

Cape PLC  
("Cape" the "Group" or the "Company")

**Preliminary results for the year ended 31 December 2008**

Cape PLC (AIM: CIU), the international provider of essential support services to the energy and natural resources sectors, announces its results for the twelve months ended 31 December 2008.

**Financial highlights**

- Group revenue from continuing operations up 45.2% to £622.7m (2007: £428.8m)
  - Up 24.1% from organic growth (growth excluding acquisitions)
  - Up 39.3% at constant currencies
- Group operating profit before other items <sup>(1)</sup> up 68.0% to £65.0m (2007: £38.7m)
  - Up 39.8% from organic growth (growth excluding acquisitions)
  - Up 58.4% at constant currencies
- Group operating profit up 46.6% to £52.5m (2007: £35.8m)
- Adjusted diluted earnings per share up 24.5% to 30.0p (2007: 24.1p). Basic earnings per share up 2.7% to 26.7p (2007: 26.0p)
- Operating cash flow <sup>(2)</sup> increased by 285.1% to £74.7m (2007: £19.4m) with operating cash conversion <sup>(2)</sup> rate of 115.3% (2007: 51.1%). Net cash inflow from operating activities increased by 598.6% to £48.2m (2007: £6.9m).
- Capital expenditure excluding finance leases reduced by 21.3% to £19.9m (2007: £25.3m) some 130.1% of depreciation (2007: 290.8%)
- Net debt (excluding Scheme funds) reduced to £165.5m (2007: £189.2m) or 2.1 times adjusted EBITDA<sup>(3)</sup> (2007: 4.0 times)

**Operating highlights**

- Strong revenue and operating profit growth in all regions
- Notable progress made with the integration, restructuring and repositioning of the three Australian acquisitions under the Cape brand with strong second half margin improvement
- Year on year forward order book (excluding Australia where no comparable data is available) up 24.4% and up a further 32.2% since year end following significant contract wins so far in 2009
- Good visibility with over 70% of 2009 budgeted revenues secured

**Sean O'Connor, Chairman, said:**

"2008 was another year of record progress for Cape. Our performance in workplace safety, client satisfaction and margin delivery are at all time highs. The decentralised regional management structure is now fully bedded in and proving to be highly effective. We won our highest levels of new business, extended many of our long-term contracts and completed the integration of the acquisitions we made in 2007/08.

With the addition of an increasingly successful Australian business we have consolidated our position as an international provider of essential support services to the key sectors of energy and natural resources. The strong growth in our Gulf/Middle East business continues to be particularly pleasing.

We believe that demand for energy over the medium term across our enlarged and now established footprint will present good opportunities for further progress. The economic climate may hinder growth in some of Cape's markets but 2009 has started well with over 70% of budgeted revenue already secured and we face the future with confidence."

**Martin K May, Chief Executive Officer, said:**

"I am pleased to report that Cape has delivered a fourth consecutive year of growth. Whilst not immune to the global economic downturn, these results reflect the underlying strength and resilience of the business derived from the essential nature of its services, the quality of its client base and contracts, and its international footprint. Cape reported adjusted EBITDA<sup>(3)</sup> of £80.3 million and free cash flow<sup>(2)</sup> of £23.7 million with a significant reduction in net debt to £165.5m.

Whilst the global recession will inevitably put pressure on margins, we believe that our strategic proposition remains both compelling and robust and that we can more than offset this downward pressure by increased bundling of services, cross selling and by continuing to invest in markets that offer improved returns on our investment.

The current downturn is resulting in more of our customers outsourcing to Cape. We are continuing to review our organisation and manage down the cost base of the business, whilst remaining operationally flexible in order to respond to new opportunities as they arise. Current activity levels remain high with strong demand for our essential services across our enlarged footprint as clients seek cost effective bundled solutions without compromising safety, reliability and on time delivery."

1. Group operating profit before other items comprises profit before interest and taxation of £52.5m (2007: £35.8m), adjusted for exceptional items of £4.1m (2007: £0.3m), IDC charge of £5.7m (2007: £1.6m) and amortisation of intangible assets of £2.7m (2007: £1.0m)
2. Operating cash flow, free cash flow and operating cash conversion are defined in note 5
3. Adjusted EBITDA is defined as Group operating profit before other items of £65.0m (2007: £38.7m) adjusted for depreciation of £15.3m (2007: £8.7m)

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## **Chairman's Statement**

This has been another milestone year for Cape and the fourth consecutive year of significant growth. It reflects a full year contribution from the acquisitions in 2007 as well as continued organic growth from the underlying business. Revenues grew 45.2% in 2008 to £622.7 million (2007: £428.8 million) with Group operating profit before other items <sup>(1)</sup> growing by 68.0% to £65.0 million (2007: £38.7 million). Group operating profit increased by 46.6% to £52.5 million (2007: £35.8 million).

The Group is firmly positioned in the downstream energy infrastructure sector with some 70% of Cape's 2008 revenues generated from capital and maintenance expenditures by customers in the power generation, oil and gas and petrochemical industries. Cape's customers principally comprise a diverse set of the world's largest integrated and independent energy companies and major international engineering contractors engaged in multi-year projects in the sector. Through its Australian acquisitions, Cape now also provides its services to the mineral resources sector. Cape's speciality multi-disciplinary services such as the provision of common user access systems, insulation, fire protection, abrasive blasting, refractory, cleaning and other essential services are required on an ongoing basis throughout the lifecycle of large industrial assets.

Despite the reported growth, 2008 was a year of consolidation for the Group with the completion of the regional structure and the repositioning, restructuring and integration of the three Australian acquisitions. The Group is now well on the path to having a fully integrated industrial services business in Australia providing the full range of Cape services.

### **Debt reduction**

The Group's net debt (excluding Scheme cash) reduced by 12.5% to £165.5 million in the year (2007: £189.2 million) only £0.5m outside of the guidance range, of £160.0 million to £165.0 million signalled at the half year. The Group's net debt to adjusted EBITDA<sup>(3)</sup> of 2.1 times (2007: 4.0 times) provides adequate headroom compared with the Group's covenanted level.

### **Private equity interest**

The Board received approaches from a number of interested parties and entered into discussions with a view to generating further shareholder value through an offer for the Company. The Board concluded that the likelihood of an acceptable offer being received in a reasonable timeframe, avoiding a prolonged and distracting period of uncertainty, was low. As announced on 16 February 2009, all these discussions were therefore terminated.

### **Move to the Main Market**

The Company is no longer considering a move to the Main Market of the London Stock Exchange as a short term objective.

### **People**

Cape continues to invest in the recruitment, development and retention of high quality management teams. In 2008, we welcomed several new senior executives to the Group all of whom bring with them proven track records, technical expertise and the depth of specialist knowledge necessary to deliver Cape's increasing range of services across its enlarged geographic span.

The Group's investment in ensuring the safety of our people in 2008 increased significantly with the launch of the Golden Rules and CapeSafe programmes throughout the business combined with specific investment in the acquisitions to bring them into line with Cape standards. Cape is committed to providing the safest work environment for our people.

Cape delivered over 41 million man hours in 2008 (2007: 33 million). On behalf of the Board, I would like to thank all our employees for their continuing dedication and commitment, and the executive board and regional management teams, under whose leadership the business is evolving and again delivering a record financial performance.

### **Board**

I replaced David McManus as Chairman at the Company's AGM in June 2008. David remains on the Board of Cape and is Chairman of the Remuneration Committee. Richard Bingham joined the Board in June 2008 as Chief Financial Officer.

## Outlook

With 70% of our revenues from the downstream energy, power generation and later cycle production markets our business is only partially impacted by lower energy prices. The higher levels of activity seen in the second half of 2008 have continued into 2009. We believe that demand for energy over the medium term across our enlarged and now established footprint will present good opportunities for further growth.

