
Purchase of businesses net of cash acquired		–	(3.6)
Purchase of businesses deferred consideration paid		–	(0.9)
Proceeds from sale of property, plant and equipment	6	1.1	2.7
Purchase of property, plant and equipment	6	(10.0)	(19.9)
Purchase of intangible assets		(0.3)	–
Dividend paid to minority interest		(0.2)	(0.4)
Net cash used in investing activities		(9.4)	(22.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		0.9	1.2
Proceeds from borrowings		–	8.6
Finance lease principal payments		(9.0)	(6.1)
Repayment of borrowings		(20.4)	(20.0)
Settlement of loan notes		(3.7)	–
Net cash used in financing activities		(32.2)	(16.3)
Exchange (losses)/gains on cash, cash equivalents and bank overdrafts		(2.1)	5.5
Net increase in cash, cash equivalents and bank overdrafts		22.4	15.3
Cash, cash equivalents and bank overdrafts at beginning of year		30.5	15.2
Cash, cash equivalents and bank overdrafts at end of year	7	52.9	30.5
Reconciliation of net cash flow to movement in net debt (excluding IDC Scheme funds*)			
Net increase in cash and cash equivalents		22.4	15.3
Repayment of borrowings	9	20.4	20.0
Settlement of loan notes	10	3.7	–
Movement in obligations under finance leases		7.4	(0.2)
Proceeds from borrowings		–	(8.6)
Other movements in net debt during the year		(2.0)	(2.8)
Movements in net debt during the year		51.9	23.7
Net debt* (excluding IDC Scheme funds) – opening		(165.5)	(189.2)
Net debt* (excluding IDC Scheme funds) – closing		(113.6)	(165.5)

* Net debt (excluding IDC Scheme funds) is calculated by deducting current and non current borrowings from cash and cash equivalents.

Cape plc
Notes to the unaudited accounts
for the year ended 31 December 2009

1. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention; as modified by the accounting for derivative financial instruments at fair value through profit or loss; and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The same accounting policies and methods of computation are followed in the interim financial statements as the latest published audited accounts, which are available on the Company's website at www.capeplc.com.

Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year end to 31 December 2009, there is no financial impact on this condensed consolidated financial report.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009 and have been adopted during the period:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

The preliminary results for the year ended 31 December 2009 are unaudited. The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 31 December 2008 as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2008 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report whilst unqualified, contained an explanatory paragraph making reference to the fundamental uncertainty concerning the amount required to settle future claims for industrial disease compensation as described below. The auditors' report did not contain a statement under either Section 237 (2) or (3) of the Companies Act 1985.

Following the recognition of the provision for future IDC liabilities as described in note 8, the Group's auditors have confirmed that an Emphasis of Matter paragraph concerning the fundamental uncertainty of future IDC liabilities will not be required in respect of the 2009 financial statements.

The statutory accounts for the year ended 31 December 2009 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Segment information

Management has determined the operating segments based on the reports reviewed by the Group Board (Chief Operating Decision Maker) that are used to make strategic decisions. The Board considers the business from a geographic perspective.

The segment information for the year ended 31 December 2009 is as follows:

	United Kingdom	Gulf/Middle East	CIS, Med & NA	Far East/Pacific Rim	Central costs	Group
2009	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	304.7	170.7	48.4	131.3	–	655.1
Operating profit/(loss) before other items	25.4	38.6	6.1	7.9	(7.4)	70.6
Amortisation of intangible assets	(0.5)	–	–	(2.4)	–	(2.9)
IDC costs	–	–	–	–	(74.2)	(74.2)
Operating profit/(loss)	24.9	38.6	6.1	5.5	(81.6)	(6.5)
Share of post tax profits of joint ventures	–	–	1.6	–	–	1.6
Total operating profit/(loss)	24.9	38.6	7.7	5.5	(81.6)	(4.9)
Finance income						1.6
Finance costs						(12.3)
Loss before tax						(15.6)
Taxation						14.1
Loss from continuing operations						(1.5)
Discontinued operations						
Loss attributable to discontinued operations						–
Attributable to:						
Equity shareholders						(4.1)
Minority interests						2.6
						(1.5)

There are no significant inter-segment sales.

