

THIS DOCUMENT AND THE ENCLOSED APPLICATION FORM AND PROXY FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to 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 pursuant to the Financial Services Act 1986.

Applications under the Open Offer may only be made on the accompanying Application Form, which is personal to the Shareholder(s) named thereon and cannot be sold, assigned, transferred or split except to satisfy bona fide market claims. If you have sold or otherwise transferred all your Ordinary Shares, please forward this document and the accompanying Application Form and Proxy Form to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred only part of your holding of Ordinary Shares you should consult your stockbroker, bank or other agent through whom the sale or transfer was effected, and refer to the instructions regarding split applications set out in the accompanying Application Form.

A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules made under section 142 (as supplemented by section 154A) of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 149 (as supplemented by section 154A) of that Act.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Cazenove & Co. Ltd, which is regulated in the United Kingdom by the Securities and Futures Authority Limited, is acting exclusively for the Company in connection with the Acquisition and the Placing and Open Offer and nobody else and is not advising any other person or treating any other person as its customer in relation thereto, and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cazenove & Co. Ltd, nor for providing advice in relation to the Acquisition or the Placing and Open Offer or the contents of this document or any other matter referred to herein.

Neither the Existing Ordinary Shares nor the New Ordinary Shares have been or will be registered under the United States Securities Act of 1933 (as amended), or under the securities laws of any state of the United States or of any province or territory of Canada, Australia, Japan or the Republic of Ireland. Subject to certain exceptions, the New Ordinary Shares may not, directly or indirectly, be offered, sold, taken up or delivered in, into or within the United States, Canada, Australia, Japan or the Republic of Ireland, and Application Forms are not being posted to any person in the United States, Canada, Australia, Japan or the Republic of Ireland. This document does not constitute an offer to sell or the solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the paragraph detailed "Overseas Shareholders and others" in Part II of this document.

Abbot Group plc

(Registered in England and Wales under the Companies Act 1985 with number 623285)

Acquisition of Deutag

Placing and Open Offer of 29,306,041 New Ordinary Shares at 155 pence per share

Sponsor, Financial Adviser and Broker

Cazenove & Co. Ltd

Application has been made to the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares to be admitted, respectively, to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective, and that dealings for normal settlement in the New Ordinary Shares will commence, on 26 September 2001.

Share capital following the Placing and Open Offer

The following table shows the authorised and issued share capital of the Company immediately following the Placing and Open Offer:

Authorised		Issued and fully paid	
Nominal Value	Number	Nominal Value	Number
£31,500,000	210,000,000	£26,375,398	175,836,240

Ordinary Shares of 15 pence each

Notice of an Extraordinary General Meeting of the Company to be held at 12.00 noon on 25 September 2001 at the offices of Pinsent Curtis Biddle, Dashwood House, 69 Old Broad Street, London EC2M 1NR is set out at the end of this document. To be valid, Proxy Forms for use at the Extraordinary General Meeting must be completed and returned in accordance with the instructions printed thereon to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 3UH, as soon as possible but in any event so as to be received no later than 12.00 noon on 23 September 2001. A Proxy Form accompanies this document.

The latest time and date for acceptance and payment in full under the Open Offer is 3.00 p.m. on 24 September 2001. The procedure for application and payment is set out in Part II of this document and in the accompanying Application Form.

14.1(c)

14.1(e)

6.B.3

6.B.18

6.B.1

6.B.13

14.1(b)

14.1(b)(i)

6.B.15(d)(i)

6.C.9

6.C.10(a)

6.B.16

6.B.15(f)

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2001

Record Date for the Open Offer	close of business on <u>Thursday</u> , 30 August
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on <u>Thursday</u> , 20 September
Latest time and date for receipt of Proxy Form	<u>12.00 noon</u> on <u>Sunday</u> , 23 September
Latest time and date for receipt of Application Forms and payment in full under the Open Offer	3.00 p.m. on <u>Monday</u> , 24 September
Extraordinary General Meeting	12.00 <u>noon</u> on <u>Tuesday</u> , 25 September
CREST members' accounts credited and dealings to commence in the New Ordinary Shares	<u>Wednesday</u> , 26 September
Definitive share certificates to be despatched	by <u>Wednesday</u> , 3 October
Expected date for completion of the Acquisition	<u>Thursday</u> , 1 November

If you have any queries on the procedure for application and payment, you should contact Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA (telephone number: 0870 600 0673). Lloyds TSB Registrars will only give advice on matters of procedure and will not give financial advice in relation to the action to be taken by Shareholders.

DEFINITIONS

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

"Acquisition"	the acquisition of Deutag pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 31 August 2001 under which Abbot has conditionally agreed to acquire the entire issued share capital of Deutag. Details of the Acquisition Agreement are set out in paragraph 14.1.2 of Part VI of this document
"Admission"	admission of the New Ordinary Shares to (i) the Official List and (ii) trading on the London Stock Exchange's market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" dated May 2000 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
"Application Form"	the application form accompanying this document for use by Qualifying Shareholders in connection with the Open Offer
"Bank" or "Bank of Scotland"	The Governor and Company of the Bank of Scotland
"Bank Group"	the Bank and any company which is a subsidiary or holding company of the Bank or a subsidiary of such holding company
"Cazenove"	Cazenove & Co. Ltd
"Change of Control"	an offer (for the purposes of the City Code on Take-overs and Mergers) to acquire the Ordinary Shares in the capital of Abbot having become or been declared unconditional in all respects
"Companies Act"	the Companies Act 1985 (as amended)
"Company" or "Abbot"	Abbot Group plc
"Completion"	completion of the Acquisition pursuant to the Acquisition Agreement
"CREST"	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
"CRESTCo"	CRESTCo Limited
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
"CREST participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Deutag"	Deutsche Tiefbohr-Aktiengesellschaft
"Deutag Group"	Deutag and its subsidiary undertakings