In this environment the Group's focus will continue to be on optimising the efficiency of Cape's bundled services model, maximising free cash flow generation and continued net debt reduction. With scheduled debt repayments for 2009 of £15.0 million the Board remains confident that the Group's debt servicing obligations can be more than met from operating cashflow.

I am confident that our strategy will continue to deliver positive results in the current market conditions.

**Sean O'Connor**

**Chairman**

19 March 2009

1. Group operating profit before other items comprises profit before interest and taxation of £52.5m (2007: £35.8m), adjusted for exceptional items of £4.1m (2007: £0.3m), IDC charge of £5.7m (2007: £1.6m) and amortisation of intangible assets of £2.7m (2007: £1.0m)
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## **Chief Executive's Review**

### **A strong financial performance in 2008**

Cape made significant progress in 2008 building on the reorganisation and acquisition activity undertaken in 2007. This progress is reflected in the year on year growth in both revenues and operating profits. Revenues were up 45.2% (24.1% from organic growth) at £622.7 million (2007: £428.8 million) with revenues from outside the UK now exceeding 50% of total Group revenues. Cape is now a recognised international industrial services provider with a presence in the large majority of the world's major hydrocarbon processing and power generation markets.

Operating profits before other items were up 68.0% (39.8% from organic growth) at £65.0 million (2007: £38.7 million), with the operating margin before other items increasing to 10.4% (2007: 9.0%).

### **Progress with Australian acquisitions**

Notable progress has been made with the integration, restructuring and repositioning of the three Australian acquisitions completed towards the end of 2007, into a single multi-disciplinary Industrial Services business trading under the Cape brand. We are now bidding and winning major contracts under the Cape name and have continued to invest in the key areas of Health, Safety, Environment and Quality (HSEQ), business development and information systems.

Over the full year the combined revenues of the three businesses have been broadly flat. However margins in the second half recovered strongly under Cape's newly appointed Australian management team.

Cape now has a presence in what is recognised as the second largest growth market for LNG exports in the world behind only sub Saharan Africa. The planned and announced construction of between nine and eleven new LNG liquefaction trains makes Australia a key market for Cape. Recent investments in coal seam gas projects by ConocoPhillips, BG, Petronas and others provide an excellent medium term opportunity for Cape's Australian business.

### **Cash generation and debt reduction**

The Group's operating cash flow <sup>(2)</sup> of £74.7 million (2007: £19.4 million) reflects a strong operating cash conversion<sup>(2)</sup> rate of 115.3% (2007: 51.1%). Net cash inflow from operating activities was £48.2 million (2007: £6.9 million).

At 31 December 2008, Cape had net debt excluding Scheme Funds of £165.5 million (2007: £189.2 million) including cash balances of £33.3 million (2007: £20.1 million). The Group's balance sheet gearing has reduced to 67.2% (2007: 104.7%) and the ratio of net debt to adjusted EBITDA<sup>(3)</sup> has fallen from 4.0 times to 2.1 times.

### **Strategy continues to deliver**

With a clear focus on the downstream energy and mineral resources infrastructure markets, Cape's broadened geographical and sector spread have provided a platform across which to sell both its core and additional services. Whilst we have seen low commodity prices impacting on some of our customers' investment decisions, our strategy continues to be underpinned by the following key market drivers:

- Increasing levels of maintenance and capital spending to maintain, extend the life and decommission an ageing energy infrastructure in the UK.
- An increasing trend on the part of Cape's major customers to outsource non-core services and to look for cost effective bundled service proposals. These customers increasingly seek to outsource multi-disciplinary services for both maintenance and capital projects to a smaller number of professional suppliers with larger scale operations that can provide a single source solution.
- A strong position in higher growth international markets such as the Gulf/Middle East and Far East/Pacific Rim following the Australian acquisitions.
- A strong reputation in growing market segments such as the LNG producing/exporting market where there is a long list of projects announced in all Cape's key overseas regions and in particular Australia.
- A demand on the part of blue chip clients to work with safe suppliers who have a proven track record and access to local workforces, with the ability to train their employees, to exacting standards.

## Safety

Cape's accident frequency rate performance of 0.08 per 100,000 hours worked has exceeded management's target and is world class within the sector. The primary international benchmark measure of safety performance is lost time accidents/incidents (LTI) per 100,000 hours worked, and this has shown a further 20% improvement against the excellent performance achieved last year. Once again Cape's safety record was recognised with a number of industry awards in 2008, all of which are detailed in the Operating Review.

## Outlook

Current activity levels remain high with strong demand for our broadening range of essential industrial services. Recent contract wins in the UK have reinforced our market leading position in the region. In the medium term we expect demand in the UK to continue to increase as our clients' maintenance and decommissioning requirements for their ageing assets becomes more evident.

Cape's overseas markets are more project dependent; our strategy is to offer services throughout asset lifecycles, and I am pleased that year on year revenue from repeat maintenance contracts has increased. In the majority of our overseas businesses we remain a small player in very large markets. Activity levels have remained high into the first quarter of this year, particularly in the UK and Gulf/Middle East, and again highlight the benefit of Cape's downstream and production asset focus. We are confident that with Cape's ability to offer cost effective bundled solutions, throughout asset lifecycles, across our enlarged footprint, means that the Company is well positioned to continue to deliver positive growth.

**Martin K May**  
**Chief Executive Officer**  
19 March 2009

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## Operating Review

Cape's speciality multi-disciplinary services are required on an ongoing basis throughout the lifecycle of large industrial infrastructure assets. Cape supports the construction of new facilities, as well as the maintenance, extension of life and decommissioning of existing facilities both onshore and offshore.

Clients choose Cape for its proven ability to:

- provide a multi-discipline, "bundled services" solution with a single point of contact and management responsibility for an increasing array of complementary multi-disciplinary services;
- deliver the highest standards of safety performance often in harsh industrial environments;
- supply and manage large numbers of skilled operatives and volumes of equipment for large and complex projects.

These services often form a critical part of ongoing maintenance of our customers' facilities. The successful execution of recurring maintenance helps Cape's customers avoid unplanned down-time and ultimately optimises the efficiency of their facilities.

For project work, Cape is typically commissioned by major Engineering Procurement and Construction (EPC) contracting companies including Chiyoda, Foster Wheeler, KBR, Parsons Fluor Daniel and Saipem. The market thus refers to Cape as a "tier 2" service provider. Once a build project is completed, Cape is well positioned to secure long term maintenance and campaign contracts that follow, typically contracting directly with the plant operator as "tier 1" for these essential non-mechanical and electrical maintenance services.

The Group's operations are organised on a geographical basis with four regions:

### UK Region

Revenues in the UK increased by 14.4% to £309.0 million (2007: £270.1 million) and reflect Cape's ability to continue to grow market share in a mature competitive environment. The business also benefited from a full year contribution from the environmental services division.

Operating profits before other items increased by 25.6% to £27.0 million (2007: £21.5 million) with operating margins before other items widening to 8.7% (2007: 8.0%).

Cape's UK business has over 4,500 employees and expended over 11 million man hours in 2008 (2007: 9.8 million). With 28 facilities located strategically throughout the country and in excess of 38,000 tonnes of access equipment Cape has one of the largest stockholdings within the UK. In addition, Cape UK applied over 1.2 million metres of insulation to our UK clients' pipe-work systems in 2008.

Cape segments its UK operations into three market facing business units:

- Onshore industrial services;
- Offshore industrial services; and
- Environmental services.

The forward order visibility in the UK is favourable given that a typical contract arrangement is of three to seven years duration. The forward order book value closed 19% ahead of year end 2007 levels and has increased by a further 26% since the year end. The UK Region's forward order value is based upon actual committed orders with initial contract order values, defined by the clients' maintenance and outage programmes. Over 83% of the UK Region's budgeted 2009 revenues have been secured.