2. Segment information (continued)

	United Kingdom	Gulf/Middle East	CIS, Med & NA	Far East/Pacific Rim	Central costs	Group
2008	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	309.0	112.0	54.4	147.3	-	622.7
Operating profit/(loss) before other items	27.0	23.1	5.8	16.1	(7.0)	65.0
Amortisation of intangible assets	(0.5)	-	-	(2.2)	-	(2.7)
IDC costs	-	-	-	-	(5.7)	(5.7)
Exceptional items	-	-	-	(2.7)	(1.4)	(4.1)
Operating profit/(loss)	26.5	23.1	5.8	11.2	(14.1)	52.5
Share of post tax profits of joint ventures	-	-	0.5	-	-	0.5
Total operating profit/(loss)	26.5	23.1	6.3	11.2	(14.1)	53.0
Finance income						2.8
Finance costs						(18.0)
Profit before tax						37.8
Taxation						(5.9)
Profit from continuing operations						31.9
Discontinued operations						
Loss attributable to discontinued operations						(0.2)
Attributable to:						
Equity shareholders						30.6
Minority interests						1.1
						31.7

There are no significant inter-segment sales.

Other segment items included in the income statement are as follows:

	2009						2008					
	United Kingdom	Gulf / Middle East	CIS, Med and NA	Far East / Pacific Rim	Central Costs	Group	United Kingdom	Gulf / Middle East	CIS, Med and NA	Far East / Pacific Rim	Central Costs	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Depreciation	4.1	4.8	1.4	5.5	-	15.8	4.4	3.6	1.7	5.6	-	15.3
Amortisation	0.5	-	-	2.4	-	2.9	0.5	-	-	2.2	-	2.7
Exceptional items (note 3)	-	-	-	-	-	-	-	-	-	2.7	1.4	4.1

Segment assets consist primarily of property, plant and equipment, investments, intangible assets, inventories and trade and other receivables. Unallocated assets comprise deferred taxation and financial assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings including related hedging transactions.

2. Segment information (continued)

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

	United Kingdom	Gulf / Middle East	CIS, Med and NA	Far East / Pacific Rim	Central Costs	Unallocated	Group
	£m	£m	£m	£m	£m	£m	£m
Assets – continuing	85.0	84.9	24.0	310.2	54.5	89.0	647.6
Assets – discontinued	2.1	–	–	–	–	–	2.1
Total assets	87.1	84.9	24.0	310.2	54.5	89.0	649.7
Non current assets included within							
Total assets are as follows:							
Continuing	28.5	23.7	9.4	276.0	13.8	35.9	387.3
Discontinued	2.0	–	–	–	–	–	2.0
Total non current assets	30.5	23.7	9.4	276.0	13.8	35.9	389.3
Liabilities – continuing	34.6	37.1	4.0	21.3	88.6	195.1	380.7
Liabilities – discontinued	1.3	–	–	–	–	–	1.3
Total liabilities	35.9	37.1	4.0	21.3	88.6	195.1	382.0
Capital expenditure – property, plant & equipment	2.7	3.0	1.4	4.5	–	–	11.6
Capital expenditure – intangible assets	0.3	–	–	–	–	–	0.3

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	Assets £m	Liabilities £m
Segment assets / liabilities	560.7	186.9
Unallocated:		
– Deferred tax	35.7	12.5
– Current tax	–	11.3
– Cash	53.3	–
– Current borrowings	–	32.0
– Non current borrowings	–	134.9
– Derivatives	–	4.4
Total assets/liabilities	649.7	382.0

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	United Kingdom	Gulf / Middle East	CIS, Med and NA	Far East / Pacific Rim	Central Costs	Unallocated	Group
	£m	£m	£m	£m	£m	£m	£m
Assets – continuing	104.4	96.1	26.3	293.8	57.7	45.2	623.5
Assets – discontinued	2.1	–	–	–	–	–	2.1
Total assets	106.5	96.1	26.3	293.8	57.7	45.2	625.6
Non current assets included within							
Total assets are as follows:							
Continuing	33.3	30.6	8.1	253.3	13.0	12.6	350.9
Discontinued	2.0	–	–	–	–	–	2.0
Total non current assets	35.3	30.6	8.1	253.3	13.0	12.6	352.9
Liabilities – continuing	54.2	42.7	7.5	29.7	17.2	226.8	378.1
Liabilities – discontinued	1.3	–	–	–	–	–	1.3
Total liabilities	55.5	42.7	7.5	29.7	17.2	226.8	379.4
Capital expenditure – property, plant & equipment	7.7	10.2	2.2	6.1	–	–	26.2
Capital expenditure – intangible assets	–	–	–	–	–	–	–