"Directors" or "Board"	the directors of Abbot, whose names are set out on page • of this document
"Enlarged Group"	the Group as enlarged by the Acquisition
"Enlarged Share Capital"	the total issued share capital of Abbot as enlarged by the issue of the New Ordinary Shares
"Existing Ordinary Shares"	the <u>146,530,205</u> Ordinary Shares currently in issue at the date of this document
"Extraordinary General Meeting"	the Extraordinary General Meeting of the Company convened for <u>12.00 noon</u> on <u>25 September 2001</u> (or any adjournment thereof), notice of which is set out at the end of this document
or "EGM"	
"EU"	the European Union
"Euro" or "€"	the single currency of participating member states of the EU
"Facility Agreements"	the conditional agreements dated <u>31 August 2001</u> made between the Company and the Bank, relating to the new bank facilities <u>to be made available to the Company and certain other members of the Group</u> . Details of the Facility Agreements are set out in paragraph <u>14.1.6</u> of Part <u>VI</u> of this document
"Group" or "Abbot Group"	Abbot and its subsidiary undertakings
"Issue Price"	<u>155</u> pence per New Ordinary Share
"KCA"	KCA Drilling Limited
"Listing Rules"	the rules and regulations made by the UKLA under Part IV of the Financial Services Act 1986 as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"member account ID"	the identification code or number attached to a member account in CREST
"New Ordinary Shares"	the <u>29,306,041</u> New Ordinary Shares proposed to be issued pursuant to the Placing and Open Offer
"Official List"	the Official List of the UKLA
"Open Offer"	the invitation to subscribe for New Ordinary Shares at the Issue Price made by Cazenove, acting as agent on behalf of the Company, to Qualifying Shareholders on the terms and subject to the conditions set out or referred to in Part <u>II</u> of this document and in the Application Form
"Open Offer Shares"	<u>29,305,781</u> New Ordinary Shares which are subject to the Open Offer and which represent • per cent. of the New Ordinary Shares
"Ordinary Shares" or "Abbot Shares"	the <u>ordinary</u> shares of 15 pence each in the share capital of the Company
"Overseas Shareholders"	Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the UK
"Participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Placing"	the firm placing of the Placing Shares and the conditional placing of the Open Offer Shares (other than the • Open Offer Shares the subject of

	an undertaking to take up under the Open Offer), each on the terms and subject to the conditions contained in the Placing Agreement
“Placing Agreement”	the conditional agreement between the Company and Cazenove in connection with the Placing and Open Offer dated <u>31 August 2001</u> , and described in paragraph <u>14.1.4</u> of Part VI of this document
“Placing Shares”	• New Ordinary Shares which are not subject to the Open Offer or which are the subject of undertakings from Qualifying Shareholders not to take up under the Open Offer, which represent • per cent. of the New Ordinary Shares and which have been placed firm with institutional investors
“Proxy Form”	the pre-paid proxy form for use at the Extraordinary General Meeting which accompanies this document
“Qualifying Shareholders”	shareholders on the register of members of the Company at the Record Date (other than certain Overseas Shareholders as described in <u>Part II</u> of this document)
“Record Date”	close of business on <u>Thursday, 30 August 2001</u>
“Registrars”	Lloyds TSB Registrars
“Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995/3272)
“Resolutions”	the resolutions (set out in the notice of Extraordinary General Meeting at the end of this document) relating, <i>inter alia</i> , to approval of the Acquisition and the Placing and Open Offer
“Sale”	a sale of the whole or a substantial part of the business, assets and undertakings of the <u>Enlarged Group</u> (representing 50 per cent. of the value of the Group, taken as a whole, immediately prior to such sale)
“Shareholder”	a holder of Existing Ordinary Shares
“Uberior”	Uberior Trading Limited, a member of the Bank Group
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the United Kingdom Listing Authority, a division of the Financial Services Authority
“Uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security 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
“US” or “United States”	the Unites States of America, its territories and possessions, any state of the Unites States of America and the District of Columbia
“Warrants”	warrants to subscribe for Ordinary Shares at a subscription price of 200p for each Ordinary Share (subject to adjustment in accordance with the terms of the Warrant Agreement)
“Warrant Agreement”	the warrant agreement between the Company and Uberior pursuant to which the Warrants are to be issued. Details of the Warrant Agreement are set out in paragraph <u>14.1.8</u> of Part VI of this document

| An exchange rate of €1.60: £1 has been applied in this document except where otherwise stated.

PART I

LETTER FROM THE CHAIRMAN OF ABBOT GROUP PLC



ABBOT GROUP plc

Directors

Alasdair J.D. Locke (*Executive Chairman*)
Michael J.L. Salter (*Chief Operating Officer*)
Peter J. Milne (*Finance Director*)
John W. Hollis (*Non-Executive Director*)
Guy D. Lafferty (*Non-Executive Director*)
Michael A. McDowell (*Non-Executive Director*)
Geoffrey M. Philipps (*Non-Executive Director*)

Head office: 6.C.1
Minto Drive
Altens 6.F.1(a)
Aberdeen 6.A.1
AB12 3LW

| To Shareholders

31 August 2001

Dear Shareholder

Proposed Acquisition of Deutag and Placing and Open Offer

Introduction

It was announced today that Abbot has agreed to acquire, subject, *inter alia*, to the approval of Shareholders, the entire issued share capital of Deutag for a total consideration of up to a maximum of £• million in cash (including the repayment of intercompany debt of £• million).

6.C.22(a)
10.31(a)
14.1(a)
14.1(b)

Your Board also announced today that the Company proposes to raise approximately £• million, net of expenses, by way of a Placing and Open Offer of • New Ordinary Shares at 155 pence per share. It is intended that the net proceeds of the Placing and Open Offer will be used to partly satisfy the cash consideration for the Acquisition. The Placing and Open Offer has been underwritten by Cazenove, which is acting as sponsor, financial adviser and broker to the Company, on the terms and subject to the conditions set out in the Placing Agreement, save in respect of a total of • New Ordinary Shares which are the subject of an undertaking to take up under the Open Offer. The Issue Price represents a discount of • per cent. to the closing mid-market price of • pence per Ordinary Share on 30 August 2001 after adjusting for the interim dividend of 1.1p announced today.

| Abbot has also agreed a £142.5 million facility with the Bank of Scotland subject to Completion. Together with the net proceeds of the Placing and Open Offer of £• million, this facility will finance the cost of the Acquisition of up to £• million, refinance existing borrowings of the Enlarged Group of approximately £• million and the balance will provide working capital for its ongoing operations.

