THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 immediately.

If you have sold or otherwise transferred all of your holding of Octroi Shares, Gall Thomson Shares or Lupus Shares, you should immediately forward this document, together with the accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other 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 in or into the United States, Canada, Australia or Japan.

A copy of this document, which comprises listing particulars relating to the New Lupus Shares to be issued pursuant to the Offers prepared in accordance with the Listing Rules made under section 142 of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales in accordance with section 149 of that Act.

Application has been made to the London Stock Exchange for the New Lupus Shares to be issued pursuant to the Offers to be admitted to the Official List. It is expected that dealings in such shares will commence on the first dealing day following the day on which the Offers are declared unconditional in all respects (save as regards the condition relating to Admission and save insofar as the Octroi Offers are conditional upon the Gall Thomson Offer and vice versa).

All statements relating to the Enlarged Group's business, financial position and prospects should be viewed in the light of the Year 2000 compliance issues which are set out in paragraph 12(l) of Part VI of this document.

LUPUS

Lupus Capital plc

(Incorporated and registered in England and Wales with registered number 2806007)

Listing Particulars
relating to the issue of up to 95,150,580 new ordinary shares of 0.5p each of Lupus Capital plc in connection with the recommended offers for

Octroi Group PLC and Gall Thomson Environmental plc

Sutherlands Limited, which is regulated by The Securities and Futures Authority Limited, is acting exclusively for Lupus Capital plc and no one else in connection with the Offers and will not be responsible to anyone other than Lupus Capital plc for providing the protections afforded to clients of Sutherlands Limited or for giving advice in relation to the Offers.

The Offers and the Cash Cancellation Offer referred to in this document are not being made, directly or indirectly, in or into the United States, Canada, Australia or Japan, and neither this document, nor the accompanying documents are being mailed or otherwise distributed or sent in or into the United States, Canada, Australia or Japan.

The New Lupus Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under any jurisdiction of the United States, nor has a prospectus in relation to the New Lupus Shares been lodged with, or registered by, the Securities Commission of any province or territory of Canada or the Australian Securities Commission or the equivalent authority in Japan. Accordingly, unless an exception under such act or relevant securities law is available the New Lupus Shares may not be offered, sold, re-sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan or any other jurisdiction in which the Offers would constitute a violation of relevant laws or require registration thereof. All Octroi Shareholders, Gall Thomson Shareholders or Lupus Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, forward this document and its accompanying documents to any jurisdiction outside the United Kingdom, should read the further details in this regard which are contained in paragraph 12 of Part I of this document and paragraph 6 of Part B of Appendix I to the Octroi Offer Document and paragraph 6 of Part B of Appendix I to the Gall Thomson Offer Document before taking any action.

CONTENTS

DEFINITIONS

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

"Admission"	the admission of the New Lupus Shares to the Official List of the London Stock Exchange in accordance with the Listing Rules
"Articles"	Articles of Association of Lupus
"Cash Cancellation Form of Acceptance"	the form of acceptance for use in connection with the Cash Cancellation Offer which expression includes the letter from Computershare Services plc setting out the amount of a Dividend Holder's Dividend Rights
"Cash Cancellation Offer"	the offer by Sutherlands on behalf of Lupus to Dividend Holders to waive their Dividend Rights in consideration of a cash payment as described in the Cash Cancellation Offer Document
"Cash Cancellation Offer Document"	the document dated 30 November 1999 addressed to Dividend Holders which contains details of the Cash Cancellation Offer
"certificated" or **"in certificated form"**	a share or other security which is not in uncertificated form
"Circular"	the circular addressed to Lupus Shareholders in connection with the Offers, the purchase of the Excluded Shares and the *Cash Cancellation Offer*
"Closing Price"	the closing middle-market quotation of a Lupus Share as derived from the Official List
"Code"	The City Code on Takeovers and Mergers
"Companies Act" *or* ***"the Act"***	*Companies Act 1985, as amended*
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations)
"CRESTCo"	CRESTCo Limited
"Directors" or **"Board"**	the Directors of Lupus, as set out in paragraph 11 of Part VI of this document
"Dividend Holders"	those persons entitled to the Dividend Rights
"Dividend Rights"	a Dividend Holder's entitlement to (i) arrears and accruals of dividend and interest on the Redeemable 9¼ per cent. Preference Shares and (ii) the Special Dividend
"Enlarged Group"	the Lupus Group as enlarged by the acquisition of Octroi and Gall Thomson
"EPS Group"	the property services operations of the Company which were sold to Environmental Property Services Holdings Limited on 13 August 1999.
"Excluded Shares"	the 14,320,000 ordinary shares of 0.5p each in Gall Thomson held by Octroi Investments, representing approximately 46 per cent. of the issued ordinary share capital of Gall Thomson
"First Closing Date"	21 December 1999
"Forms of Acceptance"	the Octroi Ordinary Form of Acceptance, the Octroi Preference Form of Acceptance and the Gall Thomson Form of Acceptance

"Gall Thomson"	Gall Thomson Environmental plc
"Gall Thomson Form of Acceptance"	the form of acceptance for use in connection with the Gall Thomson Offer as described in and accompanying the Gall Thomson Offer Document
"Gall Thomson Group"	Gall Thomson and its subsidiary undertakings
"Gall Thomson Offer"	the offer for Gall Thomson Shares on the terms and subject to the conditions set out in the Gall Thomson Offer Document and the Gall Thomson Form of Acceptance and where the context permits, any subsequent revision, variation, extension or renewal of such offer
"Gall Thomson Offer Document"	the offer document dated 30 November 1999 sent to Gall Thomson Shareholders which contains details of the Gall Thomson Offer
"Gall Thomson Share Option Holders"	holders of options to subscribe for Gall Thomson Shares under the Gall Thomson Share Option Scheme
"Gall Thomson Share Option Scheme"	the Gall Thomson Environmental plc 1996 Unapproved Share Option Scheme
"Gall Thomson Shareholders"	holders of Gall Thomson Shares
"Gall Thomson Shares"	the existing unconditionally allotted or issued and fully paid ordinary shares of 0.5p each in Gall Thomson and any further such shares which are unconditionally allotted or issued after the date hereof and before the date on which the Gall Thomson Offer closes (or such earlier date as Lupus may, subject to the Code, decide): (a) upon the exercise of options granted under the Gall Thomson Share Option Scheme; or (b) otherwise but excluding the Excluded Shares
"KLAW"	KLAW Products Limited, a subsidiary of Gall Thomson
"Listing Rules"	the Listing Rules of the London Stock Exchange, made under section 142 of the Financial Services Act 1986
"London Stock Exchange"	London Stock Exchange Limited
"Lupus Group" or the **"Group"**	Lupus and its subsidiary and associated undertakings
"Lupus" or the **"Company"**	Lupus Capital plc
"Lupus Shareholders"	holders of Lupus Shares
"Lupus Share Option Holders"	holders of options to subscribe for Lupus Shares under the Lupus Share Option Scheme
"Lupus Share Option Scheme"	the Lupus Executive Share Option Scheme
"Lupus Shares"	ordinary shares of 0.5p each of Lupus
"member account ID"	the identification code or number attached to any member account in CREST
"New Lupus Shares"	up to 95,150,580 new Lupus Shares to be issued credited as fully paid pursuant to the Offers
"Octroi"	Octroi Group PLC (formerly known as Oceonics Group PLC)
"Octroi Executive Share Option Scheme"	the Octroi Group PLC Executive Share Option Scheme 1995
"Octroi Group"	Octroi and its subsidiary and associated undertakings

"Octroi Loan Note"	the loan note of £7,876,000 to be issued to Octroi Investments in consideration of the conditional sale by Octroi Investments to Lupus of the Excluded Shares
"Octroi Ordinary Form of Acceptance"	the form of acceptance for use in connection with the Octroi Ordinary Offer as described in and accompanying the Octroi Offer Document
"Octroi Investments"	Octroi Investments Limited, a subsidiary of Octroi
"Octroi Offer Document"	the offer document dated 30 November 1999, sent to Octroi Shareholders which contains details of the Octroi Ordinary Offer and Octroi Preference Offer
"Octroi Offers"	the Octroi Ordinary Offer and the Octroi Preference Offer
"Octroi Ordinary Offer"	the offer for Octroi Ordinary Shares on the terms and subject to the conditions set out in the Octroi Offer Document and the Octroi Ordinary Form of Acceptance and, where the context permits, any subsequent revision, variation, extension or renewal of such offer
"Octroi Ordinary Shareholders"	holders of Octroi Ordinary Shares
"Octroi Ordinary Shares"	the existing unconditionally allotted or issued and fully paid ordinary shares of 25p each in Octroi and any further such shares which are unconditionally allotted or issued after the date hereof and before the date on which the Ordinary Offer closes (or such earlier date as Lupus may, subject to the Code, decide): (a) upon the exercise of options granted under the Octroi Share Option Schemes; or (b) as a result of the exercise of rights of conversion in respect of the Octroi Preference Shares; or (c) otherwise
"Octroi Preference Form of Acceptance"	the form of acceptance for use in connection with the Octroi Preference Offer as described in and accompanying the Octroi Offer Document
"Octroi Preference Offer"	the offer for Octroi Preference Shares on the terms and subject to the conditions set out in the Octroi Offer Document and the Octroi Preference Form of Acceptance and where the context permits, any subsequent revision, variation, extension or renewal of such offer
"Octroi Preference Shareholders"	holders of Octroi Preference Shares
"Octroi Preference Shares"	the existing unconditionally allotted or issued and fully paid 6 per cent. cumulative convertible redeemable preference shares 1999 of £1 each in Octroi and any further such shares which are unconditionally allotted or issued after the date hereof and before the date on which the Octroi Preference Offer closes (or such earlier date as Lupus may, subject to the Code, decide)
"Octroi Senior Executive Share Option Scheme"	the Octroi Group PLC Senior Executive Share Option Scheme (No.2)
"Octroi Shareholders"	the Octroi Ordinary Shareholders and the Octroi Preference Shareholders
"Octroi Share Option Holders"	holders of options to subscribe for Octroi Ordinary Shares under the Octroi Share Option Schemes

"Octroi Share Option Schemes"	the Octroi Senior Executive Share Option Scheme and the Octroi Executive Share Option Scheme
"Octroi Shares"	Octroi Ordinary Shares and Octroi Preference Shares
"Offer Documents"	the Octroi Offer Document and the Gall Thomson Offer Document
"Offers"	the Octroi Offers and the Gall Thomson Offer
"Official List"	the Official List of the London Stock Exchange
"Panel"	the Panel on Takeovers and Mergers
"participant ID"	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST participant
"Redeemable 9¼ per cent. Preference Shares"	the 9¼ per cent. cumulative redeemable preference shares 1993 of £1 each in Octroi which were redeemed by Octroi on 31 August 1993
"Regulations"	the Uncertificated Securities Regulations 1996 (SI 1996 No.95/32772)
"Resolution"	the resolution to be proposed at the Extraordinary General Meeting of Lupus to be held on 16 December 1999 to approve the Offers, the purchase of the Excluded Shares, the Cash Cancellation Offer and associated matters
"Special Dividend"	the special dividend of 1p per Redeemable 9¼ per cent. Preference Share declared for payment by the then directors of Octroi on 22 July 1994
"Sutherlands"	Sutherlands Limited
"UK"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" or **"in uncertificated form"**	recorded on the relevant register of the share concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
"United States" or **"US"** or **"USA"**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction

PART I

INFORMATION ON THE OFFERS AND THE CASH CANCELLATION OFFER

1. Introduction

On 29 November 1999, the boards of Lupus and Octroi announced that they had reached agreement on the terms of recommended offers to be made by Sutherlands on behalf of Lupus, to acquire the whole of the issued and to be issued ordinary and preference share capitals of Octroi. The Octroi Ordinary Offer is being satisfied by the issue of New Lupus Shares. On the basis of the Closing Price of a Lupus Share of 11.25p on 26 November 1999, being the business day immediately preceding the announcement of the Offers, the Octroi Ordinary Offer values the whole of the existing issued ordinary share capital of Octroi at approximately £1.76 million. The Octroi Preference Offer which is being satisfied in cash values the whole of the issued preference share capital of Octroi (including accrued dividends) at £6.39 million.

Lupus has received irrevocable undertakings to accept the Octroi Ordinary Offer from the directors of Octroi and certain other shareholders in respect of their entire Octroi Ordinary shareholdings amounting to 7,894,885 Octroi Ordinary Shares in aggregate, representing approximately 17.91 per cent. of the existing issued ordinary share capital of Octroi, 17.52 per cent. of which (in terms of share capital) will cease to be binding in the event of a competing offer for the share capital of Octroi which is at least 15 per cent. higher in overall value (including the value attributed to the Dividend Rights). In addition, Lupus has received an indication of intent to accept the Octroi Ordinary Offer from a shareholder in respect of its entire Octroi Ordinary shareholding amounting to 5,829,692 Octroi Ordinary Shares in aggregate, representing approximately 13.22 per cent. of the issued ordinary share capital of Octroi.

Lupus has received irrevocable undertakings to accept the Octroi Preference Offer from certain shareholders of Octroi in respect of their entire holdings of Octroi Preference Shares amounting to 2,080,818 Octroi Preference Shares in aggregate, representing approximately 44.97 per cent. of the existing issued preference share capital of Octroi all of which (in terms of share capital) will cease to be binding in the event of a competing offer for the share capital of Octroi which is at least 15 per cent. higher in overall value (including the value attributed to the Dividend Rights). In addition, Lupus has received an indication of intent to accept the Octroi Preference Offer from a shareholder in respect of its entire Octroi Preference shareholding amounting to 940,720 Octroi Preference Shares in aggregate, representing approximately 20.33 per cent. of the existing issued preference share capital of Octroi.

In conjunction with the Octroi Offers, the boards of Octroi and Lupus also announced that they had reached agreement on the terms of a Cash Cancellation Offer to be made on behalf of Lupus in relation to the Dividend Rights. The Cash Cancellation Offer is to be satisfied by Lupus in cash, and were all the Dividend Holders to accept the Cash Cancellation Offer in respect of all their Dividend Rights, the consideration payable by Lupus would be £867,328.

Lupus has received irrevocable undertakings to accept the Cash Cancellation Offer from certain Dividend Holders in respect of their entire entitlements to Dividend Rights amounting to £424,429 in aggregate, representing approximately 48.94 per cent. of the outstanding Dividend Rights. These undertakings will cease to be binding in the event of a competing offer for the shares in Octroi which is at least 15 per cent. higher in overall value (including the value attributed to the Dividend Rights). In addition, Lupus has received an indication of intent to accept the Cash Cancellation Offer from a Dividend Holder in respect of its entire entitlement to Dividend Rights amounting to £61,952 in aggregate, representing approximately 7.14 per cent. of the outstanding Dividend Rights.

The aggregate value of the Octroi Offers and the Cash Cancellation Offer on the basis described above is £9.02 million.

At the same time, the boards of Lupus and Gall Thomson announced that they had reached agreement on the terms of a recommended offer, to be made by Sutherlands on behalf of Lupus, to acquire the whole of the issued and to be issued ordinary share capital of Gall Thomson other than the shares in Gall Thomson owned by Octroi Investments in respect of which a separate arrangement has been made as described at paragraph 2.3 below.

The Gall Thomson Offer is being satisfied by the issue of New Lupus Shares and 5p in cash per share. On the basis of the Closing Price of a Lupus Share of 11.25p on 26 November 1999, being the business day immediately preceding the announcement of the Offers, the Gall Thomson Offer values the whole of the existing issued ordinary share capital of Gall Thomson at approximately £17.12 million.

Lupus has received irrevocable undertakings to accept the Gall Thomson Offer from the directors of Gall Thomson and certain other shareholders in respect of their entire holdings of Gall Thomson Shares amounting to 1,400,000 Gall Thomson Shares in aggregate, representing approximately 4.5 per cent. of the issued share capital of Gall Thomson. These undertakings will cease to be binding in the event of a competing offer for the shares in Gall Thomson which is at least 15 per cent. higher in overall value. In addition, Lupus has received an indication of intent to accept the Gall Thomson Offer from a shareholder in respect of its entire Gall Thomson shareholding amounting to 2,275,000 Gall Thomson Shares in aggregate, representing approximately 7.3 per cent. of the share capital of Gall Thomson.

The Offers have been structured so that either all of them will become unconditional or none of them will.

2. The Offers and the Cash Cancellation Offer

2.1 The Octroi Offers and the Cash Cancellation Offer

Octroi Ordinary Offer

The Octroi Ordinary Offer, which is subject to the conditions and further terms set out in the Octroi Offer Document and the Octroi Ordinary Form of Acceptance, is being made on the following basis:

for every 45 Octroi Ordinary Shares **16 New Lupus Shares**

and so in proportion for any greater or lesser number of Octroi Ordinary Shares held.

On the basis of the Closing Price of a Lupus Share of 11.25p on 26 November 1999, being the last business day immediately preceding the announcement of the Offers, the Octroi Ordinary Offer values each Octroi Ordinary Share at 4p.

Octroi Preference Offer

The Octroi Preference Offer, which is subject to the conditions and further terms set out in the Octroi Offer Document and the Octroi Preference Form of Acceptance, is being made on the following basis:

for each Octroi Preference Share **138p in cash**

The Preference Offer is in respect of all rights of the Octroi Preference Shareholders in respect of the Octroi Preference Shares **(including all dividends accrued and to be accrued on the Octroi Preference Shares up to 31 December 1999).**

The total amount payable by Lupus, assuming full acceptance of the Octroi Preference Offer would amount to £6.39 million.

On the basis of the Ordinary Offer as described above, were Octroi Preference Shareholders to convert their Octroi Preference Shares into Octroi Ordinary Shares and accept the Ordinary Offer, they would receive a value equivalent to 2.8p per Octroi Preference Share.

The Octroi Ordinary Offer and the Octroi Preference Offer together value the entire issued share capital of Octroi at approximately £8.15 million, based on the Closing Price of a Lupus Share of 11.25p on 26 November 1999.

Cash Cancellation Offer

The Cash Cancellation Offer, which is subject to the conditions and further terms set out in the Cash Cancellation Offer Document and the Cash Cancellation Form of Acceptance is being made on the following basis:

Dividend Holders are being offered a cash sum equal to the full amount of their Dividend Rights as at 31 December 1999 in consideration of which Dividend Holders agree with Lupus and Octroi to waive their Dividend Rights.

2.2 The Gall Thomson Offer

The Gall Thomson Offer which is subject to the conditions and further terms set out in the Gall Thomson Offer Document and the Gall Thomson Form of Acceptance, is being made on the following basis:

for every 9 Gall Thomson Shares **40 New Lupus Shares and 45p in cash**

and so in proportion for any greater or lesser number of Gall Thomson Shares held.

2.3 General

Lupus has also entered into a share purchase agreement with Octroi Investments, which is conditional on the Offers becoming unconditional in all respects, under which Lupus will acquire the Excluded Shares in consideration for the issue to Octroi Investments of a loan note on the terms described in more detail at paragraph 2(l) in Part VI of this document.

The Octroi Shares, the Gall Thomson Shares and the Excluded Shares will be acquired by Lupus fully paid, or credited as fully paid, and free from all liens, equitable interests, charges, third party rights, encumbrances and other interests and together with all the rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid hereafter.

Fractions of New Lupus Shares will not be allotted or issued to accepting Octroi Shareholders or Gall Thomson Shareholders but will be aggregated and sold in the market and the net proceeds of sale distributed *pro rata* to persons entitled thereto. However, individual entitlements to amounts of less than £3 will not be paid to persons accepting the Offers, but will be retained for the benefit of the Enlarged Group.

Acceptance in full of the Offers by all Octroi Shareholders and Gall Thomson Shareholders (assuming no exercise of outstanding options under the Octroi Share Option Schemes or Gall Thomson Share Option Scheme and assuming no conversion of the Octroi Preference Shares into Octroi Ordinary Shares) would result in the issue of 90,343,427 New Lupus Shares, representing approximately 53.3 per cent. of the enlarged issued share capital of Lupus.

The Offers and the Cash Cancellation Offer will remain open for acceptance until 3 p.m. on 21 December 1999 or such later time(s) and/or date(s) as Lupus may decide in accordance with the provisions contained in each of the Offer Documents and the Cash Cancellation Offer Document.

The New Lupus Shares will be issued, credited as fully paid, and will rank *pari passu* in all respects with the existing Lupus Shares, including the right to receive and retain all dividends and other distributions declared, made or paid hereafter.

Each of the Offers is conditional upon each other, so that none of them shall become or be declared unconditional in all respects unless all of them shall become or be declared unconditional in all respects. It is a condition to the Octroi Ordinary Offer that acceptances to the Cash Cancellation Offer are received by Lupus in respect of not less than 50 per cent. of the Dividend Rights in value.

The directors of Octroi, who have been so advised by Cavendish Corporate Finance Limited, consider the terms of each of the Octroi Offers to be fair and reasonable and are unanimously recommending that Octroi Shareholders accept the Octroi Offers.

The directors of Gall Thomson, who have been so advised by Marshall Securities Limited, consider the terms of the Gall Thomson Offer to be fair and reasonable and are unanimously recommending that Gall Thomson Shareholders accept the Gall Thomson Offer.

3. Financing of the Gall Thomson Offer, the Octroi Preference Offer and the Cash Cancellation Offer

The funds to satisfy the cash consideration in respect of the Gall Thomson Offer, the Octroi Preference Offer and the Cash Cancellation Offer will be provided primarily out of Lupus's own resources and partly by a new committed bank facility of £4 million provided by Bank of Scotland. The aggregate amount of cash required to satisfy the cash element of the Gall Thomson Offer, the Octroi Preference Offer and the Cash Cancellation Offer is £8.10 million assuming that the Gall Thomson Offer, the Octroi Preference Offer and the Cash Cancellation Offer are accepted in full.

4. Octroi Share Option Schemes

The Octroi Ordinary Offer extends to any Octroi Ordinary Shares currently in issue or unconditionally allotted or issued prior to the date on which the Octroi Ordinary Offer closes or such earlier date as Lupus may, subject to the Code, decide, pursuant to the exercise of options under the Octroi Share Option Schemes.

5. Gall Thomson Share Option Scheme

The Gall Thomson Offer extends to any Gall Thomson Shares currently in issue or unconditionally allotted or issued prior to the date on which the Gall Thomson Offer closes or such earlier date as Lupus may, subject to the Code, decide, pursuant to the exercise of options under the Gall Thomson Share Option Scheme. In addition, Lupus will make appropriate proposals to holders of any outstanding options under the Gall Thomson Share Option Scheme in due course if the Gall Thomson Offer becomes unconditional in all respects.

