

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your Ordinary or Preference Shares in Cape PLC, please forward this document and the enclosed form of proxy at once to the purchaser or transferee or to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted into the United States of America, Canada, Australia, the Republic of Ireland or Japan. If you have sold or transferred part of your registered holding of Ordinary or Preference Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The directors of Cape PLC, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of Cape PLC (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

CAPE PLC

(incorporated and registered in England and Wales with number 40203)

Proposed Capital Reduction and Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of Cape PLC, set out at pages 3 to 5 of this document, which recommends that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of Cape PLC to be held at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE at 12 noon on 31 July 2007 is set out at the end of this document. The accompanying Form of Proxy for use by Shareholders at this meeting should be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD as soon as possible and in any event not later than 12 noon on 29 July 2007.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Form of Proxy	12 noon on 29 July 2007
Extraordinary General Meeting	12 noon on 31 July 2007
Court Hearing to confirm Capital Reduction*	12 September 2007
Expected effective date for Capital Reduction*	14 September 2007

*These dates are dependent on, amongst other things, the date upon which the court confirms the Capital Reduction. The court hearing dates are subject to change by the court and, in certain circumstances, by the Company.

CAPE PLC

(registered in England and Wales with number 40203)

Directors:

David McManus (*Non-executive Chairman*)
Martin Keith May (*Chief Executive*)
Michael Thomas Reynolds (*Group Finance Director*)
David Arthur Robins (*Non-executive*)
Sean Stuart O'Connor (*Non-executive*)

Registered office:

Cape House
3 Red Hall Avenue
Paragon Business Village
Wakefield
West Yorkshire
WF1 2UL

2 July 2007

To the holders of Ordinary Shares, Preference Shares and the Scheme Share

Dear Shareholder

1. Introduction

You will find accompanying this letter a notice of an Extraordinary General Meeting of the Company to be held at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE on Tuesday, 31 July 2007 at 12 noon and a Form of Proxy for use in connection with these meetings. It should be noted that no separate meeting of the holders of the Preference Shares will be held as the holder of the Preference Shares has given the Company its prior consent in writing to any resolutions which might otherwise need to be proposed at a class meeting.

The resolution to be proposed at the EGM is to be proposed as a special resolution to seek the approval of Shareholders to the cancellation of the share premium account of the Company.

2. Background and reasons for the capital reduction

Shareholders have recently received the annual report and accounts of the Company and its subsidiaries as at 31 December 2006 (the 2006 Accounts can also be viewed and downloaded from the investor relations section of the Company's website www.capeplc.com). The balance sheet of the Company (which appears on page 41 of the 2006 Accounts) shows that, as at 31 December 2006, the Company had a deficit on its profit and loss account of £69.7 million.

As Shareholders will be aware, on 14 June 2006 the scheme of arrangement between the Company, certain of its subsidiaries and certain creditors in relation to actual and prospective asbestos-related personal injury claims against Group companies came into effect. The broad aim of the Scheme was to remove an element of the uncertainty surrounding the affairs of the Group created by the existence of these actual and prospective claims so as to assist the Group in conducting and growing the business in a competitive marketplace, ultimately for the benefit of every interested party.

The detailed terms of the Scheme are set out in the Scheme document itself and are summarised at pages 69 to 71 of the 2006 Accounts. In short, subject to certain conditions, limitations and approvals imposed by the Scheme, the Company is permitted to pay dividends to its eligible shareholders subject to a cap on the amount that may be paid in any one year.

However, in order for the Company to pay any dividend, it must have distributable reserves available for that purpose. Currently, the deficit on the profit and loss account of the Company precludes the payment of any dividend unless and until that deficit has been eliminated and profits available for the payment of dividends have been credited to the profit and loss account of the Company.

In the ordinary course of business, it will be some time before the deficit on the Company's profit and loss account of £69.7 million can be eliminated by trading profits and therefore before the payment of dividends can be resumed.

However, the Board wishes if feasible to bring forward the time when they are able to resume the payment to Preference Shareholders of the dividend to which the Preference Shares are entitled, and to be in a position to consider and, if appropriate, recommend the payment of dividends to Ordinary Shareholders.

To that end, the Board proposes to cancel the SPA, which currently stands in the sum of approximately £87 million. If the Cancellation becomes effective as described below, it is intended that sums standing to the credit of the SPA will be credited to the profit and loss account of the Company to the extent which is sufficient to eliminate the deficit on the profit and loss account of the Company and permit future profits to be available for distribution when appropriate and permissible. The intention is that, subject to the profitable trading of the Group as a whole and any provisions and other accounting requirements, profits earned after the date of the Cancellation should commence immediately in building a credit on the profit and loss account of the Company which, in due course, should enable the Company to resume the payment of dividends.

There are, however, a number of procedures to adopt before the Cancellation can take place which I shall describe below.

3. Procedure

Share premium arises on the issue by the Company of shares at a premium to their nominal value. The premium is credited to the SPA. The SPA as at 31 December 2006 stood at £25 million but has since then been credited with the premium that arose, net of expenses, on the placing of Ordinary Shares that took place in April 2007 so that it stands today at approximately £87 million.