The Acquisition is conditional, *inter alia*, on the approval of Shareholders due to its size in relation to Abbot. The Placing and Open Offer are both conditional, *inter alia*, on the Acquisition Agreement not having lapsed or been terminated in accordance with its terms prior to Admission. However, the Placing and Open Offer are not conditional on completion of the Acquisition and consequently the Placing and Open Offer may proceed whether or not the Acquisition is completed.

I am writing to you explain the background to, and the reasons for, the Acquisition and the Placing and Open Offer and to recommend that you vote in favour of the resolutions necessary to effect them.

Registered in England No: 623285 Registered Office: 3 Colmore Circus, Birmingham B4 6BH

Information on Abbot

Abbot's principal activities include the provision of drilling services and related well and facilities engineering services, and the provision of non-destructive testing and inspection services on a world-wide basis, and principally to the energy industry. Other business activities, by way of joint venture, include the generation of electricity from wind farms.

Abbot's principal operating divisions are as follows:

Drilling Division

KCA provides drilling, well intervention and engineering services to the international oil and gas industry. As the largest offshore fixed platform drilling contractor on the UK Continental Shelf in the North Sea, KCA currently has 22 drilling units under contract. Its principal clients include Shell, TotalFinaElf, ExxonMobil, Kerr McGee, Chevron and Britannia Operator.

In addition, KCA has offshore operations on the Agip Bouri Field in Libya as well as significant contracts in Iran and Azerbaijan. KCA also owns four land drilling rigs in Libya and Tunisia.

Inspection Division

OIS International Inspection plc ("OIS") has as its principal activity the provision of non-destructive testing and inspection services to the oil and gas, nuclear power and petro-chemical industries. Its main geographic areas of operation are the UK (including the North Sea), the Middle East, the Far East and South Africa.

OIS' major clients include AES, BP, Talisman, Brown & Root, British Energy, Conoco and ExxonMobil.

Wind Power Division

The Group's joint venture with PowerGen, PowerGen Renewables Holdings Limited ("PowerGen Renewables"), is one of the largest generators of electricity from wind resources in England and Wales. Currently PowerGen Renewables has 79 MW of wind farms in operation with 54 MW committed for construction in 2001. In addition, at least 300 MW of onshore and in excess of 200 MW of offshore wind farms are under consideration for development.

Information on Deutag

10.31(b)

Deutag's core business is the supply of drilling and work-over services to the oil and gas industry, both onshore and offshore, on an international basis. In addition, it is a supplier of rig design and engineering services and of rigs and rig components.

Deutag Drilling

Onshore

Deutag owns and operates 44 land rigs together with a further 4 in joint venture. Its principal area of operations is in Europe, mainly Holland and Germany. Additional focus is in North Africa and the Middle East where Deutag is operating in Libya, Oman and Iran. Other operations are located in Nigeria, Algeria, Venezuela, Bangladesh, Pakistan and Brunei.

Offshore

Deutag currently has 19 offshore rigs under contract, of which 14 are located in the North Sea (13 for BP and one for Amerada Hess). The balance is spread across Germany, Norway, Azerbaijan, Turkmenistan, and Kazakhstan, for clients including RWE, Dragon Oil and OKIOC in whom the major partner is AGIP.

Bentec

Bentec is one of the few EPC (Engineer, Procure and Construct) providers of onshore and offshore drilling rigs. It offers its clients a wide range of services including project management, design, manufacture and maintenance of drilling rigs as well as the construction of related engineering products and systems. Its

activities range from simple maintenance to the design and engineering of drilling rigs capable of reaching depths of 10 kilometres.

Geographically, Bentec's offshore business activities are concentrated in both the North Sea and the Caspian Sea, while onshore activities predominate in Europe, the Caspian Sea, the Middle East and the Far East.

Deutag is currently wholly and indirectly owned by Preussag AG. Preussag AG is listed on the Frankfurt Stock Exchange and it is a diversified group involved in tourism, logistics, energy, commodities trading and building engineering.

In the financial year ended 30 September 2000, Deutag made an operating profit of £11 million and had net assets of £24 million (based on an exchange rate of £1=€1.665).

Reasons for the Acquisition

During the past few years, Abbot has developed from its main role as a North Sea drilling contractor to become an international energy services provider, partly as a result of successful overseas marketing and also through acquisitions. At the same time, there has been a considerable consolidation of the oilfield services industry affecting both our clients and competitors.

While we have continued to strengthen our position in the UK, our philosophy has been to seek business opportunities overseas, thereby reducing our dependency on our North Sea area of operation. The Directors believe that the acquisition of Deutag will enable us to accelerate this process, and to achieve substantially our goal of creating a major European-based company in the international oil drilling contracting industry.

As a result of the Acquisition, we will have the ability to offer our customers (particularly the major oil operating companies), a full range of production drilling services, both onshore and offshore, on a global basis, together with engineering, rig design and construction services – a package that we believe is virtually unique in the oil drilling contracting industry.

The Acquisition is consistent with our strategy of growing our business, both by internationalising our operations and reducing our reliance on the North Sea. The combined entity will reflect a step change in the scale of our business:

- A major force in offshore platform drilling;
- | • One of the largest international land drilling operators out with North America;
- One of the world leaders in drilling rig design, construction and operation; and
- Significantly distinguished, both technically and commercially, from its competitors.

The Enlarged Group will have improved resources to increase its penetration of its core marketplaces – the Middle East, the Caspian Sea, Iran and North Africa – and will bring important new geographic markets to us, notably Germany, Holland, Oman, CIS and West Africa. The Acquisition also brings additional contracted drilling units in the North Sea. These core markets are areas with which we are already familiar and where we already have a strategy in place, and the combined entity will have a strong if not leading presence in these areas.

We anticipate that the integration of KCA and Deutag following the Acquisition will enable us to achieve short and medium term synergies through rationalisation of operations in several of our marketplaces, and enable the combined entity to become more competitive in its principal markets.

It is expected that this integration will lead to cost savings of approximately £3 million annually from the second half of the 2002 financial year and thereafter. The one off exceptional costs of this exercise are expected to be approximately £5 million which will be taken mainly in 2001 (based on completion of the Acquisition occurring on 1 November 2001).