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	Assets £m	Liabilities £m
Segment assets / liabilities	580.4	152.6
Unallocated:		
– Deferred tax	11.9	11.7
– Current tax	–	9.4
– Cash	33.3	–

– Current borrowings	–	38.9
– Non current borrowings	–	159.9
– Derivatives	–	6.9
Total assets/liabilities	625.6	379.4

3. Exceptional items

	2009	2008
	£m	£m
The exceptional items comprise:		
Continuing:		
Reorganisation costs in relation to Australian acquisitions	–	(2.9)
Relocation of Head Office	–	(1.2)
Total continuing	–	(4.1)

The cash effect of the above exceptional items was an outflow of £nil (2008: £4.1m).

The tax effect of the exceptional item in continuing operations is £nil (2008: credit of £1.2m).

In addition to those items referred to above, exceptional items include a charge of £70.5m in respect of the recognition of the provision for future IDC liabilities as described in note 8.

4. (Loss)/earnings per ordinary share

The basic loss per share calculation for the year ended 31 December 2009 (2008: earnings per share) is based on the loss after tax attributable to ordinary shareholders of £4.1m (2008: earnings of £30.6m) divided by the weighted average number of ordinary 25p shares of 115,427,015 (2008: 114,537,257).

The diluted loss per share calculation for the year ended 31 December 2009 (2008: diluted earnings per share) is based on the loss after tax of £4.1m (2008: earnings of £30.6m) divided by the diluted weighted average number of ordinary 25p shares of 118,038,129 (2008: 116,381,373).

Share options are considered potentially dilutive as the average share price during the year was above the average exercise prices.

	2009 Shares	2008 Shares
Basic weighted average number of shares	115,427,015	114,537,257
Adjustments:		
Weighted average number of outstanding share options	2,611,114	1,844,116
Diluted weighted average number of shares	118,038,129	116,381,373

	2009		2008	
	(Loss)/ earnings £m	EPS pence	Earnings £m	EPS pence
Basic (loss)/earnings per share				
Continuing operations	(4.1)	(3.5)	30.8	26.9
Discontinued operations	–	–	(0.2)	(0.2)
Basic (loss)/earnings per share	(4.1)	(3.5)	30.6	26.7
Diluted (loss)/earnings per share				
Continuing operations	(4.1)	(3.4)	30.8	26.4
Discontinued operations	–	–	(0.2)	(0.1)
Diluted (loss)/earnings per share	(4.1)	(3.4)	30.6	26.3
Adjusted basic earnings per share				
(Loss)/earnings from continuing operations	(4.1)	(3.5)	30.8	26.9
Amortisation	2.9	2.5	2.7	2.3
Exceptional items	–	–	4.1	3.6
IDC related costs and interest income	73.4	63.6	3.7	3.2
Tax effect of adjusting items	(21.4)	(18.5)	(3.0)	(2.6)
Exceptional Australian tax credit	(6.6)	(5.7)	(3.3)	(2.9)
Adjusted basic earnings per share	44.2	38.4	35.0	30.5
Adjusted diluted earnings per share				
(Loss)/earnings from continuing operations	(4.1)	(3.4)	30.8	26.4
Amortisation	2.9	2.4	2.7	2.3
Exceptional items	–	–	4.1	3.5
IDC related costs and interest income	73.4	62.2	3.7	3.2
Tax effect of adjusting items	(21.4)	(18.1)	(3.0)	(2.6)
Exceptional Australian tax credit	(6.6)	(5.6)	(3.3)	(2.8)
Adjusted diluted earnings per share	44.2	37.5	35.0	30.0

The adjusted earnings per share calculations have been calculated after excluding the impact of amortisation, exceptional items, IDC related costs and interest income, the tax impact of these items and an exceptional tax credit received in Australia predominantly arising on the consolidation of PCH assets in Australia which was acquired during 2007.

