

Cape PLC provides vital industrial services, working predominantly for major clients in the energy sector.

Interim Report 2005

CAPE



Cape PLC

Founded in 1893, Cape PLC is the parent company of a number of service providing organisations operating primarily in the oil and gas, petrochemical and power generation industries. The Company is headquartered in Wakefield with branches across the UK and in 25 countries worldwide.

Cape's main subsidiary companies are:

Cape Industrial Services Limited

Cape East EC (incorporating RB Hilton Limited)

Cape East Pte Limited

Cleton Continental Europe BV

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Financial highlights

Group turnover

up 8.8% to £120.7m

(2004: £110.9m)

Group operating profit before exceptional items

up 53% to £2.3m

(2004: £1.5m)

Group operating loss of

£3.4m

(2004: profit of £1.5m)

Cape Industrial Services performed

ahead of forecast

Cape Industrial Services operating profit

up 34% to £5.1m

(2004: £3.8m)

Operating exceptional expenditure relating to scheme of arrangement of

£5.7m

(2004: nil)

Business highlights

- Continued solid progress in key markets
- Forward order book continues to grow and remains strong
- Further significant contract wins in UK and international markets
- £32m placing and proposed scheme of arrangement

Chairman's statement

The Group has continued to deliver solid growth in turnover and operating profit in the first half of this financial year

Group turnover

£120.7m (2004: £110.9m)

Group operating profit before exceptional items

£2.3m (2004: £1.5m)

Cape Industrial Services operating profit

£5.1m (2004: £3.8m)

I am pleased to report that Cape Industrial Services ('CIS') has continued to deliver solid growth in turnover and operating profit in the first half of this financial year. CIS, which specialises in the provision of scaffolding, insulation, fire protection and other essential services to major industrial clients in the energy sector, has performed ahead of forecast, winning more significant contracts and contract renewals in the UK and internationally.

On turnover of £120.7 million in the first six months of 2005 (2004: £110.9 million), the Group made an operating profit before exceptional items of £2.3 million (2004: £1.5 million), an increase of 53%. However, an exceptional charge of £5.7 million for the costs of the proposed scheme of arrangement (which is covered in more detail below) resulted in the Group making an operating loss of £3.4 million (2004: profit of £1.5 million).

Although the effect of the exceptional charge resulted in a basic loss per share of 5.1 pence (2004: earnings of 2.1 pence), the adjusted basic earnings per share, i.e. excluding the effects of operating and non-operating exceptional items is 2.2 pence (2004: 2.1 pence).

The Group's net debt at £13.3 million is £2.9 million higher than at 30 June 2004 (2004: £10.4 million). This reflects both increased levels of activity in the business as well as the costs of the proposed scheme of arrangement. It remains the case that the annual cycle of the business is such that cash inflow invariably only occurs in the second half of the year.

An interim dividend is not proposed.

Operating review

CIS, the Group's operating business, made an operating profit of £5.1 million (2004: £3.8 million) up 34%, on improved turnover of £120.7 million (2003: £112.9 million) up 6.9%, in the six months ended 30 June 2005.

CIS continued to win new contracts for projects and recurring maintenance work on major sites in each of its core markets as well as expanding the range of services it offered.

The growth in turnover which CIS has been forecasting over the past 18 months can clearly be seen in these results. The business environment remains highly competitive (particularly in the UK) and the cost of complying with ever more challenging employment legislation and health, safety and environmental regulations places ever increasing demands on the business and its managers. Nevertheless, management's successful focus on cost control means that CIS has maintained its profit margins both in the UK, where the Group makes the majority of its sales, and also overseas where, as a result of increased oil prices leading to new investment, further opportunities have arisen.

CIS has continued to win significant new contracts and contract renewals, reflecting strong demand for its world class technical expertise and reinforcing its market leading positions

Contract wins

CIS has continued to win significant new contracts and contract renewals, reflecting strong demand for its world class technical expertise and reinforcing its market leading positions. Since 1 January 2005, we have announced:

- a new three year contract (with the option to renew annually thereafter up to a total of five years) with British Nuclear Fuels plc ('BNFL') under which CIS will provide site wide access services as sole supplier on BNFL's nuclear processing facility at Sellafield. The contract has an estimated annual value of £6 million;
- the renewal of CIS' contract with British Energy to perform maintenance work on five of British Energy's nine power stations for an initial period of three years with the option to renew for a further two years. This contract has an estimated annual value of in excess of £6 million;
- a new five year contract with CNR International (UK) Limited for maintenance work on four of its platforms in the North Sea. The contract has an estimated annual value of more than £3 million;
- a new £8 million per annum contract with Huntsman for the delivery of multi-disciplinary services on their North Eastern petrochemicals sites. The contract is for an initial three year period with a further two year renewal option;
- the renewal of CIS' contract with BP to provide the full range of platform and fabric maintenance services on a number of BP's offshore and onshore locations. The contract, which will take effect from 1 January 2006, will be for an initial three year term with the option to renew for three further two year periods, potentially therefore for up to nine years. The contract has an estimated annual value of in excess of £20 million.



The Directors believe that, if accepted by claimants and approved by the Court, these proposals should provide significant de-risking for the Company

Cape was also pleased to announce earlier in the year that RB Hilton Limited, its operating subsidiary in Saudi Arabia had received approval from the Saudi Arabian national oil company, Aramco, to provide scaffolding works on its facilities throughout the Kingdom.

RB Hilton's pre-qualified status led directly to the award of a new scaffolding contract on Aramco's Riyadh refinery – a part of the Aramco business for which RB Hilton had not previously worked.

In addition, CIS has recently concluded negotiations on another long term multi-discipline maintenance contract with Gasco (a joint venture between the Abu Dhabi National Oil Company, Shell, Total and Partex). The contract, which is for five years, is to carry out insulation, painting and scaffolding services on Gasco's LNG plants at Asab, Bu Hasa and Ruwais in the United Arab Emirates. This contract maintains CIS' continuous association with Gasco which goes back to 1980 when CIS was involved in the construction of the Bu Hasa and Ruwais plants.

Proposed scheme of arrangement ('Scheme')

On 16 June, the Company announced proposals to provide for the long term financing of a great majority of all future UK asbestos-related claims likely to be successfully made against the Group. The proposals include the establishment of an initial £40 million fund, into which the Company will have ongoing top-up obligations, to be used in the settlement of claims covered by the Scheme.

On 11 July, the Company's shareholders approved the proposed Scheme and on 15 July the Company completed the issue of 29,090,910 new ordinary shares to raise approximately £32 million (before expenses) of which £22 million is to part-fund the Scheme. The balance of the initial funding is being provided by a new £15 million bank facility and £3 million from the Group's own resources.

The Directors believe that, if accepted by claimants and approved by the Court, these proposals should provide significant de-risking for both the Company and future claimants, remove a significant obstacle to the Group's growth and leave the Group better able to generate the resources needed to secure the continued payment of compensation to claimants.

However, as stated in the announcement of 16 June, in the event that the Scheme does not become effective, the Directors would use the £22 million raised from shareholders to reduce Group borrowings, provide working capital to the Group, invest in organic growth of the overseas business (particularly in the Middle East and on Sakhalin Island) and other opportunities, and to fund suitable acquisition opportunities which expand the range of services or extend existing Group activities.

It was originally envisaged that following a period of active consultation, the Company would seek the Court's permission in the second half of July to post the Scheme documentation in mid August 2005 with Scheme meetings convened for early October 2005. However, as announced on 21 July 2005, a number of interested parties requested that the timetable be

extended to provide a further opportunity to review and evaluate the proposed Scheme prior to the meetings of Scheme creditors. The Company naturally considers that it is important for all relevant parties and their advisers to have the necessary time to evaluate the Scheme. Accordingly, the Company announced it would not be seeking the Court's permission to convene the Scheme meetings on the timetable originally envisaged.

The Company continues to consult with interested parties, claimants, asbestos victims support groups and their representatives, providing further detail and explaining the merits of the Scheme. The Company is mindful of the need to give all parties sufficient time to fully understand the impact of the Scheme and the balance of risk for claimants with or without the Scheme. It is envisaged that the consultation period will come to an end by the end of October at which point the approval of the Court will be sought to convene Scheme meetings. Consequently the original timetable, whereby the Scheme became effective by 31 December 2005, cannot now be met. Once the consultation period has ended it will be necessary to seek approval from shareholders for an extension of the date by which the provisions that relate to the special Scheme shares must become effective and to renew loan facilities from the Company's bank to complete the initial Scheme funding.