Use of proceeds of the Placing and Open Offer

The proposed Placing and Open Offer will raise approximately £• million (before expenses) which, together with the new £142.5 million facility provided by the Bank, will finance the cost of the Acquisition of up to £• million, refinance existing borrowings of the Enlarged Group of approximately £• million and the balance will provide working capital for its ongoing operations.

In the event that the Acquisition does not complete, It is intended that the net proceeds of the Placing and Open Offer will initially be applied to repay the existing borrowings of Abbot. The remainder will provide working capital and to continue to expand the Group's operations. However, the facilities to be provided by the Bank will not be utilised in that event.

Financial effects on Abbot

10.31(d)

The Directors believe that the Acquisition will materially enhance earnings per share in the first full year of ownership (prior to goodwill amortisation and excluding the one off exceptional cost of achieving the cost savings referred to above). This statement should not be interpreted to mean that earnings per share of Abbot Shares will necessarily be greater than those for the relevant preceding financial year.

12.39

An unaudited pro-forma statement of the net assets of the Enlarged Group, which has been prepared for illustrative purposes only, is set out at Part V of this document. Following the Acquisition, the net assets of the Enlarged Group are expected to be £84 million. Shareholders should read the whole of this document and not just rely on this summary information.

Current trading and prospects

6.G.1(a)(i)

The interim results for Abbot for the six month period ended 30 June 2001 are set out in Part III of this document.

6.G.1(a)(i)

6.G.1(b)

Abbot also announced on 22 August 2001 the sale of its drilling fluids and mud subsidiary, BW Group plc ("BW"), to MI Drilling Fluids (UK) Limited ("MI") (a company jointly owned by Smith International and Schlumberger Ltd) for a cash consideration of £12.0 million. MI has also assumed certain intercompany debt and third party indebtedness totalling £5.3 million. This disposal shows a net profit of £2.0 million over book value.

Enlarged Group

Based on the Enlarged Group's ability to offer its customers a full range of production drilling services, both onshore and offshore, on a global basis, the Directors are confident of the financial and trading prospects for the Enlarged Group for the current financial year.

Terms of the Acquisition

The Acquisition Agreement between Preussag Energie GmbH and Abbot for the sale and purchase of the entire issued share capital of Deutag involves a maximum consideration of €215 million (£• million) comprising a fixed amount of €90 million (£• million) which will be adjusted at completion for the approximate net asset value of Deutag, subject to an upward cap of not more than €5 million (£• million) and a maximum amount of €120 million (£• million) in respect of the inter-company debt owed by the Deutag Group to the Preussag Group. In addition, Abbot is required to procure the replacement of the Preussag Group from all guarantee obligations given to banks and financial institutions relating to the Deutag Group up to a maximum of €12.5 million (£• million). Please see paragraph 14.1.2 of Part VI of this document for more information on the terms and conditions of the Acquisition Agreement.

The Acquisition Agreement is conditional upon the terms set out in detail in paragraph 14.1.2 of Part VI of this document. These conditions include a requirement that any merger control clearances required in the United Kingdom and Germany have been obtained. The Directors believe such clearances may be obtained by the anticipated date for completion of the Acquisition, however the launch of an extended investigation by the relevant authorities could delay completion or potentially lead to the Acquisition lapsing.

The Acquisition will be financed in part by the proceeds of the Placing and Open Offer and in part through the Facility Agreements. As part of the fee structure in relation to the Facility Agreements, Abbot has agreed to issue warrants to Uberior which will enable Uberior to subscribe for up to 5 per cent. of the Enlarged Share Capital (as increased by the exercise of Warrants) at a price of 200 pence per share. Details of the Warrants are set out in paragraph • of Part VI of this document.

Details of the Placing and Open Offer

Cazenove has agreed, as agent on behalf of the Company, to invite Qualifying Shareholders to apply under the Open Offer for • Open Offer Shares at the Issue Price on the basis of:

1 Open Offer Share for every 5 Existing Ordinary Shares

6.B.23(a)

held by Qualifying Shareholders and registered in their names at the Record Date, and so in proportion for any greater or lesser number of Existing Ordinary Shares then held. Entitlements will be rounded down to the nearest whole number, and any fractional entitlements of Open Offer Shares will be disregarded in calculating Qualifying Shareholders' *pro rata* entitlements. Such fractional entitlements will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. Qualifying Shareholders may apply for any number of New Ordinary Shares up to their maximum entitlement as set out on their Application Form. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate entitlements under the Open Offer.

6.B.23(a)

14.1(h)(v)

The New Ordinary Shares will be offered at the Issue Price to Qualifying Shareholders on a pre-emptive basis under the terms of the Open Offer. Pursuant to the Placing Agreement, Cazenove has conditionally agreed to place firm with institutional and other investors, or, to the extent that it fails to do so, itself subscribe for the Placing Shares. Cazenove has further agreed to place with such investors or, to the extent that it fails to do so, itself subscribe for the balance of the Open Offer Shares other than the • Open Offer Shares which a Director has irrevocably undertaken to take up, comprising • New Ordinary Shares, subject to clawback to satisfy applications made by Qualifying Shareholders under the Open Offer. The Placing and Open Offer is being underwritten by Cazenove on the terms and subject to the conditions set out in the Placing Agreement. A summary of the main terms of the Placing Agreement is set out in paragraph 14.1.4 of Part VI of this document.

6.B.2

6.B.15(e)

No application in excess of a Qualifying Holder's *pro rata* entitlement will be met, and any Qualifying Holder so applying will be deemed to have applied for his maximum entitlement.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for dividends and other distributions declared, made or paid after Admission in respect of the ordinary share capital of the Company save that they will not rank for the interim dividend of 1.1 pence per Existing Ordinary Share declared on 31 August 2001.

The Placing and Open Offer are both conditional, *inter alia*, upon:

- (i) each of the Acquisition Agreement and the Placing Agreement (save for any condition relating to Admission in any of those agreements) not having lapsed or been terminated in accordance with their respective terms prior to Admission;
- (ii) the passing of Resolution 1 at the Extraordinary General Meeting; and
- (iii) Admission having become effective by no later than 8.00 a.m. on 26 September 2001 or such later time and/or date as Abbot and Cazenove may agree (but, in any event, not later than 9.00 a.m. on 3 October 2001).