Options are dilutive at the profit from continuing operations level and so, in accordance with IAS 33, have been treated as dilutive for the purpose of diluted earnings per share. Diluted loss per share in 2008 is lower than basic loss per share in respect of discontinued operations because of the effect of losses on discontinued operations.

5. Cash flow from operating activities

	2009 £m	2008 £m
Cash flows from operating activities		
Continuing operations		
Operating (loss)/profit for the year	(6.5)	52.5
Depreciation	15.8	15.3
Amortisation of intangibles	2.9	2.7
Share option charge	1.6	1.2
Loss/(profit) on sale of property, plant and equipment	1.4	(0.8)
Difference between pension charge and cash contributions	(0.5)	(0.5)
Share of profit of associates	1.6	0.5
Changes in working capital (excluding effects of exchange adjustments on consolidation)		
(Increase)/decrease in inventories	(0.5)	1.4
Decrease/(increase) in trade and other receivables	22.4	(21.6)
(Decrease)/increase in trade and other payables	(29.2)	15.2
Increase in provisions (excluding deferred tax)	71.2	2.4
Industrial disease costs paid	4.2	3.6
Cash generated from continuing operations	84.4	71.9
Discontinued operations		
Loss for the year	–	(0.2)
Increase in trade and other receivables	–	(0.1)
Decrease in trade and other payables	–	(0.7)
Cash outflow from discontinued operations	–	(1.0)
Cash generated from operating activities	84.4	70.9
(b) Analysis of cash flows relating to restricted funds		
At 1 January	37.5	39.1
Payment of scheme creditors	(4.1)	(3.4)
Operating costs	(0.1)	(0.2)
Interest received	0.5	2.0
At 31 December	33.8	37.5
Proceeds from sale of property, plant and equipment comprise:		
Net book amount	2.5	1.9
(Loss)/profit on disposal of property, plant and equipment	(1.4)	0.8
Proceeds from disposal of property, plant and equipment	1.1	2.7
Reconciliation of free cash flow to cash flow from operating activities as defined by IFRS 1		
	2009 £m	2008 £m
Cash generated from operating activities	84.4	70.9
Increase in Industrial disease related provision	(70.5)	(2.4)
Industrial disease costs paid	(4.2)	(3.6)
Industrial disease income statement charge	74.2	5.7
Exceptional charge	–	4.1
Interest paid	(11.4)	(17.0)
Bank fee paid	–	(1.5)
Amortisation of bank fee	(0.7)	(0.7)
Interest received (non scheme)	0.7	0.6
Tax	(7.6)	(4.8)
Capital expenditure – cash	(10.0)	(19.9)
Capital expenditure – finance leases	(1.6)	(6.3)
Cash received from sale of fixed assets	1.1	2.7
Capital expenditure – intangible asset	(0.3)	–
Exceptional costs paid	–	(4.1)
Free cash flow¹	54.1	23.7
Scheduled repayment under Group's Senior debt facility	(15.0)	(20.0)
Free cash after servicing Senior debt	39.1	3.7
Adjusted EBITDA		
Adjusted operating profit	72.2	65.5
Depreciation	15.8	15.3
Adjusted EBITDA	88.0	80.8
Operating cash conversion²	95.9%	87.7%

1 Free cash flow is defined as cash generated from operations adjusted for the impact of industrial disease costs, interest, tax, net capital expenditure and exceptional items paid.

2 Operating cash conversion is defined as cash generated from operating activities divided by adjusted EBITDA.

6. Property, plant and equipment

During the year ended 31 December 2009, the Group acquired assets with a cost of £11.6m (2008: £26.2m) and received proceeds from asset sales of £1.1m (2008: £2.7m) giving net capital expenditure of £10.5m (2008: £23.5m). The capital expenditure of £10.0m (2008: £19.9m) shown in the cash flow statement represents the actual cash outflow and therefore excludes purchases funded through finance leases of £1.6m (2008: £6.3m).

7. Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents are comprised of the following:

	2009	2008
	£m	£m
Cash at bank and in hand	53.3	33.3
Bank overdrafts	(0.4)	(2.8)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	52.9	30.5

8. IDC provision

The total Industrial Disease Claims provision of £80.2m (2008: £9.7m) is comprised as follows:

	2009	2008
	£m	£m
Provision for notified claims	9.7	9.7
Provision for future liabilities	70.5	–
Total IDC provision	80.2	9.7

Following further work from independent actuaries in the final quarter of last year, the Board consider that the value of the total future asbestos related liabilities can be estimated with sufficient reliability to enable a provision to be booked. The Group has previously provided for the estimated costs of notified claims only and disclosed by way of a contingent liability the range of low and high estimates of £48m and £203m provided by the actuarial review as at 31 December 2007.

Following the most recent review it was concluded that a reasonable estimate would lie in the range £60m to £100m with a central estimate of £79m. In the context of the increased net assets of the Group, to £319m excluding the provision for future IDC liabilities (net of tax), the Board considers the range of reasonable estimates has reduced the level of uncertainty associated with recognising the liability for potential future claims. With the increased confidence provided an additional provision of £70.5m has been recognised. The Board considers that by taking a provision for the total estimated discounted liability on balance sheet, the Group's financial statements are more informative and meaningful.

The range of reasonable estimates of £60m to £100m is contained within the range of low and high estimates of £48m to £203m respectively.

In coming to this decision, the Board have considered the key variables that could influence this liability in advance of the next full actuarial review which will be as at 31 December 2010. Although not an exhaustive list, the key variables are:

- i. Actual versus Expected claims experience – actual claims experience has broadly tracked to forecast contained in the most recent triennial actuarial review at 31 December 2007.
- ii. Changes in underlying model assumptions – the Health and Safety Executive (HSE) and the Actuaries UK Working Party (AWP) have recently published updated benchmarks which could impact the reasonable range of estimated liability. There are a number of key changes which could impact:
 - a. Propensity to claim – this is a major assumption change to the AWP model and estimates how the propensity for individuals to claim for damages has increased over time. However, given the high profile of Cape and the Scheme of Arrangement this is thought to be less significant to Cape in comparison to other involved parties.
 - b. Future population mortality – the latest AWP models exclude the impact of past and future migration as well as using the latest projections for mortality. Although the assumptions will be updated for the 2010 review the 2007 review already excluded migration impacts and therefore this change should again be less significant.
 - c. Exposure to asbestos over time – the AWP has changed its assumptions on the relative exposure per head of the UK population. Although this will impact Cape's third party claims it will not impact the employee claims, which account for a large proportion of total claims, as this is based on a known population.

8. IDC provision (continued)

d. Projection for years after 2040 – the initial AWP study excluded these years, however, the 2007 Cape review projected liabilities to 2070 and so this will not impact the 2010 review.

iii. Changes in the legal, social or economic environment that may impact claims – there is no view that there has been any extraordinary change to the legal, social or economic environment that could material impact the provision.

After considering the potential impact of the above variables the Board consider the value of the liability at 31 December 2009 can be estimated with sufficient reliability to book the provision for future industrial disease liabilities.

The total provision for Industrial disease related liabilities at 31 December 2009 is £80.2m and includes estimated costs of £9.7m (2008: £9.7m) in respect of notified claims. The provision for future liabilities of £70.5m reflects the central estimate of £79m adjusted for cash settlements and the unwinding of the discount since the last full actuarial review. A deferred tax asset of £19.7m has also been recognised in respect of the provision for future liabilities. The impact on the Group's balance sheet position at 31 December 2009 is an additional net liability of £50.8m.

The £74.2m income statement charge consists of £3.7m in respect of notified claims and £70.5m in respect of the provision for future liabilities.

9. Repayment of borrowings

The repayment of borrowings shown in the cash flow statement represents a £15.0m scheduled repayment under the Group's Senior Debt facility, in addition to a £5.4m reduction of the revolving facility in the UK and Australia which could be redrawn at the discretion of Cape.

10. Settlement of loan notes

The loan notes relate to deferred consideration payable for the acquisition of the DBI Group which took place during 2006. These loan notes were settled during January 2009.