#### *Onshore industrial services*

Revenue from onshore industrial services in the UK grew 14.2% in 2008 to £194.2 million (2007: £170.0 million). Cape further consolidated its position as the market leader in 2008 and currently services in excess of 50 large industrial sites.

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Over half of the UK onshore revenue in 2008 was derived from the power generation segment (which includes gas, nuclear and coal fired power stations). Cape currently provides services at 27 of the UK's 50 major power stations \* (2007: 23) and supports over 50% of the UK's total power generation capability (2007:43%).

Cape currently supplies services at EDF's two coal power stations at West Burton and Cottam as well as the recently announced new fleet-wide seven year contract across British Energy's (BE) eight nuclear stations, and also their only coalfire station at Eggborough.

Cape provided services at five of the UK's twelve oil refineries in 2008 including the largest oil refinery in the UK, the ExxonMobil owned refinery at Fawley, Southampton where it has recently agreed a new seven year contract.

Major projects in 2008 included South Hook LNG, Sabic LDPE and BE's Heysham site.

#### *Offshore industrial services*

Offshore revenues grew by 13.3% in 2008 to £88.6 million (2007: £78.2 million) reflecting additional works at Shell's St Fergus and Mossmorran gas plants and BP's Schiehallion FPSO. All offshore revenue is derived from the offshore natural resources (oil & gas) market with the vast majority of the income generated from statutory maintenance activities.

Cape currently operates on 45 offshore installations plus various partly manned and partly unmanned units. Cape's offshore revenues have grown steadily during the past five years reflecting the need to service the industry's ageing North Sea assets.

#### *Environmental services*

In 2008 Cape DBI and Endecon generated revenues of £26.2 million (2007: £21.9 million) from specialist "heavy-end" industrial cleaning in both the onshore and offshore markets with many common clients such as BP, Chevron, Exxon, Dow, Corus and BASF.

Heavy end industrial cleaning involves cleaning of contaminated tanks, vessels, pipes, drains, heat exchangers and surfaces as well as waste handling and site support services.

Contracts include a ten year contract with Scottish Power Generation Ltd for industrial cleaning and surface preparation at the principal power generating stations at Longannet and Cockenzie on the River Forth in Scotland.

\* Defined as those with a generating capacity of more than 100MW

### **Gulf/Middle East Region**

The region enjoyed another year of strong growth in 2008 with revenues growing by 69.4% to £112.0 million (2007: £66.1 million). Although the region's performance benefited from exchange movements, this represents a particularly impressive performance coming after the 62.8% revenue growth achieved in 2007. Operating profits increased by 86.3% in 2008 to £23.1 million (2007: £12.4 million).

Cape has been operating in the Gulf/Middle East for over thirty years and now has operations in over 20 locations throughout all six Gulf Cooperation Council (GCC) countries, with its strongest presence in Qatar, Saudi Arabia and Abu Dhabi. Cape ended the year with 4,800 employees in the region (2007: 3,900), and delivered 19 million man hours in the year (2007: 13 million). While the region holds an inventory of over 37,000 tonnes of access equipment, the major service provided continues to be insulation services, including refractory lining and fireproofing.

Qatar, Saudi and Abu Dhabi again accounted for 85% of 2008 revenue. The high level of investment in the infrastructure and energy sectors in the Middle East during 2007 continued into 2008 and has been focused on the petrochemicals sectors. We have also seen significant investment in Qatar in the LNG sector and expansion of its downstream oil and gas refining capability.

Cape's strategic decision during 2006 to invest in the region continued with capital expenditure of over £10 million in 2008 again increasing our access capability in the region. Access revenues grew from around 12% of overall revenue in 2007 to more than 30% in 2008.

Whilst the vast majority of the region's revenues are generated from the oil and gas/petro-chemical sectors, Cape also provides services to power/desalination, steel, aluminium, chemical and cement plants. Cape provides services at 50 of the 80 large scale industrial complexes in the region requiring significant ongoing maintenance, shutdowns and capital programs.

Apart from the refractory market, where Cape is recognised as the dominant service provider in the Gulf with over 50% market share, the market for Cape's services is highly fragmented with many local small companies offering single discipline services.

The region's order book closed the year 49% up on year end 2007 levels. Since the year end the region's order book has benefited from additional packages on the Kayan project and shutdown works in Qatar and Abu Dhabi. Some 85% of the regions budgeted 2009 revenues have now been secured.

### **CIS, Mediterranean & Northern Africa Region (CIS, M & NA)**

Cape's revenues in the region, which are largely project driven, increased by 15.5% year on year to £54.4 million (2007: £47.1 million) whilst operating profits increased by 20.8% to £5.8 million (2007: £4.8 million).

With 1,000 employees, the region delivered over 5.2 million man hours in 2008 (2007: 6.1 million). The region holds an inventory of 4,000 tonnes of access equipment and the major services provided are access, coatings and insulation.

#### *CIS*

Revenues from Cape's operations in the CIS countries reached £46.3 million (2007: £42.7 million) and included the Sakhalin 2 LNG project and extensive onshore and offshore operations in Kazakhstan. The Sakhalin 2 build project was completed on time with over 7.5 million man hours executed without a Lost Time Incident (LTI). Cape has secured a four year maintenance contract at the plant. The proposed third train has been postponed until 2010/11.

In Western Kazakhstan, we successfully completed extensive works at Tengiz with Parsons Fluor Daniel. Substantial awards have been secured on the Karabatan project and the initial work on the expansion project at Karachaganak.

It is anticipated that Cape's revenues in the CIS states will reduce in 2009 reflecting completion of the Sakhalin 2 project but this will be offset to a large extent by our business units in the Caspian where Cape's major activities will be in Actau, the offshore base for the Kashagan project and at Atyrau, the onshore Kashagan base.

#### *Mediterranean and North Africa*

The fledgling Mediterranean and North Africa operation generated revenues of £8.1 million in 2008 (2007: £4.4 million). Cape's activities in 2008 included support services for ExxonMobil's Adriatic LNG project and shutdown projects for BG in Tunisia and ELNG in Egypt.

Cape has again targeted the oil and gas sector and in particular the LNG segment. Africa's LNG export capacity is already more than a quarter of the world total, and this is projected to double over the next five years. Cape is actively targeting the North Africa states of Algeria, Egypt and Libya where five significant new LNG projects have been announced. Cape estimates the potential value of the available work on these projects at in excess of £150 million. Given the extensive lead times on projects of this scale, we do not expect any significant contribution from any major project awards in North Africa in 2009. Project deferrals in North Africa have also been announced in recent months by BG at its Hasdrubal plant in Tunisia and by Sonatrach at its Arzew LNG plant in Algeria.

Cape's forward order book in the CIS, M & NA region is currently ahead of year end 2007 levels with over 60% of 2009 budgeted revenues secured.

### **Far East/Pacific Rim Region**

Cape generated revenues of £147.3 million (2007: £45.5 million) from its operations in this region in 2008 with an operating profit before other items of £16.1 million (2007: £3.4 million). For operational management purposes the region is currently segmented into two separately managed geographic territories:

- **Australia**, with a head office based in Perth; and
- **Asia** based in Singapore and with operations in Thailand, the Philippines, New Caledonia, Indonesia, Malaysia and Brunei.

#### *Australia*

Revenues in 2008 were £117.6 million (2007: £26.0 million) with full year operating profits before other items of £12.3 million (2007: £1.3 million). This result reflects the full year contribution from the three Australian acquisitions:

- TCC Group, a privately owned blasting, painting and coatings contractor based in Western Australia; and

- Concept Hire and PCH Group, two previously ASX listed commercial and industrial scaffold hire businesses with operations across the country.

The integration, restructuring and repositioning of these three operations into a single multi-disciplinary Industrial Services business trading under the Cape brand is continuing with significant investment in Health Safety Environment and Quality management, extension of service offering, marketing and re-branding and information systems.