The Placing and Open Offer are not conditional on completion of the Acquisition and consequently the Placing and Open Offer may proceed whether or not the Acquisition is completed.

If the Placing and Open Offer does not become unconditional, no New Ordinary Shares will be issued under the Placing or the Open Offer and all monies received by the Registrars will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter.

Application has been made for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. Admission is expected to occur on 26 September 2001, when dealings in the New Ordinary Shares are expected to begin.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in the letter from Cazenove in Part II of this document and on the Application Form.

Overseas Shareholders are referred to the section entitled "Overseas Shareholders and others" set out in Part II of this document.

Directors' and Shareholders' intentions

As stated above, a Director has irrevocably undertaken to take up his entitlements to • New Ordinary Shares under the Open Offer. The balance of his entitlement (and the entitlement of a qualifying shareholder associated with him) under the Open Offer, comprising • New Ordinary Shares, which they have irrevocably undertaken not to take up, will be placed firm.

Taxation

Your attention is drawn to Part VI of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

Directors and Company Secretary

Alasdair J.D. Locke (48) Executive Chairman. Alasdair has been involved in the oil and shipping industries since 1974. He has also held senior executive positions within the banking industry. His involvement with the Group is his only significant investment in the oil and gas industry.

Michael J.L. Salter (54) Chief Operating Officer. Mike graduated in mechanical engineering at the University of Glasgow. He joined Bawden Drilling in 1980 and became Vice President/General Manager in charge of all European activities in 1987. He moved in early 1990 to be Chief Executive of Smedvig Limited in the UK. He joined the Group as Director of Business Development during 1995, and was appointed Chief Operating Officer in 1997.

Peter J. Milne (47) Finance Director. Following qualification as a chartered accountant with Deloitte in 1977, Peter held a post with KPMG in Hong Kong until 1980. He first joined KCA Drilling Limited in 1981. After spending four years in Saudi Arabia as General Accounting Supervisor in a Mobil/Petromin joint venture refinery project (from 1984 to 1987) he rejoined KCA Drilling Limited and was appointed Finance Director of the Group in 1995.

John W. Hollis (60) Non-Executive Director. Appointed 1999, John has worked for the Iraq Petroleum Company, Shell, Mobil, Britoil and BP during his thirty-six year career in exploration and production. Most recently, he was Senior Vice President (Azerbaijan) and General Manager (Norway) with BP.

Guy D. Lafferty (47) Non-Executive Director. Guy is managing director of Höegh Capital Partners Advisors Ltd, a London based adviser on investment strategy, asset allocation, macro economic conditions and portfolio performance measurement. He is also the managing partner of Gemini Oil and Gas, a specialist oil and gas industry adviser established in 1990. He previously spent a total of sixteen years with National Westminster Bank and the Royal Bank of Canada Group, where his banking experience related principally to the oil and gas industries.

Michael A. McDowell (56) Non-Executive Director. Mike has an extensive background in the oil and gas industry. He spent five years with BP and seven years with P&O Oil Field Services prior to joining KCA Drilling Limited in 1980. He became a director in 1981 upon the public flotation of the company, and he was appointed Managing Director in 1983. He relinquished his executive responsibilities in 1996 and remains on the board as a Non-Executive Director.

Geoffrey M. Philipps (52) Non-Executive Director. Geoffrey is an independent consultant to the shipping and oil industry working on his own account since 1988. Prior to that he held directorships at Henry Ansbacher & Co Ltd, Seascope Offshore Limited and H Clarkson & Co.

Alec W.J. Banyard (59) Company Secretary. Alec, a qualified accountant, has been involved in the oil services industry for the past twenty-five years. He has been involved with the Group for a number of years and was appointed Company Secretary in 1996.

Extraordinary General Meeting

The notice convening the Extraordinary General Meeting of the Company to be held at 12.00 noon on 25 September 2001 at the offices of Pinsent Curtis Biddle, Dashwood House, 69 Old Broad Street, London EC2M 1NR is set out at the end of this document.

The Resolutions will, if passed:

- approve the Acquisition Agreement;
- approve the new bank facilities to be provided by the Bank and, conditional upon admission of the New Ordinary Shares, give the Directors the authority to issue the Warrants;
- in connection with the issue of the Warrants, authorise the Directors pursuant to section 80 of the Companies Act to allot relevant securities up to an aggregate nominal amount of £1,388,182 (in addition to existing authorities) and to disapply issue, the pre-emption rights conferred by the Companies Act in relation to such allotments;
- conditional upon the Admission of the New Ordinary Shares and Completion of the Acquisition, increase the Company's authorised share capital from £31.5 million to £36.9 million by the creation of 36 million New Ordinary Shares representing approximately 14.6 per cent. of the existing authorised ordinary share capital of the Company;
- conditional upon the Admission of the New Ordinary Shares and Completion of the Acquisition, authorise the Directors pursuant to section 80 of the Companies Act to allot relevant securities up to an aggregate nominal amount of £8,791,812 representing 40 per cent. of the Company's existing issued ordinary share capital, and 33.3 per cent. of the Company's Enlarged Share Capital; and
- conditional upon the Admission of the New Ordinary Shares and Completion of the Acquisition, disapply the pre-emption rights conferred by the Companies Act in relation to the issue of equity securities in connection with (i) other pre-emptive issues for cash; and (ii) cash issues up to an aggregate nominal amount of £1,318,771, representing approximately 5 per cent. of the Company's Enlarged Share Capital.

The purpose of the increase in authorised share capital is to provide a reasonable margin of authorised but unissued ordinary share capital following the Acquisition and the Placing and Open Offer. Following the Completion of the Acquisition and the Placing and Open Offer, • Ordinary Shares will remain authorised but unissued (representing approximately • per cent. of the increased authorised ordinary share capital of the Company). After allowing for the exercise of the Warrants under the Warrant Agreement, • Ordinary Shares will remain available for allotment, representing • per cent. of the increased authorised ordinary share capital, a margin which your Directors consider desirable in order to retain flexibility for the future.