6. Background to and reasons for the Offers and the Cash Cancellation Offer

The strategy of Lupus is to invest in, or acquire, small and medium sized public companies which it believes are facing strategic barriers to development whether of a corporate or commercial nature. It plans to provide and, where necessary, implement strategic plans for these companies, including appropriate exit routes. In so doing, Lupus expects to create value by providing a service to shareholders and company boards, as well as to acquisitive well-run international companies looking to expand and to diversify their businesses.

The current environment for small and medium sized public companies remains challenging with continuing, substantial change taking place in the financial and commercial markets. This has caused shareholders, particularly institutions, to concentrate their investment policy on large, international companies with liquid markets in their equity capital. The Lupus board believes that changes in the commercial environment – for example, the revolution in information and telecommunication technologies, the advent of low inflation generally, deflation in certain goods and the internationalisation of consumer products – have also been driving forces in this development. Lupus also believes that these forces are of a structural, long-term nature.

In such an environment, those companies which lack strategic direction need to find solutions before the company's inherent values – such as brands – erode at great speed. This is essential so that all shareholders (not least institutional shareholders with larger, and hence particularly illiquid, stakes) can derive value and also to ensure that the particular company's products and employees can develop in the increasingly competitive global market. However for a variety of reasons, boards alone often find it difficult to set a strategy for dealing with these challenges, not least because a company's development cannot necessarily be achieved by remaining as an independent company. Given its strategy, Lupus believes it will be able to provide the plans, means and methodology to meet such challenges.

Lupus believes that the Offers are fully in line with its strategy. In recent years Octroi has had to concentrate its resources – both management and financial – in dealing with a number of issues relating to its troubled past. Moreover, in 1997 shares in the company were de-listed and since then there has been no market in the shares. Since the flotation of Gall Thomson on the Alternative Investment Market in August 1996 the board of Gall Thomson has sought to develop the business of the Gall Thomson Group organically and by acquisition. The business has been enhanced by the acquisitions of KLAW and of the camlock coupling business of Welin Lambie Limited. However, the board of Gall Thomson has been unable to implement any major strategic transactions of a kind which would transform the prospects of Gall Thomson for the benefit of shareholders. The uncertainty concerning Octroi's intentions with regard to its 46 per cent. shareholding in Gall Thomson has not proved helpful in this regard. The board of Gall Thomson had expected that the move to the Official List in August 1998 would create a more favourable background for the strategic development of the Gall Thomson Group but, despite considerable efforts by the board of Gall Thomson, this has not proved to be the case.

The current board of Octroi has almost completed the task of dealing with the legacy of Octroi's past. However, it would have taken some time before the Octroi Preference Shares could have been redeemed and their arrears paid or before any payment could be made on a winding up of Octroi. Moreover, Lupus believes that the continuing presence of Octroi as a shareholder in Gall Thomson has not only restricted Gall Thomson's strategic development but has also made the market in Gall Thomson Shares particularly illiquid. The Offers provide liquidity for both sets of shareholders.

Given the above, Lupus believes that the Offers and the Cash Cancellation Offer deal with a number of structural and corporate issues for the boards and shareholders of Octroi and Gall Thomson. Lupus also will use its skills to assist Gall Thomson's businesses in developing a long-term strategy to meet the challenges and opportunities in the global oil and gas industries.

The Offers illustrate Lupus's strategy to provide a service to boards, management and shareholders wishing to solve strategic issues whether of a corporate or commercial nature. Furthermore, the board of Lupus believes that the Offers represent a major step in the development of Lupus and that there are many further opportunities for Lupus to pursue.

7. Management and employees

Lupus has given assurances to the board of Octroi and the board of Gall Thomson that the existing employment rights, including pension rights, of Octroi employees and Gall Thomson employees will be fully safeguarded.

Upon the Offers becoming unconditional in all respects, each of the directors of Octroi will resign from the board of Octroi and Neville Brown and Sam Wauchope will resign as directors of Gall Thomson.

8. Current trading and prospects

Lupus

The sale of Lupus's property services operations was completed on 13 August 1999; it left Lupus principally with cash, certain quoted investments, freehold properties and some sundry debtors and creditors. Most importantly, the sale left Lupus in a position to pursue its new strategy which is illustrated by the announcement of the Offers.

Octroi

The main activity of Octroi is that of investment management. The principal assets of Octroi are cash (which as at 31 March 1999 stood at £3.2 million) and its interest in Gall Thomson (held by Octroi Investments) which as at 26 November 1999 represented approximately 46 per cent. of the issued share capital of Gall Thomson. Octroi also has a number of subsidiaries, all of which are either dormant or not trading.

As at 31 March 1999 Octroi had net assets of £9.9 million and in the year then ended incurred a loss on ordinary activities after taxation of £0.8 million. More detailed financial information on Octroi is contained in Part III of this document.

Gall Thomson

As at 31 March 1999, the Gall Thomson Group had net assets of £3.42 million and for the year then ended achieved a profit on ordinary activities before taxation of £2.48 million. More detailed financial information on the Gall Thomson Group is contained in Part IV of this document.

On 29 November 1999, the board of Gall Thomson reported the unaudited interim results of Gall Thomson for the six months ended 30 September 1999. In the period, the Gall Thomson Group recorded a pre-tax profit of £906,000. The full text of the unaudited interim announcement of Gall Thomson for the six month period ended 30 September 1999 is set out in Part IV of this document.

Prospects of the Enlarged Group

Lupus believes that prospects for the Enlarged Group are encouraging. Following the sale of the property services operations in August, Lupus was in a position to pursue its new strategy which is illustrated by the announcement of the Offers. The board of Lupus believes that the Offers represent a major step in its development and there are many further opportunities for Lupus to pursue. As regards the trading operations of Gall Thomson the board of Lupus notes that the oil price has risen over the last few months which should improve the general trading climate for these operations. In particular, Gall Thomson's couplings business entered its second half with a good order book.

9. Period for acceptance

The Offers will initially be open for acceptance until 3.00 p.m. on 21 December 1999. The Offers may be extended to a later date but are not capable of being kept open after 1 p.m. on 29 January 2000 unless the Offers have previously become or been declared unconditional as to acceptances, except that Lupus reserves the right, with the permission of the Panel, to extend the Offers to a later time(s) and/or date(s). If the Offers become or are declared unconditional as to acceptances, the Offers will remain open for acceptance for not less than 14 days from the date on which they would otherwise have expired.

The Cash Cancellation Offer will initially be open for acceptance until 3.00 p.m. on 21 December 1999. If the Cash Cancellation Offer becomes or is declared unconditional in all respects it will remain open for acceptance for not less than 14 days from that date. The Cash Cancellation Offer will lapse unless the condition to the Cash Cancellation Offer has been fulfilled by midnight on 29 January 2000.

10. Listing, settlement and dealings

Application has been made to the London Stock Exchange for the New Lupus Shares to be admitted to the Official List. It is expected that listing will become effective and dealings in the New Lupus Shares will commence on the first dealing day following that on which the Offers are declared unconditional in all respects (save as regards the condition relating to Admission.)

Temporary documents of title will not be issued pending the despatch by post of definitive certificates for New Lupus Shares in accordance with the terms of the Offers. Pending the issue of definitive certificates for the New Lupus Shares, transfers will be certified against the register held by IRG plc.

All mandates and other instructions in force relating to holdings in Octroi and Gall Thomson will, unless and until revoked, continue in force in relation to payments and notices by Lupus in respect of the New Lupus Shares.

If sufficient acceptances are received, Lupus intends to apply the provisions of sections 428 to 430F of the Act to acquire compulsorily any outstanding Octroi Shares or Gall Thomson Shares and intends to seek a cancellation of the listing for Gall Thomson Shares immediately following the issue of the section 429 notices.

Subject to the Offers becoming or being declared unconditional in all respects, settlement of the consideration to any Octroi Shareholders or Gall Thomson Shareholders validly accepting the Offers will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offers become or are declared unconditional in all respects, no later than 14 days after such date, or (ii) in the case of acceptances received, complete in all respects, after the date on which the Offers become or are declared unconditional in all respects but while they remain open for acceptance, no later than 14 days after such receipt, in the following manner:

(a) Octroi Shares and Gall Thomson Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to Octroi Shares or Gall Thomson Shares in uncertificated form, any cash consideration will be paid by means of CREST by Lupus procuring the creation of an assured payment obligation in favour of the payment banks of accepting Octroi Shareholders or Gall Thomson Shareholders in accordance with the CREST assured payment arrangments.

Where an acceptance relates to Octroi Shares or Gall Thomson Shares in uncertificated form, any New Lupus Shares to which the accepting Octroi Shareholder or Gall Thomson Shareholder is entitled will be issued to such shareholder in uncertificated form. Lupus will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the Octroi Shareholder or the Gall Thomson Shareholder concerned with such shareholder's entitlement to New Lupus Shares. The appropriate stock account to be credited will be the account under the same participant ID and member account ID as appears on the Form of Acceptance concerned. In addition, the instruction to CRESTCo will specify (in the shared note field) the Form of Acceptance Reference Number that appears on the Form of Acceptance concerned.

Lupus reserves the right to settle all or any part of the consideration referred to above, for all or any accepting Octroi Shareholder or Gall Thomson Shareholder(s), in the manner referred to in paragraph (c) below, if, for any reason, it wishes to do so.

(b) Gall Thomson Shares, Octroi Preference Shares and Dividend Holders

Any cash consideration to which any accepting Gall Thomson Shareholder, Octroi Preference Shareholder and Dividend Holder is entitled will be paid in pounds sterling by cheque drawn in favour of the accepting Gall Thomson Shareholder, Octroi Preference Shareholder or Dividend Holder on a branch of a UK clearing bank. Cheques will be despatched as referred to in paragraph (c) below.

(c) Octroi Shares and Gall Thomson Shares in certificated form

Where an acceptance relates to Octroi Shares or Gall Thomson Shares in certificated form, the New Lupus Shares to which the accepting Octroi Shareholder or Gall Thomson Shareholder is entitled will be issued in certificated form. Definitive certificates for the New Lupus Shares and cheques for any cash due, as appropriate, will be despatched (but not in or into the United States, Canada, Australia or Japan) by first class post (or by such other method as the Panel may approve). All such payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

Octroi Shareholders and Gall Thomson Shareholders who hold their Octroi Shares and Gall Thomson Shares in certificated form can, after they have received share certificates in respect of New Lupus Shares, apply to IRG plc in the usual way to hold such shares in uncertificated form.

All communications, notices, remittances, certificates and documents of title sent by, to, or from Octroi Shareholders or Gall Thomson Shareholders or their appointed agents will be sent at their own risk and may be sent by post.

11. Conditions

11.1 The Octroi Ordinary Offer is conditional, *inter alia*, upon:

(a) Lupus Shareholders passing the Resolution at the Extraordinary General Meeting on 16 December 1999 to, *inter alia*, approve the Octroi Offers, the purchase of the Excluded Shares and the Cash Cancellation Offer;

(b) valid acceptances being received by not later than 3.00 p.m. on 21 December 1999 (or such later date(s) as Lupus may decide) in respect of not less than 90 per cent. of the Octroi Ordinary Shares and 90 per cent. of the Octroi Preference Shares or such smaller percentage as Lupus made decide, provided that this condition will not be satisfied unless Lupus (and its wholly owned subsidiaries) has by that date acquired or agreed to acquire Octroi Ordinary Shares carrying over 50 per cent. of the voting rights normally exercisable at a general meeting of Octroi;

(c) valid acceptances being received by not later than 3.00 p.m. on 21 December 1999 (or such later date(s) as Lupus may decide) in respect of not less than 50 per cent. of the Dividend Rights (in nominal value) or such smaller percentage as Lupus may decide;

(d) Admission; and

(e) the Gall Thomson Offer becoming unconditional in all respects (save for Admission and any condition relating to the Octroi Offers becoming unconditional in all respects).

The Octroi Offers are subject to the other conditions set out in Appendix I to the Octroi Offer Document, certain of which are capable of waiver by Lupus.

11.2 The Octroi Preference Offer is conditional upon the Octroi Ordinary Offer becoming unconditional in all respects.

11.3 The Cash Cancellation Offer is conditional upon the Offers becoming unconditional in all respects.

11.4 The Gall Thomson Offer is conditional, *inter alia,* upon:

(a) Lupus Shareholders passing the Resolution at the Extraordinary General Meeting on 16 December 1999 to, *inter alia,* approve the Gall Thomson Offer;

(b) valid acceptances being received by not later than 3.00 p.m. on 21 December 1999 (or such later date(s) as Lupus may decide) in respect of not less than 90 per cent. of the Gall Thomson Shares or such smaller percentage as Lupus made decide, provided that this condition will not be satisfied unless Lupus (and its wholly owned subsidiaries) has by that date acquired or agreed to acquire shares in Gall Thomson carrying over 50 per cent. of the voting rights normally exercisable at a general meeting of Gall Thomson;

(c) Admission; and

(d) the Octroi Offers becoming unconditional in all respects (save for Admission and any condition relating to the Gall Thomson Offer becoming unconditional in all respects).

The Gall Thomson Offer is subject to the other conditions set out in Appendix I to the Gall Thomson Offer Document, certain of which are capable of waiver by Lupus.

12. Overseas shareholders

The Offers are not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the United States, Canada, Australia or Japan. Persons wishing to accept the Offers should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to the Offers since doing so may render invalid any purported acceptance of the Offers.

The New Lupus Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor any jurisdiction of the United States, nor have the relevant clearances been, nor will they be, obtained from the Securities Commission of any province or territory of Canada, nor has a prospectus in relation to the New Lupus Shares been lodged with, or registered by, the Australian Securities Commission or any Securities Authority in Japan. Accordingly, unless an exemption under such Act or relevant Securities Law is available, the New Lupus Shares may not be offered, sold, re-sold or delivered, directly or indirectly, into or from the United States, Canada, Australia or Japan. **All Lupus Shareholders or Octroi Shareholders or Gall Thomson Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, forward this document and its accompanying documents to any jurisdiction outside the United Kingdom, should seek appropriate authority before taking any action.**

13. Further information

Further details of the Offers, the purchase of the Excluded Shares and the Cash Cancellation Offer are contained in the Octroi Offer Document, the Gall Thomson Offer Document and the Cash Cancellation Offer Document which are being despatched to Octroi Shareholders and Gall Thomson Shareholders (as appropriate) and, for information only, to Lupus Shareholders with this document. A circular to Lupus Shareholders containing a notice convening an Extraordinary General Meeting on 16 December 1999 and providing information on the Offers, the purchase of the Excluded Shares and the Cash Cancellation Offer is being despatched at the same time.

PART II

INFORMATION ON LUPUS

Introduction

The strategy of Lupus is to invest in, or acquire, small and medium sized public companies which are facing strategic barriers to development whether of a corporate or commercial nature. Lupus intends to generate significant returns by providing and, where necessary, implementing strategic plans for these companies, including appropriate exit routes. Lupus will therefore create value by providing a service to shareholders and company boards, as well as to acquisitive well-run international companies looking to expand and to diversify their businesses.

Lupus has undergone very significant change in 1999. In February, an investor group led by Charles Ryder and James Orr acquired a 29.6 per cent. stake in Lupus, then known as Environmental Property Services plc and a number of board and management changes ensued. In April, when the results for the year ended 31 December 1998 were released, the Company announced its new strategy, the proposal to change its name to Lupus Capital plc, and the potential sale of its underlying businesses which were all involved in property services.

Shareholders confirmed the change of name at the Annual General Meeting held on 4 June 1999.

On 26 July 1999, the Company announced that it had agreed to sell all of its property services operations to Environmental Property Services Holdings Limited ("EPS Holdings") an MBO vehicle led by David Anderson, Managing Director of these operations. EPS Holdings is backed by certain funds advised by Alchemy Partners and by Bank of Scotland. The sale of the property services operations realised a cash consideration of £7.81 million. In addition, EPS Holdings undertook to discharge deferred consideration liabilities amounting to £1.53 million. On the same day, Lupus announced the sale of its 29.5 per cent. holding in Superframe Group Plc for a net cash consideration of £491,476.

The sale of the property services operations was completed on 13 August 1999 following approval of the sale by shareholders and left the Company principally with cash, certain quoted investments, freehold properties and some sundry debtors and creditors. Since then Lupus has made certain incidental investments in the shares of other listed companies, aggregating approximately £950,000, including £247,000 in the Greenalls Group PLC, £240,000 in Swallow Group PLC and £228,000 in Emess PLC.

Basis of financial information

The financial information contained in this Part II does not constitute statutory accounts within the meaning of section 240 of the Companies Act. Audited accounts of Lupus for each of the three years ended 31 December 1998 received an unqualified audit opinion and did not contain a statement under section 237(2) or (3) of the Companies Act. Statutory accounts for each of the three years ended 31 December 1998 have been delivered to the Registrar of Companies in England and Wales. Ernst & Young, Registered Auditors of Rolls House, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NH were auditors to Lupus for the year ended 31 December 1998. Ernst & Young, Registered Auditors of Cambridge House, 26 Tombland, Norwich, NR3 1RH and Spokes & Company, Chartered Accountants and Registered Auditors of Hilden Park House, 79 Tonbridge Road, Hildenborough, Kent, TN11 9BH were joint auditors for each of the two years ended 31 December 1997. On 26 July 1999 Lupus announced the disposal of its remaining operating activities and hence all historical operational activities are now discontinued. Accordingly, an analysis of turnover and of operating profits between continuing and discontinued operations is inappropriate and has not been extracted from the statutory accounts of Lupus.

Audited financial information

The following information is extracted without material adjustment from the audited financial statements of Lupus for each of the three years ended 31 December 1998.

Group profit and loss account

The profit and loss accounts for Lupus for the three years ended 31 December 1998 are as set out below:

	Notes	*1996* *£000*	*1997* *£000*	*1998* *£000*
Turnover	1	14,864	31,654	38,497
Cost of sales		(12,092)	(26,857)	(32,597)
Gross profit		2,772	4,797	5,900
Administrative expenses		(1,878)	(3,440)	(4,707)
Other operating income		24	21	95
Exceptional expenses		—	(93)	—
Operating profit	1	918	1,285	1,288
(Loss)/profit on disposal of tangible fixed assets	3	(23)	91	—
Profit on sale of operations	3	—	58	—
Fundamental restructuring cost	3	—	—	(158)
		895	1,434	1,130
Interest receivable and similar income		37	89	66
Interest payable and similar charges	4	(90)	(222)	(155)
Income from participating interest		89	—	—
Profit on ordinary activities before taxation		931	1,301	1,041
Tax on profit on ordinary activities	5	(255)	(311)	(388)
Profit on ordinary activities after taxation		676	990	653
Ordinary dividends	6	(231)	(415)	(470)
Dividend in specie	6	—	—	(1,755)
Retained profit/(loss) for the financial year		445	575	(1,572)
Earnings per share	7	1.66p	2.02p	0.94p
Diluted earnings per share	7	1.66p	2.02p	0.93p
Dividend per share		0.50p	0.70p	0.65p

Balance sheet

The balance sheet of Lupus as at 31 December 1996, 31 December 1997 and 31 December 1998 are as set out below:

	Notes	*1996* *£000*	*1997* *£000*	*1998* *£000*
Fixed assets				
Intangible assets	8	30	—	3,719
Tangible assets	9	898	608	1,070
Investments	10	24	373	484
		952	981	5,273
Current assets				
Stocks & work-in-progress	11	2,246	2,263	2,464
Debtors	12	4,426	7,704	6,544
Cash at bank and in hand		1,790	2,785	864
		8,462	12,752	9,872
Creditors: amounts falling due within one year	13	(5,953)	(7,317)	(7,864)
Net current assets		2,509	5,435	2,008
Total assets less current liabilities		3,461	6,416	7,281
Creditors: amounts falling due after more than one year	14	(457)	(994)	(2,981)
Provision for liabilities and charges	16	(2)	(2)	—
		3,002	5,420	4,300
Capital and reserves				
Called up share capital	17	231	344	377
Share premium account	18	1,441	3,824	4,411
Special reserve	18	665	12	—
Profit and loss account	18	497	1,072	(488)
Equity shareholders' funds	19	2,834	5,252	4,300
Minority interests (non-equity)		168	168	—
		3,002	5,420	4,300

Cash flow statement

The cash flow statements of Lupus for each of the three years ended 31 December 1998 are as set out below:

	Notes	*1996* *£000*	*1997* *£000*	*1998* *£000*
Net cash inflow/(outflow) from operating activities	20(a)	380	(1,844)	1,379
Returns on investments and servicing of finance				
Interest received		37	79	62
Interest paid		(90)	(218)	(164)
		(53)	(139)	(102)
Taxation				
UK corporation tax paid		(38)	(142)	(273)
Capital expenditure and financial investment				
Sale of tangible fixed assets		57	489	135
Purchase of tangible fixed assets		(517)	(340)	(165)
Sale of investments		74	—	297
Purchase of investments		—	(352)	(437)
		(386)	(203)	(170)
Acquisitions & disposals				
Purchase of subsidiary undertakings		(397)	(381)	(2,769)
Disposal of subsidiary undertakings		99	179	—
Net overdrafts in demerged operations		—	—	1,063
Payments to acquire intangible fixed assets		(30)	—	(122)
		(328)	(202)	(1,828)
Equity dividends paid		(165)	(267)	(519)
Net cash outflow before financing		(590)	(2,797)	(1,513)
Financing				
Issue of shares net of costs		1,762	2,496	95
New long term loans		85	658	1,000
Repayment of long term loans		—	—	(425)
New finance leases		21	158	35
Repayment of capital element of finance leases		—	—	(34)
		1,868	3,312	671
Increase/(decrease) in cash		1,278	515	(842)

Reconciliation of net cash flow to movement in net funds/(debt)

		1996 *£000*	*1997* *£000*	*1998* *£000*
Increase/(decrease) in cash		1,278	515	(842)
Cash inflow from increase in loans		(85)	(658)	(1,000)
Cash outflow from repayment of loans		—	—	425
New finance leases		(21)	(158)	(35)
Repayment of capital element of finance leases		—	—	34
Change in net funds/(debt) from cash flows		1,172	(301)	(1,418)
Other		(129)	56	(199)
Movement in net debt		1,043	(245)	(1,617)
Net (debt)/funds at 1 January		(395)	648	403
Net funds/(debt) at 31 December	20(b)	648	403	(1,214)

Principal accounting policies

The following are the principal accounting policies of Lupus which have been consistently applied throughout the three year period ended 31 December 1998. The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

Basis of consolidation and treatment of goodwill

The Group financial statements consolidate those of Lupus and its subsidiary undertakings for the three financial years ended 31 December 1998. The results of subsidiary undertakings acquired or disposed of during the year have been included from the date of acquisition or up until the date of disposal. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired was, until December 1997, written off to reserves. Such goodwill arising on acquisitions since 1 January 1998 has been capitalised and amortised over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents the value of work done for customers during the year excluding VAT.