Over the full year the underlying Australian revenue growth of the three acquired businesses has been broadly flat. The combined revenues of £113.3 million (excluding revenue from the discontinued Blackadder business) in 2008 compares with their combined full revenues in 2007 of £107.1 million.

The full year operating margin before other items of the acquired businesses of 10.9% (excluding Blackadder) reflects the strong margin recovery in the second half to 13.5% and the progress made by Cape's Australian management team.

Cape has a workforce in Australia of over 1,250 staff trading from 19 locations throughout the country including newly established facilities at Darwin and Mackay. Cape now provides services at over 50 large industrial sites for mineral resources clients such as Alcoa, BHP Billiton, Rio Tinto, FMG, Minara Resources and Iluka, major oil and gas clients including BP and Woodside Energy as well as the commercial construction market. Cape's operations in Australia have been organised into four geographic regions managed from key facilities in Perth, Karratha (WA), Melbourne and Brisbane. With over 50,000 tonnes, Cape has one of the largest stocks of access equipment in Australia.

Whilst the global recession and fall in commodity prices has had a significant impact on the outlook for the Australian economy, with project deferrals in the resources sector announced in the last six months, we remain confident that positive growth will be achieved in 2009 as our bundled services offering gains momentum.

LNG production represents one of the most important growth sectors for Cape. With plans to add over 50 million tonnes per year of new LNG export capacity within the next five years (Source: Petroleum Economist LNG Data centre), Australia is recognised as the second largest growth market for LNG export in the world behind only sub Saharan Africa. The planned construction of between nine and eleven new production trains makes Australia a key market for Cape. With its acquisition of PCH and TCC, Cape has been involved in the construction of all of Australia's six existing LNG production trains including five at the NW Shelf JV, including the recently completed fifth train, as well as the single train Darwin LNG plant.

With the current Pluto LNG project in progress, Woodside are expected to announce a final investment decision on a second liquefaction train (Pluto 2) expansion early in 2010. Similarly, recently confirmed gas reserves are more than sufficient to support Chevron's proposed two LNG train Wheatstone development and front end engineering and design is expected to commence in the second half of 2009.

In addition to the production of LNG from conventional natural gas, Australia is ideally placed to produce liquefied gas from lower quality Coal Seam Methane (CSM) in Queensland. With five proposed projects and substantial recent investments from ConocoPhillips, Petronas and BG in local operators Origin, Santos and QGC, Queensland is identified as a potential high growth market for Cape.

## Asia

Revenues in Asia grew by 52.3% in 2008 to £29.7 million (2007: £19.5 million) bolstered by the PCH acquisition with operating profits increasing by 81.0% to £3.8 million (2007: £2.1 million). Cape has a workforce of over 1,700 in Asia and delivered 4.5 million man hours in 2008 (2007: 3.8 million). Trading from six locations, with its strongest presence in Singapore, Thailand, Philippines and New Caledonia, the PCH acquisition boosted the Cape inventory of access and formwork equipment in Asia by 12,000 tonnes to 20,000 tonnes.

The oil and gas sector represents the largest source of revenue for Cape in Asia, with 50% of 2008 revenues generated from services both onshore and offshore. Cape has maintained its excellent reputation in Asia having participated in some of its largest flagship projects in 2008 including the following projects related to the oil and gas sector:

- ConocoPhillips FPSO Project (Singapore);
- Woodside Pluto LNG Project (Thailand);
- Shell Mono Ethylene Glycol (MEG) Project (Singapore); and
- CUEL Offshore Fabrication (Thailand).

Cape's offshore maintenance projects in the region included the Bayu-Udan offshore facilities in the Joint Petroleum Development Area (Timore Leste / Australia) and the Shell Malampaya Offshore Platform (Philippines).

In the mineral resources sector Cape continues to provide services to the Goro Nickel Project (New Caledonia) and the FRP Fabrication Project (Philippines)

Once again Cape's safety record in the region was recognised with an award from Esso Thailand for the safest contractor on site on the Sup 5 project Esso Sriracha refinery 2008.

The Asian businesses forward order book continues to grow rapidly and with recent awards is now over seven times year end 2007 levels. Revenue visibility remains favourable with over 73% of 2009 budgeted revenues secured.

## **Financial Review**

Cape's adjusted diluted earnings per share increased by 24.5% in 2008 to 30.0p (2007: 24.1p). Basic earnings per share increased by 2.7% to 26.7p (2007: 26.0p).

### ***Operating and free cash flow***

The Group's operating cash flow <sup>(2)</sup> of £74.7 million (2007: £19.4 million) represents a strong operating cash conversion<sup>(2)</sup> rate of 115.3% (2007: 51.1%). Net cash inflow from operating activities was £48.2 million (2007: £6.9 million). The working capital inflow in the second half of £5.4 million was insufficient to recover the first half outflow with a full year working capital outflow of £2.9 million (2007: £29.9 million outflow).

Capital expenditure net of disposals in the year (including assets acquired on finance lease) amounted to £23.5 million (2007: £29.9 million). This investment was weighted heavily towards the first half and was predominantly Middle East focused. With slower growth forecast and the extensive amounts of equipment acquired through the Australian acquisitions, the capital investment programme is expected to be substantially reduced going forward.

Cape generated free cash flow of £26.9 million in the second half of 2008 giving rise to full year free cash inflow of £23.7 million (2007: outflow of £21.7 million).

### ***Capital structure and debt reduction***

The Group's primary sources of liquidity are cash flow from operations and borrowings under its syndicated banking facilities. The Group's primary uses of cash are debt service and capital expenditure.

At 31 December 2008, Cape had net debt excluding Scheme Funds of £165.5 million (2007: £189.2 million) including cash balances of £33.3 million (2007: £20.1 million).

Cape entered into a five year syndicated Senior Credit Facility totalling £220.0 million on 3 September 2007. Borrowings under the facilities are available to fund the Group's working capital requirements, capital expenditures and other general corporate purposes and will terminate on 3 September 2012. Some £20.0 million was repaid during 2008 and the remaining facilities comprise:

- A £75.0 million fully amortising term loan with bi-annual repayments totalling £15.0 million in 2009 increasing to £20.0 million in 2010, 2011 and 2012;
- A revolving credit facility of £80.0 million with expiry on 3 September 2012; and
- An overdraft and ancillary facility of £45.0 million with expiry on 3 September 2012.

Of the revolving credit facility some £43.9 million is denominated in US and Australian dollars and these foreign currency borrowings provide a partial hedge for the Group's net investment in non sterling denominated entities.

The Group's balance sheet gearing has reduced to 67.2% (2007: 104.7%) and the ratio of net debt to adjusted EBITDA<sup>(3)</sup> has fallen from 4.0 times to 2.1 times.

Total equity at 31 December 2008 totalled £246.2 million (2007: £180.7 million).

### ***Debt financing costs***

The finance charge amounted to £18.0 million (2007: £6.2 million) and included £15.5 million (2007: £5.5 million) of bank interest charges. The Group's effective average interest rate in 2008 was 8.1% (2007: 5.3%).

Interest rate risk exposure is managed through a balance of fixed and variable rate funding. At 31 December 2008 the Group had fixed 70.6% of its interest cost on borrowings over the following twelve months.

### ***Exceptionals and impairment***

The Group recognised exceptional charges of £0.6 million in the second half of 2008 giving rise to a full year charge of £4.1 million (2007: £0.3 million). These charges relate to the restructuring and integration of the Australian acquisitions and relocation of the Group's head office from Wakefield to Stockley Park.

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 (CGU). The test demonstrated that no impairment was necessary.

### **Foreign exchange**

The Group's results are impacted by the effect of retranslating foreign currency at different average rates from year to year. In 2008 the results benefited from the strengthening of the US dollar and the Australian dollar. The table below sets out the impact on 2008 operating profit before other items had 2007 exchange rates applied.

