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

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document and the accompanying form of proxy 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 onward transmission to the purchaser or transferee.

Application has been made to the UK Listing Authority for the Ordinary Shares to be issued pursuant to the Subscription to be admitted to the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities will constitute official listing on a stock exchange. It is expected that listing will occur and dealings in such shares will commence on 17 February 2004.

LUPUS CAPITAL PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 2806007)

Proposed share subscription by Greg Hutchings

Establishment of employee incentive arrangements

Marshall Securities Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Lupus Capital PLC and for no-one else in connection with the Proposals and will not be responsible to anyone other than Lupus Capital PLC for providing the protections afforded to clients of Marshall Securities Limited or for providing advice in relation to the Proposals.

Notice of an extraordinary general meeting of Lupus Capital PLC, convened for 12.00 noon on 16 February 2004 to be held at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN, is set out at the end of this document. To be valid, the form of proxy accompanying this document must be completed and returned in accordance with the instructions printed thereon so as to be received by Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU, as soon as possible, but in any event no later than 48 hours before the time appointed for holding the Extraordinary General Meeting.

The attention of Shareholders is drawn to the risk factors set out in Part 1 of this document.

CONTENTS

EXPECTED TIMETABLE

	2004
Latest date for receipt of forms of proxy for use at the Extraordinary General Meeting	12.00 noon on 14 February
Extraordinary General Meeting	12.00 noon on 16 February
Subscription for new Ordinary Shares by Greg Hutchings	16 February
Dealings commence in new Ordinary Shares issued pursuant to the Subscription	17 February

PART 1

LETTER FROM THE CHAIRMAN

LUPUS CAPITAL PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 2806007)

Directors:	*Registered Office:*
Konrad Legg (Chairman)	Crusader House
Fred Hoad	145-157 St John Street
Roland Tate	London EC1V 4RU

21 January 2004

To Shareholders

Dear Shareholder

Proposed share subscription by Greg Hutchings and establishment of employee incentive arrangements

Introduction

The Board announced on 16 January 2004 that it had concluded arrangements for Greg Hutchings to join the Company and to be appointed Executive Chairman and that it was putting forward Proposals whereby:

– Greg Hutchings will invest £2,137,500 in shares of the Company by means of subscription for 17,283,944 new Ordinary Shares at 9p per share and the purchase of existing Ordinary Shares; and

– the Company will establish an employee benefit trust and an enterprise management incentive scheme in order to provide incentives for executive directors and employees of the Group to achieve value for Shareholders.

Following the announcement of the Proposals Greg Hutchings purchased 6,466,056 Ordinary Shares at 9p per share, taking his aggregate investment in the Company (if the Proposals are approved) to £2,137,500. The remainder of the Proposals are conditional on the approval of Shareholders. A special resolution for this purpose will be proposed at an extraordinary general meeting of the Company which will be held on 16 February 2004. The notice convening the Extraordinary General Meeting is set out at the end of this document.

If the Proposals are approved and the Subscription is completed the appointment of Greg Hutchings as Executive Chairman of the Company will become effective. His total holding of 23,750,000 Ordinary Shares resulting from the Subscription and purchase will represent approximately 12.5 per cent. of the enlarged issued share capital.

The Company's strategy will be to build shareholder value through the acquisition of undervalued businesses and the application of proven management skills and systems. Lupus will compete in many cases with private equity groups but will offer investors in acquired businesses an opportunity to maintain an investment and to benefit from the value added through a holding in a publicly traded, dividend paying group with an experienced management team.

This letter sets out the background to the Proposals and explains why your Board is recommending that you vote in favour of the resolution to be proposed at the EGM.

Background to the Proposals

Board changes in November 2002

In October 2002 three of the Company's institutional shareholders, being disillusioned with the Company's failure to deliver shareholder value as promised, served notice requiring an extraordinary general meeting to be convened. The purpose of that meeting, which took place on 28 November 2002, was to consider the removal of the majority of the then directors and the appointment of Fred Hoad, Roland Tate and myself as directors. The requisition set out a proposed strategy to realise the Company's investments, minimise central costs and return cash to all shareholders.

All the resolutions were passed and implemented at the meeting, all the former directors were replaced by the current Directors and I was appointed as Chairman. As envisaged in the requisition, Progressive Value Management Limited, a work out specialist, was engaged to manage the Group's affairs and to implement the realisation strategy within a maximum period of two years.

Following its appointment PVML took a number of planned measures which involved significant one-off costs but resulted in a considerable reduction in the Group's continuing operating expenses. PVML organised the disposal of the six quoted investments held by Lupus, which were sold by 30 June 2003. As a result of these disposals and cash generated by the business of Gall Thomson the Company was able to pay off its bank debt. PVML also addressed the best way to achieve value for Shareholders from Gall Thomson, the Company's remaining subsidiary.

Gall Thomson

Gall Thomson is the world's leading supplier of marine breakaway couplings. Its subsidiary, Klaw, is a supplier of industrial couplings including quick release couplings and breakaway couplings.

A Gall Thomson marine breakaway coupling is used in the oil and gas industry to enable a loading line to part safely and then to shut off the product 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 terminals. The purpose of the breakaway coupling is to prevent environmental pollution and damage to pumping and transfer equipment. Gall Thomson also supplies the quick release Welin Lambie camlock coupling which is used in the hose and loading arm system for the transfer of oil and gas products. Klaw's principal activity is the manufacture, assembly and distribution of industrial quick release couplings to the oil and gas industries, such as refining, exploration and construction. They are also used in the transportation of product by road and rail.

In 2002, Gall Thomson Group recorded sales of £6.64 million (2001: £5.34 million), an increase of 24.3 per cent.. Operating profit before Group management charges and goodwill amortisation was £3.38 million (2001: £2.71 million), an increase of 24.8 per cent..

