



CAPE

INTERIM REPORT
2007

£187.4M

GROUP TURNOVER –
CONTINUING
OPERATIONS UP 46%
2006: £128.2M

£13.1M

GROUP OPERATING
PROFIT UP 191%
2006: £4.5M

AUSTRALIA

ACQUISITION OF TCC
GROUP AND OFFERS
FOR CONCEPT HIRE
AND PCH

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. Cape is headquartered in the UK and operates in 23 countries worldwide.

CONTENTS

- 2 Chairman's statement
- 4 Chief Executive's report
- 9 Consolidated income statement
- 10 Consolidated balance sheet
- 12 Statement of recognised income and expense
- 13 Consolidated cash flow statement
- 14 Notes to the financial statements

£187.4m

GROUP TURNOVER – CONTINUING
OPERATIONS UP 46%
2006: £128.2M

£13.1m

GROUP OPERATING PROFIT UP 191%
2006: £4.5M

10.0p

DILUTED EARNINGS PER SHARE –
CONTINUING OPERATIONS UP 127%
2006: 4.4P

These results are the first to be reported under IFRS and the comparative figures reflect a consequent restatement of the results for the equivalent prior period on a similar basis.

BUSINESS HIGHLIGHTS

DURING THE PERIOD:

- CONTINUED PROGRESS IN ALL KEY MARKETS
- FORWARD ORDER BOOK GROWING
- FURTHER SIGNIFICANT CONTRACT WINS IN UK AND INTERNATIONAL MARKETS
- GLOBAL BUSINESS NOW ORGANISED INTO FOUR KEY GEOGRAPHIC REGIONS
- PLACING IN APRIL 2007 TO RAISE APPROXIMATELY £70 MILLION (BEFORE EXPENSES)
- ACQUISITION OF TOTAL ROPE ACCESS INTERNATIONAL AND ENDECON IN THE UK

SINCE 1 JULY 2007:

- ACQUISITION OF TOTAL CORROSION CONTROL GROUP IN AUSTRALIA
- ANNOUNCEMENT OF RECOMMENDED CASH OFFER FOR CONCEPT HIRE LIMITED IN AUSTRALIA
- ANNOUNCEMENT OF CONDITIONAL CASH OFFER FOR PCH GROUP LIMITED IN AUSTRALIA
- CAPITAL REDUCTION CONFIRMED BY THE HIGH COURT
- NEW £240 MILLION BANK FACILITY

CHAIRMAN'S STATEMENT



GROUP TURNOVER – CONTINUING OPERATIONS TO HALF-YEAR
£187.4M (2006: £128.2M)

I am delighted to report that the first six months of 2007 has again seen Cape achieve record levels of trading activity. The Group is delivering excellent levels of growth in turnover and profit in all its key markets. The outlook for the remainder of the year is also very promising.

In what has been an eventful six months, Cape has also started to deliver on its acquisition strategy with the acquisitions in June of two UK companies, Total Rope Access International Limited and Endecon Limited.

Shortly following the period end, Cape also acquired the TCC Group in Australia.

On 10 September 2007, Cape announced a recommended cash offer for Concept Hire Limited ('Concept Hire'), an Australian based hire and industrial services company, valuing Concept Hire at approximately £52.4 million.

Further, on 13 September 2007, Cape announced a cash offer for PCH Group Limited ('PCH'), the Australian based hire and industrial services company. The offer values PCH at approximately £112.2 million (including debt of £17.1 million). The offer, which has not yet been recommended by the PCH board, is subject, inter alia, to the condition that Cape is released from the standstill imposed by PCH in early discussions which currently prevents Cape acquiring PCH shares in the market. As set out in detail in the announcement made on 13 September 2007, Cape's Board believes there is a compelling case for the merger of the respective interests of Cape and PCH in order to create a substantial international industrial services company.

Following the EGM on 31 July 2007 at which shareholders voted in favour of a planned capital reduction, I am pleased to report that the High Court order confirming the capital reduction became effective on 13 September 2007. The reduction removes one of the obstacles preventing Cape from paying dividends.

Notwithstanding that the capital reduction has become effective, it may still be some time before the payment of dividends is resumed since the Board will have to be satisfied both that profits are available for the purpose and that the Company has complied fully with the provisions of the Scheme of Arrangement as regards the financing of Cape's Asbestos Fund.

On 3 September 2007, Cape entered into a new £240 million five year banking facility with Barclays Bank Plc. The facility comprises term loans to fund the acquisitions of Concept Hire and PCH and revolving credit and ancillary facilities for working capital and other purposes.

In order to ensure that the full amount of the bank facility can be drawn, it will be necessary for Cape to obtain the approval of its shareholders to a resolution increasing the limit on the Company's borrowing powers from the current limit of £200 million. Details of the resolution will be contained in a circular to be posted to shareholders very shortly.



David McManus
Chairman
18 September 2007



Aerial shot of the TCC Group's premises at Kwinana, Perth WA covering 9.9 hectares



The TCC Group's painting and blasting facility at Kwinana, Perth WA

CHIEF EXECUTIVE'S REPORT



GROUP OPERATING PROFIT AT HALF-YEAR £13.1M (2006: £4.5M)

I am pleased to report that Cape has again delivered results substantially ahead of the Board's expectations in the first six months of 2007.

Cape, which specialises in the provision of scaffolding, insulation, fire protection, specialist cleaning and other essential support services to major industrial clients principally in the energy sector, has generated significant organic growth in all its key markets and begun a series of acquisitions intended to maximise the Group's potential to offer its services in the Far East/Pacific Rim and in the booming Australian resources sector.

Over the last six months the business has been reorganised into four discrete geographic business units: the UK, Middle East, Far East & Pacific Rim and the Former CIS states (including Sakhalin Island). Regional Directors for each of the business units have now been appointed and as a consequence the Group head office function will be relocated to West London during the first quarter of 2008.

On turnover from continuing operations of £187.4 million (2006: £128.2 million), the Group made an operating profit of £13.1 million for the six months to 30 June 2007 (2006: £4.5 million).

The basic earnings per share is 10.3p (2006: 4.6p) and despite a 12.0% increase in the weighted average number of ordinary shares in issue during the period, the diluted earnings per share from continuing operations of 10.0p (2006: 4.4p) reflect continued improved trading.

OPERATING AND FINANCIAL REVIEW

While the buoyant energy market and high levels of investment continue to underpin Cape's operations, it is Cape's first class safety proposition and proven ability to deliver bundled industrial services 'on time all of the time' that is key to the Group consolidating its market leading position.