Profit is recognised on long-term work-in-progress contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at costs less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	2% straight line
Leasehold improvements	25% straight line
Fixtures, fittings and equipment	15% to 25% straight line
Plant and machinery	15% straight line
Motor vehicles	20% to 25% straight line

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments made under them are charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Fixed asset investments are investments in the shares of undertakings which are held on a long term basis for the purpose of securing a contribution to the Group's business, other than subsidiary or associated undertakings. These other participating interests are stated at cost less any permanent diminution in value.

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on a purchase cost basis. Work-in-progress includes materials and labour costs and an appropriate proportion of overheads incurred on uncompleted contracts at the year end. Profit is recognised on long term contracts as noted above.

Pensions

The Lupus Group makes payments towards the personal pension arrangements of certain executives. Contributions are charged to the profit and loss account as they become due.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

1. Turnover and operating profit

Turnover is attributable to one activity being property-related activities within the UK. Operating profit is stated after charging/(crediting):

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Depreciation of owned tangible assets	79	95	104
Depreciation of leased tangible assets	9	24	19
Amortisation of goodwill	—	—	32
Operating lease rentals – land and buildings	95	102	98
Operating lease rentals – other	134	165	169
Auditors remuneration – audit services	35	45	55
Auditors remuneration – other services	14	9	12
Rents receivable	(21)	(16)	(42)

2. Employees

2.1 Number of employees

The average monthly number of employees (including directors) of the Lupus Group during the financial year was:

	1996	*1997*	*1998*
	Number	*Number*	*Number*
Administration	29	45	69
Operations	95	99	106
	124	144	175

2.2 Employment costs

Employment costs of these employees during the year were as follows:

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Wages and salaries	1,570	2,995	4,091
Social Security costs	150	289	404
Other pension costs	83	104	131
	1,803	3,388	4,626

The remuneration in respect of the directors was as follows:

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Emoluments	81	184	280
Benefits	82	16	18
Pension costs	48	68	88
	211	268	386

3. Exceptional expenses

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Exceptional costs reported within operating profits:			
Issue costs in excess of those charged to Share premium account	—	93	—
Exceptional costs reported after operating profits:			
Loss on disposal of tangible fixed assets	(23)	(91)	—
Profit on sale of operations	—	(58)	—
Fundamental restructuring cost	—	—	158
Exceptional (income) / expense	—	(149)	158

4. Interest payable

	1996	*1997*	*1998*
	£000	*£000*	*£000*
On bank loans and overdrafts	81	207	128
Hire purchase and finance lease interest	9	15	27
	90	222	155

5. Taxation

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Taxation based on result for the year:			
Corporation tax	261	311	389
Adjustment in respect of prior year	(8)	—	1
Deferred taxation	2	—	(2)
	255	311	388

6. Dividends

	1996	*1997*	*1998*
	£000	*£000*	*£000*
Ordinary dividend:			
Proposed final equity dividend	139	276	226
Interim equity dividend	92	139	244
	231	415	470
Dividend in specie:			
Demerger of Dean Homes Limited, Speymill Tripp Limited and Bernard Ward & Sons Limited	—	—	1,755

7. Earnings per share

The calculation of basic earnings per share is based on profits after taxation and on a weighted average number of shares in issue during each of the three years ended 31 December 1998 as follows:

	1996	*1997*	*1998*
Profit for the financial year	£676,358	£989,504	£653,119
Weighted average number of shares in issue	40,708,950	49,023,250	69,578,565

The diluted earnings per share is based on the profit after taxation for the financial year and on 70,289,832 ordinary shares (1997: 49,023,250 and 1996: 40,708,950) calculated as follows:

	1996	*1997*	*1998*
	No.	*No.*	*No.*
Basic weighted average number of shares	40,708,950	49,023,250	69,578,565
Dilutive potential ordinary shares:			
Employee share options	—	—	711,267
	40,708,950	49,023,250	70,289,832

8. Intangible fixed assets

Intangible fixed assets comprise goodwill arising on consolidation on businesses acquired during the year (goodwill arising on consolidation in respect of acquisitions made in prior years continues to be written off against reserves) and purchased goodwill as follows:

	1997	*1998*
	£000	*£000*
Goodwill arising on consolidation	—	3,601
Purchased goodwill on business acquired in the year	—	118
Purchased goodwill within subsidiaries acquired in the year	—	—
	—	3,719

This goodwill arose as follows:

	1997	*1998*
	£000	*£000*
Goodwill arising on consolidation:		
IPM Engineering Limited	—	2,522
RLH Group Limited	—	681
Castellain Limited	—	329
H Page Engineering Limited	—	97
Bernard Ward & Sons Limited	—	16
	—	3,645
Less amounts included in demerged activities	—	(16)
Total goodwill arising on consolidation	—	3,629
Amortisation of goodwill arising on consolidation	—	(28)
Net book value of goodwill arising on consolidation	—	3,601

	1997	*1998*
	£000	*£000*
Purchased goodwill:		
On businesses acquired during the year	—	122
Amortisation of purchased goodwill	—	(4)
Net book value of purchased goodwill	—	118

9. Tangible fixed assets

	Freehold Land Buildings £000	*Leasehold improvements £000*	*Plant and machinery £000*	*Motor vehicles £000*	*Fixtures and fittings £000*	*Total £000*
Cost						
At 1 January 1997	534	35	122	185	506	1,382
Additions	6	106	13	133	82	340
Disposals	(334)	—	(3)	(112)	(16)	(465)
Disposal of subsidiary undertaking	—	(43)	(96)	(7)	(10)	(156)
At 31 December 1997	206	98	36	199	562	1,101
Acquisition of subsidiaries	75	—	245	930	348	1,598
Additions	—	—	—	69	95	164
Disposals	—	(98)	—	(51)	(61)	(210)
Demerger of subsidiaries	(75)	—	(72)	(218)	(98)	(463)
At 31 December 1998	206	—	209	929	846	2,190
Depreciation						
At 1 January 1997	3	11	40	104	326	484
Charge for the year	2	12	10	32	63	119
Elimination on disposals	(1)	—	—	(61)	(6)	(68)
Disposal of subsidiary undertaking	—	(16)	(20)	(1)	(5)	(42)
At 31 December 1997	4	7	30	74	378	493
Acquisition of subsidiaries	1	—	189	364	218	772
Charge for the year	2	—	4	63	54	123
Elimination on disposals	—	(7)	—	(43)	(21)	(71)
Demerger of subsidiaries	(1)	—	(56)	(84)	(56)	(197)
At 31 December 1998	6	—	167	374	573	1,120
Net book value						
At 31 December 1998	200	—	42	555	273	1,070
At 31 December 1997	202	91	6	125	184	608

The figures above include assets held under finance leases as follows:

Net book value						
At 31 December 1998	—	—	—	448	—	448
At 31 December 1997	—	—	—	107	—	107
Depreciation charged in year to 31 December 1998	—	—	—	24	—	24

10. Fixed asset investments

	1997 £000	*1998 £000*
Listed investments at cost	373	484

Listed investments at cost

At 31 December 1998 Lupus held an interest in 2,340,362 shares representing 29.5 per cent. (1997: 1,840,362 representing 23.1 per cent.) of the ordinary share capital of Superframe Group Plc ("Superframe"), a company registered in England and Wales. The listed investment had a market value at 28 April 1999 of £491,476 and at 31 December 1998 of £397,862 (1997:

£349,668). The shortfall of market value to cost at 31 December 1998 is not regarded a permanent diminution in value. The interest in Superframe has not been accounted for as an associate undertaking since the Company did not participate in the direction of its investment during the year, had no board representation and did not exert significant influence. The last available Audited Accounts for Superframe are those for the year to 31 December 1997. At 31 December 1997 Superframe had capital and reserves of £778,591 and profit before taxation for the year ended 31 December 1997 was £206,336. Superframe's unaudited group profit before taxation for the six month period ended 30 June 1998 was £60,323.

11. Stocks and work-in-progress

	1997	*1998*
	£000	*£000*
Raw materials and consumables	78	99
Work-in-progress	1,282	2,365
Finished properties	903	—
	2,263	2,464

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12. Debtors

	1997	*1998*
	£000	*£000*
Trade debtors	3,967	3,804
Amounts recoverable on contracts	2,989	1,736
Advance corporation tax	127	94
Other debtors	345	748
Prepayments and accrued income	276	162
	7,704	6,544

The advance corporation tax shown above is due after more than one year.

13. Creditors: amounts falling due within one year

	1997	*1998*
	£000	*£000*
Bank loans and overdrafts	1,283	400
Net obligations under finance leases	105	252
Trade creditors	2,801	4,829
Corporation tax	554	307
Other taxes and social security costs	528	766
Proposed dividend	287	227
Other creditors	4	519
Accruals and deferred income	1,755	564
	7,317	7,864

The bank overdrafts and loans are secured by a fixed and floating charge over the assets of the Lupus Group. Set-off is available to the bank between Lupus and its group company members by virtue of the bank holding a debenture from each company together with a cross corporate guarantee.

14. Creditors: amounts falling due after more than one year

	1997 £000	1998 £000
Bank loans and mortgages	899	1,278
Net obligations under finance leases	95	148
Other creditors	—	1,555
	994	2,981

The mortgages are secured on the freehold properties of the Group. Other creditors comprise deferred consideration on acquisitions.

15. Borrowings

	1997 £000	1998 £000
Repayable within one year:		
Bank and other borrowings	1,283	400
Finance leases	105	253
Repayable after one and within two years:		
Bank and other borrowings	273	400
Finance leases	47	97
Repayable after two and within five years:		
Bank and other borrowings	532	700
Finance leases	48	51
Repayable after five years:		
Bank and other borrowings	94	178
	2,382	2,079
Borrowings repayable after five years comprise:		
Bank loans and other borrowings repayable by instalments	94	178

The total value of borrowings of the Lupus Group repayable by instalments any part of which falls due after five years is £177,792 (1997: £93,891) and relates to a Capital and Interest repayment mortgage with the Alliance & Leicester Building Society due for repayment in 2015. The interest rate chargeable is 1.25 per cent. above the base rate.

16. Provision for liabilities and charges

	1997 £000	1998 £000
Deferred taxation		
Provided:		
Capital allowances in advance of depreciation	2	—
Unprovided:		
Capital allowances in advance of depreciation	—	25

The deferred taxation balance was released to the profit and loss account in the year.

17. Share capital

	1997 £000	1998 £000
Authorised:		
100,000,000 ordinary shares of ½pence each	500	500
Allotted, called up and fully paid		
75,523,785 ordinary shares of ½ pence each (1997: 68,904,293 shares)	344	377

Allotments during the year were as follows:

	Aggregate Nominal Value £000	*Consideration £000*
Exercise of options	1	25
Acquisition consideration for Castellain Limited	1	25
Acquisition consideration for IPM Engineering Limited	25	500
Issue of shares for cash	6	120
	33	670

Contingent rights to the allotment of shares

At 31 December 1998 options over 3,750,000 ordinary shares which are exercisable between 11 June 2000 and 11 December 2005 at an exercise price of 7.5p and options over 250,000 ordinary shares which are exercisable at 13.5p between 17 October 2000 and 16 October 2004 were outstanding. During the year one employee exercised options over 250,000 ordinary shares. As a result of 250,000 ordinary shares with an aggregate nominal value of £1,250 were allotted for a total consideration of £25,000.

18. Statement of movement on reserves

	Share capital £000	*Share Premium Account £000*	*Capital reserve £000*	*Profit & loss account £000*	*Total £000*
At 1 January 1997	231	1,441	665	497	2,834
Shares issued for cash	113	2,939	—	—	3,052
Cost of shares issued	—	(556)	—	—	(556)
Goodwill written off	—	—	(653)	—	(653)
Retained profit for the year	—	—	—	575	575
At 1 January 1998	344	3,824	12	1,072	5,252
Transfer between reserves	—	—	(12)	12	—
Shares issued	33	637	—	—	670
Costs of shares issued	—	(50)	—	—	(50)
Retained loss for the year	—	—	—	(1,572)	(1,572)
At 31 December 1998	377	4,411	—	(488)	4,300

19. Reconciliation of shareholders' funds

	1997 £000	*1998 £000*
Profit for the financial year	990	653
Net movement on share issues	2,496	620
Goodwill on acquisitions	(653)	—
Dividends paid and proposed on equity shares	(415)	(470)
Demerger dividend in specie	—	(1,755)
Net movement in shareholders' funds	2,418	(952)
Opening shareholders' funds	2,834	5,252
Closing shareholders' funds	5,252	4,300

20. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1997 £000	1998 £000
Operating profit	1,285	1,288
Depreciation	119	123
Amortisation of goodwill	—	32
Movement in stock	(67)	(1,064)
Movement in debtors	(3,717)	(2,994)
Movement in creditors	533	4,219
Loss on disposals of fixed assets	3	4
Profit on disposals of investments	—	(71)
Fundamental reorganisation costs	—	(158)
	(1,844)	1,379

(b) Analysis of net funds/(debt)

	1 January 1997 £000	Cash flow £000	Other £000	31 December 1997 £000
Cash at bank	1,790	995	—	2,785
Overdrafts	(600)	(480)	—	(1,080)
	1,190	515	—	1,705
Finance leases	(98)	(158)	56	(200)
Debt due within one year	(43)	(169)	9	(203)
Debt due after one year	(401)	(489)	(9)	(899)
Net funds/(debt)	648	(301)	56	403

	1 January 1998 £000	Cash flow £000	Other £000	31 December 1998 £000
Cash at bank	2,785	(1,921)	—	864
Overdrafts	(1,080)	1,080	—	—
	1,705	(841)	—	864
Finance leases	(200)	(1)	(199)	(400)
Debt due within one year	(203)	(197)	—	(400)
Debt due after one year	(899)	(379)	—	(1,278)
Net funds/(debt)	403	(1,418)	(199)	(1,214)

21. Financial commitments

At 31 December 1998 Lupus had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1997 £000	1998 £000	1997 £000	1998 £000
Expiry date:				
Within one year	—	17	19	86
Between two and five years	35	24	194	16
Over five years	67	33	—	10

Interim Statement

The full text of the unaudited interim statement of Lupus for the six month period ended 30 June 1999 was as follows:

"Chairman's statement

Introduction

The strategy of Lupus Capital plc ("Lupus" or "the Company") is to invest in, or acquire, small and medium sized public companies which it believes are lacking strategic direction. Lupus intends to generate significant returns by providing and, where necessary, implementing, strategic plans for these companies, including appropriate exit routes. The Company will therefore create value by providing a service to shareholders and company boards, as well as to acquisitive well-run international companies looking to expand and to diversify their businesses.

Period of transformation

Lupus has undergone very significant change in 1999 including the period covered by the interim results to 30 June 1999.

In February, an investor group led by Charles Ryder and James Orr acquired a 29.6 per cent. stake in the Company, then known as Environmental Property Services plc ("EPS") and a number of board and management changes ensued. In April, when the results for the year ended 31 December 1998 were released, the Company announced its new strategy, the proposal to change its name to Lupus Capital plc, and the potential sale of its underlying businesses which were all involved in property services.

Shareholders confirmed the change of name at the Annual General Meeting held on 4 June.

On 26 July, the Company announced that it had agreed to sell all of its property services operations to Environmental Property Services Holdings Limited ("EPS Holdings") an MBO vehicle led by David Anderson, Managing Director of these operations. EPS Holdings is backed by certain funds advised by Alchemy Partners and by the Bank of Scotland. The sale of the property services operations realised a cash consideration of £7.81 million. In addition, EPS Holdings undertook to discharge deferred consideration liabilities amounting to £1.53 million. On the same day, Lupus announced the sale of its 29.5 per cent. holding in Superframe Group Plc for a net cash consideration of £491,476.

The sale of the property services operations was completed on 13 August following approval of the sale by shareholders and left the Company principally with cash, certain quoted investments, freehold properties and some sundry debtors and creditors. Most importantly, the sale left Lupus in a position to pursue its new strategy.

Results

Given the subsequent sale of the property services operations, the Lupus Group's results for the six months to 30 June 1999 almost entirely relate to businesses which are no longer part of it. Nevertheless, for the purposes of the interim statement these property services operations are referred to as the continuing operations of the Group while those referred to as discontinued relate to the housebuilding and pub refurbishment subsidiaries demerged from the Group in December 1998 into Artisan (UK) plc which is quoted on AIM.

During the period, total sales were £14,606,000 (1998: £19,056,000) and profit before taxation was £229,000 (1998: £953,000). The property services operations performed satisfactorily; sales of the continuing operations rose to £14,606,000 (1998: £8,145,000) and operating profits of the continuing operations were £377,000 (1998: £327,000).

Dividends

The Board has decided that dividends in future should relate to the success of the various investments made by the Group although, certainly in the short to medium term, the emphasis will be on using cash generated from successful investments for investment in new opportunities.

Given the fundamental transformation in the Group, and more particularly, the adoption of its new strategy, the Board has therefore declared an interim dividend of 0.1 pence per share. This compares to 0.35p paid at the interim stage in 1998 before the demerger in December of the most profitable part of the Group and the change of strategy during the course of this year. The dividend will be paid on 19 November 1999 to shareholders on the register at the close of business on 29 October 1999.

Composition of the Board

As I stated at the time of the management buy-in, I intended to step down as Chairman to become Chief Executive upon the appointment of a non-executive Chairman. The Board is therefore pleased to announce that Oliver Stocken will be joining the Board with effect from Monday, 18 October 1999 as non-executive Chairman. Oliver Stocken was, until recently, Group Finance Director of Barclays PLC and is a non-executive director of a number of companies including 3i Group, Bunzl, MEPC, Pilkington, The Rank Group and Rutland Trust.

Future Prospects

The sale of the property services operations has left the Group in a position to pursue its strategy with vigour. The funds arising from the sale will be used to invest in or to acquire other quoted companies with the intention of enhancing shareholder value. The Board believes there are many such investment opportunities and a number are currently under consideration.

The Board looks to the future with confidence.

Charles Ryder

14 October 1999

Group profit and loss account

	Six month period ended 30 June 1999 (Unaudited) £000	*Six month period ended 30 June 1998 (Unaudited) £000*	*Year ended 31 December 1998 (Audited) £000*
Turnover			
Continuing operations	14,606	8,145	18,034
Discontinued operations	—	10,911	20,463
	14,606	19,056	38,497
Operating profit			
Continuing operations	377	327	422
Discontinued operations	—	670	866
	377	997	1,288
Exceptional item – restructuring cost	—	—	(158)
Interest	(148)	(44)	(89)
Profit on ordinary activities before taxation	229	953	1,041
Taxation	(107)	(262)	(388)
Profit on ordinary activities after taxation	122	691	653
Ordinary dividend	(79)	(243)	(470)
Dividend in specie	—	—	(1,755)
Retained profit/(loss)	43	448	(1,572)
Earnings per share	0.16p	1.00p	0.94p
Diluted earnings per share	0.16p	0.98p	0.93p
Dividend per share	0.10p	0.35p	0.65p

There were no recognised gains or losses in each period other than the profit on ordinary activities after taxation.

Group balance sheet

	30 June 1999 (Unaudited) £000	*30 June 1998 (Unaudited) £000*	*31 December 1998 (Audited) £000*
Fixed assets			
Intangible fixed assets	3,639	285	3,719
Tangible fixed assets	1,138	696	1,070
Investments	778	599	484
	5,555	1,580	5,273
Current assets			
Stocks and work-in-progress	3,380	4,193	2,464
Debtors	5,457	9,136	6,544
Cash at bank and in hand	68	1,650	864
	8,905	14,979	9,872
Creditors: Amounts falling due within one year	(7,383)	(8,888)	(7,864)
Net current assets	1,522	6,091	2,008
Total assets less current liabilities	7,077	7,671	7,281
Creditors: Amounts falling due after more than one year	(2,734)	(1,751)	(2,981)
Provisions for liabilities and charges	—	(2)	—
Net assets	4,343	5,918	4,300
Capital and reserves			
Called up share capital	378	347	378
Share premium account	4,410	3,871	4,410
Special reserve	—	12	—
Profit and loss account	(445)	1,520	(488)
Equity shareholders' funds	4,343	5,750	4,300
Minority interests (non-equity)	—	168	—
	4,343	5,918	4,300

Group statement of cash flows

	Six month period ended 30 June 1999 (Unaudited) £000	*Six month period ended 30 June 1998 (Unaudited) £000*	*Year ended 31 December 1998 (Audited) £000*
Net cash (outflow)/inflow from operating activities	(809)	147	1,379
Returns on investments and servicing of finance			
Interest received	31	191	62
Interest paid	(175)	(235)	(164)
	(144)	(44)	(102)
Taxation			
UK corporation tax paid	(143)	(125)	(273)
Capital expenditure and financial investment			
Sale of tangible fixed assets	49	59	135
Purchase of tangible fixed assets	(64)	(241)	(130)
Sale of investments	—	—	297
Purchase of investments	(294)	(226)	(437)
	(309)	(408)	(135)
Acquisitions and disposals			
Purchase of subsidiary undertakings	(7)	(246)	(2,769)
Net overdrafts in demerged subsidiaries	—	—	1,063
Payments to acquire intangible fixed assets	—	—	(122)
	(7)	(246)	(1,828)
Equity dividends paid	(227)	(276)	(519)
Net cash outflow before financing	(1,639)	(952)	(1,478)
Financing			
Issue of shares net of costs	—	50	95
New long term loans	—	1,000	1,000
Repayment of long term loans	(201)	(152)	(425)
Repayment of capital element of finance leases	(162)	(2)	(34)
Decrease in cash	(2,002)	(56)	(842)

Reconciliation of net cash flow to movement in net debt

Decrease in cash	(2,002)	(56)	(842)
Cash inflow from increase in loans	—	(1,000)	(1,000)
Cash outflow from repayment of loans	201	152	425
Repayment of capital element of finance leases	162	2	34
Change in net debt from cash flows	(1,639)	(902)	(1,383)
Acquisitions and disposals	—	—	(199)
New finance leases	(156)	—	(35)
Movement in net debt	(1,795)	(902)	(1,617)
Opening net (debt)funds	(1,214)	403	403
Closing net debt	(3,009)	(499)	(1,214)

Reconciliation of operating profit to net cash flows from operating activities

	Six month period ended 30 June 1999 (Unaudited) £000	*Six month period ended 30 June 1998 (Unaudited) £000*	*Year ended 31 December 1998 (Audited) £000*
Operating profit	377	997	1,288
Depreciation	104	58	123
Amortisation of goodwill	94	1	32
Movement in stock	(917)	(1,930)	(1,063)
Movement in debtors	1,011	(1,558)	(2,994)
Movement in creditors	(1,478)	2,579	4,218
Loss on disposal of fixed assets	—	—	4
Profit on disposal of investments	—	—	(71)
Fundamental reorganisation costs	—	—	(158)
	(809)	147	1,379

Notes to the Interim Statement

The interim financial information has been prepared on the basis of the accounting policies set out in the Report and Accounts for the Group for the year ended 31 December 1998. The interim figures have not been audited.