The Directors remain of the view that the Scheme will be in the best interests of the Company, asbestos-related disease claimants and shareholders and intend to continue to seek both creditor and Court approval. The Company will make a further announcement on the progress of the Scheme as soon as it is in a position to do so.

Although the net charge to the profit and loss account for industrial disease claims in the six months to 30 June 2005 was up slightly from the same period last year at £2.1 million (2004: £1.8 million), given the outlook for the Group and assuming that future settlements broadly follow recent history, we remain confident that future claims, to the extent not matched by insurance recoveries, can be met from operating cash flows.

The Board is pleased with the results of the first half of the year, and expects the Group to continue the solid growth and steady progress of the past two years.

Outlook

CIS continues to maintain its leading position in the majority of the markets in which it operates. Sales remain strong in all of the Group's activities and the prospects for new project work driven by rising oil prices are encouraging. The Board is pleased with the results of the first half of the year, and expects the Group to continue the solid growth and steady progress of the past two years.

Martin K May

Chairman
26 September 2005

Consolidated profit and loss account

for the half-year ended 30 June 2005

	Unaudited Half-year ended 30 June 2005 £m	Unaudited Half-year ended 30 June 2004 £m	Audited Year ended 31 December 2004 £m
Turnover			
Total turnover including group share of joint ventures	120.9	112.9	238.9
Less share of turnover of joint ventures	(0.2)	(2.0)	(5.3)
Group turnover	120.7	110.9	233.6
Group operating profit before operating exceptional items	2.3	1.5	5.8
Operating exceptional items	(5.7)	–	(1.1)
Group operating (loss)/profit	(3.4)	1.5	4.7
Share of operating profit in joint ventures	–	–	0.4
Total operating (loss)/profit: group and share of joint ventures	(3.4)	1.5	5.1
Profit on sale of fixed assets	–	0.1	0.5
Loss on sale and subsequent closure costs of Calsil Division	–	(0.1)	–
(Loss)/profit on ordinary activities before interest	(3.4)	1.5	5.6
Net interest payable	(0.6)	(0.4)	(1.0)
Other finance income	0.4	0.6	1.2
(Loss)/profit on ordinary activities before taxation	(3.6)	1.7	5.8
Tax credit/(charge) on (loss)/profit on ordinary activities	0.9	(0.5)	–
(Loss)/profit for the period	(2.7)	1.2	5.8
(Loss)/earnings per ordinary share:			
Basic	(5.1)p	2.1p	10.7p
Diluted	(4.9)p	2.1p	10.6p

All of the above operating results are attributable to continuing operations.

Consolidated balance sheet

at 30 June 2005

	Unaudited 30 June 2005 £m	Unaudited 30 June 2004 £m	Audited 31 December 2004 £m
Fixed assets			
Intangible assets	0.1	0.1	0.1
Tangible assets	26.6	23.2	23.4
Interest in joint ventures			
Share of gross assets	0.4	–	1.2
Share of gross liabilities	(0.1)	–	(0.8)
	0.3	–	0.4
	27.0	23.3	23.9
Current assets			
Stocks	10.8	11.9	9.7
Debtors	79.4	65.0	63.3
Cash at bank and in hand	7.7	4.4	7.8
	97.9	81.3	80.8
Creditors: amounts falling due within one year			
Short term borrowings	(8.2)	(2.7)	(4.7)
Other creditors	(60.2)	(50.8)	(51.1)
	(68.4)	(53.5)	(55.8)
Net current assets	29.5	27.8	25.0
Total assets less current liabilities	56.5	51.1	48.9
Creditors: amounts falling due after more than one year	(12.8)	(12.1)	(5.5)
Provisions for liabilities and charges	(18.6)	(16.1)	(16.1)
Net assets excluding pension asset	25.1	22.9	27.3
Pension asset	3.7	4.3	3.6
Net assets including pension asset	28.8	27.2	30.9
Capital and reserves			
Called up share capital	18.2	18.2	18.2
Share premium account	1.7	1.6	1.7
Revaluation reserve	2.3	2.4	2.3
Profit and loss account	6.6	5.0	8.7
Shareholders' funds	28.8	27.2	30.9