For the first half of 2003 Gall Thomson Group reported a very solid performance. As a result the Group achieved an operating profit before goodwill amortisation of £1.20 million (2002: £1.01 million) an increase of 18.8 per cent, on turnover slightly down on the first half of 2002 owing to a number of project delays associated with the Iraq war. The Group profit before tax was only 5.9 per cent. higher at £0.54 million (2002: £0.51 million) because of a £0.20 million loss taken against book value in liquidating the remaining investment portfolio.

Negotiations for the sale of Lupus or Gall Thomson

In connection with the announcement of the interim results on 26 September 2003 the Board stated that it had been pursuing a number of ways to achieve value for Shareholders, including the sale of Gall Thomson or the sale of the Company. As a consequence of this statement the Company entered into an offer period for the purposes of the City Code on Take-overs and Mergers.

PVML has held discussions with a number of interested parties since December 2002. The indicative proposals received to date have involved significant levels of debt financing and no definitive offer at an acceptable level has been received.

Alternative approach

In the light of Gall Thomson's continuing sound performance, PVML, in conjunction with Marshall, investigated the possibility of a transaction offering Shareholders the opportunity to continue with their investment in the Company as an alternative to crystallising the value of their Ordinary Shares.

Given the market position and the performance of Gall Thomson and the Group's much reduced cost base and simplified operations, the potential for an independent route was clear to the Board. However, it was also evident that for successful implementation of a strategy of growth on the scale which would justify a continuing listed entity it would be necessary to introduce new corporate leadership with relevant expertise and experience. In this context Marshall approached Greg Hutchings.

The Subscription will be at 9p per Ordinary Share. In the light of all the discussions and negotiations undertaken with third parties the Board believes that if a cash offer for Lupus were to be made by a third party on conclusion of negotiations, which is not certain, it is unlikely that the offer would be at a price higher than 9p per Ordinary Share.

Potential tender

The Board expected that the Proposals would be well received and that interest generated by the Proposals would create greater liquidity and value in the Ordinary Shares, providing Shareholders with opportunities to dispose of all or some of their Ordinary Shares if they so desired. The market reaction has been as expected. In the three trading days following the announcement of the Proposals, the volume of the Ordinary Shares traded represented more than 60 per cent. of the Company's issued share capital and the closing mid-market price on 20 January 2004, the latest practicable date before the publication of this document, was 13.25p per Ordinary Share. In the announcement of the Proposals the Board stated that if opportunities to dispose of Ordinary Shares did not arise in the period between the announcement of the Proposals and the preliminary announcement of the results for the year ended 31 December 2003 the Board intended, following such preliminary announcement, to seek to arrange a tender at 9p per Ordinary Share (or, if lower, the maximum price at which the Company is permitted to buy back Ordinary Shares under the listing rules of the UK Listing Authority). If such a tender takes place the opportunity to participate will be personal to those Shareholders on the register on 15 January 2004 and will be for at least 40 per cent. in aggregate of the relevant shareholdings at the time of the tender. Arrangements will be made for Shareholders who purchased Ordinary Shares before the announcement of the Proposals but were not on the register at 15 January 2004 to participate in the tender. Any such tender may be satisfied by the Company purchasing Ordinary Shares itself (up to the limit of its authority to make such purchases) or by Marshall procuring purchasers or by a combination of Company and investor purchases. In view of the market reaction to the Proposals, the Board considers it unlikely that the tender will take place. In any case, for the same reason the Board will not seek to arrange such a tender if the average closing market bid price of an Ordinary Share on the five business days following the preliminary announcement of the results for the year ended 31 December 2003 is 9p or more based on reasonable levels of liquidity.

Offer Period

On 16 January 2004 the Board announced that it had terminated discussions with all other third parties and, accordingly, the Company was no longer in an offer period for the purposes of the City Code on Takeovers and Mergers.

Proposed appointment of Greg Hutchings

If the Proposals are approved by Shareholders and the Subscription is completed, the appointment of Greg Hutchings as Executive Chairman of the Company will become effective. Fred Hoad, Roland Tate and I will continue as non-executive directors. It is intended that further directors will be appointed in due course.

Greg Hutchings has entered into a service agreement with the Company, the terms of which are summarised in paragraph 1 of Part 3 of this document.

If the Proposals are approved by Shareholders, the investment management agreement dated 28 November 2002 between the Company and PVML will be terminated and PVML will be paid the sums due to it under the terms of the investment management agreement, including a performance fee. The performance fee will be based on an exit price of 9p per Share compared to a base price of 6p per Ordinary Share and will amount to £625,801 plus VAT. Immediately before the announcement in October 2002 of the requisition for the extraordinary general meeting of the Company which took place on 28 November 2002 the mid market price of the Company's Ordinary Shares was 5p. I would like to thank PVML for carrying out its mandate on behalf of Shareholders effectively and on schedule.

As mentioned above, Greg Hutchings purchased 6,466,056 existing Ordinary Shares at 9p per share following the announcement of the Proposals. If the Proposals are approved Greg Hutchings will subscribe for 17,283,944 new Ordinary Shares at the same price. Following the Subscription, which will take his investment in Ordinary Shares to £2,137,500, Greg Hutchings will hold 23,750,000 Ordinary Shares representing approximately 12.5 per cent. of the enlarged issued share capital. The Ordinary Shares to be issued pursuant to the Subscription, which is subject to approval by Shareholders, represent 9.998 per cent. of the current issued share capital of the Company.

Greg Hutchings joined Tomkins plc in 1983 and held the post of Chief Executive or Chairman from January 1984 until he stepped down in October 2000. Over the sixteen year period to 30 April 2000 Tomkins plc's annual profit before tax and exceptional items rose from £1.6 million to £473.6 million with uninterrupted growth, year on year, in earnings per share. Compound growth in earnings per share over this period was around 26 per cent. per annum and compound growth of dividends per share was over 24 per cent. per annum. In the year to 30 April 2000 Tomkins plc's earnings per share and dividends increased by 15 per cent.. The Board is aware of, and has satisfied itself as to, the circumstances of the resignation of Greg Hutchings from Tomkins plc which received extensive publicity.