Cape's continuing operations, before the deduction of head office costs of £2.1 million (2006: £1.1 million) and industrial disease costs of £1.0 million (2006: £1.4 million), made an operating profit of £16.2 million (2006: £6.2 million) on turnover of £187.4 million (2006: £128.2 million).

Of particular significance has been the growth in the UK, the most mature and competitive market in which the Group operates, with revenue increasing by 42.8% to £126.2 million (2006: £88.4 million) and operating profit more than doubling from £3.2 million in 2006 to £8.3 million.

Elsewhere in the world, revenue in the Middle East increased by 20.9% from £24.9 million in 2006 to £30.1 million, in the Former CIS from £10.6 million to £21.8 million and in the Far East & Pacific Rim from £3.9 million to £8.7 million. Operating profit in the Middle East also more than doubled, rising from £2.4 million in 2006 to £6.4 million.

These results are the first that the Company has presented under IFRS. On 14 September 2007, the Company announced its reconciliation and restatement of the results from prior periods in accordance with IFRS. As can be seen from the reconciliation, the change to IFRS has not had any significant impact on Cape's main reporting metrics.

FORWARD ORDER BOOK

Cape has continued to win significant contracts and renewals in the UK and internationally, with new and existing clients in each of its core markets as well as expanding the range of services it offers.

Since the publication of the Company's Annual Report and Accounts on 22 May 2007, we have announced that:

- in the UK, DBI Industrial Services Limited, the industrial cleaning business acquired by Cape in October 2006, has been awarded a contract for the provision of site-wide drainage cleaning and CCTV survey at BP's Sullom Voe terminal. The contract is for three years with the option to renew for a further two years and is expected to be worth c. £3 million over the full term;
- in Qatar, Cape has been awarded two three-year maintenance contract renewals with Qatar Petroleum on the Dhukan oilfield with a combined value of c. US\$9.5 million;
- in Kazakhstan, Cape has received a letter from Aker Kvaerner confirming their firm intention to award a c. US\$10 million contract to provide access, winterisation, rigging, painting, insulation and pipe cutting services on the hook up and commissioning of the offshore facilities on the Kashagan Field Development;
- in Singapore, Cape has been awarded a c. US\$2.8 million access scaffolding contract with Foster Wheeler on the Lucite Alpha 1 Project; and
- its recently acquired Australian subsidiary Total Corrosion Control Group ('TCC Group'), has secured a major support services contract for scaffolding, insulation and painting services for the BP Kwinana refinery. The contract is estimated to have annual revenues of £2.4 million and is for an initial period of three years with an option to extend for a further two years.

We are also pleased to announce that Cape has been awarded a c. £6 million contract over three years (with the option to extend for up to two more years) with Saltend Cogeneration Company Limited, part of International Power, for the provision of access, insulation and painting services at its plant in Hull, in the UK.

HEALTH & SAFETY

Cape continues to place a heavy emphasis on all aspects of health and safety which are an integral part of its business proposition. Despite working in some of the most challenging environments in the world, Cape has maintained its first class safety record. It is a tribute to the hard work of Cape's management teams and the focus of its operatives that Cape has completed over three million man hours without a time lost incident on Sakhalin Island.

INDUSTRIAL DISEASE CLAIMS

The net charge to the profit and loss account for industrial disease claims in the six months to 30 June 2007 was down from the same period last year at £1.0 million (2006: £1.4 million). Given the outlook for the Group and assuming that future settlements broadly follow recent history, Cape's Directors remain confident that any required top-ups to the Scheme fund and (insofar as there are any) future claims outside the Scheme, to the extent not matched by insurance recoveries, can be met from operating cash flows.

In the six months to 30 June 2007, the Scheme Fund generated interest of £1.0 million. Cape Claims Services Limited, the Company established to administer claims on behalf of the Scheme companies, paid out £1.8 million in claims. There were no claims paid that were not covered by the Scheme.

ACQUISITIONS

As outlined in the Annual Report for the year ended 31 December 2006 and in the circular for the Placing, which was successfully completed on 24 April 2007, the Group has embarked upon a programme of strategic acquisitions. Whilst we described PCH as the principal target at the time of the Placing we also identified several alternative potential acquisition opportunities. The proposed acquisition of PCH has taken longer than expected and our offer has yet to receive a recommendation from PCH's board. We have, however, made significant progress on the other targets as described below. Since April the Directors have revised and increased the scope of the acquisitions programme to include three identified targets in Australia, including PCH, all of which have now been announced.

TOTAL ROPE ACCESS INTERNATIONAL ('TRAIL')

On 5 June 2007, Cape completed the acquisition of TRAIL for total consideration of £0.9 million. TRAIL are market leaders in the UK in the use of abseiling techniques to provide non-destructive testing, inspection, fabric maintenance, insulation, painting and window cleaning services to major industrial clients. TRAIL's clients include: BAE Systems, British Energy, BP, Conoco, Drax, EDF, Huntsman, PX Power, Sabic and Shell.

ENDECON

The acquisition of TRAIL was followed by that of Endecon Limited on 21 June 2007 for £2.0 million. Endecon provides environmentally safe systems to decontaminate oil refinery and petrochemical systems removing benzene, H₂S (hydrogen sulphide) and pyrophorics, and minimising heavy, oily sludge and deposits in order to provide significant safety and productivity benefits at plant shutdowns. Endecon also applies its technology to chemically clean processing units in chemical and other heavy industries, removing scale deposits and corrosion formation, as well as providing heat exchanger bundle pulling services to oil refineries and petrochemical plants using robotic, hydraulic equipment.

In addition to these services, Endecon has acquired exclusive rights in the UK to high pressure membrane press technology which is capable of separating oily waste into recoverable fuel oil and dry friable solid or cake acceptable on landfill sites under the new Landfill Directive which came into force in July 2004. Under Cape's ownership it is intended to introduce market leading secondary processing services during 2007 to reduce waste even further.

Both TRAIL and Endecon operate within Cape's core business sectors and their acquisition further enhances Cape's ability to provide a comprehensive package of bundled industrial services to the energy and resources sectors.

TCC GROUP

On 31 August 2007, Cape, through its wholly-owned subsidiary, Cape Australia Investments Pty Limited ('Cape Australia') acquired the Australian based TCC Group.