Action to be taken

Shareholders will find enclosed with this document a Proxy Form for use at the Extraordinary General Meeting and an Application Form to apply for Open Offer Shares under the Open Offer.

(a) Extraordinary General Meeting

Whether or not you intend to apply for any Open Offer Shares under the Open Offer, and whether or not you propose to attend the Extraordinary General Meeting in person, you are requested to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon so as to be received by the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex,

BN99 3UH, as soon as possible and, in any event, no later than 12.00 noon on 23 September 2001. Completion and return of the Proxy Form will not preclude you from attending and voting at the Extraordinary General Meeting in person if you wish to do so.

(b) Open Offer

If you wish to apply for Open Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure for application set out in Part II of this document and on the Application Form itself. You should then return the Application Form with the appropriate remittance for the full amount payable on application, **to be received no later than 3.00 p.m. on 24 September 2001**, to the offices of the Company's registrars at the address set out on the Application Form.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Further Information

Your attention is drawn to the further information set out in Parts II to VI of this document.

Recommendation

Your Board, which has been advised by Cazenove, believes that the Acquisition and the Placing and Open Offer are in the best interests of Abbot and its Shareholders as a whole. In providing advice to the Board, Cazenove has placed reliance on the Directors' commercial assessment of the Acquisition and the Placing and Open Offer.

14.1(d)

Accordingly, your Board unanimously recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting, as the Directors and their immediate families have irrevocably undertaken to do in respect of their respective beneficial holdings of Ordinary Shares, being in aggregate 40,280,124 Ordinary Shares, representing approximately 27.49 per cent. of Abbot's existing issued ordinary share capital.

Yours faithfully

Alasdair J.D. Locke
Executive Chairman

PART II

LETTER FROM CAZENOVE RELATING TO THE
PLACING AND OPEN OFFER

CAZENOVE

31 August 2001

To Qualifying Shareholders

Dear Sir/Madam

Introduction

6.B.15(j)

The Company proposes to raise approximately £• million (approximately £• million net of expenses) by way of the Placing and Open Offer of 29,306,041 New Ordinary Shares at a price of • pence per New Ordinary Share. Of the New Ordinary Shares, • New Ordinary Shares are being placed firm at the Issue Price with placees and • New Ordinary Shares are being conditionally placed at the Issue Price with placees subject to clawback to satisfy valid applications from Qualifying Shareholders under the Open Offer.

The Placing and Open Offer has been fully underwritten by Cazenove & Co. Ltd (save in respect of a total of • New Ordinary Shares the subject of an undertaking to take up under the Open Offer).

A summary of the arrangements relating to the Open Offer is set out below. This document and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

The Open Offer

Subject to the terms and conditions set out herein and in the enclosed Application Form, Cazenove, as agent on behalf of the Company, hereby invites Qualifying Shareholders to apply for New Ordinary Shares at a price of • pence per New Ordinary Share, free of expenses, payable in full on application, on the basis of:

1 Open Offer Share for every 5 Existing Ordinary Shares

6.B.15(i)

held by each Qualifying Shareholder at the close of business on the Record Date and so in proportion for any other number of Ordinary Shares then held. Any fractional entitlements that would otherwise have arisen will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. The maximum number of New Ordinary Shares for which each Qualifying Shareholder may apply is set out in his Application Form. No application in excess of the maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his maximum entitlement only. Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk) without interest within 14 days. **Completed Application Forms, accompanied by full payment, must be received by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, by 3.00 p.m. on 24 September 2001.**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. New Ordinary Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up New Ordinary Shares will have no rights under the Open Offer. Any New Ordinary Shares not taken up under the Open Offer will be placed under the Placing.

6.B.15(e)

6.B.23(b)

6.B.16(h)

The Existing Ordinary Shares have been admitted to the Official List. The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares other than in respect

Registered Office: 12 Tokenhouse Yard, London EC2R 7AN

of entitlement to the interim dividend of 1.1 pence per Ordinary Share declared on 31 August 2001. Further details of the rights attaching to the Ordinary Shares, including the New Ordinary Shares, are set out in paragraph 5.2 of Part VI of this document.

Conditions and Further Terms of the Open Offer

The Open Offer is conditional upon the Placing Agreement becoming unconditional in all respects by 8.00 a.m. on 26 September 2001 or such later date as Cazenove and the Company may agree (not being later than 9.00 a.m. on 3 October 2001), and not having been terminated in accordance with its terms. The Placing Agreement is conditional upon, *inter alia*, the satisfaction of the following conditions:

- (i) the Acquisition Agreement not having lapsed or having been terminated in accordance with its terms prior to Admission;
- (ii) the passing of Resolution 1 at the Extraordinary General Meeting; and
- (iii) Admission having become effective by no later than 8.00 a.m. on 26 September 2001 or such later time and/or date as Abbot and Cazenove may agree (but, in any event, not later than 9.00 a.m. on 3 October 2001).

The Placing Agreement is not conditional on completion of the Acquisition and consequently the Placing and Open Offer may proceed whether or not the Acquisition is completed.

Further details of the Placing Agreement are set out in paragraph 14.1.4 of Part VI of this document.

Further terms of the Open Offer are set out in this letter and in the Application Form.

Procedure for Application and Payment

6.B.15(e)

The enclosed Application Form shows the number of Existing Ordinary Shares held by you at the close of business on the Record Date. It also shows the maximum number of New Ordinary Shares for which you are entitled to apply under the Open Offer. You may apply for less, but not more, than your maximum entitlement should you wish to do so.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

Applications may only be made on the Application Form which is personal to the Qualifying Shareholder named therein, may not be assigned, transferred or split except in the circumstances described below. The Application Form represents an invitation to apply for New Ordinary Shares; it is not a document of title and cannot be traded. It is transferable only to satisfy *bona fide* market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Ordinary Shares being marked "ex" the Open Offer. Application Forms may be split to satisfy *bona fide* market claims up to 3.00 p.m. on 20 September 2001. A Qualifying Shareholder who has sold or transferred all or part of his holding of Ordinary Shares should consult his broker or other professional adviser as soon as possible, as the invitation to acquire New Ordinary Shares under the Open Offer may be a benefit which may be claimed by the transferee from him pursuant to the rules of the London Stock Exchange. Shareholders who have sold all or part of their registered holdings should complete Box G on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

If you wish to apply for all or some of your entitlement to New Ordinary Shares you should complete and sign the Application Form in accordance with the instructions thereon and send it, together with the appropriate remittance, by post or by hand to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, or by hand during normal business hours to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, so as to arrive no later than 3.00 p.m. on 24 September 2001. If an Application Form is sent by first class post within the UK, Qualifying Shareholders are recommended to allow at least three business days for delivery. Cazenove may, on the Company's behalf, elect in its absolute discretion to accept Application Forms and remittances received after that date. Cazenove may also (on behalf of the Company and in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant

instructions, or it is not accompanied by a power of attorney (where required), or if it does not strictly comply with the terms and conditions of application. Applications, once made, will not be acknowledged.