Proposed Incentive Arrangements

If the Proposals are approved the Company will establish the Incentive Arrangements which will be implemented by means of an employee benefit trust, to be known as the "Lupus Employee Share Ownership Trust" or "the LESOT" and an enterprise management incentive scheme, to be known as the

"Lupus EMI Scheme" or the "EMI Scheme". The purpose of these arrangements is to provide incentives for eligible participants to achieve value for Shareholders. All full time employees (including executive directors) will be eligible to participate in the Incentive Arrangements.

The Incentive Arrangements are intended to provide benefits and incentives for employees and their families. In particular, it is intended that under the Incentive Arrangements Ordinary Shares may be used to incentivise the executive team, including Greg Hutchings, to achieve value for Shareholders in terms of share price, earnings per share improvements and growth in the scale of the Group's operations.

If certain criteria are met and certain conditions are satisfied the Company intends to award new Ordinary Shares to the LESOT for the purpose of making share awards, with the purchase price of such shares being funded by contributions made by the Company. The Ordinary Shares may be held under the LESOT for the benefit of families of employees and may be used to satisfy the exercise of options under the EMI Scheme. If the criteria are met and the conditions are satisfied the new Ordinary Shares may be issued in three tranches which are expected to occur by July 2004, by July 2005 and by August 2008.

The Incentive Arrangements provide the opportunity for the executive team, including Greg Hutchings, to achieve a substantial benefit over a short period reflecting the importance to the Group of their recruitment. The level of the potential benefits available in the first two periods of the Incentive Arrangements is in excess of normal benefits under standard corporate governance criteria but reflects the Board's view of the potential benefits to the Group of having an experienced Executive Chairman to lead the next stage of the Company's development. In particular, the issue of new Ordinary Shares in the third period will be scaled back if the number of new Ordinary Shares issued under the Incentive Arrangements and any other employee share schemes in aggregate since the announcement of the Proposals would otherwise exceed 10 per cent. of the number of Ordinary Shares in issue immediately prior to the issue. Towards the end of the third period the Board may propose a continuation of the Incentive Arrangements, subject to such structural and/or detailed adjustments as may then be considered to be appropriate and subject to any necessary Shareholder approval.

The Incentive Arrangements provide for three periods, each with demanding criteria for achievement relevant to stages of the Company's development:

The First Period

The objective of the first period is to reward share price performance associated with the implementation of the Proposals and the new direction of the Company. The first period runs until 31 July 2004 and provides for an award of up to 47,539,257 new Ordinary Shares based on share price achievement over the range 9p to 15p. The relevant share price will be the average mid market price of an Ordinary Share over 30 business days prior to a notice being served by the trustees of the LESOT that they intend to subscribe for Ordinary Shares ("a subscription notice"). For the full award to be made the average share price must be at least 15p over this period of 30 business days, that is at least six weeks.

The Second Period

The second period aims to reward share price consolidation and the first phase of equity growth. The second period runs until 31 July 2005 and provides for an award of up to 95,000,000 new Ordinary Shares, less the number of Ordinary Shares allotted in respect of the first period. Share price achievement will be determined in the same way as in the first period but will be assessed against a range starting with the relevant share price at the end of the first period (subject to a minimum of 9p) and rising to 18p.

The number of new Ordinary Shares to be issued under the Incentive Arrangements in aggregate, ignoring disposals, will not in the first and second periods, exceed 20 per cent. of the issued share capital of the Company immediately following such issue. Accordingly, for the full award of 95,000,000 Ordinary Shares to be issued in the first and second periods the average share price for the 30 business days at the end of the second period must be at least 18p and, assuming a full award in the first period and no other issues, the issued share capital must have doubled compared with that immediately following the Subscription.

The Third Period

The criteria for the third period are designed to reward sustained exceptional business performance and substantial growth of shareholder value. The criteria require further share price performance, further growth in the equity base and substantial growth in adjusted earnings per share. The third period covers the three financial years ending 31 December 2007 and the trustees of the LESOT may subscribe for Ordinary Shares in respect of the third period until 31 August 2008. The number of new Ordinary Shares to be issued in the third period will be a maximum of 95,000,000 multiplied by a factor relating to share price performance and by a factor relating to compound growth in adjusted earnings per share. The share price factor is based on share price achievement against the range 18p to 30p, taking the average mid market price of an Ordinary Share over 30 business days prior to a subscription notice being served by the trustees of the LESOT. The price range may be adjusted (upwards or downwards) at the discretion of the remuneration committee of the Board to take account of the price at which substantial issues of new equity may have been made since the announcement of the Proposals. The earnings per share factor is based on achievement of compound annual increase in adjusted earnings per share against the range 10 per cent. to 25 per cent. in the three years ending 31 December 2007. If either factor is achieved as to less than 100 per cent. the effect of multiplying the factors together will be to reduce the number of Ordinary Shares to be issued significantly. For instance, if both factors are achieved as to 50 per cent. the number of Ordinary Shares to be issued will be 25 per cent. of the maximum number. The issue of new Ordinary Shares in the third period will be scaled back if the number of new Ordinary Shares issued under the Incentive Arrangements and any other employee share schemes in aggregate since the announcement of the Proposals would otherwise exceed 10 per cent. of the number of Ordinary Shares in issue immediately prior to the issue.

The Incentive Arrangements provide that for the maximum number of Ordinary Shares to be awarded under the Incentive Arrangements the executive directors of the Company must own beneficially not less than 23,750,000 Ordinary Shares in aggregate at the time of the board meeting convened to approve the allotment to the LESOT.

The Directors believe that to achieve the criteria in full will be challenging. The maximum number of new Ordinary Shares to be issued under the Incentive Arrangements is 190,000,000 Ordinary Shares but for this to occur it will be necessary, by the time of the issue of the shares under the third period, for the share price to be at least 30p and for adjusted earnings per share to have grown by at least 25 per cent. per annum compound in the three years ending 31 December 2007. In addition, because of the 10 per cent. limit referred to above, it will be necessary for the equity in issue of the Company to increase by at least ten times following the Subscription. The Board expects that, before the end of the third period, the Company will make a number of acquisitions for which all or part of the consideration may be new Ordinary Shares.