Under the agreement between Cape Australia and the shareholders of TCC Holdings (2005) Pty Ltd ('TCC Holdings'), the ultimate holding company of the TCC Group, all of the issued share capital of TCC Holdings was acquired for a consideration that reflects an enterprise value for the TCC Group of £34.3 million. Subject to the TCC Group achieving its earnings target for the year ending 30 June 2008, up to a further £5.1 million will be payable.

The initial consideration paid at completion comprised £26.3 million in cash and £8.0 million in Cape new ordinary shares ('Initial Consideration Shares') (at an issue price per share of £2.94) which are subject to orderly market provisions regarding their disposal until 31 August 2009. Any additional consideration will be payable in cash.

The TCC Group, which operates mainly in Western Australia, offers a wide range of industrial services to blue chip clients in the mining, oil, gas and construction industries. The TCC Group specialises in the provision of

blasting, industrial painting, protective coatings, thermal and acoustic insulation, sheet metal fabrication, rubber lining and access scaffolding. The TCC Group is headquartered in Kwinana where it operates one of the largest blasting and painting workshops in the world. It also has regional offices at Karratha and Port Hedland. Its principal customers are BHP Billiton, Alcoa, Rio Tinto, BP Refineries, the Murrin Murrin Nickel Mine and Woodside.

In the year to 30 June 2007, the TCC Group's turnover was £45.9 million, its earnings before interest, depreciation, tax and amortisation were £6.0 million and it generated earnings before interest and tax of £5.6 million. The approximate value of the net assets acquired at completion is £7.4 million. Cape's Directors are of the opinion that the acquisition will be earnings enhancing in the first year.

Cape's acquisition of the TCC Group is a major milestone in the achievement of Cape's international strategic plan. Cape's Directors believe that acquisition of the TCC Group will bring immediate benefits to both businesses. The TCC Group will provide a stable platform from which to develop Cape's existing Far East/Pacific Rim businesses while significantly extending Cape's footprint in the region. The TCC Group's blasting, painting, insulation and access services are all key components of Cape's core disciplines. The TCC Group's established presence in Australia's booming resources sector offers Cape an opening into a huge new market.

OFFER FOR CONCEPT HIRE

On 10 September 2007, Cape announced a recommended cash offer for Concept Hire, a public company listed on the Australian Stock Exchange (ASX:CSH). Concept Hire is a leading supplier of scaffold equipment and associated services to the residential and commercial construction, civil engineering, mining and petrochemical industries. The Company is headquartered in Victoria and has state offices in Queensland and Western Australia.

In the financial year ended 30 June 2007, Concept Hire generated EBITDA of £5.1 million and profit before tax of £3.4 million. As at 30 June 2007, Concept Hire had gross assets of £36.5 million.

Cape views Concept Hire as an integral part of its international growth strategy and intends to use Concept Hire and its local management team to continue to develop its existing Far East/Pacific Rim businesses and further extend its footprint in the region.

The offer values Concept Hire at approximately £52.4 million (including debt of £10.0 million). As at the close of business on 17 September 2007 (being the last business day prior to the announcement of these results), Cape had acquired a relevant interest in respect of 19.99% of Concept Hire's shares.

OFFER FOR PCH

On 13 September 2007, Cape announced a cash offer for PCH. PCH is a public company listed on the Australian Stock Exchange (ASX:PCG) and is headquartered in Perth. PCH provides services including scaffolding and access management, formwork and shoring, temporary fencing, aluminium light access and materials hoists. The business is diversified across a range of industries with services provided for construction and maintenance activities in Australia, the Caspian Sea, South East Asia and the Arabian Gulf.

In the financial year ended 30 June 2007, PCH generated EBITDA of £8.4 million and profit before tax of £5.1 million. As at 30 June 2007, PCH had gross assets of £58.3 million.

CHIEF EXECUTIVE'S REPORT CONT

Cape believes that the acquisition of the PCH Group would bring a number of benefits to Cape including:

- the extension of Cape's footprint in the Far East/Pacific Rim;
- synergies based on Cape's expertise in supplying labour and a broader range of products and services to PCH's customer base; and
- the opportunity for Cape's management to apply their expertise towards generating additional revenue and margin growth.

The offer values PCH at approximately £112.2 million (including debt of £17.1 million). The offer, which has not yet been recommended by the PCH board, is subject, inter alia, to the condition that Cape is released from the standstill imposed by PCH in early discussions which currently prevents Cape acquiring PCH shares in the market.

FINANCE

On 3 September 2007, the Company and its subsidiaries entered into a new £240 million five year banking facility with Barclays Bank Plc. The facility comprises term loans of up to £146 million to fund the acquisitions of PCH and Concept Hire and revolving credit and ancillary facilities totalling £94 million for working capital and other purposes.

CAPITAL REDUCTION

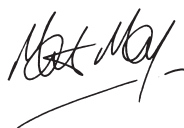
The capital reduction was approved at the EGM on 31 July 2007. Shareholders voted overwhelmingly in favour of the cancellation of the share premium account of the Company the effect of which will be to enable the Directors to credit to the profit and loss account the amount required to eliminate the deficit and permit future profits to be available for distribution when appropriate and permissible.

I am pleased to report that, as required in order for the capital reduction to become effective, the High Court order of confirmation was registered on 13 September 2007.

OUTLOOK

Cape continues to maintain its leading position in the majority of the markets in which it operates. Sales in Cape's UK business unit have grown significantly over the last two years and once again this area of the business has performed well ahead of expectations. In the second half, however, while underlying demand for Cape's broad range of bundled services will continue to be strong, on a like for like basis the UK business is anticipated to grow less rapidly.

The Group's overall business will, however, continue to benefit from growth in the other regional business units, in particular, in the Far East/Pacific Rim and the prospects for new work driven by the buoyant energy and resources sectors and recent acquisitions are excellent. The Board has every reason to believe that the Group will continue to improve upon the growth and progress seen over the past five years.



Martin K May
Chief Executive
18 September 2007

For the purposes of this report, a conversion rate of AUD\$1: £0.404 has been used.