	<b>2008- translated at actual average rates</b>		<b>2008- translated at 2007 average rates</b>	
	<b>Revenue</b>	<b>Operating profit before other items</b>	<b>Revenue</b>	<b>Operating profit before other items</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
UK	309.0	27.0	309.0	27.0
Gulf/Middle East	112.0	23.1	103.5	21.4
CIS, Med & NA	54.4	5.8	50.4	5.4
Far East/Pacific				
Rim	147.3	16.1	134.6	14.5
Central	—	(7.0)	—	(7.0)
<b>Total</b>	<b>622.7</b>	<b>65.0</b>	<b>597.5</b>	<b>61.3</b>

The overall foreign exchange impact has been to increase revenues by £25.2 million or 4.2% and operating profits by £3.7 million or 6.0%.

### **Pensions**

The Group's main pension arrangements are on a defined contribution basis. Although closed to new members in 2001, the Group continues to operate a UK defined benefit scheme which had 73 active members and 2,030 deferred or pensionable members as at 31 December 2008. The scheme had a surplus of £10.1m (2007: £12.6m) at the year end. However this has been restricted to £nil in accordance with IFRIC 14 (2007: restricted to £nil).

### **IDC and Scheme costs**

Scheme funds reduced by £1.6 million (2007: reduced by £1.0 million) to £37.5 million (2007: £39.1 million). During the year a total of £3.4 million (2007: £3.0 million) was paid to asbestos related claimants who are primarily former employees of Group companies. During the year the Scheme fund received interest income of £2.0 million (2007: £2.2 million).

Whilst Cape has a continuing obligation to top up the Scheme fund to the extent that the triennial actuarial assessments show that there is a shortfall in the Scheme funding requirement, the most recent review carried out in early 2008 showed that the Scheme was fully funded for 13 years from 31 December 2007. Consequently there is no requirement to top up the Scheme funds at this time.

The net charge to the income statement for industrial disease claims was £5.7 million (2007: £1.6 million) and reflects a number of factors including an increase in the standards applied following review by the Judicial Standards Board.

### **Tax charge and effective tax rate**

The tax charge for the year on continuing operations before other items was £12.2 million (2007: £8.4 million), with an underlying tax rate of 25.3% (2007: 24.9%). The tax charge again benefited in 2008 from a reduction in deferred tax liabilities of £3.3 million (2007: £2.8 million) arising from the rebasing of assets following the Australian acquisitions giving an effective tax rate for the Group of 15.6% (2007: 16.4%).

1. Group operating profit before other items comprises profit before interest and taxation of £52.5m (2007: £35.8m), adjusted for exceptional items of £4.1m (2007: £0.3m), IDC charge of £5.7m (2007: £1.6m) and amortisation of intangible assets of £2.7m (2007: £1.0m)
2. Operating cash flow, free cash flow and operating cash conversion are defined in note 5
3. Adjusted EBITDA is defined as Group operating profit before other items of £65.0m (2007: £38.7m) adjusted for depreciation of £15.3m (2007: £8.7m)

# Cape PLC

## Unaudited consolidated income statement

for the year ended 31 December 2008

	2008			2007			
	Notes	Before other items* £m	Other items* £m	Total £m	Before other items* £m	Other items* £m	Total £m
<b>Continuing operations</b>							
<b>Revenue</b>		<b>622.7</b>	–	<b>622.7</b>	428.8	–	428.8
Group operating profit before other items		<b>65.0</b>	–	<b>65.0</b>	38.7	–	38.7
Amortisation of intangible assets		–	(2.7)	(2.7)	–	(1.0)	(1.0)
Industrial disease costs		–	(5.7)	(5.7)	–	(1.6)	(1.6)
Exceptional items	3	–	(4.1)	(4.1)	–	(0.3)	(0.3)
<b>Group operating profit</b>		<b>65.0</b>	<b>(12.5)</b>	<b>52.5</b>	38.7	(2.9)	35.8
Finance income		<b>0.8</b>	<b>2.0</b>	<b>2.8</b>	1.2	2.2	3.4
Finance costs		(18.0)	–	(18.0)	(6.2)	–	(6.2)
Share of post tax profits from joint ventures		<b>0.5</b>	–	<b>0.5</b>	–	–	–
<b>Profit before tax</b>		<b>48.3</b>	<b>(10.5)</b>	<b>37.8</b>	33.7	(0.7)	33.0
Taxation		(12.2)	<b>6.3</b>	(5.9)	(8.4)	3.0	(5.4)
<b>Profit from continuing operations</b>		<b>36.1</b>	<b>(4.2)</b>	<b>31.9</b>	25.3	2.3	27.6
<b>Discontinued operations</b>							
Operating loss		(0.2)	–	(0.2)	(0.7)	–	(0.7)
Taxation		–	–	–	–	–	–
Loss attributable to discontinued operations		(0.2)	–	(0.2)	(0.7)	–	(0.7)
<b>Profit for the year</b>		<b>35.9</b>	<b>(4.2)</b>	<b>31.7</b>	24.6	2.3	26.9
Attributable to:							
Equity shareholders				<b>30.6</b>			26.9
Minority interest				<b>1.1</b>			–
				<b>31.7</b>			26.9
Earnings per share for profit attributable to equity shareholders							
From continuing and discontinued operations							
– Basic	4			<b>26.7</b>			26.0p
– Diluted	4			<b>26.3</b>			25.5p
From continuing operations							
– Basic	4			<b>26.9</b>			26.7p
– Diluted	4			<b>26.4</b>			26.2p

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

# Cape PLC

## Unaudited consolidated balance sheet

at 31 December 2008

	Notes	2008 £m	2007 £m
<b>Non current assets</b>			
Intangible assets		188.0	165.6
Property, plant and equipment		152.3	127.0
Investments accounted for using equity method		0.6	–
Retirement benefit asset		0.1	0.1
Deferred tax asset		11.9	6.7
		<b>352.9</b>	<b>299.4</b>
<b>Current assets</b>			
Inventories		17.2	15.8
Trade and other receivables		184.7	144.5
Cash – Scheme funds (restricted)		37.5	39.1
Cash and cash equivalents		33.3	20.1
		<b>272.7</b>	<b>219.5</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities			
– Borrowings		(38.9)	(45.5)
– Derivative financial instruments		(6.9)	(0.1)
Trade and other payables		(133.0)	(96.7)
Current tax liabilities		(9.4)	(6.6)
		<b>(188.2)</b>	<b>(148.9)</b>
<b>Net current assets</b>		<b>84.5</b>	<b>70.6</b>
<b>Non current liabilities</b>			
Financial liabilities			
– Borrowings		(159.9)	(163.8)
Retirement benefit liabilities		(5.2)	(3.1)
Deferred tax liabilities		(11.7)	(10.4)
Provisions		(14.4)	(12.0)
		<b>(191.2)</b>	<b>(189.3)</b>
<b>Net assets</b>		<b>246.2</b>	<b>180.7</b>
<b>Shareholders' equity</b>			
Called up share capital		33.1	32.8
Share premium account	7	8.4	7.5
Special reserve	7	1.0	1.0
Other reserves	7	39.4	5.5
Retained earnings	7	163.6	132.9
<b>Total shareholders' equity</b>		<b>245.5</b>	<b>179.7</b>
<b>Minority interests in equity</b>	7	<b>0.7</b>	<b>1.0</b>
<b>Total equity</b>		<b>246.2</b>	<b>180.7</b>