Generally, any shares held under the LESOT for the benefit of the family of any employee in respect of the first and second period shall revert to the LESOT for distribution to other employees and their families if the employee leaves his employment with the Company within 12 months following allotment of Ordinary Shares to the LESOT in respect of the first and the second periods or, if later, 31 December 2005 and no Ordinary Shares shall be appointed to be held for the family of any employee under the LESOT if, at the date of the appointment, the employee concerned is no longer employed by the Company.

On 15 December 2003 an accounting standards body published revised rules concerning accounting for share awards under share schemes and to employee benefit trusts. The rules relate to a complex area of accounting. There is some debate as to the practical consequences within the accountancy profession. The award of Ordinary Shares under the Incentive Arrangements may result in a profit and loss account charge and may impact distributable reserves. Shares awarded may initially be regarded for accounting purposes as not having totally left the Company's control and therefore be treated as a deduction from share capital and reserves rather than as an expense. The Board will take further advice and will take appropriate action in respect of any impact on distributable reserves.

Copies of the Trust Deed of the LESOT, the revocable appointment under the LESOT, the LESOT subscription agreement and the rules of the EMI Scheme will be available for inspection at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN, from the date of this document up to and including the time of the Extraordinary General Meeting.

The Incentive Arrangements are summarised in more detail in Part 2 of this document.

Current trading and prospects

As envisaged at the time of the interim results the trading environment for Gall Thomson has now recovered fully following the effects of the Iraq war. The Directors remain confident that Gall Thomson will report a solid performance for 2003, which was a complicated year.

Gall Thomson has entered 2004 with a healthy order book. External consultants have indicated that they expect that there will be good prospects for the offshore oil and gas market over the coming years. This is being driven by the continuing expansion in the use of sub-sea production technologies, the move into deep water areas and the exploitation of marginal fields.

Klaw has continued to extend its product range and has increased its marketing efforts to penetrate the industrial couplings market.

Dividends

The Company intends to continue to pay dividends. As described above the implementation of the Proposals may have a significant effect on distributable reserves which may require the Board to take action to enable dividends to be paid. The final dividend for the year ended 31 December 2003 will be declared as soon as is practicable after the announcement of the results for that year.

Reasons for recommending the Proposals

The Proposals are based on a price of 9p per Ordinary Share. As stated above, in the light of the recent approaches received from third parties and the funding structures being contemplated by them the Board believes that if a cash offer for Lupus had been made on conclusion of negotiations, which is not certain, it is unlikely that the offer would have been at a price higher than 9p per Ordinary Share. The Directors intend that Shareholders should have the choice of retaining their Ordinary Shares in order to participate in the next phase of the Company's development under the leadership of Greg Hutchings or disposing of all or some of such shares by taking advantage of liquidity and value created by the Proposals.

The Board is aware that the scale of the potential share issues under the first two periods of the Incentive Arrangements is significantly greater, in percentage terms, than would be customary in a large and established listed company. However, the Company is currently very small and despite the excellence of the Gall Thomson business, has failed to attract and maintain significant institutional support. The third tranche of Ordinary Shares to be issued under the Incentive Arrangements is designed with normal corporate governance criteria in mind and in particular, the 10 per cent. limit referred to above.

The Board believes that the proven track record of Greg Hutchings in building a major industrial group offers a real prospect of transforming the Company into a major enterprise focussed on the creation of shareholder value. In this context the Board has sought to ensure that the interests of the executive team and the interests of other Shareholders are fully aligned by establishing significant reward potential for exceptional achievements.

Dealings and settlement

The new Ordinary Shares to be issued under the Subscription will, when issued and fully paid, rank *pari passu* with the Ordinary Shares then in issue and will rank for all dividends and other distributions declared, made or paid after the date of issue other than any dividend declared, made or paid in respect of the year ended 31 December 2003. Definitive share certificates for the new Ordinary Shares are expected to be issued on 24 February 2004. The new Ordinary Shares will, when issued, be capable of being held in certificated and in uncertificated form.

Risk factors

There are a number of risks associated with investment in the Company including, but not limited to, the following:

The past performance of Gall Thomson is not a guide to its future performance.

The performance of Tomkins plc during the period of Greg Hutchings's tenure is not a guide to the future performance of the Company.

The Company may not be able to make acquisitions on suitable terms which may limit the potential for creation of shareholder value.

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the Company's ability to provide returns to its Shareholders or alter the post-tax returns to its Shareholders.

Any change in the taxation legislation or accounting practice relating to employee benefit trusts and employee management incentive schemes could affect the effectiveness of the Incentive Arrangements.

Changes in economic conditions (including, for example, interest rates, rates of inflation, exchange rates, industry conditions, competition, political and diplomatic events and trends) could substantially and adversely affect the Company's prospects.

Extraordinary General Meeting

A notice convening an extraordinary general meeting of the Company for the purpose of considering a resolution to approve the Proposals is set out at the end of this document. Under the resolution, which will be proposed as a special resolution:

(a) the authorised share capital of the Company will be increased to £2,500,000 by the creation of 200,000,000 new Ordinary Shares. This increase, which represents approximately 67 per cent. of the authorised share capital of the Company at the date of this document, will provide sufficient authorised share capital to allow for the Subscription and the issue of shares pursuant to the Incentive Arrangements. If the resolution is passed and the Subscription is completed, the Company will have 309,842,971 Ordinary Shares unissued representing approximately 62 per cent. of the enlarged authorised share capital of the Company;