CONSOLIDATED INCOME STATEMENT

for the half-year ended 30 June 2007

	Unaudited Half-year ended 30 June 2007 £m	Unaudited Half-year ended 30 June 2006 £m	Unaudited Year ended 31 December 2006 £m
Continuing operations			
Revenue	187.4	128.2	274.0
Operating profit			
Group operating profit before exceptional items	13.1	3.7	13.9
Exceptional items relating to scheme of arrangement	-	0.8	1.0
Group operating profit	13.1	4.5	14.9
Finance costs	(1.1)	(0.3)	(1.6)
Finance income	1.4	0.9	2.2
Share of post tax profits from joint ventures	-	-	0.1
Profit before tax	13.4	5.1	15.6
Taxation	(3.3)	(1.2)	(2.0)
Profit from continuing operations	10.1	3.9	13.6
Discontinued operations			
Profit from discontinued operations	-	0.1	1.1
Profit for the period	10.1	4.0	14.7
Profit attributable to minority interest	0.5	-	-
Profit attributable to equity shareholders	9.6	4.0	14.7
	10.1	4.0	14.7
Earnings per share for profit attributable to equity shareholders			
From continuing and discontinued operations			
- Basic	10.3p	4.6p	17.6p
- Diluted	10.0p	4.6p	17.4p
From continuing operations			
- Basic	10.3p	4.4p	16.2p
- Diluted	10.0p	4.4p	16.0p

CONSOLIDATED BALANCE SHEET

at 30 June 2007

	Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m	Unaudited 31 December 2006 £m
Assets			
Non current assets			
Goodwill	15.7	0.6	14.3
Intangible assets	1.5	-	1.1
Property, plant and equipment	40.3	29.4	32.0
Investments accounted for using equity method	-	0.1	0.1
Retirement benefit asset	8.0	7.6	8.1
Deferred tax asset	3.8	4.1	4.8
	69.3	41.8	60.4
Current assets			
Inventories	12.3	8.7	8.3
Trade and other receivables	103.2	82.7	78.2
Financial assets - derivative financial instruments	0.1	-	0.3
Cash - Scheme funds (restricted)	39.2	40.1	40.1
Cash and cash equivalents	53.7	10.5	15.3
	208.5	142.0	142.2
Liabilities			
Current liabilities			
Financial liabilities			
- Borrowings	(8.8)	(25.1)	(13.3)
- Derivative financial instruments	-	(0.1)	(0.1)
Trade and other payables	(73.2)	(59.7)	(67.5)
Current tax liabilities	(4.0)	(2.4)	(3.3)
	(86.0)	(87.3)	(84.2)
Net current assets	122.5	54.7	58.0

	Unaudited 30 June 2007 £m	Unaudited 30 June 2006 £m	Unaudited 31 December 2006 £m
Non current liabilities			
Financial liabilities			
- Borrowings	(21.1)	(14.6)	(23.4)
Retirement benefit liabilities	(2.3)	(2.2)	(2.2)
Deferred tax liabilities	(2.9)	(2.3)	(2.7)
Provisions	(12.9)	(13.3)	(14.9)
	(39.2)	(32.4)	(43.2)
Net assets	152.6	64.1	75.2
Shareholders' equity			
Called up share capital	32.0	25.2	25.2
Share premium account	86.2	25.0	25.0
Other reserves	(2.9)	(1.0)	(2.2)
Retained earnings	36.8	14.9	27.2
Total shareholders' equity	152.1	64.1	75.2
Minority interest in equity	0.5	-	-
Total equity	152.6	64.1	75.2

STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the half-year ended 30 June 2007

	Unaudited Half-year ended 30 June 2007 £m	Unaudited Half-year ended 30 June 2006 £m	Unaudited Year ended 31 December 2006 £m
Profit for the period	10.1	4.0	14.7
Net exchange adjustments offset in reserves net of tax	(0.6)	(1.0)	(2.4)
Actuarial (loss)/gain recognised in the pension scheme	(4.2)	5.2	7.7
Movement in restriction of retirement benefit asset in accordance with IAS 19	3.7	(5.3)	(7.1)
Movement on deferred tax relating to pension asset	0.2	-	(0.1)
Cash flow hedges - fair value (losses)/gains	(0.1)	0.5	0.7
Excess tax on share option scheme	(0.1)	-	0.6
Net losses not recognised in the income statement	(1.1)	(0.6)	(0.6)
Total recognised income relating to the period	9.0	3.4	14.1
Attributable to:			
Equity shareholders	8.5	3.4	14.1
Minority interest	0.5	-	-
	9.0	3.4	14.1

CONSOLIDATED CASH FLOW STATEMENT

for the half-year ended 30 June 2007

	Unaudited Half-year ended 30 June 2007 £m	Unaudited Half-year ended 30 June 2006 £m	Unaudited Year ended 31 December 2006 £m
Cash flows from operating activities			
Cash (absorbed by)/generated from operating activities	(4.0)	(7.7)	13.7
Scheme funding - transfer to restricted cash	-	(40.0)	(40.0)
Net cash absorbed by operating activities	(4.0)	(47.7)	(26.3)
Interest received	1.0	0.3	1.3
Interest received on restricted funds	(1.0)	-	(1.0)
Net interest received	-	0.3	0.3
Interest paid	(1.2)	(0.4)	(1.7)
Issue costs of new bank loans	-	-	(0.5)
Tax paid	(1.6)	(0.9)	(1.4)
Net cash outflow from operating activities	(6.8)	(48.7)	(29.6)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	(2.9)	-	(12.2)
Deferred consideration paid	(1.0)	-	-
Disposal of business	-	-	5.4
Proceeds from sale of property, plant and equipment	0.2	-	3.5
Purchase of property, plant and equipment	(11.2)	(2.4)	(8.9)
Dividends received from joint ventures	-	0.1	0.2
Net cash used in investing activities	(14.9)	(2.3)	(12.0)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	68.0	-	-
Net proceeds from issue of new bank loans	-	15.0	26.5
Finance lease principal payments	(0.9)	(0.5)	(1.5)
Increase in short term borrowings	-	10.8	-
Repayment of borrowing	(2.8)	-	-
Net cash received from financing activities	64.3	25.3	25.0
Exchange losses on cash, cash equivalents and bank overdrafts	(0.1)	-	(0.6)
Net increase in cash, cash equivalents and bank overdrafts	42.5	(25.7)	(17.2)
Opening cash, cash equivalents and bank overdrafts	9.1	26.3	26.3
Closing cash, cash equivalents and bank overdrafts	51.6	0.6	9.1

NOTES TO THE FINANCIAL STATEMENTS

1. PREPARATION OF INTERIM ACCOUNTS

Prior to 2007, the Group prepared its audited financial statements and unaudited interim financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). From 1 January 2007, the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and implemented in the UK. The date of transition to IFRS for the Group was 1 January 2006 and the Group has prepared its opening IFRS balance sheet as at that date.