The SPA is treated by statute as an undistributable capital reserve except to the extent that its reduction or cancellation is first approved by eligible Shareholders by special resolution, and subsequently confirmed by order of the High Court on the application to the court by the Company.

If the special resolution is duly passed at the EGM it is the intention of the Company thereafter to apply to the court for confirmation of the Cancellation.

In order to obtain the confirmation of the court, the Company will need to demonstrate to the satisfaction of the court that there is no creditor of the Company (who has not consented to the Cancellation) who will be prejudiced by it. The Cancellation takes effect upon the order of the court confirming the Cancellation being registered by the Company with the Registrar of Companies.

In order to satisfy the court in relation to creditors, it is likely that the Company will be required to undertake to the court to transfer the excess of the amount released by the Cancellation after the elimination of the deficit on the profit and loss account to a new undistributable reserve of the Company, subject to terms as to its future use and distribution which are acceptable to the court. As part of this undertaking, it is anticipated that the Company will be required also to treat as undistributable any sums which represent the realisation by the Company of hidden value in its balance sheet as at the Effective Date, such as the release of provisions, profits earned in the financial year prior to the Effective Date and distributable reserves of subsidiaries as at the Effective Date subsequently distributed to the Company. In each case, however, profits earned after the Effective Date will not be affected.

The precise nature of the undertaking required of the Company will be subject to discussion with the Company's advisers and the agreement of the court. If it is unacceptable, the Board reserves the right to withdraw the Company's application. However, it is anticipated that the terms of the undertaking will permit this undistributable balance to be released to the profit and loss account in the future when certain conditions are satisfied. Those conditions will include the discharge by the Company of its obligations to creditors as at the Effective Date and/or obtaining the consent of such creditors to the Cancellation.

The Cancellation does not affect the voting or dividend rights or the rights on a return of capital of any share.

4. Action to be taken

A Form of Proxy is enclosed for use by relevant Shareholders in connection with the EGM. Whether or not you intend to be present at the EGM, you are requested to return the Form of Proxy as soon as possible in accordance with the instructions printed on it. To be valid, completed Forms of Proxy must be received by Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD, not later than 48 hours before the time stated for the commencement of the meeting. Completion of a Form of Proxy does not preclude a member from attending and voting at the EGM in person if they wish to do so.

5. Responsibility

The Directors whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

6. Recommendation

Your Board considers that the special resolution to be proposed at the EGM and the proposals relating to the Cancellation are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the resolution to be proposed at the EGM as they have irrevocably undertaken to do in respect of the 189,779 Ordinary Shares which they beneficially own, representing approximately 0.17% of the Company's Ordinary Share capital.

Yours faithfully

David McManus
Chairman

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“2006 Accounts”	the annual report and accounts of the Company to 31 December 2006;
“Cancellation”	the proposed cancellation of the SPA;
“Company”	Cape PLC;
“Directors” or “Board”	the directors of the Company, whose names are set out on page 3 of this document;
“Effective Date”	the date the Cancellation takes effect being the date the order of the court confirming the Cancellation is registered by the Company with the Registrar of Companies;
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company to be held on 31 July 2007;
“Form of Proxy”	the document entitled “Cape PLC form of proxy” and enclosed with this document;
“Group”	the Company and its subsidiaries;
“Ordinary Shares”	ordinary shares of 25p each in the capital of the Company;
“Preference Shares”	3.5% cumulative preference shares of £1 each in the capital of the Company;
“Scheme”	the scheme of arrangement made by the Company which came into effect on 14 June 2006;
“Scheme Share”	the Scheme share of £1 in the capital of the Company;
“Shareholders”	holders of Ordinary Shares, Preference Shares and the Scheme Share;
“SPA”	the share premium account of the Company;

CAPE PLC

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Cape PLC (“Company”) will be held at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE on 31 July 2007 at 12 noon for the following purposes:

To consider and, if thought fit, passing the following special resolution:

THAT the share premium account standing in the books of account of the Company at the date hereof be and the same is hereby cancelled.

By order of the Board

Benjamin Whitworth
Company Secretary

Registered office:

Cape House
3 Red Hall Avenue
Paragon Business Village
Wakefield
West Yorkshire
WF1 2UL

2 July 2007

Notes

1. A corporation which is a member of the Company may, by resolution of its directors, authorise such person as it thinks fit to act as its representative at the meeting.
2. A member of the Company who is entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. Such proxy need not be a member of the Company.
3. To be valid, the enclosed form of proxy, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be completed, signed and received at the offices of the Company’s Registrars, Capita Registrars, Proxy Processing Centre, Telford road, Bicester OX26 4LD as soon as possible and in any event by 12 noon on 29 July 2007 (the “**Specified Time**”). Appointment of a proxy will not preclude a member from attending the meeting and voting in person should that member subsequently so decide.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 (the “**Regulations**”), the Company gives notice that only those members entered on the relevant register of members (the “**Register**”) for certificated or uncertificated shares of the Company (as the case may be) at the Specified Time will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in such notice.