(b) the Directors will be authorised to allot Ordinary Shares having a nominal value of up to £1,266,928.38 which amounts to 253,385,676 Ordinary Shares representing approximately 147 per cent. of the issued ordinary share capital of the Company at the date of this document. Of this amount 190,000,000 Ordinary Shares will be reserved to satisfy awards under the Incentive Arrangements and the balance of 63,385,676 Ordinary Shares, which represents approximately one third of the issued share capital of the Company following the Subscription, will remain unissued and uncommitted. The Directors have no present intention of issuing any part of the unissued share capital of the Company other than in connection with the Subscription and the awards of Ordinary Shares under the Incentive Arrangements. The authority will substitute the authority which was granted at the annual general meeting of the Company held in 2003 (but without prejudice to any exercise of that authority before the date of the passing of the resolution to be proposed at the EGM) and will expire on 15 February 2009;

(c) the Directors will be empowered to allot equity securities without first being required to offer such securities to existing Shareholders in accordance with section 89 of the Companies Act 1985 (the "Act") (which requires equity securities issued for cash to be offered first to existing Shareholders in proportion to their existing holdings) in respect of the 17,283,944 Ordinary Shares to be issued under the Subscription, in connection with a rights issue which is made not strictly in accordance with section 89 of the Act and otherwise having a nominal value of up to £47,539.25 which amounts to 9,507,850 Ordinary Shares, representing approximately 5.5 per cent. of the issued ordinary share capital of the Company at the date of this document and approximately 5 per cent. of the issued ordinary share capital of the Company following the Subscription, such power to expire on 15 February 2009;

(d) authorises the Company to purchase in the market up to 25,910,000 Ordinary Shares, representing approximately 14.99 per cent. of the issued ordinary share capital of the Company at the date of this document or if the Proposals are approved and the Subscription is completed 28,500,000 Ordinary Shares representing approximately 14.99 per cent. of the Ordinary Shares in issue after the Subscription at a price not less than the nominal value of the Ordinary Shares and not more than 5 per cent. above the average of the middle market quotations of the Ordinary Shares derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The authority will continue until the conclusion of the annual general meeting to be held in 2004 or 15 months after the date of the passing of the resolution to be proposed at the EGM, whichever is the earlier. Other than pursuant to the tender referred to under the heading Potential tender above, the Directors have no present intention of making such purchases, but consider it prudent to have this authority so as to be able to act at short notice if circumstances change. The authority would, however, only be exercised if the Directors believe that to do so would be in the best interests of Shareholders generally. There are no warrants or options to subscribe for equity shares in the Company outstanding as at the date of this document; and

(e) approves and adopts proposed Incentive Arrangements.

The EGM will be held at 12.00 noon on 16 February 2004 at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN.

Action to be taken

Shareholders will find enclosed a form of proxy for use in connection with the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the EGM, they are requested to complete the form of proxy in accordance with the instructions printed thereon and return it so as to be received by Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU, as soon as possible, but in any event, in order to be valid, no later than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM, should the Shareholder so wish.

Recommendation

Your Directors, who have been advised by Marshall, consider the Proposals to be in the best interests of Shareholders as a whole. In providing advice to the Directors Marshall has taken account of the commercial assessment of the Directors. Accordingly, your Directors recommend Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares, amounting, in aggregate, to 836,196 Ordinary Shares.

Yours faithfully

Konrad Legg
Chairman

PART 2

INCENTIVE ARRANGEMENTS

A Description of LESOT

The LESOT will be an employee benefit trust established potentially to benefit all the employees of the Company and its subsidiaries from time to time and certain of their relatives. The trustee will be an independent third party trustee whose obligations and responsibilities will be to hold the trust assets for the benefit of the beneficiaries but who are likely to take into account recommendations made by the remuneration committee of the Board when determining the allocation of the trust assets.

B Description of EMI Scheme

The EMI Scheme will allow the Company's employees (including executive directors) to acquire shares in the Company in a tax approved efficient manner.

In order to participate in the EMI Scheme, an employee must be employed by the Company, or a 75 per cent. subsidiary of Company and commit at least 25 hours per week (or 75 per cent. of his working time) to the business of the Company, or that of a group company. The employee will only be eligible to participate in the EMI Scheme if he owns less than, or is not able to control more than 30 per cent. of the Ordinary Share capital of the Company, or of a group company whether individually or through his associates.

A participating employee may not hold unexercised EMI Scheme options over shares in the Company with a total value exceeding £100,000 (the value being calculated at the date the option is granted). If a participant has received options granted under an Inland Revenue approved discretionary share option scheme, then such options will be included within the calculation of the £100,000 limit. The EMI Scheme has an overall limit of £3 million on the total value of shares in the Company that may be subject to unexercised EMI Scheme options at any one time (calculated at the date of grant).

Options granted to UK resident and ordinarily resident employees participating in the EMI Scheme that have an exercise price of less than the fair market value of the shares in the Company at the date of grant should not be subject to an income tax, or National Insurance charge at the date the options are granted but the amount of the discount will be subject to income tax and National Insurance when the options are exercised. The Company is able to make the grant of options under the EMI Scheme conditional on the employee entering into a National Insurance agreement to the effect that should any employers' National Insurance arise through the exercise of an option, the Company would be able to recover the National Insurance from the participating individual.

Shares acquired through the exercise of an option granted under the EMI Scheme will be subject to a capital gains tax charge when the shares are sold. The gain will be subject to taper relief based on ownership from the date the options were granted.

C Incentive Arrangements

The following is a summary of the rules of the Incentive Arrangements which are contained in the trust deed of the LESOT, a subscription agreement between the Company and the LESOT and the rules of the EMI Scheme.

1. Overview

The Incentive Arrangements provide potential awards of Ordinary Shares ("shares") under the LESOT and into the EMI Scheme. The aggregate number of shares to be issued under the EMI Scheme and the LESOT (including shares to satisfy options granted under the EMI Scheme) will not exceed the maximum number of shares to be issued pursuant to the Incentive Arrangements. The number of options granted to employees under the EMI Scheme will be at the discretion of the Board. The allocation of shares to beneficiaries within the LESOT will be at the discretion of the trustees of the LESOT, although they may consider recommendations from the remuneration committee of Board.