This interim financial report has been prepared in accordance with the accounting policies set out in note 2 of this report. The IFRS and International Financial Reporting Interpretations Committee ('IFRIC') interpretations that will be applicable as at 31 December 2007, including those that will be applicable on an optional basis, are not yet known with certainty at the time of preparing this report.

The comparative figures in respect of 2006 have been restated to reflect the revised accounting policies. Reconciliations and explanations of the effect of adopting IFRS compliant accounting policies on the Group's equity (net assets), profits and cash flows are provided in the document entitled 'IFRS Restatement Report', which can be found on the Company's website (www.capeplc.com).

The interim financial report has been prepared under the historical cost convention, as modified by the accounting for derivative financial instruments at fair value through profit or loss. In addition, this interim financial report does not comply with IAS 34 'Interim Financial Reporting', which is not currently required to be applied under AIM rules.

The financial information included in this interim financial report for the six months ended 30 June 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and is unaudited. The restated comparative figures for the financial year ended 31 December are also unaudited. A copy of the Group's annual report and accounts for the year ended 31 December 2006, which were prepared under UK GAAP in accordance with the Companies Act 1985 have been delivered to the Registrar of Companies and include an auditors' report which was unqualified.

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 2006. The auditors' opinion was not qualified in this respect.

This interim financial report will be published on the Company's website, in addition to the paper version posted to shareholders. The maintenance and integrity of the Cape PLC website is the responsibility of the Directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2. ACCOUNTING POLICIES

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 January 2007.

BASIS OF CONSOLIDATION

(a) A business combination is recognised where separate legal entities or businesses have been brought together within the Group.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations made by the Group. The cost of a business combination is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination.

Contingent consideration is included in the cost of a business at the acquisition date only if the consideration is probable and can be reliably measured, and is discounted using an appropriate discount rate. If the future events upon which the contingent consideration is based do not occur or the estimate needs to be revised or if contingent consideration, which has not been initially included, does become probable and can be reliably measured, the cost of the business combination, and any associated goodwill, is adjusted accordingly.

Identifiable assets, liabilities and contingent liabilities acquired in the business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is credited to the income statement in the period of acquisition.

- (b) The Group's interest in joint ventures is accounted for under the equity method. The consolidated financial statements include the Group's share of the profits or losses of joint ventures and the consolidated balance sheet includes the investments in joint ventures at cost, including attributable goodwill, plus the Group's share of post-acquisition reserves.
- (c) Minority interests in subsidiaries consolidated by the Group are disclosed separately from the Group's equity and income. Losses attributable to a minority in excess of the minority's interest in net assets of the subsidiary are adjusted against the interest of the Group unless there is a binding obligation on the part of the minority to contribute additional investment in the subsidiary.
- (d) Inter-company income, expenses, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS CONT

2. ACCOUNTING POLICIES CONT

FOREIGN CURRENCIES

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through the profit and loss are recognised as part of the fair value gain or loss.

(c) Group Companies

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

GOODWILL

Goodwill arising on acquisition represents the excess of the cost of a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to the appropriate cash generating unit for the purpose of impairment testing. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. The assets are amortised over the period over which the Group expects to benefit from these assets.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition. Certain land and buildings are held at previous revalued amounts less accumulated depreciation as these amounts have been taken as their deemed cost as at the date of transition to IFRS in accordance with the exemption under IFRS 1 'First-time Adoption of IFRS'. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives with the exception that no depreciation is provided on freehold land. The asset's residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date. The following rates are applied:

- Freehold buildings - 2% per annum
- Leasehold land and buildings - the period of the lease
- Plant, machinery, fixtures and fittings - 6 $\frac{2}{3}$ % to 33 $\frac{1}{3}$ % per annum
- Scaffolding equipment - 6 $\frac{2}{3}$ % to 33 $\frac{1}{3}$ % per annum

The carrying value of tangible fixed assets are reviewed for impairment if events or change in circumstances indicate that the carrying value may not be recoverable.

Any impairment in the value of fixed assets is dealt with in the income statement in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS CONT

2. ACCOUNTING POLICIES CONT

IMPAIRMENT OF ASSETS (EXCLUDING GOODWILL)

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible fixed assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the assets recoverable amount. An assets recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amounts less an allowance for any amount estimated to be uncollectible.

LEASES

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the amount representing the outright purchase price is capitalised and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the Group's depreciation policy or over the lease term if shorter. Net finance charges, calculated on the reducing balance method, are included in finance costs.

Operating leases

Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimation is contained in individual accounting policies.

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are:

- Review of residual lives, residual values, carrying values and impairment charges for intangible assets and property, plant and equipment;
- Estimation of liabilities for pension and other post retirement costs;
- Revenue recognition and assessment of construction contract performance;
- Liabilities in relation to industrial disease claims; and
- Recoverability of deferred tax assets.

A review of the useful economic lives and residual values for scaffolding related items included within property, plant and equipment has been performed in the period. As a result of this review the useful economic lives and residual values of certain items of scaffold equipment have been revised to reflect the current residual values and useful economic lives experienced by the Group. The effect on the results in the six months to 30 June 2007 is a reduced depreciation charge of £0.8million with the estimated effect on the results for the year to 31 December 2007 being £1.6 million.

COMPENSATION FOR INDUSTRIAL DISEASE

Provision is made for compensation for industrial disease where it is possible to estimate the liability with sufficient reliability. This is generally only currently possible in respect of claims lodged and outstanding at the period end. Where this is not possible, a contingent liability is noted. Benefit is recognised for insurance recoveries for claims provided when they are anticipated with virtual certainty.

PROVISIONS

Provisions for liabilities, except for those for industrial disease, are made where the timing or amount of settlement is uncertain. A provision is recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

INVENTORIES

Inventories which include raw materials and work in progress are stated at the lower of cost and net realisable value. Raw materials are valued based on first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses. Allowance is made for obsolete and slow moving items based on annual usage.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of the value added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue recognition in relation to construction contracts is described in the accounting policy for construction contracts.

CONSTRUCTION CONTRACTS

Contracts are undertaken for customers either on a short or long-term basis. For short-term contracts, work done is substantially billed as performed and for long-term contracts, work is carried out on a substantially fixed or limited-price basis. For short-term contracts, turnover and profit are recognised according to work executed. Amounts taken to turnover in respect of work done not billed are included within amounts recoverable on contracts. Costs incurred, including an appropriate allocation of overheads, in respect of long-term contracts are included in work in progress net of progress payments received and provisions for foreseeable losses. Provision is made in full for any losses as soon as they can be foreseen. Any payments on account or provisions for foreseeable losses in excess of contract balances are included in creditors. Turnover and attributable profit on long-term contracts is recognised according to the percentage of estimated total contract value completed or the achievement of contractual milestones provided that the outcome of the contract can be assessed with reasonable certainty.