# Cape PLC

## Unaudited consolidated cash flow statement

for the year ended 31 December 2008

	Notes	2008 £m	2007 £m
<b>Cash flows from operating activities</b>			
Cash generated from operating activities	5	70.9	17.8
Interest received		2.6	3.4
Interest received on restricted funds		(2.0)	(2.2)
Net interest received		0.6	1.2
Interest paid		(17.0)	(6.2)
Issue costs of new bank loans		(1.5)	(2.6)
Tax paid		(4.8)	(3.3)
<b>Net cash inflow from operating activities</b>		<b>48.2</b>	<b>6.9</b>
<b>Cash flows from investing activities</b>			
Purchase of businesses net of cash acquired		(3.6)	(185.2)
Purchase of businesses deferred consideration paid		(0.9)	(1.1)
Proceeds from sale of property, plant and equipment		2.7	1.8
Purchase of property, plant and equipment		(19.9)	(25.3)
Dividend paid to minority interest		(0.4)	–
<b>Net cash used in investing activities</b>		<b>(22.1)</b>	<b>(209.8)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		1.2	68.3
Proceeds from borrowings		8.6	169.6
Finance lease principal payments		(6.1)	(2.8)
Repayment of borrowings		(20.0)	(26.0)
<b>Net cash (used in) / received from financing activities</b>		<b>(16.3)</b>	<b>209.1</b>
Exchange gains / (losses) on cash, cash equivalents and bank overdrafts		5.5	(0.1)
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>15.3</b>	<b>6.1</b>
Cash, cash equivalents and bank overdrafts at beginning of year		15.2	9.1
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	6	<b>30.5</b>	<b>15.2</b>

# Cape PLC

## Unaudited consolidated statement of recognised income and expense

for the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Net exchange adjustments offset in reserves net of tax	7	42.6	6.1
Actuarial loss recognised in the pension scheme	7	(3.3)	(4.3)
Movement in restriction of retirement benefit asset in accordance with IAS 19	7	2.6	(5.8)
Movement in deferred tax relating to pension asset	7	–	2.5
Cash flow hedges – fair value (losses) / gains	7	(6.5)	1.6
Net investment hedges – fair value losses	7	(5.5)	–
Deferred tax on hedges	7	3.3	–
Deferred tax on share option scheme	7	(0.4)	(0.2)
<b>Net income / (expense) recognised directly in equity</b>		<b>32.8</b>	<b>(0.1)</b>
<b>Profit for the year</b>		<b>31.7</b>	<b>26.9</b>
<b>Total recognised income for the year</b>		<b>64.5</b>	<b>26.8</b>
Attributable to:			
Equity shareholders		63.4	26.8
Minority interest		1.1	–

**CAPE PLC**  
**NOTES TO THE UNAUDITED ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**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 this report as in the latest published audited accounts, which are available on the Company’s website at [www.capeplc.com](http://www.capeplc.com).

The Group has elected to change the primary reporting format for segmental analysis from business segment to geographical segment as this reflects the way in which management review the business’ performance since the reorganisation of the business into four separate regions.

The preliminary results for the year ended 31 December 2008 are unaudited. The financial information set out in the announcement does not constitute the Company’s statutory accounts for the years ended 31 December 2008 or 31 December 2007 as defined by Section 240 of the Companies Act 1985.

The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year (as restated upon the adoption of IFRS) 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.

In forming their opinion, the auditors considered the adequacy of the disclosures made in the financial statements concerning the impact of, and accounting for, potential future claims for industrial disease compensation. An independent actuarial estimate of the range of certain potential liabilities has been performed, however, given the wide range of estimates and significant degree of uncertainty surrounding them, it is not possible for the Directors to quantify, with sufficient reliability, the amount required to settle future claims and accordingly claims are generally accounted for on the basis of claims lodged or settlements reached and outstanding at the balance sheet date.

However, if it were possible to assess reliably the present value of the amount required to settle future claims such that this was provided in the balance sheet, there would be a materially adverse effect on the Group’s financial position. Details of the circumstances relating to this “Emphasis of matter – contingent liability for industrial disease claims” are described in the contingent liability note in the annual report and accounts for the year ended 31 December 2007. The auditors’ opinion was not qualified in this respect.

The statutory accounts for the year ended 31 December 2008 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. The auditors’ report on the statutory accounts for the year ended 31 December 2008 is expected to contain an explanatory paragraph making reference to the fundamental uncertainty concerning the amount required to settle future claims for industrial disease compensation as described above.

## 2. Segmental analysis

### (a) Primary reporting format – geographic segment

The Group's primary reporting segments are the regions in which the Group operates being the United Kingdom, Gulf/Middle East, CIS, Mediterranean and North Africa, and Far East/Pacific Rim. The home country of the operation is the United Kingdom.

2008	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Group £m
<b>Continuing operations</b>						
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 (note 3)	–	–	–	(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
Finance income						2.8
Finance costs						(18.0)
Profit before tax						37.8
Taxation						(5.9)
Profit from continuing operations						31.9
<b>Discontinued operations</b>						
Operating loss before exceptional items						(0.2)
Exceptional items (note 3)						–
Operating loss						(0.2)
Taxation						–
Loss attributable to discontinued operations						(0.2)
<b>Profit for the year</b>						<b>31.7</b>

There are no significant inter-segment sales between geographic segments.

## 2. Segmental analysis (continued)

### (a) Primary reporting format –geographic segment (continued)

	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Group £m
2007						
<b>Continuing operations</b>						
Revenue	270.1	66.1	47.1	45.5	–	428.8
Operating profit / (loss) before other items	21.5	12.4	4.8	3.4	(3.4)	38.7
Amortisation of intangible assets	(0.5)	–	–	(0.5)	–	(1.0)
IDC costs	–	–	–	–	(1.6)	(1.6)
Exceptional items (note 3)	–	–	–	(0.3)	–	(0.3)
Operating profit / (loss)	21.0	12.4	4.8	2.6	(5.0)	35.8
Share of post tax profits of joint ventures						–
Finance income						3.4
Finance costs						(6.2)
Profit before tax						33.0
Taxation						(5.4)
Profit from continuing operations						27.6
<b>Discontinued operations</b>						
Operating loss before exceptional items						(0.1)
Exceptional items (note 3)						(0.6)
Operating loss						(0.7)
Taxation						–
Loss attributable to discontinued operations						(0.7)
<b>Profit for the year</b>						26.9

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

	2008						2007					
	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Group £m	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Group £m
Depreciation	4.4	3.6	1.7	5.6	–	15.3	3.8	2.2	1.5	1.2	–	8.7
Amortisation	0.5	–	–	2.2	–	2.7	0.5	–	–	0.5	–	1.0
Exceptional items (note 3)	–	–	–	2.7	1.4	4.1	–	–	–	0.3	–	0.3

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.

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

	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Unallocated £m	Group £m
Assets – continuing	104.4	96.1	26.3	293.8	57.7	45.2	623.5
Assets – discontinued	2.1	–	–	–	–	–	2.1
<b>Total assets</b>	106.5	96.1	26.3	293.8	57.7	45.2	625.6
Liabilities – continuing	54.6	42.7	7.5	29.7	17.2	226.8	378.5
Liabilities – discontinued	0.9	–	–	–	–	–	0.9
<b>Total liabilities</b>	55.5	42.7	7.5	29.7	17.2	226.8	379.4
<b>Capital expenditure – property, plant &amp; equipment</b>	7.7	10.2	2.2	6.1	–	–	26.2
<b>Capital expenditure – intangible assets</b>	–	–	–	–	–	–	–

## 2. Segmental analysis (continued)

### (a) Primary reporting format – geographic segment (continued)

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
<b>Total assets/liabilities</b>	<b>625.6</b>	<b>379.4</b>