The Incentive Arrangements cover the period to 31 August 2008. The shares will be issued in not more than three tranches. The number of shares issued in each tranche will be assessed by reference to performance criteria reflecting the Company's development during the relevant Periods.

In the First Period the criterion relates solely to share price performance; in the Second Period the criteria relate to share price performance and growth of the Company's equity base; in the Third Period the criteria relate to share price performance, growth in the Company's equity base and growth in compound annual adjusted earnings per share.

2. Definitions

Terms defined in this document have the same meaning in the rules relating to the Incentive Arrangements. The following definitions also apply to the Incentive Arrangements:

"Adjusted Earnings Per Share" — earnings per share excluding goodwill, any charge to the profit and loss account resulting from the issue of shares under the Incentive Arrangements in any Period and any extraordinary items but not excluding exceptional items

"Base Number" — in the First Period: 47,539,257

in the Second Period: 95,000,000

in the Third Period: 95,000,000

subject, in each case, to a maximum of four times the number of shares beneficially owned by executive directors of the Company on the date of the Board meeting convened to approve the allotment of shares under the Incentive Arrangements

"Change of Control" — arises where any person, other than a director of the Company or any person acting in concert with a director of the Company:

(A) obtains Control of the Company as a result of making of the Company:

   (i) a general offer to acquire the whole of the issued ordinary share capital of the Company which is either unconditional or made on a condition such that, if it is satisfied, the person making the offer will have Control of the Company; or

   (ii) a general offer to acquire all the shares in the Company which are of the same class as the shares

   (in either case disregarding any shares already owned by it or any company associated with it); or

(B) obtains Control of the Company in pursuance of a compromise; or

(C) becomes bound or entitled to acquire shares under Sections 428 to 430F of the Companies Act 1985; or

(D) obtains all the shares as a result of a Qualifying Exchange of Shares as defined in paragraph 40 of Schedule 5 Income Tax (Earnings and Pensions) Act 2003; or

(E) obtains direct or indirect ownership of more than 50 per cent. of the Company's ordinary share capital in any circumstances other those described in (A) to (D) above; or

(F) obtains Control of the Company in any circumstances other than those described in (A) to (E) above.

For these purposes a person shall be deemed to have obtained Control of the Company if he and others acting in concert (as defined by the City Code on Take-overs and Mergers) with him have together obtained Control of it

"Compound EPS Growth" — annual compound growth in Adjusted Earnings Per Share during the Third Period

"Conditions" — the conditions described in paragraph 7 below

"Control" — the meaning set out in Section 840 Income and Corporation Taxes Act 1988

"EPS Growth Factor" — if Compound EPS Growth is 25 per cent. or more: 100 per cent.

if Compound EPS Growth is greater than 10 per cent. but less than 25 per cent: 4 times Compound EPS Growth

	if Compound EPS Growth is 10 per cent. or less: nil
"First Period"	the period commencing 30 business days after 16 January 2004 (the date of announcement of the Proposals) and ending on 31 July 2004
"Listing"	admission to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities
"Period"	the First, Second or Third Period, as the context requires
"Relevant Share Price"	the lower of (i) the average middle market closing price as derived from the Stock Exchange Daily Official List for each of the 30 business days preceding the date of receipt by the Company of the relevant Subscription Notice and (ii) the price at the top of the relevant Target Share Price
"Second Period"	the period commencing 30 business days after the date of announcement of the interim results of the Company for the six months ending 30 June 2004 and ending on 31 July 2005
"Share Price Factor"	if the Relevant Share Price is equal to the price at the top of the relevant Target Share Price Range: 100 per cent. if the Relevant Share Price is equal to or less than the price at the bottom of the relevant Target Share Price: nil if the Relevant Share Price is within the relevant Target Share Price Range: a pro rated percentage between nil and 100 per cent.
"Subscription Notice"	written notice served by the trustees of the LESOT on the Company that they intend to subscribe for Ordinary Shares
"Target Share Price Range"	in respect of the First Period: the range between 9p and 15p in respect of the Second Period: the range between the Relevant Share Price at the end of the First Period (subject to a minimum of 9p) and 18p in respect of the Third Period: the range between 18p and 30p (subject to upward or downward adjustment at the discretion of the remuneration committee of the Board to take account of the price at which any substantial issues of new Ordinary Shares may have been made since the announcement of the Proposals)
"Third Period"	the period of three financial years ending 31 December 2007
"Total Shareholder Return"	the return on a share (or group of shares) measured by reference to the increase in share price and on the assumption that any dividends received are re-invested into further shares.

3. Implementation of awards of shares

In respect of each Period the relevant number of shares will be allotted as soon as practicable after receipt by the Company of a Subscription Notice in respect of such Period and satisfaction of the Conditions. The Company will make contributions to the LESOT sufficient to enable the LESOT to subscribe for the relevant number of shares and will use all reasonable efforts to ensure that such shares are admitted to Listing.

A Subscription Notice in respect of the First Period may not be served earlier than 27 February 2004 (30 business days after the announcement of the Proposals) nor later than 31 July 2004.

A Subscription Notice in respect of the Second Period may not be served earlier than 30 business days after the announcement of the interim results of the Company for the six months ending 30 June 2004 nor later than 31 July 2005.

A Subscription Notice in respect of the Third Period may not be served earlier than 30 business days after the preliminary announcement of the results of the Company for the year ending 31 December 2007 nor later than 31 August 2008.

The number of shares to be allotted under the Incentive Arrangements will be subject to such adjustments, if any, as the Board may propose and the auditors of the Company shall confirm as being fair, to reflect the terms of any capital adjustments or other share issue as referred to in 8(iv) below.

The remuneration committee of the Board shall be authorised to make such adjustments to the implementation of the Incentive Arrangements as they may consider appropriate and the auditors of the Company shall confirm as being fair.

4. Share awards in respect of the First Period

The number of shares to be issued under the Incentive Arrangements in respect of the First Period will be the Base Number multiplied by the Share Price Factor.