Cazenove, on behalf of the Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 24 September 2001 from an authorised person (as defined in the Financial Services Act 1986) specifying the New Ordinary Shares concerned, and undertaking to lodge the relevant Application Form in due course. 6.B.15(d)(i)

Cheques or bankers' drafts should be made payable to "Lloyds TSB Bank Plc a/c Abbot Group plc" and crossed "A/C Payee only". All payments must be made for the full amount by cheque or bankers' draft in pounds sterling drawn on a bank or building society in the United Kingdom, Channel Islands or Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided by the members of either of those companies. Please also note that such payments must bear the appropriate sort code in the top right hand corner. No interest will be allowed on payments made.

An application will not be considered unless the requirements described above are fulfilled. Once submitted, applications are irrevocable. Cheques and bankers' drafts are liable to be presented for payment upon receipt. Qualifying Shareholders should note that the Application Form contains a warranty (which is a term of the Open Offer) that cheques will be honoured on first presentation. Any cheque that has not been so honoured by 3.00 p.m. on 24 September 2001 may, in the absolute discretion of the Company and/or Cazenove, be deemed invalid.

The Directors reserve the right to instruct Lloyds TSB Registrars to seek special clearance of bankers' drafts and cheques to allow the Company to obtain the value of any remittance at the earliest opportunity.

Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that it does not become unconditional by 8.00 a.m. on 26 September 2001 or such later time and date as the Company and Cazenove shall agree, but not, in any event, later than 9.00 a.m. on 3 October 2001, the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, within 14 days thereafter. The interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, English law; and
- (ii) confirm that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation not so contained.

If you do not wish to apply for any of the New Ordinary Shares, you should not complete and return the Application Form. Shareholders are nevertheless requested to complete and return the enclosed Proxy Form for use at the EGM to be held at 12.00 noon on 25 September 2001.

If you are in doubt whether or not you should apply for any of the New Ordinary Shares, you should consult your independent financial adviser immediately. Queries relating to the procedure for application under the Open Offer should be referred to Lloyds TSB Registrars on telephone number: 0870 600 0673.

Money Laundering Regulations

The verification of identity requirements pursuant to the Money Laundering Regulations 1993 will apply to applications with a value of €15,000 or greater, or to one of a series of linked applications whose aggregate

value exceeds that amount, which are to be settled by way of a third party payment, and verification of the identity of applicant(s) for New Ordinary Shares may be required. If within a reasonable period of time following a request for verification of identity, but in any event by 3.00 p.m. on 24 September 2001, Lloyds TSB Registrars has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant acceptance, in which event the money payable or paid in respect of the acceptance will be returned (without interest and at the applicant's risk) to the account of the drawee bank or building society from which such sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

Alternatively, the Company may elect that the relevant shares will be allotted to the applicant but (notwithstanding any other term of the issue) will not be issued to him until the verification of identity requirements have been satisfied. Within such period, not being less than 20 business days after a request for evidence of identity is despatched to the applicant, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares, and for that purpose the Company will be authorised to act as agent of the applicant. Any proceeds of sale of the relevant shares (net of expenses of sale), which shall be issued to and registered in the name of the purchaser(s), or an amount equivalent to the original payment by the applicant, whichever is the lower, will be held by the Company on trust for the applicant (with no obligation to account for interest), subject to the requirements of the Money Laundering Regulations 1993.

In order to avoid the operation of the provisions of the Money Laundering Regulations 1993 described above, payment should be made by means of a cheque drawn by the applicant named in the enclosed Application Form or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers of Ordinary Shares through the market prior to 3.00 p.m. on 20 September 2001), by the person named in Box F on the Application Form. If this is not practicable and you use a cheque drawn by a third party or, a building society cheque or a bankers' draft, you should:

- (i) write the name and address of the applicant named in the Application Form or, as the case may be, the name of the person named in Box F on the Application Form on the back of the cheque, building society cheque or bankers' draft and record the date of birth of that person;
- (ii) if a building society cheque or bankers' draft is used, ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited;
- (iii) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a United Kingdom or EU regulated person or institution (e.g. a bank or broker), and specify your status. If you are not a United Kingdom or EU regulated person or institution, you should contact Lloyds TSB Registrars on telephone number +44 1903 702767 and seek guidance; and
- (iv) if you deliver the Application Form by hand, bring with you appropriate photographic evidence of identity, such as a passport or driver's licence.

In any event, if it appears to Lloyds TSB Registrars that an applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting will be required. Neither Lloyds TSB Registrars, Cazenove nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification or as a result of any sale of relevant shares.

Overseas Shareholders and others

If you are resident in any jurisdiction other than the United Kingdom you are advised to consult a professional adviser immediately.

(i) General

The making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom may be affected by the laws and regulations of the relevant jurisdiction. No person receiving

a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an offer or an invitation to him to subscribe, apply for or purchase New Ordinary Shares, nor should he in any event use such Application Form unless, in the relevant territory, such offer or invitation could lawfully be made without compliance with any registration or other legal requirements other than any such requirements which have been fulfilled.

It is the responsibility of any person outside the United Kingdom wishing to apply for New Ordinary Shares under the Placing and Open Offer to satisfy himself as to the full observance of the laws and any regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consent which may be required, and compliance with other necessary formalities including the payment of any issue, transfer or other taxes due in such territory.