NOTES TO THE FINANCIAL STATEMENTS CONT

2. ACCOUNTING POLICIES CONT

DEFERRED INCOME TAXATION

Deferred income tax is recognised, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

EXCEPTIONAL ITEMS

Exceptional items represent income and expenses relating to non-recurring transactions that are significant, by virtue of their size or nature, and therefore relevant to understanding the Group's financial performance and are shown separately to provide a better indication of the underlying results of the business.

EMPLOYEE BENEFITS

The Group operates both defined benefit and defined contribution schemes.

A defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employment in the current or prior periods. The pension expense for defined contribution schemes represents contributions payable in the year.

A defined benefit scheme is a pension scheme that is not a defined contribution scheme. The asset recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated tri-annually by independent actuaries using the projected unit method and this valuation is updated at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Current and past service costs are charged to operating profit and finance costs and expected returns on assets to financing costs or income. Actuarial gains and losses arising from new valuations and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in full in the statement of recognised income and expense.

The pension schemes' deficits or surpluses, (to the extent that any surpluses are considered recoverable), are recognised in full and presented on the face of the balance sheet.

The Group operates gratuity schemes in certain overseas countries. These are accounted for in accordance with IAS 19 and accounting follows the same principles as for a defined benefit scheme.

ACCOUNTING FOR DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group uses derivative financial instruments such as forward currency contracts and interest rate caps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate caps is determined by reference to market values of similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; and
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group formally designates and documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The documentation also includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of the hedging instruments in offsetting the exposure to changes in the fair value of the hedge or the cash flows attributable to the hedged risk. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged: the derivative is re-measured at fair value and gains and losses from both are taken to the income statement. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised at maturity. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS CONT

2. ACCOUNTING POLICIES CONT

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

BORROWINGS

Borrowings are recognised initially at the amount of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding.

Cumulative preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Restricted cash relating to the Scheme of Arrangement is excluded from cash and cash equivalents for the purpose of the Group cash flow statement.

SHARE CAPITAL

Ordinary shares and deferred shares are classified as equity. Cumulative preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

SHARE-BASED PAYMENTS

The Group issues equity settled share-based payments to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

Proceeds received on the exercise of share options are credited to share capital and share premium.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary reporting segment is by business segment. This is split between the provision of industrial services, industrial disease costs and central costs.

The Group's secondary segment is geographical by country of destination.

NOTES TO THE FINANCIAL STATEMENTS CONT

3. SEGMENTAL REPORTING

Business segments

	Six months ended 30 June 2007 (unaudited)			
	Industrial Services £m	Industrial disease costs £m	Head office costs £m	Group £m
Continuing operations				
Revenue	187.4	-	-	187.4
Operating profit before exceptional items	16.2	(1.0)	(2.1)	13.1
Net finance income				0.3
Profit before tax				13.4
Taxation				(3.3)
Profit from continuing operations				10.1
Attributable to:				
Minority interests				0.5
Equity shareholders				9.6
				10.1

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

	Six months ended 30 June 2006 (unaudited)			
	Industrial Services £m	Industrial disease costs £m	Head office costs £m	Group £m
Continuing operations				
Revenue	128.2	-	-	128.2
Operating profit before exceptional items	6.2	(1.4)	(1.1)	3.7
Exceptional items	-	-	0.8	0.8
Share of post tax profits of joint ventures				-
Net finance income				0.6
Profit before tax				5.1
Taxation				(1.2)
Profit from continuing operations				3.9
Discontinued operations				
Revenue	16.9	-	-	16.9
Operating profit	0.1	-	-	0.1
Profit from discontinued operations	0.1	-	-	0.1
Net profit attributable to equity shareholders				4.0

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

Year ended 31 December 2006 (unaudited)

	Industrial Services £m	Industrial disease costs £m	Head office costs £m	Group £m
Continuing operations				
Revenue	274.0	-	-	274.0
Operating profit before exceptional items	20.0	(3.4)	(2.7)	13.9
Exceptional items	-	-	1.0	1.0
Share of post tax profits of joint ventures	0.1	-	-	0.1
Net finance income				0.6
Profit before tax				15.6
Taxation				(2.0)
Profit from continuing operations				13.6
Discontinued operations				
Revenue	16.9	-	-	16.9
Operating profit	0.3	-	-	0.3
Profit on sale of business	0.3	-	-	0.3
Profit on disposal of fixed assets	1.9	-	-	1.9
Losses relating to sale of Cape Calsil	(0.9)	-	-	(0.9)
Profit before tax	1.6	-	-	1.6
Taxation				(0.5)
Profit attributable to discontinued operations				1.1
Net profit attributable to equity shareholders				14.7

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

NOTES TO THE FINANCIAL STATEMENTS CONT

3. SEGMENTAL REPORTING CONT

Geographical by destination

	Unaudited Half-year ended 30 June 2007		Unaudited Half-year ended 30 June 2006		Unaudited Half-year ended 31 December 2006	
	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m	Revenue £m	Operating profit £m
Continuing operations						
United Kingdom	126.2	8.3	88.4	3.2	189.9	10.3
Middle East	30.1	6.4	24.9	2.4	40.6	9.4
Former CIS	21.8	0.8	10.6	0.8	31.0	0.4
Far East & Pacific Rim	8.7	0.7	3.9	-	11.8	-
Other	0.6	-	0.4	(0.2)	0.7	(0.1)
Central costs						
Head office	-	(2.1)	-	(1.1)	-	(2.7)
Industrial disease costs	-	(1.0)	-	(1.4)	-	(3.4)
Exceptional items	-	-	-	0.8	-	1.0
Group operating profit	187.4	13.1	128.2	4.5	274.0	14.9

4. EARNINGS PER ORDINARY SHARE

The basic earnings per share calculation for the 6 month period ended 30 June 2007 is based on the profit attributable to equity shareholders of £9.6 million (2006: £4.0 million) divided by the weighted average number of 25p ordinary shares of 93,585,033 (2006: 83,523,010).