The Interim Financial Statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (the "Act"). Comparative financial information for the year ended 31 December 1998 has been extracted from the statutory accounts for the year which have been delivered to the registrar of Companies and upon which the auditors gave an unqualified report, with no statement under section 237(2) or (3) of the Act.

Post balance sheet event: on 13 August 1999 the Group completed the sale of the property services operations for a cash consideration of £7.81 million. In addition, the purchaser undertook to discharge deferred consideration liabilities amounting to £1.53 million. This disposal left the Group principally with cash, certain quoted investments, freehold properties and some sundry debtors and creditors.

The calculation of earnings per share is based on the profit on ordinary activities after taxation and 75,523,785 ordinary shares (1998: 69,953,387) being the weighted average number of shares in issue during the half year. The weighted average number of shares in issue during the year ended 31 December 1998 was 69,578,565. The calculation of fully diluted earnings per share is based on the profit on ordinary activities after taxation and 77,160,340 ordinary shares being the weighted average number of shares in issue during the period, after allowing for share options (June 1998: 70,410,921 and December 1998: 70,289,832).

The Directors have declared an interim dividend of 0.1 pence per share (1998: 0.35 pence) to shareholders on the register at the close of business on 29 October 1999, which will be paid on 19 November 1999.

The board of Directors approved the Interim Financial Statement on 13 October 1999."

PART III

INFORMATION ON OCTROI

Introduction

The main activity of Octroi is that of investment management. The principal assets of Octroi are cash (which as at 31 March 1999 stood at £3.2 million) and its interest in Gall Thomson (held by its subsidiary, Octroi Investments) which as at 26 November 1999 represented approximately 46 per cent. of the issued share capital of Gall Thomson. Octroi also has a number of subsidiaries, all of which are either dormant or not trading.

Nature of Financial Information

The financial information contained in this Part III does not constitute statutory accounts within the meaning of section 240 of the Companies Act. Audited accounts of Octroi for each of the three years ended 31 March 1999 received an unqualified audit opinion and did not contain a statement under section 237(2) or (3) of the Companies Act. Statutory accounts for each of the three years ended 31 March 1999 have been delivered to the Registrar of Companies in England and Wales. Deloitte & Touche, Chartered Accountants and Registered Auditors of Hill House, 1 Little New Street, London, EC4A 3TR were auditors to Octroi for each of the three years ended 31 March 1999.

Audited Financial Information

The following information is extracted without material adjustment from the audited financial statements of Octroi for each of the three years ended 31 March 1999.

Profit and loss account

The profit and loss accounts for Octroi for the three years ended 31 March 1999 are as set out below:

	Notes	Year ended 31 March 1997 £000	1998 £000	1999 £000
Turnover	1	9,464	—	—
Cost of sales		(8,337)	—	—
Gross profit		1,127	—	—
Distribution costs		(187)	—	—
Administrative expenses		(3,610)	(658)	(989)
Foreign exchange gains/(losses)		(229)	412	(310)
Operating loss	2	(2,899)	(246)	(1,299)
Share of earnings of associated company		625	1,251	—
Exceptional items:				
Gain on flotation of Gall Thomson	3	3,466	—	—
Gain on disposal of survey and positioning business	3	2,553	1,052	—
Costs to realise Group's remaining businesses	3	(207)	—	—
Costs in respect of surplus leased properties	3	(713)	(500)	(643)
Profit/(loss) on ordinary activities before interest		2,825	1,557	(1,942)
Interest receivable and similar income	5	155	327	475
Interest payable and similar charges	6	(195)	(52)	(48)
Profit/(loss) on ordinary activities before taxation		2,785	1,832	(1,515)
Taxation	7	(493)	(235)	713
Profit/(loss) on ordinary activities after taxation		2,292	1,597	(802)
Dividends accrued in respect of non-equity shares	9	(278)	(278)	(278)
Retained profit/(loss) for the year transferred to reserves		2,014	1,319	(1,080)
Earnings per ordinary share		4.60p	3.00p	(2.45)p

Balance sheet

The balance sheets of Octroi as at 31 March 1997, 31 March 1998 and 31 March 1999 are as set out below:

		Year ended 31 March		
		1997	*1998*	*1999*
	Notes	*£000*	*£000*	*£000*
Fixed assets				
Tangible assets	10	54	20	—
Investments	11	825	1,221	—
		879	1,241	—
Current assets				
Debtors	12	705	1,278	430
Investments		—	—	7,876
Cash at bank and in hand		5,891	4,151	3,209
		6,596	5,429	11,515
Creditors: Amounts falling due within one year				
Creditors	13	(1,187)	(360)	(2)
Accruals and deferred income		(2,052)	(848)	(1,026)
Proposed and accrued dividends		(588)	(588)	(588)
		(3,827)	(1,796)	(1,616)
Net current assets		2,769	3,633	9,899
Total assets less current liabilities		3,648	4,874	9,899
Provision for liabilities and charges	14	(600)	(800)	—
		3,048	4,074	9,899
Capital and reserves				
Called up share capital	16	15,650	15,650	15,650
Share premium account		4,449	4,449	4,449
Other reserves	19	1,244	1,259	8,164
Profit and loss account	19	(18,295)	(17,284)	(18,364)
	17	3,048	4,074	9,899
Capital and reserves are attributable to:				
Equity shareholders		(2,575)	(1,827)	3,720
Non-equity shareholders		5,623	5,901	6,179
		3,048	4,074	9,899

Statement of total recognised gains and losses

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Profit/(loss) for the year	2,292	1,597	(802)
Profit on reclassification of associate to current asset investments	—	—	6,655
Currency translation differences on foreign currency net investments	171	(335)	293
Total gains and losses recognised during the year	2,463	1,262	6,146

Cash flow statement

The cash flow statements of Octroi for each of the three years ended 31 March 1999 are as set out below:

	Notes	*Year ended 31 March* 1997 £000	1998 £000	1999 £000
Net cash outflow from operating activities	19	(4,468)	(2,203)	(1,338)
Returns on investments and servicing of finance				
Interest received		155	356	260
Interest paid		(182)	(3)	—
Interest element of finance lease paid		(13)	—	—
Dividend received		—	179	215
		(40)	532	475
Taxation				
UK tax paid		(7)	(85)	(18)
Overseas tax paid		(49)	(33)	(65)
		(56)	(118)	(83)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(761)	—	—
Disposal of tangible fixed assets		161	—	—
		(600)	—	—
Acquisitions and disposals				
Flotation of Gall Thomson		7,640	—	—
Disposal of survey and positioning business		6,300	—	—
Cash in subsidiaries sold and floated		(308)	—	—
		13,632	—	—
Net cash inflow/(outflow) before financing		8,468	(1,789)	(946)
Financing				
Capital element of finance lease rentals		(177)	—	—
		(177)	—	—
Increase/(decrease) in cash for the year		8,291	(1,789)	(946)
Reconciliation of net cash flow to movement in net funds/(debt)				
Increase/(decrease) in cash		8,291	(1,789)	(946)
Repayment of finance leases		177	—	—
Change in net funds resulting from cash flows		8,468	(1,789)	(946)
Finance leases in disposed subsidiaries		133	—	—
Exchange translation differences		129	49	4
Movement in net funds during the year		8,730	(1,740)	(942)
Net (debt)/funds brought forward		(2,839)	5,891	4,151
Net funds carried forward		5,891	4,151	3,209

Principal accounting policies

The following are the principal accounting policies of Octroi which have been consistently applied throughout the three year period ended 31 March 1999. The financial statements have been prepared under the historical cost convention using applicable accounting standards. In preparing the financial statements for each of the three years ended 31 March 1999, the directors recognised that a major objective of Octroi is to realise and repatriate the residual net assets of its remaining former subsidiaries. Accordingly, the accounts of the subsidiaries were and will continue to be prepared and recognised in the results of Octroi on a realisation basis. In addition, in the Group financial statements of Octroi, provision has been made where necessary for any costs or withholdings which might arise on the repatriation of funds to Octroi.

Basis of consolidation and treatment of goodwill

The Group financial statements consolidate the financial statements of Octroi and all its subsidiary undertakings with the exception of Goesite Surveys (Nigeria) Limited which is considered immaterial. Where the cost of purchase of a subsidiary company is greater than the fair value of net assets acquired the difference has been treated as goodwill and written off against reserves. Where the fair value of the net assets acquired is greater in value than the cost of purchase the excess has been credited to other reserves.

Associated undertakings

In the consolidated accounts for the years ended 31 March 1997 and 31 March 1998, investments in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the pre-tax profit and attributable taxation of the associated undertakings based on audited financial statements for the financial year. In the consolidated balance sheet the investment in associated undertakings is shown as the Group's share of the net assets of the associated undertakings.

On 29 November 1999, Octroi entered into a conditional agreement with Lupus whereby Lupus would acquire the 46 per cent. of Gall Thomson owned by Octroi for a consideration of a loan note for a principal amount of £7,876,000. The agreement to sell is conditional upon the offers by Lupus announced on 29 November 1999 for the ordinary share capital of Octroi and Gall Thomson Environmental plc both being declared unconditional in all respects. Given this transaction, the directors consider that it is appropriate to reclassify Octroi's investment in Gall Thomson as a current asset investment and to revalue it to its realisable value as reflected by the agreement.

Turnover

Turnover represents amounts invoiced (excluding ad valorem taxes) to customers of the Group.

Dividends

Arrears of preference dividend plus associated advance corporation tax are fully provided in the profit and loss account. The balance of accrued preference dividend plus associated advance corporation tax is transferred to other reserves.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Pension costs

At 1 April 1996 the Group operated various pension arrangements that were established in accordance with employment conditions and regulations in the countries concerned. Following the disposal of the survey and positioning business all pension schemes have been or are in the process of being eliminated.

Investments

Investments in Group companies are stated at their estimated realisable and repatriable values. In respect of an exchange of shares the cost of investment is stated at the nominal value of the shares issued by Octroi plus appropriate acquisition costs.

Tangible fixed assets

Depreciation is provided from the date of purchase at rates estimated to write off assets over the period of their useful lives as follows:

Improvements to short leasehold premises	10% p.a. straight line
Plant and machinery	20% p.a. straight line
Fixtures, fittings, tools and equipment	10-15% p.a. straight line

Additional provision is made for any permanent diminution in value.

Leases

Provision for operating lease commitments is made in the balance sheet at the time the rental payment falls due. Such rental costs are charged to the profit and loss account as incurred. Assets funded by finance leases are included in tangible fixed assets at their fair value. The excess of the lease payments over the recorded lease obligations is treated as a finance charge which is amortised over the term of each lease to give a constant rate of charge to the profit and loss account over the remaining period of the obligations.

Foreign exchange

The assets, liabilities and trading results of overseas subsidiaries are translated into Sterling at rates of exchange ruling at the year end. Differences on exchange arising from the translation of the opening net assets of overseas subsidiaries at the year end rates are taken directly to other reserves. All other differences on exchange are taken to the profit and loss account.

1. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Survey and positioning	7,338	—	—
Equipment rental & brokerage	762	—	—
Marine breakaway couplings	1,364	—	—
	9,464	—	—

2. Operating loss

An analysis of operating profit/(loss) by class of business is as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Survey and positioning	(2,580)	—	—
Equipment rental and brokerage	254	—	—
Marine breakaway couplings	652	—	—
Central costs	(1,219)	(658)	(989)
Foreign exchange (loss)/gains	(6)	412	(310)
	(2,899)	(246)	(1,299)

All of the trading operations of the Group were discontinued during the year to 31 March 1997 except for the investment management activities of the Company and certain subsidiaries and the operations of the associated company. The costs of investment management activities for the year to 31 March 1998 make up the central costs of £658,000 above. It is not possible for the year to 31 March 1997 to identify separately the costs relating to investment activities from those related to administering the then trading operations of the Group.

The operating loss is stated after charging:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Operating leases:			
Plant and machinery	767	—	—
Depreciation	920	34	20
Auditors remuneration for audit services	114	36	10
Research and development expenditure	138	—	—

3. Exceptional items

(a) Gain on flotation of Gall Thomson

In August 1996 the Group's former subsidiaries Gall Thomson Limited and Oceonics Inc were brought together as Gall Thomson and admitted to the Alternative Investment Market of the London Stock Exchange. In the 1997 financial statements the results of the two subsidiaries up to the date of flotation are included in the relevant items of the profit and loss account. The Group's share of the profit before tax of Gall Thomson for the period from flotation to 31 March 1997 is shown separately in the profit and loss account. The Group's share of Gall Thomson's tax charge for that period is included within the Group tax charge for the year. The gain on disposal comprises:

	£000
Gain on disposal net of expenses	7,164
Goodwill previously written off to reserves	(3,698)
Gain arising from the flotation of Gall Thomson	3,466

(b) Gain on disposal of survey and positioning business

In January 1997 the Group sold companies and businesses which comprised the majority of its survey and positioning business to Fugro NV of Holland. The results of the companies and businesses sold from 1 April 1996 to the date of disposal are included in the profit and loss account. The gain on disposal in the year to 31 March 1997 comprises:

	£000
Gain, net of expenses and recognising only cash proceeds to 31 March 1997	2,597
Goodwill and capital reserve previously written off/(credited) to reserves	(44)
Gain on disposal of survey and positioning business	2,553

In July 1998 agreement was reached and full and final settlement made between the Group and Fugro NV. This agreement settled all outstanding warranty and indemnity obligations on either party. An additional £1,052,000 gain was recognised in the 1998 financial statements.

(c) Costs to realise Group's remaining businesses

Following the sale of the survey and positioning business, the Group commenced a programme to realise its interests in its former trading subsidiary companies not acquired by Fugro NV. The charge to the profit and loss account of £207,000 in 1997 represents the incurred and expected net costs of the programme, including the costs of write-down of residual assets to their realisable and repatriable values.

(d) Costs in respect of surplus leased properties

As part of the arrangements concerning the disposal of Oceonics SPL Limited in 1990 to Chariot Capital Company Limited, Octroi retains obligations in respect of certain property leases. It is considered prudent to accrue for future costs relating to these leases, three of which extend to 2014/5. The accrual established and the movement in the year are as follows:

	Year ended 31 March		
	1997	1998	1999
	£000	£000	£000
At 1 April	802	1,100	1,089
Utilised in the year	(415)	(511)	(1,107)
Charged to the profit and loss account	713	500	643
At 31 March	1,100	1,089	625

4. Directors and employees

Staff costs during the year were as follows:

	Year ended 31 March		
	1997	1998	1999
	£000	£000	£000
Wages and salaries	2,682	89	100
Social security costs	219	4	5
Other pension costs	94	2	2
	2,995	95	107

The remuneration in respect of directors was as follows:

	Year ended 31 March		
	1997	1998	1999
	£000	£000	£000
Fees	22	22	22
Other emoluments	295	317	110
Pension contributions	7	—	—
Payments for loss of office	108	—	30
	432	339	162
The emoluments of the highest paid director were	144	218	90

5. Investment income

	Year ended 31 March		
	1997	1998	1999
	£000	£000	£000
Dividends receivable	—	—	215
Interest receivable and similar income	155	327	260
	155	327	475

6. Interest payable

	Year ended 31 March		
	1997	1998	1999
	£000	£000	£000
Bank interest	119	—	—
Finance lease interest	13	—	—
Other interest	63	52	48
	195	52	48

Other interest payable arises on the arrears of dividend of £588,000 on the 9¼% cumulative redeemable preference shares.

7. Taxation

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
ACT	(69)	(72)	515
Other UK taxation	(36)	(12)	—
Overseas taxation	(182)	37	178
Group relief surrendered to former subsidiary	—	180	20
Share of tax attributable to associated company	(206)	(368)	—
	(493)	(235)	713

8. Earnings per ordinary share

The calculation of the earnings per ordinary share is based on a loss of £1,080,000 (1998: profit of £1,319,000, and 1997: profit of £2,014,000) and on a weighted average number of ordinary shares in issue during each of the three years ended 31 March 1999 of 44,090,891.

9. Dividends in respect of non-equity shares

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Accrued on 6% Cumulative Convertible Redeemable preference shares	278	278	278

10. Tangible fixed assets

	Freehold land and buildings	*Improvements to short leasehold*	*Plant and equipment*	*Fixtures and fittings*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost					
At 1 April 1997 and at 31 March 1998 and 1999	—	275	246	122	643
Depreciation					
At 1 April 1997	—	275	192	122	589
Charge for the year	—	—	34	—	34
At 31 March 1998	—	275	226	122	623
Charge for the year	—	—	20	—	20
At 31 March 1999	—	275	246	122	643
Net book value					
At 31 March 1998	—	—	20	—	20
At 31 March 1999	—	—	—	—	—

11. Investments

	1998 £000	1999 £000
Investment in associate:		
At 1 April	825	1,221
Share of profit for the period	883	—
Dividends received	(179)	—
Share of goodwill written off directly to associate's reserves	(308)	—
Reclassified to current asset investments	—	(1,221)
	1,221	—

The market value of the Group's investment in its associate, Gall Thomson Environmental plc, was £8.3 million at 1 April 1998, £7.0 million at 31 March 1999 and £7.9 million at 26 November 1999. This investment has been reclassified as a current asset investment as at 31 March 1999. It has been revalued at its current market value of £7.9 million.

12. Debtors

	1998 £000	1999 £000
Amounts falling due within one year:		
Trade debtors	262	8
Other debtors	986	227
Prepayments and accrued income	30	6
Tax recoverable	—	189
	1,278	430

13. Creditors: amounts falling due within one year

	1998 £000	1999 £000
Trade creditors	45	2
Taxation and social security	315	—
	360	2

14. Provisions for liabilities and charges

	1998 £000	1999 £000
Provision for future costs in respect of surplus leased properties	800	—

15. Lease commitments

	1998 £000	1999 £000
Property leases which expire:		
In one year or less	—	3
Between one and five years	187	—
After five years	331	128
	518	131

16. Share capital

	1998 £000	1999 £000
Authorised share capital:		
Ordinary shares:		
59,680,212 shares of 25p each	14,920	14,920
Preference shares:		
3,500,000 9.25% cumulative redeemable shares 1993 of £1 each	3,500	3,500
4,626,947 6% cumulative convertible redeemable shares 1999 of £1 each	4,627	4,627
	23,047	23,047
Allotted and fully paid:		
Ordinary shares:		
44,090,891 shares of 25p each	11,023	11,023
Preference shares:		
4,626,947 6% cumulative convertible redeemable shares 1999 of £1 each	4,627	4,627
	15,650	15,650

17. Reconciliation of movements in shareholders' funds

	Year ended 31 March 1997 £000	1998 £000	1999 £000
Profit/(loss) for the year	2,292	1,597	(802)
Profit on reclassification of associate to current asset investments	—	—	6,655
Preference dividends	(278)	(278)	(278)
Increase in reserve for preference dividends	347	350	(43)
Other recognised gains and losses	171	(335)	293
Capital reserves relating to former subsidiaries	(97)	—	—
Goodwill written back/(written off)	3,839	(308)	—
Net movements in shareholders' funds	6,274	1,026	5,825
Opening shareholders' funds	(3,226)	3,048	4,074
Closing shareholders' funds	3,048	4,074	9,899

18. Reconciliation of operating loss to net cash flow from operating activities

	Year ended 31 March 1997 £000	1998 £000	1999 £000
Operating loss	(2,899)	(246)	(1,299)
Depreciation	920	34	20
Unrealised foreign exchange (gains)/losses	—	(412)	310
Increase in stocks	(425)	—	—
Decrease in debtors	148	298	1,037
Decrease in creditors	(1,721)	(324)	(90)
Decrease in provisions	(491)	(1,553)	(1,316)
Net cash outflow from operating activities	(4,468)	(2,203)	(1,338)

19. Reserves

	1998	*1999*
	£000	*£000*
Other reserves:		
At 1 April	1,244	1,259
Profit on reclassification of associate to current asset investment	—	6,655
Foreign exchange translation differences	(335)	293
Accrued preference dividend (1998–plus ACT thereon)	350	278
Release of ACT no longer required	—	(321)
At 31 March	1,259	8,164
Profit and loss account:		
At 1 April	(18,295)	(17,284)
Profit/(loss) for the financial year	1,319	(1,080)
Goodwill of associate written off	(308)	—
At 31 March	(17,284)	(18,364)

PART IV

INFORMATION ON GALL THOMSON

Introduction

The Gall Thomson Group comprises the marine and industrial coupling business (which is based in the UK and is built around the Gall Thomson marine breakaway coupling operations) and Survey Equipment Services, Inc. which rents, sells and supplies specialist marine survey and navigation equipment to the oil and gas services industry from its base in Houston, Texas.

Description of the marine and industrial coupling business

The coupling business comprises Gall Thomson and KLAW.

Gall Thomson is the leading supplier of marine breakaway couplings for oil and gas industry applications. A breakaway coupling is used to enable a loading line to part safely and then to shut off supply in the event of a vessel moving off station during the loading or discharging of oil and gas products, whether at offshore moorings or jetty off-loading terminals. In short, it prevents environmental pollution and damage to pumping and transfer equipment.

The customers of Gall Thomson are contractors, constructors and operators of floating offshore storage and production facilities and off-loading terminals, particularly major construction companies and oil and gas companies, together with suppliers of hose strings. Gall Thomson's products are sold to customers throughout the world. The Gall Thomson marine breakaway coupling is recognised by Lloyd's Register of Shipping and other classification societies.

Gall Thomson has a strong market position in the supply of marine breakaway couplings. Each coupling has to be specified for the particular installation in relation to factors such as line configuration, loading pressure and velocity and the nature of the product to be transferred.

Gall Thomson has an established team of five full-time and three part time employees based at its premises in Great Yarmouth. It markets the couplings both directly and through agents. Manufacture and testing is carried out by a sub-contractor located at the same premises under Gall Thomson's direct supervision. In addition to selling the couplings, Gall Thomson supplies parts and carries out periodic refurbishment for some customers.

In September 1997 Gall Thomson acquired the business, assets and goodwill of the camlock coupling business of Welin Lambie Limited. Camlock coupling are used in hose and loading arm systems for the transfer of oil and gas products.