Consolidated cash flow statement

for the half-year ended 30 June 2005

	Unaudited Half-year ended 30 June 2005 £m	Unaudited Half-year ended 30 June 2004 £m	Audited Year ended 31 December 2004 £m
Net cash (outflow)/inflow from operating activities	(5.5)	(1.0)	10.7
Returns on investments and servicing of finance	(0.6)	(0.4)	(1.0)
Taxation	(0.4)	(0.2)	(0.8)
Net cash outflow from capital expenditure and financial investment	(4.8)	(3.1)	(5.3)
Net cash outflow from acquisitions and disposals	–	(0.1)	–
Net cash (outflow)/inflow before financing	(11.3)	(4.8)	3.6
Financing			
Issue of ordinary shares	–	–	0.1
Capital element of finance lease rental payments	–	(0.2)	(0.4)
Increase in short-term borrowings	3.5	0.4	–
Increase/(decrease) in long-term borrowings	7.3	1.8	(4.8)
Decrease in cash in the period	(0.5)	(2.8)	(1.5)
Reconciliation of net cash flow to movement in net debt:			
Decrease in cash in the period	(0.5)	(2.8)	(1.5)
(Inflow)/outflow from debt and lease financing	(10.8)	(2.0)	5.2
Change in debt resulting from cash flows	(11.3)	(4.8)	3.7
New finance leases	–	(0.3)	(0.5)
Exchange movement in period	0.4	0.1	(0.2)
Movement in net debt in the period	(10.9)	(5.0)	3.0
Net debt at 1 January	(2.4)	(5.4)	(5.4)
Net debt at end of period	(13.3)	(10.4)	(2.4)

Consolidated statement of total recognised gains and losses

for the half-year ended 30 June 2005

	Unaudited Half-year ended 30 June 2005 £m	Unaudited Half-year ended 30 June 2004 £m	Audited Year ended 31 December 2004 £m
(Loss)/profit on ordinary activities after taxation	(2.7)	1.2	5.8
Currency translation differences net of taxation on foreign currency net investments	0.8	(0.5)	(1.0)
Actuarial loss recognised in the pension scheme	(0.4)	(4.5)	(5.6)
Movement on deferred tax relating to pension asset	0.1	1.3	1.8
Total recognised (losses)/gains relating to the period	(2.2)	(2.5)	1.0

Notes to the financial statements

for the half-year ended 30 June 2005

1. Business analysis

	Unaudited 6 months ended 30 June 2005				
	Loss before tax				
Business analysis	Turnover £m	Pre- exceptional £m	Operating exceptional items £m	Non- operating exceptional items £m	Total £m
2005					
– Cape Industrial Services	120.7	5.1	–	–	5.1
– Joint ventures	0.2	–	–	–	–
– Total Cape Industrial Services	120.9	5.1	–	–	5.1
– Head Office	–	(0.7)	(5.7)	–	(6.4)
– Compensation for industrial disease	–	(2.1)	–	–	(2.1)
Total operations	120.9	2.3	(5.7)	–	(3.4)
Net interest payable					(0.6)
Other finance income					0.4
Loss on ordinary activities before taxation					(3.6)

There are no significant inter-segment sales between business units.

Unaudited
6 months ended
30 June
2004

Profit before tax

	Turnover £m	Pre- exceptional £m	Operating exceptional items £m	Non- operating exceptional items £m	Total £m
Business analysis					
2004					
– Cape Industrial Services	110.9	3.8	–	–	3.8
– Joint ventures	2.0	–	–	–	–
– Total Cape Industrial Services	112.9	3.8	–	–	3.8
– Head Office	–	(0.5)	–	–	(0.5)
– Compensation for industrial disease	–	(1.8)	–	–	(1.8)
Total operations	112.9	1.5	–	–	1.5
Net interest payable					(0.4)
Other finance income					0.6
Profit on ordinary activities before taxation					1.7

There are no significant inter-segment sales between business units.

Notes to the financial statements continued
for the half-year ended 30 June 2005

	Audited Year ended 31 December 2004				
	Profit before tax				
Business analysis	Turnover £m	Pre- exceptional £m	Operating exceptional items £m	Non- operating exceptional items £m	Total £m
2004					
Continuing operations					
– Cape Industrial Services	233.6	11.0	–	–	11.0
– Joint ventures	5.3	0.4	–	–	0.4
– Total Cape Industrial Services	238.9	11.4	–	–	11.4
– Head Office	–	(1.5)	(1.1)	–	(2.6)
– Compensation for industrial disease	–	(3.7)	–	–	(3.7)
Total continuing	238.9	6.2	(1.1)	–	5.1
Discontinued operations					
– Cape Calsil	–	–	–	0.5	0.5
Total discontinued	–	–	–	0.5	0.5
Total operations	238.9	6.2	(1.1)	0.5	5.6
Net interest payable	(1.0)				
Other finance income	1.2				
Profit on ordinary activities before taxation	5.8				

There are no significant inter-segment sales between business units.