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	United Kingdom £m	Gulf / Middle East £m	CIS, Med and NA £m	Far East / Pacific Rim £m	Central Costs £m	Unallocated £m	Group £m
Assets – continuing	129.6	40.4	11.7	265.3	42.9	26.8	516.7
Assets – discontinued	2.2	–	–	–	–	–	2.2
<b>Total assets</b>	<b>131.8</b>	<b>40.4</b>	<b>11.7</b>	<b>265.3</b>	<b>42.9</b>	<b>26.8</b>	<b>518.9</b>
Liabilities – continuing	40.2	20.6	6.1	24.6	18.3	226.4	336.2
Liabilities – discontinued	2.0	–	–	–	–	–	2.0
<b>Total liabilities</b>	<b>42.2</b>	<b>20.6</b>	<b>6.1</b>	<b>24.6</b>	<b>18.3</b>	<b>226.4</b>	<b>338.2</b>
<b>Capital expenditure – property, plant &amp; equipment</b>	<b>15.2</b>	<b>9.8</b>	<b>2.9</b>	<b>3.8</b>	<b>–</b>	<b>–</b>	<b>31.7</b>
<b>Capital expenditure – intangible assets</b>	<b>0.6</b>	<b>–</b>	<b>–</b>	<b>6.9</b>	<b>–</b>	<b>–</b>	<b>7.5</b>

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

	Assets £m	Liabilities £m
Segment assets / liabilities	492.1	111.8
Unallocated:		
– Deferred tax	6.7	10.4
– Current tax	–	6.6
– Cash	20.1	–
– Current borrowings	–	45.5
– Non current borrowings	–	163.8
– Derivatives	–	0.1
<b>Total assets/liabilities</b>	<b>518.9</b>	<b>338.2</b>

## 2. Segmental analysis (continued)

### (b) Secondary reporting format – business segment

The groups secondary reporting segments are business segments being the provision of industrial services, industrial disease related costs and balances and head office

	Industrial Services £m	Industrial Disease related £m	Head office £m	Group £m
2008				
<b>Continuing operations</b>				
Revenue	622.7	–	–	622.7
Operating profit / (loss) before other items	72.0	–	(7.0)	65.0
Amortisation of intangible assets	(2.7)	–	–	(2.7)
IDC costs	–	(5.7)	–	(5.7)
Exceptional items (note 3)	(2.7)	–	(1.4)	(4.1)
Operating profit/(loss)	66.6	(5.7)	(8.4)	52.5
Share of post tax profits of joint ventures				0.5
Finance income				2.8
Finance costs				(18.0)
Profit before tax				37.8
Taxation				(5.9)
Profit from continuing operations				31.9
<b>Discontinued operations</b>				
Operating loss before exceptional items				(0.2)
Exceptional items (note 3)				–
Operating loss				(0.2)
Taxation				–
Loss attributable to discontinued operations				(0.2)
<b>Profit for the year</b>				31.7

	Industrial Services £m	Industrial Disease Related £m	Head office £m	Group £m
2007				
<b>Continuing operations</b>				
Revenue	428.8	–	–	428.8
Operating profit / (loss) before other items	42.1	–	(3.4)	38.7
Amortisation of intangible assets	(1.0)	–	–	(1.0)
IDC costs	–	(1.6)	–	(1.6)
Exceptional items (note 3)	(0.3)	–	–	(0.3)
Operating profit/(loss)	40.8	(1.6)	(3.4)	35.8
Share of post tax profits of joint ventures				–
Finance income				3.4
Finance costs				(6.2)
Profit before tax				33.0
Taxation				(5.4)
Profit from continuing operations				27.6
<b>Discontinued operations</b>				
Operating loss before exceptional items	(0.1)	–	–	(0.1)
Exceptional items (note 3)	(0.6)	–	–	(0.6)
Operating loss	(0.7)	–	–	(0.7)
Taxation				–
Loss attributable to discontinued operations				(0.7)
<b>Profit for the year</b>				26.9

Revenue is allocated based on the country in which the customer is located and is all from the provision of industrial services.

Operating profit is allocated based on the country in which the operation was performed.

	2008 £m	2007 £m
<b>Total assets</b>		
Industrial Services	522.7	449.2
Industrial Disease related	39.7	40.2
Head office	18.0	2.7
Unallocated assets	45.2	26.8
	<b>625.6</b>	<b>518.9</b>

Total assets is allocated based on where the assets are located

	2008 £m	2007 £m
<b>Capital expenditure – property, plant &amp; equipment</b>		
Industrial Services	26.2	31.7
Industrial Disease related	–	–
Head office	–	–
	<b>26.2</b>	<b>31.7</b>
<b>Capital expenditure – intangible assets</b>		
Industrial Services	–	7.5
Industrial Disease related	–	–
Head office	–	–
	–	7.5

Capital expenditure is allocated based on where the assets are located

### 3. Exceptional items

	2008 £m	2007 £m
The exceptional items comprise:		
<b>Continuing:</b>		
Reorganisation costs in relation to Australian acquisitions	(2.9)	(0.3)
Relocation of Head Office	(1.2)	–
<b>Total continuing</b>	<b>(4.1)</b>	<b>(0.3)</b>
<b>Discontinued:</b>		
Additional costs relating to the disposal of the Calsil business	–	(1.0)
Additional profit on sale of Calsil property	–	0.4
<b>Total discontinued</b>	<b>–</b>	<b>(0.6)</b>

The cash effect of the above exceptional items was an outflow of £4.1 million (2007: inflow of £0.4 million).

The tax effect of the exceptional item in continuing operations is a credit of £1.2 million (2007: credit of £0.1 million).

#### 4. Earnings per ordinary share

The basic earnings per share calculation for the year ended 31 December 2008 is based on the earnings after tax attributable to ordinary shareholders of £30.6 million (2007: £26.9 million) divided by the weighted average number of ordinary 25p shares of 114,537,257 (2007: 103,351,141).

The diluted earnings per share calculation for the year ended 31 December 2008 is based on the earnings after tax of £30.6 million (2007: £26.9 million) divided by the diluted weighted average number of ordinary 25p shares of 116,381,373 (2007: 105,449,927).

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

	2008 Shares	2007 Shares
<b>Basic weighted average number of shares</b>	<b>114,537,257</b>	103,351,141
<b>Adjustments:</b>		
Weighted average number of outstanding share options	<b>1,844,116</b>	2,098,786
<b>Diluted weighted average number of shares</b>	<b>116,381,373</b>	105,449,927

	2008		2007	
	Earnings £m	EPS pence	Earnings £m	EPS pence
Basic earnings per share				
Continuing operations	30.8	26.9	27.6	26.7
Discontinued operations	(0.2)	(0.2)	(0.7)	(0.7)
<b>Basic earnings per share</b>	<b>30.6</b>	<b>26.7</b>	<b>26.9</b>	<b>26.0</b>
Diluted earnings per share				
Continuing operations	30.8	26.4	27.6	26.2
Discontinued operations	(0.2)	(0.1)	(0.7)	(0.7)
<b>Diluted earnings per share</b>	<b>30.6</b>	<b>26.3</b>	<b>26.9</b>	<b>25.5</b>
Adjusted basic earnings per share				
Earnings from continuing operations	30.8	26.9	27.6	26.7
Amortisation	2.7	2.3	1.0	1.0
Exceptional items	4.1	3.6	0.3	0.3
IDC related costs and interest income	3.7	3.2	(0.6)	(0.6)
Tax effect of adjusting items	(3.0)	(2.6)	(0.2)	(0.2)
Exceptional Australian tax credit	(3.3)	(2.9)	(2.8)	(2.7)
<b>Adjusted basic earnings per share</b>	<b>35.0</b>	<b>30.5</b>	<b>25.3</b>	<b>24.5</b>
Adjusted diluted earnings per share				
Earnings from continuing operations	30.8	26.4	27.6	26.2
Amortisation	2.7	2.3	1.0	1.0
Exceptional items	4.1	3.5	0.3	0.3
IDC related costs and interest income	3.7	3.2	(0.6)	(0.6)
Tax effect of adjusting items	(3.0)	(2.6)	(0.2)	(0.2)
Exceptional Australian tax credit	(3.3)	(2.8)	(2.8)	(2.6)
<b>Adjusted diluted earnings per share</b>	<b>35.0</b>	<b>30.0</b>	<b>25.3</b>	<b>24.1</b>