In June 1999 Gall Thomson acquired KLAW which manufactures, assembles and distributes industrial quick release couplings, breakaway couplings, dry break couplings and swivel joints to the gas and oil industries.

Description of Survey Equipment Services, Inc. ("SES")

SES was formed in 1981. In 1990 SES implemented a strategy to concentrate on the rental, sale and supply of marine survey and navigation equipment.

SES supplies a wide range of marine navigation, hydrographic survey and global positioning systems equipment for hire, sale or lease purchase from its base in Houston, Texas. Customers mainly comprise hydrographic, seismic and marine construction survey companies.

SES operates in the North American market for the rental of specialist marine navigation and survey equipment. Rental equipment is utilised for a period of twelve to eighteen months before being sold. Equipment is maintained and serviced in-house by trained graduate engineers who have offshore experience.

SES has an established team of four full time employees and one part time employee.

Nature of Financial Information

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Audited accounts of Gall Thomson for each of the three years ended 31 March 1999 received an unqualified audit opinion and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. Statutory accounts for each of the three years ended 31 March 1999 have been delivered to the Registrar of Companies in England and Wales. Deloitte & Touche, Chartered Accountants and Registered Auditors of Leda House, Station Road, Cambridge, CB1 2RN were auditors to Gall Thomson for each of the three years ended 31 March 1999.

Audited Financial Information

The following information is extracted without material adjustment from the audited financial statements of Gall Thomson for each of the three years ended 31 March 1999.

Profit and loss account

The profit and loss accounts for Gall Thomson for the three years ended 31 March 1999 are as set out below:

		Year ended 31 March		
		1997	*1998*	*1999*
	Notes	*£000*	*£000*	*£000*
Turnover	1	5,805	6,255	5,802
Cost of sales		(2,677)	(2,642)	(2,392)
Gross profit		3,128	3,613	3,410
Distribution costs		(225)	(270)	(220)
Administrative expenses		(875)	(729)	(860)
Operating profit	2	2,028	2,614	2,330
Interest receivable and similar income		60	122	148
Interest payable and similar charges	4	(19)	—	—
Profit on ordinary activities before taxation		2,069	2,736	2,478
Tax payable on profit on ordinary activities	5	(814)	(800)	(812)
Profit on ordinary activities after taxation		1,255	1,936	1,666
Dividends	7	(389)	(467)	(467)
Retained profit for the year transferred to reserves		866	1,469	1,199
Earnings per ordinary share	6	4.4p	6.2p	5.4p
Diluted earnings per ordinary share	6	4.4p	6.2p	5.3p
Pro-forma earnings per ordinary share	6	4.9p	6.2p	—

Balance sheet

The balance sheets of Gall Thomson as at 31 March 1997, 31 March 1998 and 31 March 1999 are as set out below:

		As at 31 March		
		1997	*1998*	*1999*
	Notes	*£000*	*£000*	*£000*
Fixed assets				
Tangible assets	8	468	512	785
Current assets				
Stocks	9	60	75	75
Debtors	10	1,236	2,046	1,917
Cash at bank and in hand		1,588	1,685	2,480
		2,884	3,806	4,472
Creditors: amounts falling due within one year	11	(1,948)	(2,131)	(1,833)
Net current assets		936	1,675	2,639
Net assets		1,404	2,187	3,424
Capital and reserves				
Called up share capital	13	156	156	156
Goodwill reserve		—	(670)	—
Other reserves	14	(13)	(29)	9
Profit and loss account	14	1,261	2,730	3,259
Equity shareholders' funds		1,404	2,187	3,424

Cash flow statement

The cash flow statements of Gall Thomson for each of the three years ended 31 March 1999 are as set out below:

		Year ended 31 March		
		1997	*1998*	*1999*
	Notes	*£000*	*£000*	*£000*
Net cash inflow from operating activities	16	2,722	2,184	2,176
Returns on investments and servicing of finance				
Interest received		60	122	148
Interest element of finance lease paid		(19)	—	—
		41	122	148
Taxation				
UK tax paid		(232)	(646)	(671)
Overseas tax paid		(80)	(324)	(78)
		(312)	(970)	(749)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(458)	(339)	(621)
Disposal of tangible fixed assets		273	212	297
		(185)	(127)	(324)
Acquisitions and disposals				
Cost of businesses acquired		—	(720)	—
Equity dividend paid		—	(389)	(467)
Net cash inflow before financing		2,266	100	784
Financing				
Issue of ordinary share capital		3,114	—	—
Expenses of share issue		(309)	—	—
Repayment of loans from former parent company		(3,481)	—	—
Capital element of finance lease rentals		(174)	—	—
		(850)	—	—
Increase in cash for the year		1,416	100	784
Reconciliation of net cash flow to movement in net (debt)/funds				
Increase in cash in the year		1,416	100	784
Foreign exchange difference		(1)	(3)	11
Repayment of loans from former parent company		3,481	—	—
Repayment of finance leases		174	—	—
Change in net debt resulting from cash flows		5,070	97	795
Net (debt)/funds brought forward		(3,482)	1,588	1,685
Net funds carried forward		1,588	1,685	2,480

Principal accounting policies

The following are the principal accounting policies of Gall Thomson which, other than the change in policy for goodwill outlined below, have been consistently applied throughout the three year period ended 31 March 1999. The financial statements have been prepared under the historical cost convention using applicable accounting standards.

Basis of consolidation and treatment of goodwill

The Group financial statements consolidate the financial statements of Gall Thomson and its subsidiary undertaking for the three financial years ended 31 March 1999 using the merger accounting principles set out in Financial Reporting Standard 6 "Acquisitions and Mergers".

On 29 January 1997, High Court approval was obtained for the cancellation of the share premium account thereby creating a goodwill reserve which (together with the merger reserve) was sufficient to write-off the balance of goodwill at 30 September 1996. The accounting policy for goodwill was changed from capitalisation and amortisation to elimination against reserves in the year in which it arises. Subsequently, in accordance with the requirements of Financial Reporting Standard 10 "Goodwill and Intangible Assets" Gall Thomson changed its accounting policy with effect from 1 April 1998. The balance on the goodwill reserve at that date was transferred to the profit and loss account.

Turnover

Turnover represents amounts invoiced (excluding ad valorem taxes) to customers of the Group.

Pension costs

Contributions are made to employees' personal pension schemes. Costs are charged to the profit and loss account as they arise.

Tangible fixed assets

Depreciation is provided on a straight line basis from the date of purchase at rates estimated to write off assets over the period of their useful lives. Plant and machinery is depreciated at rates between 20 per cent. and 33 per cent.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overhead.

Operating leases

Rentals are charged to the profit and loss account in equal amounts over the lease term.

Foreign exchange

The assets, liabilities and trading results of overseas subsidiaries are translated into Sterling at rates of exchange ruling at the balance sheet date. Differences on exchange arising from the translation of the opening net assets of overseas subsidiaries at the year end rate are taken to other reserves. All other differences on exchange are taken to the profit and loss account.

1. Turnover

An analysis of turnover geographically of country of customer and by activity is as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Turnover			
North America	3,123	3,648	2,139
UK	570	302	946
Rest of Europe	607	907	1,087
Other	1,505	1,398	1,630
	5,805	6,255	5,802

	1997	*1998*	*1999*
Turnover			
Marine couplings	3,358	3,894	4,058
Equipment sales and rentals	2,447	2,361	1,744
	5,805	6,255	5,802

2. Operating profit

An analysis of operating profit by activity is as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Operating profit			
Marine couplings	1,642	2,068	2,309
Equipment sales and rentals	794	810	371
	2,436	2,878	2,680
Central overhead	(141)	(264)	(290)
Merger and reconstruction costs	(37)	—	—
Amortisation of goodwill	(230)	—	—
Move up costs	—	—	(60)
	2,028	2,614	2,330

The operating profit is stated after charging:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Amortisation of goodwill	230	—	—
Depreciation of tangible fixed assets	124	152	218
Auditors' remuneration:			
Audit services	19	15	16
Other services	10	15	20
Operating leases:			
Plant and machinery	20	14	7
Other	23	26	35
And after crediting:			
Profit on disposal of fixed assets	97	56	149

3. Directors and employees

Staff costs during the year were as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Wages and salaries	523	669	626
Social security costs	39	58	57
Other pension costs	14	26	19
	576	753	702

The average number of persons employed by the Group during the year was:

	Year ended 31 March		
	1997	*1998*	*1999*
	No.	*No.*	*No.*
Engineers and operators	4	4	3
Sales	2	2	3
Administration	8	10	10
	14	16	16

The remuneration in respect of directors was as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Emoluments	210	318	294
Pension contributions	6	11	13
	216	329	307
The emoluments of the highest paid director were	86	109	108
plus pension contributions of	6	6	7

4. Interest payable

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Finance lease interest	19	—	—

5. *Tax on profit on ordinary activities*

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
UK Corporation tax	559	642	725
Overseas taxation	245	200	78
Under/(over) provision in prior years	10	(42)	9
	814	800	812

6. Earnings per share

The calculation of the earnings per ordinary share is based on the profits and on the weighted average number of ordinary shares in issue during each of the three years ended 31 March 1999 as follows:

	Year ended 31 March		
	1997	*1998*	*1999*
	£	*£*	*£*
Profit for the financial year	1,255,000	1,936,000	1,666,000
Weighted average number of shares in issue	28,833,556	31,120,000	31,120,000
Profit used for pro-forma EPS	1,522,000	1,936,000	n/a
Diluted weighted average number of shares in issue	28,833,556	31,138,676	31,219,407

7. Dividends

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Final dividend at 1.25p/1.5p/1.5p per share	389	467	467

8. Tangible fixed assets

	Plant and machinery 31 March 1998	*Plant and machinery 31 March 1999*
	£000	*£000*
Cost		
At 1 April 1997/1998	904	999
Exchange difference	(21)	36
Additions	363	621
Disposals	(247)	(346)
At 31 March 1998/1999	999	1,310
Depreciation		
At 1 April 1997/1998	436	487
Exchange difference	(10)	18
Charge for the year	152	218
Disposals	(91)	(198)
At 31 March 1998/1999	487	525
Net book value		
At beginning of year	468	512
At end of year	512	785

9. Stocks

	1998	*1999*
	£000	*£000*
Raw materials and consumables	16	26
Work in progress	14	35
Finished goods and goods for resale	45	14
	75	75

10. Debtors

	1998 £000	1999 £000
Amounts falling due within one year:		
Trade debtors	1,888	1,850
Recoverable advance corporation tax	117	—
Other debtors	23	32
Prepayments and accrued income	18	35
	2,046	1,917

11. *Creditors: amounts falling due within one year*

	1998 £000	1999 £000
Trade creditors	338	336
Corporation tax	571	635
Advance corporation tax	117	—
Other taxation and social security	9	10
Accruals and deferred income	629	385
Dividends payable	467	467
	2,131	1,833

12. Lease commitments

	1998 £000	1999 £000
Land and buildings leases which expire:		
Between one and five years	8	8
After five years	27	28
	35	36
Plant and machinery leases which expire:		
In one year or less	9	3
Between one and five years	4	2
	13	5

13. Share capital

	1998 £000	1999 £000
Authorised share capital:		
43,000,000 ordinary shares of 0.5p each	215	215
Allotted and fully paid:		
31,120,000 shares of 0.5p each	156	156

14. Reserves

Other reserves:

	Goodwill reserve £000	*Other reserves £000*
At 1 April 1997	—	(13)
Goodwill written off on acquisition of new business	(670)	—
Currency translation differences on foreign currency net investments	—	(16)
Balance at 31 March 1998	(670)	(29)
Transfer to profit and loss account on change of accounting policy	670	—
Currency translation differences on foreign currency net investments	—	38
Balance at 31 March 1999	—	9

Profit and loss account:

	1998 £000	*1999 £000*
At 1 April	1,261	2,730
Transfer from goodwill reserve on change of accounting policy	—	(670)
Profit for the financial year	1,469	1,199
At 31 March	2,730	3,259

15. Reconciliation of movements in shareholders' funds

	Year ended 31 March		
	1997 £000	*1998 £000*	*1999 £000*
Profit for the year	1,255	1,936	1,666
Dividends	(389)	(467)	(467)
Other recognised gains and losses	(13)	(16)	38
New share capital issued	3,114	—	—
Expenses of share issue	(309)	—	—
Adjustment to opening merger reserve	(1)	—	—
Goodwill written off to reserves	(2,869)	(670)	—
Net addition to shareholders' funds	788	783	1,237
Opening shareholders' funds	616	1,404	2,187
Closing shareholders' funds	1,404	2,187	3,424

16. Reconciliation of operating profit to net cash flow from operating activities

	Year ended 31 March		
	1997 £000	*1998 £000*	*1999 £000*
Operating profit	2,028	2,614	2,330
Amortisation and depreciation	354	152	218
Profit on sale of assets	(97)	(56)	(149)
(Increase)/decrease in stocks	(1)	10	1
Decrease/(increase) in debtors	528	(803)	29
(Decrease)/increase in creditors	(90)	267	(253)
Net cash inflow from operating activities	2,722	2,184	2,176

17. Statement of total recognised gains and losses

	Year ended 31 March		
	1997	*1998*	*1999*
	£000	*£000*	*£000*
Profit for the year	1,255	1,936	1,666
Currency translation differences on foreign currency net investments	(13)	(16)	38
Total gains and losses recognised during the year	1,242	1,920	1,704

18. Contingent Liabilities

	Group	
	1998	*1999*
	£000	*£000*
Performance bonds provided by the Group's bankers	28	50

The Company's bankers, Bank of Scotland, are holding £50,000 (1997 – £28,000) in a blocked deposit account as security against the above performance bonds. This amount is included in cash at bank and in hand.

19. Capital Commitments

	Group	
	1998	*1999*
	£000	*£000*
Authorised and contracted for, but not provided in the accounts	—	115

20. Post Balance Sheet event

On 15 June 1999 Gall Thomson acquired KLAW Products Limited (KLAW) for an initial consideration of £226,485 plus costs. Additional consideration, up to a maximum of £73,515, is payable depending on the achievement of performance criteria in the year ending 31 March 2000.

KLAW manufactures, assembles and distributes industrial quick release couplings, breakaway couplings, dry break couplings and swivel joints to the gas and oil industry.

Text of Interim Results of Gall Thomson for the six months ended 30 September 1999

"Chairman's Statement

Interim report for the six months ended 30 September 1999

I am pleased to present the results for Gall Thomson Environmental plc for the six months ended 30 September 1999. The depressed oil price described in my report for the year ended 31 March 1999 has affected results in the period. Survey Equipment Services experienced adverse conditions but traded profitably. Sales by Gall Thomson in the six months to 30 September 1999 were also down on the previous year. However, the oil price has risen over the period and appears to have stabilised. This augurs well for sales by both operations in the coming months, although oil companies remain cautious. It is pleasing to note that Gall Thomson entered the second half with a good order book and an increased level of enquiries. As stated in my last report, we acquired KLAW Products Limited (KLAW) during June. KLAW manufactures, assembles and distributes industrial quick release couplings, breakaway couplings, dry break couplings and swivel joints to the gas and oil industries.

Sales for the six months ended 30 September 1999 were £2,400,000 against £2,959,000 for the equivalent period last year. Operating profit before tax for the six months was £827,000 (1998 – £1,169,000) and profit after tax for the same period was £626,000 (1998 – £823,000). Reported earnings per share were 2.0p (1998 – 2.6p).

The Group generated operating cash flow in the six months of £822,000 (1998 – £998,000) and at 30 September 1999 cash at bank was £2,489,000 (1998 – £2,021,000).

As in previous years we do not intend to pay a dividend in respect of the six months ended 30 September 1999.

Gall Thomson

Sales by Gall Thomson fell to £1,680,000 (including £85,000 from KLAW since acquisition) against £2,030,000 last year reflecting reduced demand as customers deferred expenditure. In consequence operating profits fell to £839,000 (including £12,000 from KLAW since acquisition – after goodwill amortisation of £6,000) against £1,132,000.

We enter the second half with a healthy order book for the marine breakaway coupling business in excess of £1,400,000 with further opportunities in both India and the Far East. Also, with the increased oil price, it is expected that companies will be encouraged to release funds for many of the major projects which have been on hold.

A review of KLAW's operations since its acquisition has identified savings in costs and we expect it will benefit from the Group's marketing resources.

Survey Equipment Services (SES)

The survey equipment rental and sales business, based in Houston, Texas, has continued to suffer owing to the depressed oil price. Although the oil price has increased, the major oil companies are viewing this increase with caution and at this moment the seismic industry is still slow. SES has continued to make profits but at a very much reduced level, with sales for the first half of £720,000 (1998 – £929,000) and an operating profit for the same period of £88,000 (1998 – £223,000).

SES continues to align itself with high technology businesses which will show benefit when trading recovers, and as such has signed agreements with a supplier of high speed acoustic modems and also a supplier of hydrographic survey software. Success has also been achieved in other markets including educational institutions and government departments.

We have today announced that we have reached agreement with the board of Lupus Capital plc on terms of a recommended offer to be made on behalf of Lupus Capital plc for shares in Gall Thomson. Details of the offer are set out in the announcement and the formal offer is contained in an offer document which will be posted to shareholders shortly.

J P Evans
Chairman
29 November 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Six months ended 30 September 1999

	Note	*Six months to 30 September 1999 £'000 Acquisitions Unaudited*	*Six months to 30 September 1999 £'000 Continuing operations Unaudited*	*Six months to 30 September 1999 £'000 Total Unaudited*	*Six months to 30 September 1998 £'000 Total Unaudited*	*Year ended 31 March 1999 £'000 Total Audited*
Turnover						
Marine and industrial couplings		85	1,595	1,680	2,030	4,058
Equipment sales and rental		—	720	720	929	1,744
		85	2,315	2,400	2,959	5,802
Operating profit before move-up costs						
Marine and industrial couplings		12	827	839	1,132	2,309
Equipment sales and rental		—	88	88	223	371
Central overhead		—	(100)	(100)	(126)	(290)
		12	815	827	1,229	2,390
Move-up costs				—	(60)	(60)
Operating profit from continuing operations				827	1,169	2,330
Net interest receivable				79	61	148
***Profit on ordinary activities* before taxation**				906	1,230	2,478
Tax on profit on ordinary activities	1			(280)	(407)	(812)
***Profit on ordinary activities* after taxation**				626	823	1,666
Dividends	2			—	—	(467)
Retained profit				626	823	1,199
Earnings per share	3			2.0p	2.6p	5.4p
Diluted earnings per share	3			2.0p	2.6p	5.3p

Consolidated Balance Sheet
At 30 September 1999

	Note	*30 September 1999 £'000 Unaudited*	*30 September 1998 £'000 Unaudited*	*31 March 1999 £'000 Audited*
Fixed Assets				
Tangible assets		770	682	785
Goodwill	4	275	—	—
		1,045	682	785
Current Assets				
Stocks		127	72	75
Debtors		1,849	2,040	1,917
Cash at bank and in hand		2,489	2,021	2,480
		4,465	4,133	4,472
Creditors: amounts falling due within one year		(1,492)	(1,822)	(1,833)
Net Current Assets		2,973	2,311	2,639
Net Assets		4,018	2,993	3,424
Capital and Reserves				
Called up share capital		156	156	156
Other reserves		(23)	(46)	9
Profit and loss account		3,885	2,883	3,259
Equity Shareholders' Funds		4,018	2,993	3,424

Cash Flow Statement
Six months ended 30 September 1999

	Note	*Six months to 30 September 1999 £'000 Unaudited*	*Six months to 30 September 1998 £'000 Unaudited*	*Year ended 31 March 1999 £'000 Audited*
Operating Profit		827	1,169	2,330
Amortisation and depreciation		125	100	218
Profit on sale of assets		(42)	(79)	(149)
(Increase)/decrease in stocks		(29)	4	1
Decrease in debtors		132	14	29
Decrease in creditors		(191)	(210)	(253)
Net Cash Inflow from Operating Activities		822	998	2,176
Returns on Investments and Servicing of Finance				
Net interest received		79	61	148
Taxation				
Corporation tax paid		(9)	(51)	(749)
Capital Expenditure and Financial Investment				
Purchase of tangible fixed assets		(176)	(348)	(621)
Sale of tangible fixed assets		103	148	297
		(73)	(200)	(324)
Acquisitions and Disposals				
Acquisition of subsidiary	4	(337)	—	—
Equity Dividend Paid		(467)	(467)	(467)
Increase in Cash in the Period		15	341	784
Reconciliation of Net Cash Flow to Movement in Net Funds				
Increase in cash in the period		15	341	784
Foreign exchange difference		(6)	(5)	11
Movement in net funds in the period		9	336	795
Opening net funds		2,480	1,685	1,685
Closing net funds		2,489	2,021	2,480

Net funds consists entirely of cash at bank and in hand.

NOTES TO INTERIM RESULTS
Six months ended 30 September 1999

1. Tax on profit on ordinary activities

The tax charge for the period is made up as follows:

	Six months to 30 September 1999 £'000 Unaudited	*Six months to 30 September 1998 £'000 Unaudited*	*Year ended 31 March 1999 £'000 Audited*
UK taxation at 30% (31%)	(241)	(322)	(725)
Overseas taxation	(39)	(85)	(78)
Under provision in prior years	—	—	(9)
	(280)	(407)	(812)

2. Dividends

It is the intention of the Board to pay a single dividend each year. The dividend paid for the year ended 31 March 1999 amounted to 1.5p per share.

3. Earnings per share

The calculation of earnings per share for the six months ended 30 September 1999 is based on profit on ordinary activities after taxation of £626,000 (30 September 1998 – £823,000) and a weighted average of 31,120,000 (30 September 1998 – 31,120,000) shares in issue during the period. The calculation of diluted earnings per share is based on the same profit and a weighted average, including an adjustment for outstanding share options, of 30,978,460 (30 September 1998 – 31,225,037) shares in issue during the period.

4. Acquisition of Subsidiary

Goodwill totalling £281,000 arose on the acquisiton of KLAW Products Limited. This has been capitalised and is being amortised over 10 years. Assets acquired were as follows:

	£'000
Tangible fixed assets	2
Stocks	22
Debtors	53
Cash at bank and in hand	18
Creditors	(9)
Corporation tax	(12)
	74
Goodwill	281
	355
Satisfied by: Cash	355

The cash consideration comprised £226,000 initial consideration, £57,000 costs and £72,000 by way of inter company loan to relieve existing liabilities of KLAW at the date of acquisition. The cost of purchase is shown net of £18,000 cash held by KLAW on acquisiton.