2. Reconciliation of Group operating (loss)/profit to net operating cash (outflow) / inflow from operating activities

	Unaudited Half-year ended 30 June 2005 £m	Unaudited Half-year ended 30 June 2004 £m	Audited Year ended 31 December 2004 £m
Operating (loss)/profit	(3.4)	1.5	4.7
Depreciation charge on fixed assets	2.5	2.4	5.2
Profit on sale of fixed assets	(0.4)	(0.2)	(0.1)
Changes in working capital	(7.1)	(4.3)	0.4
Difference between pension charge and cash contributions	0.4	0.7	1.2
Increase/(decrease) in provisions	2.5	(1.1)	(0.7)
Net operating cash (outflow)/inflow from operating activities	(5.5)	(1.0)	10.7

3. Financial Information

The financial information for the half years ended 30 June 2005 and 30 June 2004 is unaudited.

The financial information for the year ended 31 December 2004 does not constitute full accounts, but is an extract from the Company's accounts for the year, which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified report.

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. On the basis of information presently available, 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 fundamental uncertainty are described in the contingent liability note below. The auditor's opinion was not qualified in this respect.

The results for the half-year ended 30 June 2005 were approved by the Board on 15 September 2005.

Notes to the financial statements continued

for the half-year ended 30 June 2005

4. Accounting Policies

In preparing these interim statements, management have considered the requirements of FRS 21 'events after the balance sheet date' and FRS 22 'earnings per share', which are applicable for accounting periods beginning on or after 1 January 2005. There have been no other changes to the accounting policies as set out in the 2004 report and accounts.

5. Earnings/(loss) per ordinary share

The basic loss per share calculation for the 6 month period ended 30 June 2005 is based on the loss (after tax) of £2.7 million (2004: profit of £1.2 million) divided by the weighted average number of 25p ordinary shares of 54,430,397 (2004: 54,326,021).

The diluted loss per share calculation for the 6 month period ended 30 June 2005 is based on the loss (after tax) of £2.7 million (2004: profit of £1.2 million) divided by the weighted average number of 25p ordinary shares of 55,753,973 (2004: 54,801,759).

An adjusted basic earnings per share has been disclosed which excludes the effects of operating and non-operating exceptional items. It is calculated by dividing the adjusted earnings (after tax) of £1.3 million (2004: profit of £1.2 million) by the weighted average number of 25p ordinary shares of 54,430,397 (2004: 54,326,021). The adjusted numbers have been provided in order that the effects of exceptional items on reported earnings can be fully appreciated and has been calculated as follows:

	Unaudited Half-year ended 30 June 2005		Unaudited Half-year ended 30 June 2004		Audited Year ended 31 December 2004	
Basic (loss)/earnings per share	Earnings £m	EPS pence	Earnings £m	EPS pence	Earnings £m	EPS pence
As stated	(2.7)	(5.1)	1.2	2.1	5.8	10.7
Adjustments:						
Tax adjusted operating exceptional items	4.0	7.3	–	–	1.1	2.0
Profit on sale of fixed assets	–	–	0.1	0.2	(0.5)	(0.9)
Loss on sale and subsequent closure costs of Calsil Division	–	–	(0.1)	(0.2)	–	–
As adjusted earnings per share	1.3	2.2	1.2	2.1	6.4	11.8
Diluted (loss)/earnings per share						
As stated	(2.7)	(4.9)	1.2	2.1	5.8	10.6
Adjustments:						
Tax adjusted operating exceptional items	4.0	7.2	–	–	1.1	2.0
Profit on sale of fixed assets	–	–	0.1	0.2	(0.5)	(0.9)
Loss on sale and subsequent closure costs of Calsil Division	–	–	(0.1)	(0.2)	–	–
As adjusted diluted earnings per share	1.3	2.3	1.2	2.1	6.4	11.7