The adjusted earnings per share calculations have been calculated after excluding the impact of amortisation, exceptional items, IDC related costs, interest income, the tax impact of these items and an exceptional tax credit received in the year on the consolidation of PCH 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 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

	2008 £m	2007 £m	
<b>Continuing operations</b>			
Group operating profit	52.5	35.8	
Depreciation	15.3	8.7	
Amortisation	2.7	1.0	
Share option charge	1.2	0.3	
Profit on sale of property, plant and equipment	(0.8)	(0.1)	
Difference between pension charge and cash contributions	(0.5)	–	
Changes in working capital (excluding effects of acquisitions and exchange adjustments on consolidation)			
Decrease / (increase) in inventories	1.4	(4.0)	
Increase in trade and other receivables	(21.6)	(29.7)	
Increase in trade and other payables	15.7	8.2	
Increase / (decrease) in provisions (excluding deferred tax)	2.4	(3.9)	
Industrial disease costs paid	3.6	3.2	
<b>Cash generated from continuing operations</b>	<b>71.9</b>	<b>19.5</b>	
<b>Discontinued operations</b>			
Loss before income tax	(0.2)	(0.7)	
Profit on sale of property		(0.5)	
Increase in trade and other receivables	(0.1)	(0.1)	
Decrease in trade and other payables	(0.7)	(1.4)	
Increase in provisions (excluding deferred tax)	–	1.0	
<b>Cash outflow from discontinued operations</b>	<b>(1.0)</b>	<b>(1.7)</b>	
<b>Cash generated from operations before Scheme funding</b>	<b>70.9</b>	<b>17.8</b>	
Transfer to restricted cash – Scheme funding	–	–	
<b>Total net cash generated from operations after Scheme funding</b>	<b>70.9</b>	<b>17.8</b>	
<b>(b) Analysis of cash flows relating to restricted funds</b>			
At 1 January 2008	39.1	40.1	
Payment of scheme creditors	(3.4)	(3.0)	
Operating costs	(0.2)	(0.2)	
Interest received	2.0	2.2	
<b>At 31 December 2008</b>	<b>37.5</b>	<b>39.1</b>	
<b>Proceeds from sale of property, plant and equipment comprise:</b>			
Net book amount	1.9	1.2	
Profit on disposal of property, plant and equipment	0.8	0.6	
Proceeds from disposal of property, plant and equipment	2.7	1.8	
Reconciliation of free cash flow to cash flow from operating activities as defined by IFRS 1			
	Note	2008 £m	2007 £m
<b>Total net cash generated from operations after Scheme funding</b>		<b>70.9</b>	17.8
Increase in Industrial disease related provision		(2.4)	2.9
Industrial disease costs paid		(3.6)	(3.2)
Industrial disease income statement charge		5.7	1.6
Exceptional charge		4.1	0.3
<b>Operating cash flow*</b>		<b>74.7</b>	19.4
Interest paid		(17.0)	(6.1)
Bank fee paid		(1.5)	(2.6)
Amortisation of bank fee		(0.7)	(0.1)
Interest received (non scheme)		0.6	1.2
Tax		(4.8)	(3.3)
Capital expenditure – cash		(19.9)	(25.3)
Capital expenditure – finance leases		(6.3)	(6.4)
Cash received from sale of fixed assets		2.7	1.8
Exceptional costs paid		(4.1)	(0.3)
<b>Free cash flow*</b>		<b>23.7</b>	(21.7)
<b>Group operating profit before other items</b>			
From continuing operating activities		65.0	38.7
From discontinued operations		(0.2)	(0.7)
<b>Group operating profit before other items</b>		<b>64.8</b>	38.0
<b>Operating cash conversion*</b>		<b>115.3%</b>	<b>51.1%</b>

\* Operating cash flow is defined as Group operating profit before other items adjusted for depreciation and working capital movements (excluding Scheme related working capital)

\* Free cash flow is defined as operating cash flow after interest, tax, net capital expenditure and exceptional items paid

\* Operating cash conversion is defined as operating cash flow divided by Group operating profit before other items

## 6. Cash and cash equivalents

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

	2008 £m	2007 £m
Cash at bank and in hand	33.3	20.1
Bank overdrafts	(2.8)	(4.9)
Cash, cash equivalents and bank overdrafts in the statement of cash flows	30.5	15.2

## 7. Capital and reserves

Group	Share capital £m	Share premium £m	Special reserve £m	Retained earnings £m	Other reserve £m	Total £m	Minority interest £m	Total £m
At 1 January 2007	25.2	25.0	–	27.2	(2.2)	75.2	–	75.2
Exchange adjustments net of tax	–	–	–	–	6.1	6.1	–	6.1
Issue of share capital	7.4	70.7	–	–	–	78.1	–	78.1
Issue expenses	–	(2.1)	–	–	–	(2.1)	–	(2.1)
Capital reduction	–	(86.3)	1.0	85.3	–	–	–	–
Cash flow hedges – fair value gains in period	–	–	–	–	1.6	1.6	–	1.6
Net profit	–	–	–	26.9	–	26.9	–	26.9
Actuarial loss recognised in the pension scheme	–	–	–	(4.3)	–	(4.3)	–	(4.3)
Minority interests arising in business combinations	–	–	–	–	–	–	1.0	1.0
Movement in restriction of retirement benefit asset in accordance with IAS 19	–	–	–	(5.8)	–	(5.8)	–	(5.8)
Deferred tax on actuarial loss	–	–	–	2.5	–	2.5	–	2.5
Share options								
– proceeds from shares issued	0.2	0.2	–	–	–	0.4	–	0.4
– value of employee services	–	–	–	0.8	–	0.8	–	0.8
– deferred tax on share options	–	–	–	(0.2)	–	(0.2)	–	(0.2)
– issued as part of deferred consideration	–	–	–	0.5	–	0.5	–	0.5
At 31 December 2007	32.8	7.5	1.0	132.9	5.5	179.7	1.0	180.7
At 1 January 2008	32.8	7.5	1.0	132.9	5.5	179.7	1.0	180.7
Exchange adjustments net of tax	–	–	–	–	42.6	42.6	–	42.6
Cash flow hedges – fair value losses in period	–	–	–	–	(6.5)	(6.5)	–	(6.5)
Acquisition of minority interest	–	–	–	–	–	–	(1.0)	(1.0)
Net investment hedges – fair value losses in the period	–	–	–	–	(5.5)	(5.5)	–	(5.5)
Deferred tax on hedges	–	–	–	–	3.3	3.3	–	3.3
Net profit attributable to equity shareholders	–	–	–	30.6	–	30.6	–	30.6
Net profit attributable to minority interest	–	–	–	–	–	–	1.1	1.1
Actuarial loss recognised in the pension scheme	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Reduction in minority interest	–	–	–	–	–	–	(0.4)	(0.4)
Movement in restriction of retirement benefit asset in accordance with IAS 19	–	–	–	2.6	–	2.6	–	2.6
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)
At 31 December 2008	33.1	8.4	1.0	163.6	39.4	245.5	0.7	246.2

## 8. Contingencies

In its annual report and accounts, the Group discloses contingent liabilities in relation to industrial disease claims, leasehold properties, an employment tribunal and guarantees and bonds. As regards industrial disease claims, given the wide range of estimates and the significant degree of uncertainty surrounding them, the Group provides in the income statement each period for the estimated liability in respect of industrial disease claims lodged and outstanding at the period end. The impact on the audit opinion has been explained in the basis of preparation above.

Details of the contingent liabilities can be found in the annual report and accounts for the year ended 31 December 2007 in note 32.