5. Millennium Computer Review

On the basis that the Group's use of computers is minor and that there is no embedded technology used in the machines used by the Group's major supplier, the risks and uncertainties associated with the year 2000 problem are not considered material. The Group has renewed or upgraded most of its computer equipment in the last year and therefore expects its systems to be year 2000 compliant by the required date. The Group cannot guarantee the compliance of any third party systems, although no material problems are anticipated. The total estimated costs of future expenditure in respect of this issue are not considered to be material.

6. **Financial Information**

The financial information set out above does not constitute full accounts for the purposes of Section 240 of the Companies Act 1985. The interim accounts for the six months ended 30 September 1999 are neither audited nor reviewed by the Group's auditors. The comparative figures for the year ended 31 March 1999 are an abridged version of the Group's accounts for that period which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors on such accounts was unqualified.

The interim financial information has been prepared in accordance with the accounting policies set out in the accounts for the year ended 31 March 1999.

Copies of this interim report are being sent to all shareholders and further copies can be obtained from the registered office of the Company: Pommers Lane, Great Yarmouth, Norfolk, NR30 3PE."

PART V

PROFORMA STATEMENT OF NET ASSETS, INDEBTEDNESS AND WORKING CAPITAL

1. Proforma Statement of Net Assets

The following is a pro-forma statement of net assets of the Lupus Group following the acquisitions of Octroi and Gall Thomson. It has been prepared on the basis set out in the notes below. The statement has been prepared for the purpose of providing information about the transactions had they been undertaken at 30 June 1999. The statement is therefore for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Lupus Group following the acquisitions of Octroi and Gall Thomson.

	Lupus Group (1) £000	*Adjustment for EPS Group disposal* (2) £000	*Adjustment for Octroi acquisition* (3) £000	*Adjustment for Gall Thomson acquisition* (4) £000	*Other transaction adjustments* (5) £000	*Pro-forma net assets of the Enlarged Group following the Offers and the Cash Cancellation Offer* (6) £000
Fixed assets						
Intangible fixed assets	3,639	(3,639)	—	—	(1,332)[i]	(1,332)
Tangible fixed assets	1,138	(938)	—	—	—	200
Investments	778	—	—	—	—	778
	5,555	(4,577)	—	—	(1,332)	(354)
Current assets						
Stocks and work-in-progress	3,380	(3,380)	—	—	—	—
Debtors	5,457	(5,237)	430	—	—	650
Investments	—	—	7,876	18,091	(7,876)[ii]	18,091
Cash at bank and in hand	68	6,873	3,209	—	(5,447)[iii-vi]	4,703
	8,905	(1,744)	11,515	18,091	(13,323)	23,444
Creditors: amounts falling due within one year	(7,383)	6,735	(1,616)	—	(3,172)[v,vii]	(5,436)
Net current assets	1,522	4,991	9,899	18,091	(16,495)	18,008
Total assets less current liabilities	7,077	414	9,899	18,091	(17,827)	17,654
Creditors: amounts falling due after more than one year	(2,734)	2,556	—	(7,876)	7,876 [viii]	(178)
Net assets	4,343	2,970	9,899	10,215	(9,951)	17,476

Notes:

1. The figures for Lupus Group have been extracted without material adjustment from the unaudited consolidated balance sheet of Lupus Group as at 30 June 1999 as set out in its interim results and reproduced in Part II of this document.
2. The adjustment for the disposal of EPS Group represents amounts required to be eliminated so as to leave the residual assets and liabilities referred to in paragraph 1.3 of Part II of the circular to Lupus Shareholders "Proposed sale of EPS Group and other related subsidiaries" dated 26 July 1999, together with a deduction in respect of the expenses of the disposal of £575,000 and a provision for tax of £300,000 in respect of the disposal.
3. The figures for Octroi have been extracted without material adjustment from the audited consolidated balance sheet of the Octroi Group as at 31 March 1999 as set out in Part III of this document.

4. The figures for Gall Thomson represent the total consideration payable for Gall Thomson under the terms of the Gall Thomson Offer of £17,116,000 (including the Octroi Loan Note of £7,876,000 payable by Lupus (as referrd to in paragraph 2(l) of Part VI of this document) plus £975,000 being a share of the costs of the transaction and are accounted for as a current asset investment. Details are set out in Part I of this document and are based on a Lupus share price of 11.25p (being the Closing Price on the last business day prior to the announcement of the Offers). The actual value of the shares will be determined by the date they are issued and may be different.

5. The adjustments set out above represent:

   (i) the negative goodwill of £1,332,000 arising on the acquisition of Octroi, being the consideration of £9,020,000 for Octroi described in paragraph 2(i) of Part I of this document, together with £375,000 being a share of the costs of the transaction, less the net assets of £9,899,000 of Octroi at 31 March 1999 and the elimination of the proposed and accrued preference dividends and accrued interest on dividend arrears of £828,000 described in note 5(vii) below;

   (ii) the elimination of the investment in Gall Thomson of £7,876,000 within the accounts of Octroi;

   (iii) the payment of £7,257,000 million in cash upon Completion representing the cash consideration payable, in aggregate, to the Octroi Preference Shareholders and Dividend Holders under the terms of the Octroi Preference Offer and the Cash Cancellation Offer;

   (iv) the payment of £840,000, being the cash payable upon the Gall Thomson Offer being declared unconditional in all respects;

   (v) the receipt and associated obligation of £4,000,000 of bank borrowing as described in paragraph 8(a)(x) of Part VI of this document;

   (vi) the payment of expenses associated with the transaction of £1,350,000, exclusive of VAT as set out in paragraph 12(j) of Part VI of this document;

   (vii) *the elimination of the proposed and accrued preference dividends of £588,000 and accrued interest on* dividend arrears of £240,000 within the Octroi balance sheet; and

   (viii) the elimination of the loan note of £7,876,000 payable by Lupus (as referred to in paragraph 2(l) of Part VI of this document) against the receivable in the accounts of Octroi.

6. The pro-forma statement does not reflect:

   (i) the trading results of the Lupus Group since 30 June 1999;

   (ii) the trading results of Octroi or Gall Thomson since 31 March 1999; and

   (iii) *the payment of those dividends and charges referred to in the Lupus Interim Statement in Part II of this* document.

7. No fair value adjustments have been made in respect of the proposed acquisitions of Octroi and Gall Thomson.

2. Letter from Ernst & Young

ERNST & YOUNG

The Directors
Lupus Capital plc
Broadwalk House
5 Appold Street
London EC2A 2HA

The Directors
Sutherlands Limited
Dashwood House
69 Old Broad Street
London EC2M 1NX

30 November 1999

Dear Sirs

We report on the pro forma financial information set out in Part V of the listing particulars dated 30 November 1999, which has been prepared, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented.

Responsibility

It is the responsibility solely of the directors of Lupus Capital plc ("Lupus") to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by the Listing Rules of the London Stock Exchange, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of Lupus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the issuer; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the London Stock Exchange.

Yours faithfully

Ernst & Young

3. Indebtedness

At the close of business on 29 October 1999, the Enlarged Group had no outstanding indebtedness.

Apart from intra-group liabilities, at 29 October 1999 no member of the Enlarged Group had any loan capital (including loan capital created but unissued), term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases or guarantees or other contingent liabilities whether guaranteed, unguaranteed, secured or unsecured, other than any contingent asset or liability relating to the agreement for the sale of the property services operations described in paragraph 8(a)(viii) of Part VI of this document.

At the close of business on 29 October 1999 the Enlarged Group had cash balances of £12.22 million.

4. *Working Capital*

The Company is of the opinion that, taking into account available banking facilities, the Enlarged Group has sufficient working capital for its present requirements that is for at least the twelve months from the date of this document.

PART VI

ADDITIONAL INFORMATION

1. The Company

The Company was incorporated and registered in England and Wales on 1 April 1993 as Ichnolite Limited under number 2806007. It changed its name to Dean & Bowes (Homes) Limited on 24 May 1993 and was re-registered as a public limited company on 7 March 1995. On 13 April 1995 the Company changed its name to Dean Corporation plc and on 7 December 1998 it changed its name to Environmental Property Services plc. On 4 June 1999 the Company changed its name to Lupus Capital plc. The principal legislation under which the Company operates is the Act.

The registered office of the Company is at Broadwalk House, 5 Appold Street, London EC2A 2HA. The Company currently operates from 77 Cambridge Street, London SW1V 4PS. The Company is the holding company of a group whose principal activities are to invest in small and medium sized public companies which the Board believes are lacking strategic direction. The Company will provide and, where necessary, implement strategic plans for these companies, including appropriate exit routes.

2. Share Capital

(a) The authorised, issued and fully paid share capital of the Company as at 26 November 1999 (being the latest practicable date prior to the publication of this document) and as it will be following the Offers becoming or being declared unconditional in all respects, (assuming the passing of the Resolution to be proposed at the Extraordinary General Meeting of the Company convened for 16 December 1999 and assuming acceptance in full of the Offers and there being no conversion of the Octroi Preference Shares and there being no exercise of outstanding options under the Lupus Share Option Scheme or the Octroi Share Option Schemes or the Gall Thomson Share Option Scheme), is set out in the table below:

	Present		*Following the Offers*	
	Number	*Nominal Value*	*Number*	*Nominal Value*
Authorised				
ordinary shares of 0.5p each	100,000,000	£500,000	210,000,000	£1,050,000
Issued and fully paid				
ordinary shares of 0.5p each	79,273,785	£396,368.93	169,617,212	£848,086.06

(b) The Lupus Shares, which are in registered form, are listed only on the Official List of the London Stock Exchange which is the only stock exchange on which a listing will be sought for the New Lupus Shares. The New Lupus Shares will be issued in registered form credited as fully paid and will be capable of being held in uncertificated form (that is in CREST).

(c) (i) By a resolution of the Company passed at the Annual General Meeting held on 4 June 1999, the Directors were generally and unconditionally authorised to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £122,381, such authority to expire on the earlier of the date falling 15 months after the date of the resolution and the conclusion of the Annual General Meeting of the Company to be held in 2000 unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred thereby had not expired;

(ii) By a resolution of the Company passed at the Annual General Meeting held on 4 June 1999, the Directors were empowered to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority referred to in sub-paragraph (c)(i) above as if section 89(1) of the Act did not apply to any such allotment, provided that the power was limited to the allotment of equity securities:

(A) in connection with a rights issue, open offer or other issue or offer in favour of ordinary shareholders where the equity securities are proportionate (as nearly as practicable) to the respective number of ordinary shares held by such holders but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable in relation to fractional entitlements or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and

(B) otherwise than pursuant to the power referred to in (A) above, up to an aggregate nominal amount of £18,880.95;

such power to expire at the earlier of the date falling 15 months after the date of the resolution and the conclusion of the Annual General Meeting of the Company to be held in 2000 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred had not expired.

(d) The provisions of section 89 of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the present authorised but unissued share capital of the Company, to the extent not disapplied as referred to in sub-paragraph (c)(ii) above.

(e) At the Extraordinary General Meeting of Lupus convened for 16 December 1999 it is proposed that subject to and conditional upon the Offers becoming or being declared unconditional in all respects (save as stated in the proposed Resolution):

(i) the authorised share capital of the Company be increased from £500,000 to £1,050,000 by the creation of 110,000,000 new ordinary shares of 0.5p each in the Company; and

(ii) the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in that section) of the Company up to an aggregate nominal amount of £550,000, such authority (unless renewed) to expire at the conclusion of the Annual General Meeting of the Company to be held in 2000 or on 4 September 2000 whichever is the earlier but shall allow the Company before such expiry to make offers or agreements which would or might require the allotment of relevant securities in pursuance of such offer or agreement as if the authority conferred thereby had not expired and so that the authority thereby given shall be in addition to any existing authorities under section 80 of the Act.

(f) The following is a summary of the changes in the authorised and issued share capital of the Company in the three years preceding the date of this document:

(i) on 14 November 1997, the authorised share capital of the Company was increased to £500,000 by the creation of 40,000,000 Lupus Shares;

(ii) on 14 November 1997 the Company allotted and issued a total of 21,087,780 Lupus Shares pursuant to a placing, open offer and subscription at 13.5p per share;

(iii) on 17 November 1997, the Company allotted and issued a total of 1,518,390 Lupus Shares to the vendors of H. Page Engineering Services Limited at 13.5p per share;

(iv) on 20 April 1998, 250,000 Lupus Shares were allotted and issued on the exercise of options under the Lupus Share Option Scheme at 10p per share;

(v) on 16 June 1998, 169,492 Lupus Shares were allotted and issued as part of the consideration payable to the vendor of Castellain Limited at 14.75p per share;

(vi) on 7 December 1998, 5,000,000 Lupus Shares were allotted and issued as part of the consideration payable to the vendors of IPM Engineering Limited at 10p per share;

(vii) on 7 December 1998, 1,200,000 Lupus Shares were allotted and issued to Future Match Limited at 10p per share;

(viii) on 4 August 1999, 1,250,000 Lupus Shares were allotted and issued on the exercise of options under the Lupus Share Option Scheme at 7.5p per share; and

(ix) on 9 September 1999, 2,500,000 Lupus Shares were allotted and issued on the exercise of options under the Lupus Share Option Scheme at 7.5p per share.

(g) As at 26 November 1999 (being the latest practicable date prior to the publication of this document), the following options had been granted for nil consideration and were outstanding under the Lupus Share Option Scheme (the terms of which are described in paragraph 4 of this Part VI):

Optionholder	*Date of Grant*	*Number of Options*	*Exercise Price*	*Exercise Period*
Charles Ryder	20 Oct 1999	1,075,000	11p	20 Apr 2001 – 19 Oct 2006
James Orr	20 Oct 1999	1,075,000	11p	20 Apr 2001 – 19 Oct 2006
Sarah Grootenhuis	20 Oct 1999	575,000	11p	20 Apr 2001 – 19 Oct 2006
Michael Hirschfield	20 Oct 1999	575,000	11p	20 Apr 2001 – 19 Oct 2006
Colin Dent	17 Oct 1997	250,000	13.5p	17 Apr 1999 – 16 Oct 2004
TOTAL		3,550,000		

(h) Save as pursuant to the Offers, none of the New Lupus Shares has been or will be sold or will be made available in whole or in part to the public in conjunction with the application for the New Lupus Shares to be admitted to the Official List.

(i) Save as disclosed in this paragraph 2 of this Part VI:

(i) during the three years immediately preceding the date of this document, there has been no change in the amount of the authorised or issued share capital of the Company and no material change in the share capital of any company which was at that time a member of the Lupus Group (other than intra-group issues by wholly owned subsidiaries and *pro rata* issues by partly owned subsidiaries);

(ii) during the three years immediately preceding the date of this document, no discounts or other special terms have been granted by Lupus or any subsidiary in connection with the issue or sale of any share capital of Lupus; and

(iii) no share capital of Lupus is under option or is agreed, conditionally or unconditionally, to be put under option.

(j) The Lupus Shares are, and, following admission to the Official List the New Lupus Shares will be, eligible for application for settlement within CREST.

(k) The following table lists the Closing Price for a Lupus Share for the first dealing day in each of the six months prior to the date of this document and on 26 November being the latest practicable date prior to the publication of this document):

1 June 1999	8.25p
1 July 1999	8.50p
2 August 1999	9.50p
1 September 1999	12.25p
1 October 1999	12.50p
1 November 1999	10.50p
26 November 1999	11.25p

(l) Immediately following the Offers becoming unconditional in all respects (assuming acceptance in full of the Offers and there being no conversion of the Octroi Preference Shares and no exercise of outstanding options under the Lupus Share Option Scheme or under the Octroi Share Option Schemes or Gall Thomson Share Option Scheme), a maximum of 40,382,788 Lupus Shares will remain unissued and uncommitted and, save for the rights arising under the Lupus Share Option Scheme and pursuant to the Offers, there is no present intention to issue the authorised but unissued share capital of the Company and (save with the prior approval of the members of the Company in general meeting) no issue of shares will be made which would effectively alter the control of the Company or the nature of its business.

(m) In the event that the Offers become unconditional in all respects Lupus will issue the Octroi Loan Note to Octroi Investments. The Octroi Loan Note is in a nominal amount of £7,876,000, and bears a coupon of 2 per cent. per annum. It is redeemable at any time after 31 December 2005 but may be repaid at any time by Lupus. The Octroi Loan Note is only transferable with the consent of the Company.

3. Memorandum and Articles of Association

The Company's principal object, as set out in paragraph 4.1 of the Memorandum of Association, is to carry on the business of a holding company and a general commercial company.

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) *Voting*

Subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person or (being a corporation) is present by a representative not being himself a member shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any meeting or exercise any other right unless all calls or other sums presently payable by him to the Company in respect of any shares in the capital of the Company have been paid.

(b) *Restrictions on shares*

If a member, or a person appearing to be interested in shares held by a member, has been duly served with a notice pursuant to section 212 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, the Directors may at any time, by notice (a "direction notice") to the member, direct that, in respect of the shares in relation to which the default occurred ("default shares"), the member is not entitled to vote at any general meeting or class meeting of the Company.

Where the default shares represent at least 0.25 per cent. of the issued shares of a class, the direction notice may additionally direct:

(i) that any dividend or other money which would otherwise be payable in respect of each of the default shares shall (in whole or part) be retained by the Company; and

(ii) that no transfer of the default shares shall be registered unless the member is not himself in default in supplying the information required and the transfer is of part only of the member's holding and, when presented for registration, is accompanied by a certificate by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares the subject of the transfer is a default share.

The prescribed period is 28 days from the date of service of the said notice except that if the default shares represent at least 0.25 per cent. of the issued shares of a class the prescribed period is 14 days.

A direction notice shall have effect in accordance with its terms for so long as the default in respect of which it was issued continues and (unless the direction notice otherwise determines) for a further period of one week but shall cease to have effect in relation to any default shares which are transferred by the member by means of an approved transfer.

A transfer of shares is an approved transfer if:

(i) it is a transfer of shares to an offeror by way or in pursuance of acceptance of an offer made to all the holders of the shares (or of a particular class) in the Company or a specified proportion of them; or

(ii) the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the member or other persons appearing to be interested in the shares; or

(iii) the transfer results from a sale made through a recognised investment exchange.

(c) *Variation of rights and alteration of capital*

If at any time the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be modified or abrogated unless otherwise provided by the terms of issue of the shares of that class either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of these articles of association of the Company relating to the general meetings shall apply *mutatis mutandis*, but the necessary quorum at any such meeting, other than an adjourned meeting, shall be such persons, present in person or by proxy, holding or representing by proxy one-third in nominal value of the issued shares of the class in question and any holder of shares of the class in question, present in person or by proxy, may demand a poll and on a poll every such holder shall have one vote for every share of that class held by him. At an adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum.

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its share capital into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may by such resolution as is required by the Act purchase all or any of its own shares subject to the sanctioning of the purchase by extraordinary resolution of the holders of any outstanding convertible securities and subject to a maximum price in the case of a purchase of listed redeemable shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.

(d) *Transfer of shares*

A member may transfer all or any of his shares held in uncertificated form ("Uncertificated Shares") in accordance with and subject to the Uncertificated Securities Regulations 1995 (the "Regulations") and the facilities and the requirements of the computer based transfer system (the "Relevant System") concerned and, subject thereto, in accordance with any arrangements made by the Directors.

A member may transfer all or any of his shares which are not Uncertificated Shares ("Certificated Shares") by instrument of transfer in writing in any usual form or in another form approved by the Directors, and the instrument shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by the transferee.

In relation to all transfers of shares, the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it. Transfers of shares and other documents relating to or affecting the title to any shares shall be registered without payment of any fee. All instruments of transfer which are registered shall be retained by the Company.

Subject to any sanction imposed for default in relation to a notice served pursuant to section 212 Companies Act 1985 the Directors may in their absolute discretion and without assigning any reason decline to register the transfer of a Certificated Share which is not a fully paid share or upon which the Company has a lien. The Directors may also decline to register any instrument of transfer, unless:

(i) the instrument of transfer duly stamped is deposited at the Company's registered office or such other place as the Directors may appoint, accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders they do not exceed four in number.

The Directors may, in their absolute discretion and without giving a reason, refuse to register any transfer of any Uncertificated Share which is not fully paid or on which the Company has a lien provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of Uncertificated Shares in such other circumstances as may be permitted by the Regulations and the requirements of the Relevant System concerned.

If the Directors refuse to register a transfer they shall, within two months after the date on which, in respect of Certificated Shares, the transfer was lodged with the Company or, in respect of Uncertificated Shares, the date on which the appropriate instruction was received by or on behalf of the Company, send notice of the refusal to the transferee and any instrument of transfer which the Directors refuse to register shall (except in the case of fraud) be returned to the person depositing it.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any calendar year) as the Directors may determine.

(e) *Directors*

Unless otherwise determined by the Company in general meeting, the number of Directors shall be not less than two but is not subject to any maximum. The quorum at any meeting of Directors shall be two.

The Directors shall be paid out of the funds of the Company, by way of fees for their services as Directors, such sums as the Company in general meeting shall determine. The Directors may also be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or committees of the Directors or general meetings of the Company or in connection with the business of the Company. Any Director who at the request of the Board performs special services or goes or resides abroad for any purposes of the Company may (unless otherwise expressly resolved by the Company in general meeting) receive such extra remuneration by way of salary, percentage of profits or otherwise as the Board determines.

The Directors may appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. The Director shall hold office only until the next following annual general meeting and shall then be eligible for re-election. Directors who have attained the age of 70 shall be required to vacate their office by reason of having reached that age.

There shall be no share qualification required of any Director.

Each Director may at any time, by notice in writing to the Company at the office or at a duly convened and held Board meeting appoint any person who is approved by the Board to be his alternate and may in like manner at any time terminate such appointment.

A Director may hold any other office or place of profit with the Company (except that of auditor) and may be paid such extra remuneration for it as the Board determines. A Director may act in a professional capacity for the Company and be remunerated for those services. A Director may be a director, or other officer of, or otherwise interested in, a company promoted by the Company or in which the Company is interested and shall not be liable to account for any remuneration, profit or other benefit received and may also cause the voting power conferred by the shares in another company held or owned by the Company to be exercised in such manner as he thinks fit. A Director shall not vote or be counted in the quorum on a resolution of the Board concerning his own appointment.