5. Share awards in respect of the Second Period

The number of shares to be issued under the Incentive Arrangements in respect of the Second Period will be the Base Number multiplied by the Share Price Factor less the number of shares issued under the Incentive Arrangements in respect of the First Period.

However, the number of shares to be allotted under the Incentive Arrangements in aggregate in respect of the First Period and the Second Period (ignoring any disposals) will not exceed 20 per cent. of the Company's issued share capital immediately following the issue of the shares under the Incentive Arrangements. Shares scaled back to comply with this limit will not be carried forward to the Third Period.

If a Change of Control occurs in the Second Period before 31 July 2005 then provided the offer price is at least 18p a Subscription Notice may be served at any time within the period of 30 days following the date on which the offer becomes wholly unconditional or the Change of Control occurs. In such circumstances the Share Price Factor shall be 100 per cent. for the purposes of calculating the number of shares to be issued.

6. Share awards in respect of the Third Period

The number of shares to be issued under the Incentive Arrangements in respect of the Third Period will be the Base Number multiplied by the Share Price Factor multiplied by the EPS Growth Factor.

However, the number of shares to be allotted under the Incentive Arrangements in respect of the Third Period will not exceed such number as, when aggregated with shares issued under the Incentive Arrangements or issued under any other employee incentive share schemes since the announcement of the Proposals, is equivalent to 10 per cent. of the Company's issued share capital immediately prior to the issue of shares in respect of the Third Period under the Incentive Arrangements.

In calculating the EPS Growth Factor the Adjusted Earnings Per Share at the start of the Third Period will be derived from the audited results for the year ending 31 December 2004. Adjusted Earnings Per Share at the start of the Third Period will include the number of shares in issue on 31 December 2004 and the number of shares awarded in respect of the First and Second Periods. Adjusted Earnings Per Share at the end of the Third Period will include the number of shares in issue on 31 December 2007 and the number of shares to be issued to ensure that the Third Period criteria are satisfied.

No shares will be issued under the Incentive Arrangements in respect of the Third Period unless the Total Shareholder Return since the announcement of the Proposals is at least equivalent to the average Total Shareholder Return of comparable companies (as determined by the remuneration committee of the Board at the time) over the period since announcement of the Proposals.

If a Change of Control occurs after the end of the Second Period but before 31 August 2008 then provided the offer price is at least 30p a Subscription Notice may be served at any time within the period of 30 days following the date on which the offer becomes wholly unconditional or the Change of Control occurs. In such circumstances the Share Price Factor shall be 100 per cent. and the EPS Growth Factor shall be 100 per cent. for the purposes of calculating the number of shares to be issued.

7. Conditions

Unless otherwise determined by the trustees upon receiving advice from the Board, any shares appointed under the LESOT to the benefit of an employee or his family in respect of the First Period or the Second Period will revert to the LESOT if that employee shall cease to be employed by the Company on or before 31 December 2005 or, if later, within 12 months following the allotment of shares in respect of the Second Period and no shares shall be appointed to be held for the family of any employee if, at the date of the appointment, the employee concerned is not employed by the Company.

The allotment of shares will be subject to receipt of the subscription price therefor.

The allotment of shares will be subject to listing of such shares.

8. Other provisions

The provisions (if any) of the Incentive Arrangements relating to:

(i) the persons to whom, or for whom, securities, cash or other benefits are provided under the Incentive Arrangements (the ''participants'');

(ii) limitations on the number or amount of the securities, cash or other benefits subject to the Incentive Arrangements;

(iii) the maximum entitlement for any one participant;

(iv) the basis for determining a participants entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital:

will not 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 Incentive Arrangements, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company operating the Incentive Arrangements or any members of its group).

The benefits under the Incentive Arrangements are not pensionable.

PART 3

ADDITIONAL INFORMATION

1. Service agreement

On 15 January 2004 Greg Hutchings entered into a service agreement with the Company which will be effective from the date of approval of the Proposals and the completion of the Subscription. The agreement is terminable by either Greg Hutchings or the Company on not less than 12 months' prior written notice. There are no provisions for compensation payable upon early termination of the agreement save that the Company may terminate the agreement by making a payment in lieu of notice which is subject to a duty on the part of Greg Hutchings to mitigate on a monthly basis. Under the agreement Greg Hutchings is entitled to receive an annual salary of £150,000. The agreement also provides for membership of a private medical expenses arrangement, permanent health insurance cover and the reimbursement of all out of pocket expenses reasonably and properly incurred. Under the agreement Greg Hutchings is entitled to participate from time to time in any bonus arrangements the Board may establish. Greg Hutchings is also entitled to 25 working days' holiday. In the event that he is unable to perform his duties due to illness or injury he will be paid full salary for up to an aggregate maximum of 65 working days in any continuing period of 12 months less the amount of any statutory sick pay or other benefit to which he is entitled under social security legislation. The agreement contains obligations of confidentiality and a number of restrictive covenants which last for between 6 and 12 months after the termination of employment. These include a non-compete covenant and covenants preventing solicitation of employees and/or customers. The restrictions also prevent Greg Hutchings from interfering with the relations between the Group and its suppliers.

2. Interests of the Directors and Greg Hutchings

(a) The interests of the Directors and Greg Hutchings and their connected persons in the Ordinary Shares of the Company at 20 January 2004 (being the latest practicable date prior to the publication of this document) were:

	Number	*Per cent.*
K Legg	875,000	0.51
F Hoad	325,000	0.19
R Tate	161,196	0.09
G Hutchings	6,466,056	3.74

(b) The interests of the Directors and Greg Hutchings and their connected persons in the Ordinary Shares of the Company immediately following the Subscription are expected to be:

	Number	*Per cent.*
K Legg	875,000	0.46
F Hoad	325,000	0.17
R Tate	161,196	0.08
G Hutchings	23,750,000	12.49

3. Summary of Subscription Agreement

A subscription agreement was entered into on 15 January 2004 between the Company and Greg Hutchings under which Greg Hutchings has agreed, subject to the Proposals being approved, to subscribe in cash for 17,283,944 new Ordinary Shares at 9p per Ordinary Share and the Company has agreed to allot such Ordinary Shares.