The diluted earnings per share calculation for the 6 month period ended 30 June 2007 is based on the profit after tax of £9.6 million (2006: £4.0 million) divided by the weighted average number of 25p ordinary shares of 95,961,277 (2006: 84,420,326).

An adjusted basic earnings per share has been disclosed which excludes the effects of exceptional items. It is calculated by dividing the adjusted earnings after tax of £9.6 million (2006: £3.4 million) by the weighted average number of 25p ordinary shares of 93,585,033 (2006: 83,523,010). 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:

4. EARNINGS PER ORDINARY SHARE CONT

	Unaudited Half-year ended 30 June 2007		Unaudited Half-year ended 30 June 2006		Unaudited Year ended 31 December 2006	
	Earnings £m	EPS pence	Earnings £m	EPS pence	Earnings £m	EPS pence
Basic earnings per share						
Continuing operations	9.6	10.3	3.9	4.4	13.6	16.2
Discontinued operations	-	-	0.1	0.2	1.1	1.4
Basic earnings per share	9.6	10.3	4.0	4.6	14.7	17.6
Exceptional items	-	-	(0.8)	(1.0)	(1.0)	(1.2)
Exceptional items included in discontinued activities	-	-	-	-	(1.3)	(1.5)
Tax effect of exceptional items	-	-	0.2	0.3	0.8	1.0
Adjusted basic earnings per share	9.6	10.3	3.4	3.9	13.2	15.9
Diluted earnings per share						
Continuing operations	9.6	10.0	3.9	4.4	13.6	16.0
Discontinued operations	-	-	0.1	0.2	1.1	1.4
Diluted earnings per share	9.6	10.0	4.0	4.6	14.7	17.4
Exceptional items	-	-	(0.8)	(1.0)	(1.0)	(1.2)
Exceptional items included in discontinued activities	-	-	-	-	(1.3)	(1.5)
Tax effect of exceptional items	-	-	0.2	0.3	0.8	1.0
Adjusted diluted earnings per share	9.6	10.0	3.4	3.9	13.2	15.7

NOTES TO THE FINANCIAL STATEMENTS CONT

5. CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited Half-year ended 30 June 2007 £m	Unaudited Half-year ended 30 June 2006 £m	Unaudited audited Year ended 31 December 2006 £m
Cash flows from operating activities			
Continuing operations			
Profit for the period	13.1	4.5	14.9
Depreciation	4.1	3.2	6.8
Amortisation	0.2	-	0.1
Share option charge	0.4	-	0.4
Difference between pension charge and cash contributions	-	0.1	-
Payment of scheme creditors	1.8	-	0.9
Changes in working capital (excluding the effects of acquisitions and disposals)			
(Increase)/decrease in inventories	(4.0)	1.5	(2.3)
Increase in receivables	(23.6)	(12.9)	(10.9)
Increase in payables	7.0	4.2	7.5
Decrease in provisions	(2.0)	(4.4)	(3.1)
Cash (absorbed by)/generated from continuing operations	(3.0)	(3.8)	14.3
Discontinued operations			
Net profit	-	0.1	1.1
Taxation	-	-	0.5
Depreciation	-	0.1	0.1
Profit on sale of property	-	-	(1.8)
Loss on disposal of business	-	-	(0.3)
Difference between pension charge and cash contributions	-	-	0.6
Increase in inventories	-	(0.4)	(0.9)
Increase in receivable	-	0.9	6.1
Decrease in payables	(1.0)	(3.1)	(4.8)
Decrease in provisions	-	(1.5)	(1.2)
Cash outflow from discontinued operations	(1.0)	(3.9)	(0.6)
Cash (absorbed by)/generated from operating activities	(4.0)	(7.7)	13.7
Scheme funding - transfer to restricted cash	-	(40.0)	(40.0)
Net cash absorbed by operating activities	(4.0)	(47.7)	(26.3)

6. STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total £m	Minority interest £m	Total £m
At 1 January 2006	25.2	25.0	11.0	(0.5)	60.7	-	60.7
Exchange adjustments net of tax	-	-	-	(1.0)	(1.0)	-	(1.0)
Cash flow hedges - fair value gains in period	-	-	-	0.5	0.5	-	0.5
Net profit	-	-	4.0	-	4.0	-	4.0
Actuarial gain recognised in the pension scheme	-	-	5.2	-	5.2	-	5.2
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	(5.3)	-	(5.3)	-	(5.3)
At 30 June 2006	25.2	25.0	14.9	(1.0)	64.1	-	64.1
At 1 January 2006	25.2	25.0	11.0	(0.5)	60.7	-	60.7
Exchange adjustments net of tax	-	-	-	(2.4)	(2.4)	-	(2.4)
Cash flow hedges - fair value gains in period	-	-	-	0.7	0.7	-	0.7
Net profit	-	-	14.7	-	14.7	-	14.7
Actuarial gain recognised in the pension scheme	-	-	7.7	-	7.7	-	7.7
Movement in restriction of retirement benefit asset in accordance with IAS 19	-	-	(7.1)	-	(7.1)	-	(7.1)
Deferred tax on actuarial gain	-	-	(0.1)	-	(0.1)	-	(0.1)
Share options - value of employee services	-	-	1.0	-	1.0	-	1.0
At 31 December 2006	25.2	25.0	27.2	(2.2)	75.2	-	75.2

NOTES TO THE FINANCIAL STATEMENTS CONT

6. STATEMENT OF CHANGES IN EQUITY CONT

	Share Capital £m	Share Premium £m	Retained Earnings £m	Other reserves £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	-	-	-	(0.6)	(0.6)	-	(0.6)
Issue of share capital	6.8	63.2	-	-	70.0	-	70.0
Issue expenses	-	(2.1)	-	-	(2.1)	-	(2.1)
Cash flow hedges - fair value gains in period	-	-	-	(0.1)	(0.1)	-	(0.1)
Net profit	-	-	9.6	-	9.6	0.5	10.1
Actuarial loss recognised in the pension scheme	-	-	(4.2)	-	(4.2)	-	(4.2)
Movement in restriction of retirement benefit asset in accordance with IAS 19			3.7		3.7		3.7
Deferred tax on actuarial loss	-	-	0.2	-	0.2	-	0.2
Share options							
- proceeds from shares issued	-	0.1	-	-	0.1	-	0.1
- value of employee services	-	-	0.3	-	0.3	-	0.3
At 30 June 2007	32.0	86.2	36.8	(2.9)	152.1	0.5	152.6

On 23 April 2007 the Company issued 26,923,077 Ordinary Shares of 25p each through a placing at a price of £2.60 per share.