A Director who to his knowledge is interested, whether directly or indirectly, in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or, in any other case, at the first meeting of the Board after he knows that he is or has become interested. A general notice to the Board given by a Director to the effect that he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with the company or firm shall be a sufficient declaration of interest. A notice shall not be effective unless either it is given at a meeting of the Board or the Director giving it takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

Except as otherwise provided by the Articles, a Director must not vote on (or be counted in the quorum in respect of) any resolution of the Board concerning a contract or arrangement or other proposal in which he is, to his knowledge, directly or indirectly, materially interested. If he does, his vote shall not be counted. This prohibition does not apply to any of the following matters, namely:

(i) a contract or arrangement for giving to the Director security or an indemnity in respect of money lent by him or obligations undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) a contract or arrangement for the giving by the Company of security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries which the Director has himself guaranteed or secured in whole or in part;

(iii) a contract or arrangement by the Director to subscribe for shares, debentures or other securities listed by the Company issued or to be issued pursuant to an offer or invitation to, or to any class of, members or debenture holders of the Company, or to any section of the public or to underwrite any shares, debentures or other securities of the Company;

(iv) a contract or arrangement in which the Director is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;

(v) a contract or arrangement concerning another company (not being a company in which the Director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise;

(vi) a proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company or of any of its subsidiaries which does not accord to the Director as such any privilege or advantage not generally accorded to the employees to which the scheme or fund relates;

(vii) an arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner as the employees and which does not accord to the Director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates; and

(viii) a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of the Directors or for the benefit of persons including Directors.

(f) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (both present and future) including its uncalled capital and to issue debentures and other securities. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure that borrowings (exclusive of borrowings between the Company and any of its subsidiaries or between such subsidiaries) shall not, at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to three times the adjusted total of capital and reserves or the sum of £2,000,000 whichever shall be the greater. The Articles make provision for certain liabilities and other amounts to be included in or excluded from the definition of "borrowings". No breach of the borrowing limit shall render the debt incurred or security given in breach thereof invalid or ineffectual unless the lender or recipient thereof had express notice that such limit had been or would thereby be exceeded.

(g) *Dividends*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Directors. Interim dividends may be paid if profits available for distribution justify such payment and if the Directors so resolve. Subject to the rights attached to shares, all dividends shall be declared and paid according to the amount paid up on the shares in respect of which the dividend is paid. No dividends payable in respect of any share shall bear interest unless otherwise provided by the rights attached to any share. The Directors may, with the prior sanction of an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares of the same class credited as fully paid in lieu of receiving the net cash amount due to them in respect of such dividend.

(h) *Unclaimed dividends*

All unclaimed dividends may be invested or otherwise made use of for the benefit of the Company until claimed. Any dividend unclaimed for 12 years after the date such dividend became due for payment shall be forfeited and shall revert to the Company.

(i) *Return of capital*

On a winding up of the Company, the balance of the assets available for distribution, after deduction of any provision made under section 719 of the Act and, subject to any special rights attaching to any class of shares, shall be applied in repaying to the members of the Company the amounts paid up on the shares held by them. Any surplus assets will belong to the holders of any ordinary shares then in issue according to the numbers of shares held by them, or if no ordinary shares are then in issue, to the holders of any unclassified shares then in issue according to the numbers of shares held by them.

On a winding up of the Company, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may set such value as he deems fair upon the property to be divided and may determine how such divisions shall be carried out as between members or different classes of members.

(j) *Pensions, gratuities etc.*

The Directors may provide or pay pensions, annuities and superannuation or other allowances or benefits to Directors or former Directors or any persons who are or have been employed by or in the service of the Company or any of its subsidiaries (whether past or present) or any holding company of the Company or of any company which is allied or associated with the Company and to the spouses, widows, children and other relatives or dependants of such persons and may establish, maintain, support or subscribe to and contribute to all kinds of schemes, trusts and funds (whether contributory or non-contributory) for the benefit of all such persons.

(k) *Untraced shareholders*

The Company may sell any share of a member or any share to which a person is entitled by virtue of transmission on death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law if for a continuous period of 12 years such member or person has not cashed any cheques or warrants sent by the Company. The Company may only exercise its right to sell if it has, within a further period of three months after giving notice in certain newspapers of its intention to sell such share, still received no notice either of the whereabouts or of the existence of the member or such persons and has notified the London Stock Exchange of its intention to sell. The Company shall be obliged to account to the person entitled thereto for an amount equal to the net proceeds of sale.

4. Lupus Share Option Scheme and Lupus Incentive Scheme 1999

(a) ***The Lupus Unapproved Executive Share Option Scheme (the "Executive Scheme")***

The following is a summary of the principal features of the Share Option Scheme:

(i) Eligibility

Options may be granted to those Directors and employees of the Company and/or any subsidiary under the control of the Company (the "Group") who devote substantially the whole of their time to the affairs of the Group and in the case of a Director work at least 25 hours per week and in the case of an employee work at least 20 hours per week ("Eligible Employee"). Directors and employees with a material interest in the share capital of the Company may not participate in the Scheme.

(ii) Grant of options

The Directors or a duly appointed committee of the Directors including the Remuneration Committee (the "Committee") may grant eligible employees an option over such number of Lupus Shares as the Committee may determine. Options may be granted at any time within the period of between 4 and 42 dealing days immediately following the date of the preliminary interim and full year's results of the Company and thereafter at any other time if the Committee considers that exceptional circumstances exist to justify the grant of an option (subject always to the provisions of the Model Code published by the London Stock Exchange). No option may be granted after the tenth anniversary of the date of adoption of the Executive Scheme. No option will be granted to such Eligible Employee who is within two years of their normal anticipated retirement date.

The Committee may impose an objective condition on any option which they grant preventing its exercise unless such condition has been complied with.

(iii) Option price

The price (the "Option price") payable for each Lupus Share on exercise of an option is that determined by the Committee from time to time but shall not be less than the average of the middle market quotations of a share as derived from the London Stock Exchange Daily Official List on the three dealing days preceding the relevant date of grant.

(iv) Scheme limits

(A) Ten per cent. in ten years limit

No option may be granted under the Executive Scheme if, as a result, the aggregate number of Lupus shares issued or issuable pursuant to options and other rights granted (1) under the Executive Scheme and (2) during the previous ten years under any other employee share option scheme established by the Company would exceed ten per cent. of the issued ordinary share capital of the Company on that date of grant.

(B) Five per cent in ten years limit

No option may be granted under the Executive Scheme if, as a result, the aggregate number of Lupus Shares issued or issuable pursuant to options granted (1) under the Executive Scheme and (2) during the previous ten years under any other discretionary employee share option scheme established by the Company, would exceed five per cent. of the issued ordinary share capital of the Company on that date of grant. Options granted over shares in excess of five per cent. of the share capital must incorporate challenging performance criteria.

(v) Individual limits

No person may at any time hold options over Lupus Shares if the aggregate market value of those Lupus Shares taken at the date of grant (the "Appropriation Value") and the aggregate Appropriation Value of shares subject to options granted to him and which remain unexercised under the Executive Scheme and any other discretionary share option scheme of the Company or any associated company exceeds the greater of £100,000 and four times his relevant emoluments, save that options may be granted to twice this limit if such excess options are "Super Options" within the meaning set out in guidelines published by the Association of British Insurers.

(vi) Exercise and lapse of options

In normal circumstances options may be exercised during the period commencing 18 months after the date of grant and ending on the seventh anniversary of the date of grant provided that any performance condition to which the option is subject has been fulfilled and the option holder remains an employee. Options will become exercisable immediately on the death of a participant or on his ceasing to be an eligible employee and lapse on the first anniversary of the option holders death and on the date six months after an option holder ceases to be an eligible employee. Rights to exercise will also arise on a change in control or reconstruction of the Company (subject to the exercise of "roll-over" rights described in section (viii) below), and in the event of a voluntary winding up.

(vii) Performance criteria

Options granted under the Executive Scheme may be subject to certain objective performance conditions imposed by the Committee at the date of the grant of the option. Conditions attached to an option may be varied if an event occurs which causes the Committee to consider that the varied conditions represent a fairer measure than the original conditions.

(viii) Transfer and other rights

Options are not transferable, assignable or chargeable. On a change in control or reconstruction of the Company, options may, with the consent of the company acquiring control of the Company, be released in consideration for the grant of equivalent rights over the shares of the acquiring company or a company associated with it.

Benefits obtained under the Executive Scheme shall not be pensionable.

(ix) Alteration to the Share Option Scheme

The rules of the Share Option Scheme may be altered by the Committee provided that the rules of the Share Option Scheme cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Share Option Scheme).

(x) Variation of share capital

On a variation of the Company's share capital by way of issue of shares (other than consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction in share capital, the Option Price, the Share Option Scheme limits and the number of Lupus Shares comprised in an option can be varied at the discretion of the Committee, subject to certification from the Company's auditors that in their opinion the adjustments are fair and reasonable.

(xi) Indemnity

Optionholders agree to indemnify the Company against any charge to tax or other liability for which the Company may be liable to account to the Inland Revenue or other authority arising as a result of the grant, exercise or cancellation of any options or related rights under the Share Option Scheme.

(xii) Termination

The Company in general meeting or the Directors may at any time resolve to terminate the Executive Scheme in which event no further options shall be granted but the provisions of the Executive Scheme shall in relation to Options then subsisting continue in full force and effect.

(b) ***The Lupus Incentive Scheme 1999 ("Incentive Scheme")***

(i) Eligibility

Participation in the Incentive Scheme will be determined by the Committee in its discretion, following consultation with the Chief Executive.

Options may be granted to those Directors and employees who are required to devote substantially the whole of their working time to their employment or office with the Lupus Group or companies in which the Company holds shares and are designated as such by the Board of the Company.

Where the investment made by the Company is not a controlling stake in another company, normally only Company employees will be eligible to participate. In cases where the investment is a controlling stake, up to 20 per cent. of the total bonus awards made may be made to operating management.

(ii) Bonus Awards

Bonus awards ("Bonus Awards") will be made to each of the participants. Bonus Awards will represent a specified percentage of the eventual gain made on each investment, before tax, but after a required minimum return has been generated for the Company.

The total Bonus Awards will represent a maximum of 15 per cent. of the pre-tax gain realised on an investment after the required return has been achieved. The required return will take account of all costs and equate to 10 per cent. compound per annum over the life of the investment.

The Committee may reduce the value of a Bonus Award if it determines that events subsequent to previous payments made to the holder under this or any other Bonus Award indicate that the return achieved on the investment may be less than originally calculated (for example, by reason of a warranty claim).

(iii) *Payment of Bonus Awards*

Bonus Awards will be calculated once every six months in respect of investments realised during the period and paid within three months of the end of that period. No payment shall be made to any participant not holding office or employment at the end of the period if previously terminated for cause, unless the Committee determines otherwise. In the case of any other leaver, payments shall be made in respect of investments covered by Bonus Awards being realised for one year following cessation of service.

(iv) *Transfer*

Bonus Awards are not transferable.

(v) *Change of Control*

If, following a change of control of the Company, a participant remains in service, his rights will continue unaffected. If, however, a participant shall leave service within six months of the change, then he shall be entitled to payment in respect of outstanding Bonus Awards on the date of leaving service. Investments shall be valued as at the day prior to the announcement of the offer leading to the change of control, either by reference to their quoted value, or in the case of unquoted investments, as at the discretion of the Committee, having taken appropriate professional advice.

(vi) *Pension implications*

Benefits under the Incentive Scheme will not be pensionable emoluments.

(vii) *Overriding lapse of Bonus Awards*

All Bonus Awards will lapse after four years from their date of grant, unless the Committee shall determine that a Bonus Award should continue. For example, this would be the case where there had been a disposal of an investment, but its full realisation were subject to a continuing delay.

(viii) *Amendments*

The Incentive Scheme may be amended by the Committee in any way, provided that no amendment may be made to key features of the Incentive Scheme, such as eligibility, the proportion of pre-tax gains which may be made the subject of Bonus Awards and the required return, which are to the advantage of participants, without the prior approval of an ordinary resolution of the shareholders of the Company in general meeting. No adverse amendment may be made without the sanction of the affected participants.

(ix) *Termination*

The Board of Directors of the Company may terminate the Incentive Scheme at any time by a resolution of the Company in General Meeting and shall in any event terminate on the tenth anniversary of the date of commencement of the Incentive Scheme but any termination shall not affect the outstanding rights of the participants.

5. **Directors' and Other Interests**

(a) The interests (all of which are beneficial) of the Directors and their families together with interests of a person connected with a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known or could with reasonable diligence be ascertained by that Director, in the Company's share capital, as at 26 November 1999 (being the latest practicable date prior to the publication of this document) as having been notified to the Company pursuant to sections 324 and 328 of the Act (or required pursuant to section 325 to be entered into the register referred to therein) are and immediately following full implementation of the Offers (assuming no dealings by the Directors, their immediate families and persons connected with them, and assuming no conversion of the Octroi Preference Shares and no exercise of options under the Lupus Share Option Scheme, the Octroi Share Option Schemes and the Gall Thomson Share Option Scheme during the period up to such date) will be as follows:

Director	*Number of Lupus Shares (beneficial)*	*Percentage of existing issued share capital beneficially owned*	*Percentage of enlarged issued share capital beneficially owned*	*Number of options*
Oliver Stocken	306,122	0.39	0.18	—
Charles Ryder	1,020,408	1.29	0.60	1,075,000
James Orr	1,020,408	1.29	0.60	1,075,000
Peter Cawdron	204,082	0.26	0.12	—
Peter So	1,020,000	1.29	0.60	—

(b) Save as disclosed above, none of the Directors, their immediate families nor any person connected with them (within the meaning set out above) has any beneficial or non-beneficial interest in the share capital of Lupus or any other member of the Lupus Group.

(c) There are no outstanding loans or guarantees granted or provided by any member of the Lupus Group to or for the benefit of any Director.

(d) The details of the Directors' service contracts with the Company are as follows:

(i) an agreement dated 18 October 1999 pursuant to which Oliver Stocken agreed to act as non-executive Chairman. His current term of office will expire on 18 October 2002 and his current directors' fees are at the rate of £20,000. He is not entitled to any other benefits;

(ii) an agreement dated 4 June 1999 whereunder Charles Ryder agreed to act as the Chief Executive (or Executive Chairman when a non-executive chairman is not in place) of the Company. The agreement is terminable upon not less than 12 months' notice by either party. Under the agreement, Mr Ryder will be entitled to an annual salary of £120,000 per annum, the use of a car, life assurance, private medical insurance and permanent health insurance. The Company will pay an annual pension contribution of 25 per cent. of his basic salary towards Mr Ryder's personal pension arrangements. Mr Ryder is also entitled to participate in the Lupus Share Option Scheme and in the Incentive Scheme;

(iii) an agreement dated 4 June 1999 whereunder James Orr agreed to act as Finance Director of the Company. The agreement is terminable upon not less than 12 months' notice by either party. Under the agreement, Mr Orr will be entitled to an annual salary of £120,000 per annum, the use of a car, life assurance, private medical insurance and permanent health insurance. The Company will pay an annual pension contribution of 25 per cent. of his basic salary towards Mr Orr's personal pension arrangements. Mr Orr is also entitled to participate in the Lupus Share Option Scheme and in the Incentive Scheme;

(iv) an agreement dated 14 October 1999 which confirmed the appointment of Peter Cawdron as a non-executive Director with effect from 16 February 1999. His current term of office will expire on 16 February 2002 and his current directors' fees are at the rate of £15,000 per annum. He is not entitled to any other benefits; and

(v) an agreement dated 17 October 1997 under which Peter So agreed to act as a non-executive Director. His current term of office will expire on 17 October 2000 and his current directors' fees are at the rate of £15,000. He is not entitled to any other benefits.

(e) The remuneration payable to Directors is subject to review on or around 1 December each year to be effective on 1 January each year.

The emoluments of the executive Directors are fixed by the Remuneration Committee of which Oliver Stocken is Chairman and Peter Cawdron and Peter So are the members. The emoluments of non-executive Directors are fixed by the Board.

(f) Save as disclosed above, there are no existing or proposed service agreements between the Directors and Lupus or any other member of the Lupus Group.

(g) The aggregate remuneration paid and benefits in kind granted to the Directors (including pension contributions) for the financial year ended 31 December 1998 was £386,051. In the year ending 31 December 1999 under the arrangements in force at the date of this document the aggregate of the remuneration and benefits in kind granted to the Directors is estimated to amount to £518,600 of which £174,227 relates to Directors who are no longer employed by the Company.

(h) The aggregate remuneration of the Directors will not be varied as a consequence of the Offers or the Cash Cancellation Offer. There is no arrangement under which a Director has agreed to waive future emoluments nor have there been any such waivers since 31 December 1998.

(i) No Director has or had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Lupus Group and which was effected during the current or immediately preceding financial year, or was effected during any earlier financial year and remains in any respect outstanding or unperformed.

(j) As at 26 November 1999 (being the latest practicable date prior to the publication of this document) and pursuant to section 198 of the Act, Lupus had been notified of the following direct and indirect interests of three per cent. or more of the issued ordinary share capital of Lupus:

Shareholder	*Number of Lupus Shares*	*Percentage of existing issued share capital %*	*Percentage of enlarged issued share capital %*
Northern Ireland Local Government Officers' Superannuation Scheme	3,000,000	3.97	1.77

The percentage of enlarged issued share capital represented above, following the issue of all New Lupus Shares, is calculated on the basis that the Offers are accepted in full and assuming that there is no conversion of the Octroi Preference Shares and no exercise of options under the Lupus Share Option Scheme, the Octroi Share Option Schemes and the Gall Thomson Share Option Scheme after 26 November 1999.

(k) Save as aforesaid, the Directors are not aware of any person who directly or indirectly is or will be interested in three per cent. or more of the issued share capital of Lupus. The Directors are not aware of any party who, directly or indirectly, jointly or severally, exercises or could exercise control over Lupus.

(l) In addition to their directorships of members of the Lupus Group, the Directors have held the following directorships or been partners in the following businesses at some time during the five years preceding the date of this document:

Name	*Current directorships/partnerships*	*Past directorships/partnerships*
Oliver Stocken	3i Group plc Bunzl plc MEPC plc Pilkington plc Rank Group plc Rutland Trust PLC The Natural History Museum Trading Company Limited	Barclays Bank PLC Barclays PLC Paganmark Limited Ebbgate Holdings Limited Barclays de Zoete Wedd Holdings Limited Barclays de Zoete Wedd (Australia) Limited Steel Burrill Jones Group PLC SBJ Group Pension Scheme Trustees Limited Barclays Property Holdings Limited
Charles Ryder	Lupus Associates Limited Lupus Corporate Finance Limited Lupus Services Limited Lupus Ventures Limited Great Bradley Farms Company Great Bradley Estates Limited	Magellan Industries plc Claremont Garments (Holdings) plc Fii Group plc
James Orr	Lupus Associates Limited Lupus Corporate Finance Limited Lupus Services Limited Lupus Ventures Limited	KPMG
Peter Cawdron	ARM Holdings plc The Capita Group plc Compass Group plc Christian Salvesen plc Johnston Press plc Express Dairies plc Welcome Break (Holdings) Limited Private Investor Capital Limited Ragged Bears Limited The Girls' Education Co. Limited COIF Nominees Limited	Grand Metropolitan plc Intrepreneur Pub Co. Limited Pembertons Group plc The Tetley Goup plc
Peter So	Vintage Investments Limited Start IT.Com plc Jinhui Holdings Co. Limited Jinhui Shipping & Transportation Limited China Assets Holdings Limited	Artisan (UK) plc S&J Fine Art Limited Jinhui Coke Marketing Limited

(m) None of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) ever been declared bankrupt or been the subject of an individual voluntary arrangement;

(iii) ever been a director of a company which while he was a director or within 12 months after his ceasing to be a director had a receiver appointed, entered into liquidation, entered into administration, entered into a voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors;

(iv) ever been a partner in a partnership which while he was a partner or within 12 months after his ceasing to be a partner entered into compulsory liquidation, administration or a partnership voluntary arrangement;

(v) owned or been a partner in a partnership which owned any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership;

(vi) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or

(vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(n) The details of the Directors are as follows:

Oliver Stocken (Non-executive Chairman), aged 57, was appointed to the board of Lupus in October 1999 as non-executive chairman. He was group finance director of Barclays PLC from May 1993 to September 1999, prior to which he held a number of senior management positions in Barclays and Barclays de Zoete Wedd. He is also a non-executive director of MEPC plc, Pilkington plc, The Rank Group plc, Bunzl plc and 3i Group plc.

Charles Ryder (Chief Executive), aged 45, was an investment banker for ten years being a director of Barclays Merchant Bank Limited and Barclays de Zoete Wedd Limited and working in both the UK and the US. In 1988 he led a management buy-in to Celestion Industries plc (renamed Magellan Industries plc), a publicly quoted industrial conglomerate, and became Chief Executive. Magellan was successfully sold in 1994. He was briefly Chief Executive of Fii Group plc. He co-founded Lupus Associates in 1997 and co-led an investor group, which acquired a 29.6 per cent. stake in the Company, then known as Environmental Property Services plc, in February 1999.

James Orr (Finance Director), aged 49, was at KPMG from 1972 to 1995 and qualified as a Chartered Accountant in 1975, becoming a Partner in London in 1989. His professional experience included a range of international assignments, together with UK quoted and private corporate clients. He then undertook a consultancy project for a Swiss multinational and a series of projects in the UK before co-founding Lupus Associates in 1997. He then co-led an investor group which acquired a 29.6 per cent. stake in the Company, then known as Environmental Property Services plc, in February 1999.

Peter Cawdron (Non-executive), aged 56, was previously employed at Grand Metropolitan plc from 1983 to 1997, becoming a Director in 1993. Prior to that, he spent six years in the United States with a major advertising agency as Finance Director, preceded by seven years in investment banking at Warburg Dillon Read. He qualified as a Chartered Accountant in 1966 at KPMG.

Peter So (Non-executive), aged 47, is an associate member of The Chartered Institute of Management Accountants and The Chartered Institute of Bankers (England). He has extensive experience in international finance having worked with financial institutions both in London and Hong Kong. He is currently a non-executive director of several listed companies, one in the UK, two in Hong Kong and one in Norway.

6. Subsidiaries and Investments

(a) The subsidiary undertakings of Lupus are:

Company	*Field of Activity*	*Country of Incorporation*	*Proportion held by Lupus directly or indirectly*
Lupus Equities Limited	Investment trading	England	100
Lupus Capital Finance Limited	Management Services	England	100
Lupus Capital Management Limited	Management Services	England	100

Each of the above companies operates in its country of incorporation. The registered office of each of the companies is Broadwalk House, 5 Appold Street, London EC2A 2HA.