6. Contingent liabilities

- (i) There is a history of industrial disease claims being lodged against the Group for a number of years. Where the Group has determined that it is appropriate to do so, settlement has been made. Based on this experience, it is likely that similar claims will continue to be received for the foreseeable future. However, there is significant uncertainty over the number, nature, timing and validity of such future claims. This is as a result of, inter alia, uncertainties concerning the population that may have been exposed to asbestos and that may develop asbestos related diseases, the nature and timing of the diseases that may develop, the impact of other factors which might have contributed to the claimant's condition, changes in the legal environment and to the typical cost of settlement. These factors affect considerations of liability and the quantum of settlement. Experience to date is that some of these claims will be at least partially covered by insurance policies, but the amount of cover will not be known until the details of the claims are available. As a result of these uncertainties, the amount of the Group's obligation cannot generally be measured with sufficient reliability. Accordingly, the Group provides in the profit and loss account each period for the estimated liability in respect of industrial disease claims lodged and outstanding at the period-end.

If it were possible to assess reliably the present value of amounts that might be paid in future settlements such that this was to be provided in the Balance Sheet, there would be a materially adverse effect on the Group's financial position. There is great uncertainty over the net present value of the future claim settlements. These could occur over a period of more than twenty years. However, in aggregate they are likely to exceed the amount of the net assets included in the current Group Balance Sheet.

Based on the recent history of settlements, the Directors anticipate that future settlements can be made from the future cash flows generated by the trading operations of the Group. Should the future pattern as regards timing and quantum of claims prove to be materially and adversely different from the historic trend, there could be a material adverse effect on the Group's financial position.

- (ii) The Company was the defendant in proceedings brought by some 7,500 South African residents who claimed that they suffered injury as a result of mining activities in South Africa undertaken by former subsidiaries of Cape PLC. The Company entered into an agreement on 13 March 2003 with the claimants in the group action and new claimants who had come forward in 2002.

It is possible that claims could arise in the future from claimants who were not included in the group action, or who claim they have developed an asbestos related disease since the date of the settlement and as a result of the Group's former mining activities in South Africa. There is significant uncertainty as to whether such future claims will be made and as to the number, nature, timing and validity of such claims. However, no such claims have been received to date.

- (iii) Certain companies in the Group continue to be named, along with several asbestos fibre and asbestos product suppliers, as defendants in a number of legal actions in North America. The plaintiffs in such actions are claiming substantial damages as a result of the use of these products. The Company has received legal advice in the UK that default judgments obtained in North America against Companies within the Group which are not present in North America, would not be enforceable in the UK. Consequently, the Directors believe that the above-mentioned matters are unlikely to have a material effect on the Group's financial position.

Notes to the financial statements continued

for the half-year ended 30 June 2005

- (iv) The Company's subsidiary, Cape Industrial Services Limited, together with other companies involved in offshore contracting work, is a defendant in proceedings before the Employment Tribunal under the Working Time Regulations 1998 brought by a small number of employees claiming that their paid annual leave should be taken from scheduled working time. If successful, the claimants (and other affected employees who are not party to the proceedings) could be entitled to compensation. Under the terms of certain of its contracts, Cape Industrial Services Limited would be entitled to additional payment from its clients. There is significant uncertainty as to whether the claimants will succeed and, if they do, as to the number of affected employees, the amount of any compensation that would be awarded and the extent to which it could be recovered under relevant contracts.
- (v) There are a number of leasehold properties in respect of which the Group is liable for dilapidations, and rent in the event of default by its sub-tenants. Given the nature of these arrangements it is difficult to assess the potential liability with certainty and as a consequence contingent liabilities may exist. The Directors believe that any such contingent amounts would not have a material effect on the Group's financial position.
- (vi) The Group has contingent liabilities in respect of guarantees and bonds entered into in the normal course of business, in respect of which no loss is expected.

7. Pensions

The Group fully adopted the requirements of FRS17 in the year ended 31 December 2001. The last triennial actuarial valuation was performed in April 2004. In accordance with FRS17 the valuation as at 31 December 2004 was updated to reflect the latest actuarial assumptions and asset values to June 2005. This resulted in an actuarial loss of £0.3 million net of deferred tax (2004: loss of £3.2 million) shown in the Statement of Total Recognised Gains and Losses in respect of the half year. The net pension surplus at 30 June 2005 was £3.7m (31 December 2004: £3.6m).

Cape PLC

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Cape PLC is a company registered in England and Wales
Registered Number 40203