7. CONTINGENT LIABILITIES

The Group discloses contingent liabilities in relation to industrial disease claims, leasehold properties, an employment tribunal and guarantees and bonds in the annual report and accounts. Details of these contingent liabilities, which are unchanged since 31 December 2006, can be found in the annual report and accounts for the year ended 31 December 2006 in note 26. As referred to in note 1, the auditors' report for the year ended 31 December 2006 included an emphasis of matter in respect of the contingent liability for industrial disease claims.

8. RETIREMENT BENEFIT ASSETS

The last triennial actuarial valuation was performed in April 2004. In accordance with IAS19 the valuation as at 31 December 2006 was updated to reflect the latest actuarial assumptions and asset values to June 2007.

The surplus on the Scheme as calculated under IAS 19 is £11.8 million. The recognition of this surplus has been restricted to the present value of the economic benefits available in the form of reduced future contributions to the scheme plus unrecognised gains and losses. This resulted in a net loss of

£0.3 million (2006: loss of £0.1 million) shown in the Statement of Recognised Income and Expenses in respect of the half year. The restricted pension surplus at 30 June 2006 was £8.0 million (31 December 2006: £8.1 million).

9. POST BALANCE SHEET EVENTS

BANK FACILITIES

On 3 September 2007, the Company and its subsidiaries entered into a new £240 million five year committed banking facility with Barclays Bank Plc. The facility comprises term loans of up to £146 million to fund the acquisitions of PCH Group Limited and Concept Hire Limited and revolving credit and other facilities totalling £94 million for working capital and other purposes. The new facility replaces the previous Barclays / Bank of Scotland facility. The £15 million term loan used to part fund the Scheme has been repaid in full.

ACQUISITION - TCC

On 31 August 2007, Cape, through its wholly-owned subsidiary, Cape Australia Investments Pty Limited ('Cape Australia') acquired the Australian based Total Corrosion Control group of companies ('TCC Group').

Under the agreement between Cape Australia and the shareholders of TCC Holdings (2005) Pty Ltd ('TCC Holdings'), the ultimate holding company of the TCC Group, all of the issued share capital of TCC Holdings was acquired for a consideration that reflects an enterprise value for the TCC Group of £34.3 million. Subject to the TCC Group achieving its earnings target for the year ending 30 June 2008, up to a further £5.1 million will be payable.

The initial consideration paid at completion comprised £26.3 million in cash and £8.1 million in Cape new ordinary shares ('Initial Consideration Shares') (at an issue price per share of £2.94) which are subject to orderly market provisions regarding their disposal until 31 August 2009. Any additional consideration will be payable in cash.

The TCC Group, which operates mainly in Western Australia, offers a wide range of industrial services to blue chip clients in the mining, oil, gas and construction industries. The TCC Group specialises in the provision of blasting, industrial painting, protective coatings, thermal and acoustic insulation, sheet metal fabrication, rubber lining and access scaffolding. The TCC Group is headquartered in Kwinana where it operates one of the largest blasting and painting workshops in the world. It also has regional offices at Karratha and Port Hedland. Its principal customers are BHP Billiton, Alcoa, Rio Tinto, BP Refineries, the Murrin Murrin Nickel Mine and Woodside.

In the year to 30 June 2007, the TCC Group's turnover was £45.9 million, its earnings before interest, depreciation, tax and amortisation were £6.0 million and it generated earnings before interest and tax of £5.6 million. The approximate value of the net assets acquired at completion is £7.4 million. Cape's Directors are of the opinion that the acquisition will be earnings enhancing in the first year.

Cape's acquisition of the TCC Group is a major milestone in the achievement of Cape's international strategic plan. Cape's Directors believe that acquisition of the TCC Group will bring immediate benefits to both businesses. The TCC Group will provide a stable platform from which to develop Cape's existing Far East/ Pacific Rim businesses while significantly extending Cape's footprint in the region. The TCC Group's blasting, painting, insulation and access services are all key components of Cape's core disciplines. The TCC Group's established presence in Australia's booming resources sector offers Cape an opening into a huge new market.

NOTES TO THE FINANCIAL STATEMENTS CONT

9. POST BALANCE SHEET EVENTS CONT

OFFER FOR CONCEPT HIRE

On 10 September 2007, Cape announced a recommended cash offer for Concept Hire, a public company listed on the Australian Stock Exchange (ASX:CSH). Concept Hire is a leading supplier of scaffold equipment and associated services to the residential and commercial construction, civil engineering, mining and petrochemical industries. The Company is headquartered in Victoria and has state offices in Queensland and Western Australia.

In the financial year ended 30 June 2007, Concept Hire generated EBITDA of £5.1 million and profit before tax of £3.4 million. As at 30 June 2007, Concept Hire had gross assets of £36.5 million.

Cape views Concept Hire as an integral part of its international growth strategy and intends to use Concept Hire and its local management team to continue to develop its existing Far East/Pacific Rim businesses and further extend its footprint in the region.

The offer values Concept Hire at approximately £52.4 million (including debt of £10.0 million). As at the close of business on 17 September 2007 (being the last business day prior to the announcement of these results), Cape had acquired or received valid acceptances in respect of 19.99% of Concept Hire's shares.

OFFER FOR PCH

On 13 September 2007, Cape announced a cash offer for PCH. PCH is a public company listed on the Australian Stock Exchange (ASX:PCG) and is headquartered in Perth. PCH provides services including scaffolding and access management, formwork and shoring, temporary fencing, aluminium light access and materials hoists. The business is diversified across a range of industries with services provided for construction and maintenance activities in Australia, the Caspian Sea, South East Asia and the Arabian Gulf.

In the financial year ended 30 June 2007, PCH generated EBITDA of £8.4 million and profit before tax of £5.1 million. As at 30 June 2007, PCH had gross assets of £58.3 million.

The offer values PCH at approximately £112.2 million (including debt of £17.1 million). The offer, which has not yet been recommended by the PCH board, is subject, inter alia, to the condition that Cape is released from the standstill imposed by PCH in early discussions which currently prevents Cape acquiring PCH shares in the market.

CAPITAL REDUCTION

On 13 September 2007, the High Court order confirming a proposed capital reduction was registered at Companies House. The Directors intend to cancel the share premium account and credit to the profit and loss account the amount required to eliminate the deficit and permit future profits to be available for distribution when appropriate and permissible.



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