(b) The main investments made by the Lupus Group in other undertakings in the last three financial years and during the current financial year are as follows:

Date	*Undertaking*	*Consideration*
8 January 1997	1,640,362 ordinary shares in Superframe Group Plc	£328,072
17 October 1997	106,400 ordinary shares and 371,531 9% cumulative preference shares in H Page Engineering Services Limited	£697,000
12 November 1997	200,000 ordinary shares of 2p each in Superframe Group Plc	£40,391.75
16 February 1998	Castellain Limited	£270,000 (maximum)
20 February 1998	256,818 ordinary shares of 5p each in The Old Monk Company plc	£226,000
22 June 1998	500,000 ordinary shares of 2p each in Superframe Group Plc	£111,209.05
5 November 1998	IPM Engineering Limited	£2,750,000 (maximum)
18 December 1998	RLH Group Limited	£1,130,000 (maximum)

7. UK Taxation

The following paragraphs are intended as a general guide only and are based on current UK tax legislation and Inland Revenue practice as at the date of this document. Except where the position of non-UK resident shareholders is expressly referred to, they deal only with the position of shareholders who are resident or ordinarily resident in the UK for tax purposes, who are the beneficial owners of their Lupus Shares and who hold their Lupus Shares as an investment. They do not deal with the position of certain types of shareholders, such as dealers in securities. **If you are in any doubt as to your taxation position or if you require more detailed information than that outlined below you should consult an appropriate professional adviser without delay.**

(a) *Dividends*

There is no United Kingdom withholding tax on dividends. An individual shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income.

Following the abolition of advance corporation tax with effect from 6 April 1999, the tax credit on dividend paid by the Company is reduced to one-ninth of the dividend paid (or 10 per cent. of the gross dividend). However, individuals who are not liable to tax at the higher rate will have no further liability for higher rate taxpayers, the higher rate is 32.5 per cent. rather than 40 per cent. This means that a higher rate shareholder receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. The same procedure applies for UK resident trustees save that the rate applicable to trusts will be 25 per cent. (as opposed to 32.5 per cent.).

Generally, shareholders are no longer entitled to reclaim the tax credit attaching to any dividends paid by the Company save where their Ordinary Shares are held in a Personal Equity Plan or Individual Savings Account, when the tax credit can be reclaimed for dividends paid on or before 5 April 2004. Certain transitional relief applies to dividends received by charities.

Subject to certain exceptions for traders in securities, a shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends paid by the Company.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

Entitlement to claim repayment of any part of a tax credit for shareholders not resident in the UK for tax purposes will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Such shareholders should note, however, that since 6 April 1999, most shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are less than 1 per cent. of the dividend. **Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.**

(b) *Stamp duty and stamp duty reserve tax*

The allotment and issue of the New Lupus Shares by the Company will not generally give rise to stamp duty or stamp duty reserve tax ("SDRT").

A transfer of Lupus Shares will usually be subject to *ad valorem* stamp duty, normally at the rate of 0.5 per cent. (rounded to the nearest £5) of the amount of value of the consideration. A charge of SDRT at the rate of 0.5 per cent. will arise in relation to an unconditional agreement to transfer Lupus Shares. However, if within six years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

Special rules apply to the agreements made by market makers in the ordinary course of their business, brokers, dealers and certain other persons. Agreements to transfer shares to charities will not give rise to SDRT or stamp duty.

8. Material Contracts

(a) *Lupus*

The following contracts, copies of which are available for inspection at the address specified in paragraph 13 below, have been entered into by Lupus and/or members of the Lupus Group otherwise than in the ordinary course of business in the two years immediately preceding the date of this document and are or may be material:

(i) on 20 February 1998, the Company subscribed for 256,818 ordinary shares of 5p each in the share capital of The Old Monk Company plc ("Old Monk") at a price of 88p per share. At the time of the investment, this equated to approximately 3.3 per cent. of the issued share capital of Old Monk. As a result of a subsequent bonus issue of shares in Old Monk, the Company owned 565,000 shares in Old Monk which equated to approximately 3.1 per cent. of the issued share capital of Old Monk. On 24 December 1998 the Company disposed of all its shares in Old Monk for an aggregate consideration of £297,938;

(ii) on 22 June 1998, the Company purchased 500,000 ordinary shares of 2p each in Superframe Group Plc at a total cost of £111,209.25. The Company's total investment in Superframe Group Plc as at that date equated to 29.45 per cent. of the ordinary share capital of that company;

(iii) a sale and purchase agreement dated 5 November 1998 ("IPM Acquisition Agreement") between (1) the Company and (2) certain of the members of IPM Engineering Limited ("IPM Engineering") whereby the Company agreed to acquire the entire issued share capital of IPM Engineering for a maximum total consideration of £2,750,000 comprising (i) a cash sum of £1,250,000 payable on completion and adjusted on a pound for pound basis by an amount (if any) by which the net assets of IPM Engineering at completion are shown to be more or less than £500,000 (ii) 5,000,000 fully paid Lupus Shares allotted and issued to the vendors and (iii) further consideration of up to a maximum of £1,000,000 to be paid no later than 30 June 2000 calculated by reference to the aggregate post tax audited consolidated profits of IPM Engineering for the two financial periods ending 31 December 1998 and 31 December 1999. The Company also undertook not to dispose of more than 50 per cent. of the issued share capital of IPM Engineering prior to 30 June 2000. Lupus has been released from this undertaking in relation to the sale of its property services operations pursuant to the agreement referred to at paragraph (viii) below;

(iv) an agreement dated 6 November 1998 between (1) the Company and (2) Future Match Limited whereby Future Match Limited agreed to subscribe for 1,200,000 Lupus Shares at 10p per share such subscription being conditional on completion of the acquisition by the Company of the entire issued share capital of IPM Engineering and the admission of those shares to listing on the Official List of the London Stock Exchange;

(v) an agreement dated 9 November 1998 made between (1) the Company, (2) Artisan (UK) plc ("Artisan"), (3) Dean Homes Limited and (4) Speymill Contracts Limited whereby the Company (subject to certain conditions) agreed to transfer to Artisan the whole of the issued share capital of both Dean Homes Limited and Speymill Contracts Limited in consideration of which Artisan allotted and issued to the shareholders of the Company, credited as fully paid, one ordinary share in the capital of Artisan for each fully paid Lupus Share held at 3.00 p.m. on 7 December 1998 in satisfaction of the dividend payable to the shareholders of the Company;

(vi) a sale and purchase agreement dated 18 December 1998 ("RLH Acquisition Agreement") between (1) Roger Cedric Lambert and Wendy Elizabeth Lambert and (2) the Company whereby the Company agreed to acquire the entire issued share capital of RLH Group Limited for an initial consideration of £600,000 paid on completion and a deferred consideration of up to a maximum of £530,000 which is to be paid in four instalments, comprising three interim payments on 31 August 1999 (up to a maximum of £94,500), 28 February 2000 (up to a maximum of £56,700) and 31 August 2000 (up to a maximum of £56,700) and a final payment on 30 April 2001;

(vii) on 26 July 1999 the Company sold 2,340,362 ordinary shares of 2p each in Superframe Group Plc for a total net consideration of £491,476. The buyer was Everett Financial Management Limited who provided a contract note dated 26 July 1999 confirming the sale;

(viii) an agreement dated 24 July 1999 (the "Disposal Agreement") made between (1) the Company and (2) Environmental Property Services Holdings Limited ("EPS Holdings") whereby the Company conditionally agreed to sell all its property services operations (the "EPS Group of Companies") to EPS Holdings for a cash consideration of £7.81 million comprising pre-contract dividends paid by the EPS Group of Companies to the Company totalling £1.63 million, together with £6.18 million payable on completion. In addition to the cash consideration EPS Holdings undertook to discharge the deferred consideration payable pursuant to the IPM Acquisition Agreement and RLH Acquisition Agreement. The maximum aggregate amount payable under these agreements is approximately £1.53 million. The consideration is based on the EPS Group of Companies having adjusted net tangible assets of £889,000 as at completion. In the event that the adjusted net tangible assets are more than £889,000 EPS Holdings will pay further consideration to the Company of an amount equal to the excess provided that the excess exceeds £50,000. In the event that the adjusted net tangible assets are less than £889,000 the Company will repay EPS Holdings an amount equivalent to the shortfall provided that the shortfall exceeds £50,000. The Company's maximum liability in respect of all claims which might be made under the

Disposal Agreement and the associated tax indemnity is limited to £7,500,000. The agreement was conditional, *inter alia*, on shareholders' approval and a facility letter provided by Bank of Scotland to EPS Holdings becoming unconditional in all respects. Pursuant to the agreement the Company, subject to certain limitations, gave warranties to EPS Holdings in connection with the business of the EPS Group of Companies and on completion entered into a tax indemnity. The completion accounts are currently subject to preliminary discussions between the parties;

(ix) an agreement dated 26 November 1999 made between (1) the Company and (2) Octroi Investments whereby the Company conditionally agreed to purchase the Excluded Shares in consideration of the issue of the Octroi Loan Note. The agreement is conditional upon the Offers becoming unconditional in all respects; and

(x) a facility letter dated 26 November 1999 from Bank of Scotland ("BOS") to Lupus whereby BOS agreed to make available to Lupus a term loan of £4 million for the purposes of funding part of the cash payable in connection with the Gall Thomson Offer, the Octroi Preference Offer and the Cash Cancellation Offer. Lupus has given certain representations and warranties to BOS in connection with this facility.

(b) *Octroi*

The following contracts, copies of which are available for inspection at the address specified in paragraph 13 below, have been entered into by Octroi and/or members of the Octroi Group otherwise than in the ordinary course of business in the two years immediately preceding the date of this document and are or may be material:

(i) an agreement dated 31 July 1998 between (1) Octroi, (2) Tetchy Investments B.V. ("Tetchy"), (3) Okapi Limited ("Okapi"), (4) Ocelot Norge A/S ("Norge"), (5) Geosite Surveys (Nigeria) Limited ("Geosite") (and together with the parties listed at 1-4 inclusive above the "Octroi Companies"), (6) Fugro NV ("Fugro"), (7) Fugro Nederland BV ("Fugro BV"), (8) Fugro-UDI Limited ("Fugro-UDI"), (9) Geoteam A.S. ("Geoteam") and (10) Fugro Survey (Nigeria) Limited ("Fugro Nigeria" and together with the parties listed at 6-9 inclusive above (the "Fugro Companies") to settle all disputes which have arisen between the Octroi companies and the Fugro Companies under various agreements which were entered into by the parties on 17 December 1996 (the "Agreements"). By this agreement, the parties acknowledge and agree that (1) all continuing obligations under the Agreements or any of them shall cease to have effect and no party may make any claim of whatsoever nature against any other party arising out of or in connection with the Agreements or any of them, (2) Fugro will pay to Octroi £900,000, and (3) Fugro BV and Okapi History will enter into an agreement for the acquisition by Okapi History of the entire issued share capital of Oceonics (Asia Pacific) PTE Limited and its subsidiary company Offshore Surveys (Malaysia) SDN BHD;

(ii) an agreement dated 31 July 1998 made between (1) Fugro Nederland BV ("Fugro BV") and (2) Okapi History Limited ("Okapi History") for the purchase by Okapi of 1,000,000 ordinary issued shares of Singapore $1 each in Oceonics (Asia Pacific) Pte Limited, being the entire issued share capital of Oceonics (Asia Pacific) Pte Limited (and including its subsidiary company Offshore Surveys (Malaysia) SDN BHD), for a consideration of £1. Pursuant to the agreement Fugro BV gave warranties to Okapi History;

(iii) a deed of surrender dated 30 September 1998 between Glen House Estates Limited (1) and Octroi (2) in relation to 19/20 Invincible Road, Farnborough, Hampshire. This comprised a surrender of Octroi's lease of the property upon payment of a reverse premium to the landlord of £250,000 plus VAT (if payable). The surrender contained a full release of Octroi's obligations subject to a number of minor exceptions and was made subject to and with the benefit of an underlease dated 10 August 1998 of the property made between Octroi (1) and Radio Design Limited (2);

(iv) a deed of surrender dated 30 September 1998 between Glen House Estates Limited (1) and Octroi (2) relating to Chartwell House, 1 Ivy Road, Aldershot, Hampshire. This related to the surrender of Octroi's lease of the property upon payment of a reverse premium of £125,000 plus VAT (if payable). Again, a full release was granted by the landlord to Octroi. The surrender was made subject to and with the benefit of an underlease dated 1 May 1998 between Octroi (1) and Siteman Software Limited (2) for a term expiring on 23 November 2004. On the same date the parties entered into an underlease, they also entered into a rental deposit deed pursuant to which Siteman Software Limited deposited the sum of £150,000 with Octroi as security for its obligations pursuant to the underlease. The balance of the deposit held by Octroi on the surrender was transferred to the landlord on completion of the surrender although no release of Octroi's obligations under the rental deposit deed was obtained;

(v) an underlease dated 26 October 1998 between Octroi (1) and Electronic Data Systems Limited (2). This is an underlease of the whole of the property vested in Octroi for a term expiring on 25 September 2014 with a tenant's right to determine on 24 March 2003 on not less than 12 months notice. The underlease reserves a rent of £128,375 per annum although by virtue of a collateral deed entered into on the same date a rent of £119,000 per annum is instead payable until 24 March 2003 irrespective of the outcome of the rent review due in 1999. The collateral deed also restricts the undertenant's liability for latent and inherent defects and excludes liability to replace certain plant and machinery at the end of the term, these obligations remaining Octroi's;

(vi) a renunciation with effect from 28 December 1998 by Octroi of a lease of Unit 4, Denmore Industrial Estate, Bridge of Don, Aberdeen. This renunciation terminated Octroi's interest in the property upon payment of a premium of £127,250;

(vii) the agreement referred to at paragraph (c)(i) below;

(viii) the agreement referred to at paragraph (a)(ix) above;

(ix) a transfer dated 25 March 1999 between Octroi and Shelfco (No. 1514) Limited whereby Octroi surrendered to Shelfco (No. 1514) Limited a lease dated 31 March 1999 of Victoria House, 18-22 Albert Street, Fleet, Hampshire made between Tranlow Limited and Oceonics SPL Limited (2);

(x) an agreement dated 12 November 1999 between The Governor and Company of the Bank of Scotland ("Bank") (1) and Octroi, Octroi Investments, Otterburn Limited, Okapi History Limited, Octroi Limited, Ocelot Limited, Oarsman Limited, Tetchy Investments BV and Okapi Limited ("Borrowers") (2) whereby the Bank surrendered and released to the Borrowers all of the assets, property and undertaking of the Borrowers free from all security outstanding in favour of the Bank; and

(xi) an agreement dated 12 November 1999 made between Octroi and Ian Shaw for the purchase by Mr Shaw of the entire issued share capital of Okapi History Limited ("Okapi") for a consideration of £1. In consideration of the payment of £25,000 to Mr Shaw, Mr Shaw has agreed and undertaken to use his best endeavours to procure the striking of each of Okapi and its subsidiaries off the register of companies under the Companies Act and to procure the orderly dissolution of each of these companies.

(c) *Gall Thomson*

The following contracts, copies of which are available for inspection at the address specified in paragraph 13 below, have been entered into by Gall Thomson and/or members of the Gall Thomson Group otherwise than in the ordinary course of business in the two years immediately preceding the date of this document and are or may be material:

(i) a relationship agreement dated 13 August 1998 made between Octroi Investments (1) and Gall Thomson (2) provides that for as long as Octroi Investments remains a controlling shareholder (as defined in the Listing Rules of the London Stock Exchange) of Gall Thomson:

(a) any transactions between Gall Thomson and Octroi Investments or any associate of Octroi Investments will only be undertaken at arm's length and on a commercial basis;

(b) Octroi Investments will not exercise its voting rights in any way which prevents Gall Thomson from carrying on its business independently of Octroi Investments or any associate or in any way which is likely to further Octroi Investments' interests to the detriment of the interests of the general body of shareholders of Gall Thomson; and

(c) neither Octroi Investments nor any associate of Octroi Investments will do or omit to do anything which conflicts with the interests of Gall Thomson or is to the detriment of the general body of shareholders of Gall Thomson which in either case may render Gall Thomson unsuitable for listing without first entering into a further relationship agreement with Gall Thomson in terms which are satisfactory to the London Stock Exchange.

(ii) An agreement dated 14 June 1999 between Kenneth Lacy and Anthony Webber (1) and Gall Thomson (2) pursuant to which Gall Thomson agreed to acquire from Kenneth Lacy and Anthony Webber the entire issued share capital of KLAW Products Limited for £226,485 with a maximum potential additional consideration of £73,515 depending on the results of KLAW for the year ending 31 March 2000. Warranties and indemnities were given to Gall Thomson.

9. Litigation

(a) *Lupus*

There are no legal or arbitration proceedings current, pending or threatened by or against Lupus or any member of the Lupus Group which may have or have had during the previous 12 months a significant effect on the Lupus Group's financial position.

(b) *Octroi*

There are no legal or arbitration proceedings current, pending or threatened by or against Octroi or any member of the Octroi Group which may have or have had during the previous 12 months a significant effect on the Octroi Group's financial position.

(c) *Gall Thomson*

There are no legal or arbitration proceedings current, pending or threatened by or against Gall Thomson or any member of the Gall Thomson Group which may have or have had during the previous 12 months a significant effect on the Gall Thomson Group's financial position.

10. Responsibility

(a) The Directors of Lupus (whose names appear in paragraph 11(a) below) accept responsibility for all the information contained in this document except the information relating to Gall Thomson, its subsidiaries and the directors of Gall Thomson and their families. 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 for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

(b) The directors of Gall Thomson (whose names appear in paragraph 11(b) below) accept responsibility for all the information contained in this document relating to Gall Thomson, its subsidiaries and the directors of Gall Thomson and their families. To the best of the knowledge and belief of the directors of Gall Thomson (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything likely to effect the import of such information.

11. Directors

(a) *The Directors*

Oliver Henry James Stocken	Non-executive Chairman
Charles William Crispin Ryder	Chief Executive
James Cuthbertson Orr	Finance Director
Peter Edward Blackburn Cawdron	Non-executive Director
Peter Wing Hung So	Non-executive Director

all of 77 Cambridge Street, London SW1V 4PS.

(b) *Directors of Gall Thomson*

John Patrick Evans	Executive Chairman
Alan George Virgin	Chief Executive
Paul Anthony Hewson	Executive Director
Neville Anthony Brown	Non-executive Director
Samuel Alan Wauchope	Non-executive Director

The business address of each of the directors of Gall Thomson, other than Paul Hewson, is Pommers Lane, Great Yarmouth, Norfolk, NR30 3PE. Paul Hewson's business address is 1424 West Sam Houston Parkway North, Suite 160, Houston, Texas 77043, USA.

12. General

(a) Save for the disposal of EPS Group as described in Part II of this document, there has been no significant change in the financial or trading position of Lupus since 30 June 1999, the date to which the last unaudited interim financial statements of Lupus were prepared.

(b) There has been no significant change in the financial or trading position of Octroi since 31 March 1999, the date to which the last audited accounts of Octroi were prepared.

(c) There has been no significant change in the financial or trading position of Gall Thomson since 30 September 1999, the date to which the last unaudited interim financial statements of Gall Thomson were prepared.

(d) Ernst & Young have given and not withdrawn their written consent to the inclusion in this document of their letter and references thereto and to their name in the form and context in which they appear and have authorised their letter and references thereto, for the purposes of section 152(1) (e) of the Financial Services Act 1986.

(e) Sutherlands has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.

(f) Ernst & Young, Registered Auditors, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH audited the Company's financial statements for the financial year ended 31 December 1998. Ernst & Young and Spokes and Company, Chartered Accountants and Registered Auditors of Hilden Park House, 79 Tonbridge Road, Hildenborough, Kent TN11 9BH were joint auditors to the Company for each of the two years ended 31 December 1997.

(g) The financial information concerning the Lupus Group contained in Part II of this document does not constitute statutory financial statements within the meaning of section 240 of the Act. Statutory financial information of the Lupus Group for the three financial years ended 31 December 1998, in respect of which the auditors made unqualified reports under section 235 of the Act, have been delivered to the Registrar of Companies and such reports did not contain a statement under section 237(2) or (3) of the Act.

(h) Deloitte & Touche, Chartered Accountants and Registered Auditors, of Hill House, 1 Little New Street, London EC4A 3TR, audited Octroi's accounts for the three years ended 31 March 1999.

(i) Deloitte & Touche, Chartered Accountants and Registered Auditors, of Leda House, Station Road, Cambridge CB1 2RN, audited Gall Thomson's accounts for the three years ended 31 March 1999.

(j) The total expenses relating to the Offers, the purchase of the Excluded Shares, the Cash Cancellation Offer and the issue of New Lupus Shares including the London Stock Exchange listing fee, professional fees, stamp duty, bank facility fees and expenses and costs of printing and distribution of documents are estimated to amount to £1.35 million (excluding VAT) and are payable by Lupus.

(k) The registrars of Lupus and paying agents in relation to the Offers are IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ.

(l) The Year 2000 issue relates to the inability of information systems properly to recognise date sensitive information beyond 1 January 2000. Many computer systems and software products may not be able to interpret dates after 31 December 1999 because such systems and products allow only two digits in a date to indicate the year. As a result, these systems and products are unable to distinguish 1 January 2000 from 1 January 1900, which could have adverse consequences on the operations of an entity and the integrity of information processing.

In relation to the Company, the Directors have completed an assessment of the likelihood of problems arising from the Year 2000 issue. The costs of making the Company's systems Year 2000 compliant were immaterial and the Directors believe that the Company's systems are now Year 2000 compliant. As the Company's operations are not heavily dependent on suppliers having the appropriate Year 2000 systems, no externally caused disruption to the Company's activities is expected.

13. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays or public holidays excepted) at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA while the Offers remain open for acceptance or, if later, up to and including the close of business on the latest date for acceptance and payment in full under the Offers:

(a) the Memoranda and Articles of Association of Lupus, Octroi and Gall Thomson;

(b) the audited consolidated statutory financial statements of Lupus for the three years ended 31 December 1998 and the unaudited interim results of Lupus for the six month period ended 30 June 1999;

(c) the audited consolidated statutory financial statements of Octroi for the three financial years ended 31 March 1999;

(d) the audited consolidated statutory financial statements of Gall Thomson for the three financial years ended 31 March 1999 and the unaudited interim results of Gall Thomson for the six month period to 30 September 1999;

(e) all Directors' service agreements referred to in paragraph 5 above;

(f) the material contracts referred to in paragraph 8 above;

(g) the letter from Ernst & Young relating to the pro forma statement of net assets set out in Part V of this document;

(h) the irrevocable undertakings referred to in Part I of this document;

(i) the consent letters referred to in paragraph 12 above;

(j) the Octroi Loan Note; and

(k) the Octroi Offer Document, Gall Thomson Offer Document, Cash Cancellation Offer Document, Forms of Acceptance, Cash Cancellation Form of Acceptance, this document and the Circular to Lupus Shareholders all dated 30 November 1999.

DATED 30 November 1999