4. Other Information

Marshall Securities Limited, which is regulated by the Financial Services Authority, 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 they appear.

5. Documents Available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN, until 16 February 2004:

(i) The service agreement referred to in paragraph 1 above;

(ii) The trust deed of the LESOT;

(iii) The rules of the EMI Scheme;

(iv) The subscription agreement between the trustees of the LESOT and the Company;

(v) The revocable appointment under the LESOT;

(vi) The memorandum and articles of association of the Company;

(vii) The published audited accounts of the Company for the two years ended 31 December 2002;

(viii) The subscription agreement referred to in paragraph 3;

(ix) The letter of consent referred to in paragraph 4 above; and

(x) This document.

PART 4

DEFINITIONS

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

"Board" or **"Directors"**	the board of directors of the Company
"EMI Scheme"	the Lupus Capital PLC 2004 enterprise management incentive scheme
"Extraordinary General Meeting" or **"EGM"**	the extraordinary general meeting of the Company being convened for 12.00 noon on 16 February 2004
"Gall Thomson"	Gall Thomson Environmental Limited, a subsidiary of the Company
"Gall Thomson Group"	Gall Thomson and its subsidiary Klaw
"Group"	the Company and its subsidiaries
"the Incentive Arrangements"	the LESOT, the subscription agreement between the trustees of the LESOT and the Company and the EMI Scheme
"Klaw"	KLAW Products Limited, a subsidiary of Gall Thomson
"the LESOT"	the Lupus Employee Share Ownership Trust
"Lupus" or **"the Company"**	Lupus Capital PLC
"Marshall"	Marshall Securities Limited
"Ordinary Shares"	ordinary shares of 0.5p each in the share capital of the Company
"PVML"	Progressive Value Management Limited
"Proposals"	the proposals described in Part 1 of this document
"Shareholders"	holders of Ordinary Shares
"Subscription"	the subscription by Greg Hutchings for 17,283,944 new Ordinary Shares at 9p per Ordinary Share pursuant to the Proposals

NOTICE OF EXTRAORDINARY GENERAL MEETING

LUPUS CAPITAL PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered No.2806007)

Notice is hereby given that an extraordinary general meeting of the Company will be held at 12.00 noon on 16 February 2004 at the offices of Lawrence Graham, 190 Strand, London WC2R 1JN, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

(a) the authorised share capital of the Company be and is hereby increased from £1,500,000 to £2,500,000 by the creation of 200,000,000 ordinary shares of 0.5p each ranking *pari passu* in all respects as one class with the existing ordinary shares of 0.5p each in the Company;

(b) in substitution for any existing authority under section 80 of the Companies Act 1985 (the "Act") but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the directors of the Company (the "Directors") be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Act to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £1,266,928.38, provided that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) on 15 February 2009, 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 such an offer or agreement as if the authority conferred hereby had not expired;

(c) in substitution for any existing power under section 95 of the Act but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by paragraph (b) above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    (i) the allotment of 17,283,944 ordinary shares of 0.5p each in the Company pursuant to the Subscription (as that term is defined in the circular to the shareholders of the Company dated 21 January 2004 published by the Company of which a copy is produced to the Meeting (the "Circular"));

    (ii) the allotment of equity securities for the purpose of, or in connection with, an offer of such equity securities by way of rights to the holders of ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or stock exchange in, any territory or otherwise however; and

    (iii) the allotment of equity securities otherwise than pursuant to sub-paragraphs (i) and (ii) above, up to an aggregate nominal amount of £47,539.25

    such power to expire on 15 February 2009, 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 power expires and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired;

(d) the Lupus Employee Share Ownership Trust (the "Trust") the principal features of which are summarised in Part 2 of the Circular be and is hereby approved and that the Directors be and are hereby authorised to do all acts and things which they may in their absolute discretion consider necessary, expedient or desirable to effect the establishment of the Trust;

(e) the subscription agreement between the Company and the Trust, the principal features of which are summarised in Part 2 of the Circular be and is hereby approved and that the Directors be and are hereby authorised to do all acts and things which they may in their absolute discretion consider necessary, expedient or desirable to adopt the subscription agreement;

(f) the Lupus Capital PLC 2004 Enterprise Management Incentive Scheme (the "EMI Scheme"), the principal features of which are summarised in Part 2 of the Circular and the rules of which are produced to the Meeting and initialled by the Chairman of the Meeting for identification purposes, be and are hereby approved and adopted and that the Directors be and are hereby authorised to do all acts and things which they may in their absolute discretion consider necessary, expedient or desirable to adopt and carry into effect the EMI Scheme;

(g) the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0.5p each in the capital of the Company ("Ordinary Shares"), provided that:

   (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 25,910,000 or, if the Proposals (as defined in the Circular) are approved and the Subscription (as defined in the Circular) is completed, 28,500,000 ordinary shares;

   (ii) the minimum price which shall be paid for an Ordinary Share is 0.5p;

   (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is purchased;

   (iv) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2004 or, if earlier, the date being 15 months after the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time; and

   (v) the Company may, before the expiry of such authority, make a contract to purchase Ordinary Shares under the authority conferred hereby which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares pursuant to any such contract, as if such authority had not expired.

By order of the Board
For and on behalf of Cavendish Administration Limited
Secretary

21 January 2004

Registered Office
Crusader House
145-157 St John Street
London EC1V 4RU

Notes:

1. Any member entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed with this document. To be valid, a form of proxy, duly signed, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited with Capita Registrars, The Registry, 34 Beckenham Road, Kent BR3 4TU, not later than 48 hours before the time for holding the Meeting.
3. Completion and return of a form of proxy will not prevent a member from attending the Meeting and voting in person should the member so wish.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those members registered in the register of members of the Company 48 hours prior to the time of the commencement of the Meeting shall be entitled to attend and vote at the Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

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