(ii) *US and Canada*

The Open Offer is not being made in the US or Canada. Neither the Application Form nor the New Ordinary Shares have been nor will they be registered under the US Securities Act of 1933 (as amended), or under the securities legislation of any state of the US or any province or territory of Canada. Furthermore, relevant exemptions are not being obtained from the Securities Commission of any province of Canada. Accordingly, neither the Ordinary Shares nor the New Ordinary Shares may (other than in certain circumstances) be offered, sold, transferred, taken up or delivered directly or indirectly in or into the US or Canada, their respective territories and possessions, or any political subdivision thereof ("North America"), or to any resident of North America.

Subject to certain exceptions, no application to subscribe for New Ordinary Shares may be made under this document or the Application Form in North America. Application Forms have not been sent to Shareholders with registered or mailing addresses in North America. This document is being sent to such Shareholders for information purposes only, and in that context, it does not constitute an offer or an invitation to subscribe for New Ordinary Shares.

(iii) *The Republic of Ireland*

Shareholders who are resident in the Republic of Ireland should note that, as a result of regulations in the Republic of Ireland, no offer of New Ordinary Shares is being made under this document to Shareholders with registered or mailing addresses in the Republic of Ireland. Accordingly, no application to subscribe for New Ordinary Shares may be made under this document or the Application Form in the Republic of Ireland.

Application Forms have not been sent to Shareholders with registered or mailing addressees in the Republic of Ireland. This document is being sent to such Shareholders for information purposes only, and in that context, it does not constitute an offer or invitation to subscribe for New Ordinary Shares.

Envelopes containing Application Forms should not be postmarked the Republic of Ireland or otherwise despatched from the Republic of Ireland, and all subscribers for New Ordinary Shares must provide addresses outside the Republic of Ireland for the delivery of definitive certificates for New Ordinary Shares.

(iv) *Australia*

Shareholders who are resident in Australia should note that no prospectus in relation to the New Ordinary Shares has been lodged with, or registered by, the Australian Securities Commission. Accordingly, the New Ordinary Shares may not (other than in certain exceptional circumstances) be offered, sold, transferred, taken up or delivered in Australia, or to any resident of Australia.

No application to subscribe for New Ordinary Shares may be made under this document or the Application Form in Australia. Application Forms have not been sent to Shareholders with registered or mailing addresses in Australia. This document is being sent to such Shareholders for information purposes only, and in that context, it does not constitute an offer or invitation to subscribe for New Ordinary Shares.

(v) *Representation and Warranty*

The making of an application on an Application Form will constitute a representation and warranty that, *inter alia*, the applicant is not a Shareholder with a registered or mailing address in North America, the Republic of Ireland, Australia, or Japan, nor is the applicant applying for New Ordinary Shares for the account of any person, or with a view to re-offering, selling, transferring or delivering such securities in any of those territories or possessions, and otherwise, that the applicant has fully observed the laws and any regulatory requirements of any relevant jurisdiction.

Notwithstanding the above, the Company and, on its behalf, Cazenove (acting in their absolute discretion) reserve the right to make the New Ordinary Shares available to Overseas Shareholders under the Open Offer, or to overseas persons under the Placing (irrespective of the effect of any statement contained in this document), provided that they are advised to their satisfaction that any such Shareholder or overseas person can properly accept the invitation comprised in the Open Offer or participate in the Placing (as the case may be). The Company and Cazenove reserve, without limitation, the right to treat an application on an Application Form as invalid if they believe the application may violate applicable legal or regulatory requirements.

United Kingdom Taxation

Certain limited information on United Kingdom taxation with regard to the Placing and Open Offer is set out in paragraph 10 of Part VI of this document. If you are in any doubt as to your tax position, or you are resident or subject to tax in any jurisdiction other than the United Kingdom, you should consult your professional adviser.

CREST

Although the Open Offer will be processed outside CREST for the purposes of calculating entitlements on the Record Date, shareholdings held in uncertificated form and certificated form will be treated independently.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted New Ordinary Shares in certificated form. Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form will be allotted New Ordinary Shares in uncertificated form to the extent that their entitlement to New Ordinary Shares arises as a result of holding Existing Ordinary Shares in uncertificated form on the Record Date. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or any part of CREST, or any part of the facilities and/or system operated by Lloyds TSB Registrars in connection with CREST. The right may also be exercised if the correct details (such as CREST Member Account ID and CREST Participant ID details) are not provided in Box J of the Application Form.

Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form who are CREST Sponsored Members should refer to their CREST Sponsors regarding what action should be taken by them in connection with this document and the Open Offer.

Settlement and Dealing

Application has been made to the UKLA for the New Ordinary Shares to be admitted to the Official List. Application has also been made for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities. Subject to the Placing Agreement becoming unconditional in all respects and not being terminated in accordance with its terms, it is expected that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 26 September 2001.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares.

Subject to the conditions of the Placing and the Open Offer being satisfied or waived, all New Ordinary Shares to be issued pursuant to the Open Offer in uncertificated form are expected to be credited to the appropriate CREST stock accounts on 26 September 2001 unless the Company exercises its right to issue such New Ordinary Shares in certificated form. Subject as aforesaid, definitive certificates in respect of the New Ordinary Shares to be issued in certificated form are expected to be despatched by first class post, at the risk of the person entitled thereto, and, in the case of joint holders, to the holder whose name stands first in the register in respect of the joint holding concerned, by 3 October 2001 and, pending such despatch, transfers will be certified against the register. No temporary documents of title will be issued. 14.1(h)(iv)

Qualifying Shareholders who hold their Existing Ordinary Shares in uncertificated form should note that they will not be sent any confirmation of the credit of the New Ordinary Shares to their CREST stock accounts, nor will they be sent any other written communication by the Company in respect of the issue of the New Ordinary Shares.

Further Information

Your attention is drawn to the further information set out in Part I and Part III to VI of this document and the notice of Extraordinary General Meeting attached to it and also to the terms, conditions and other information set out in the Application Form.

Yours faithfully,

Malcolm Moir
Managing Director
Cazenove & Co. Ltd

PART III

UNAUDITED INTERIM RESULTS FOR ABBOT FOR THE SIX MONTHS TO 30 JUNE 2001

6.E.7(a)

6.E.7(b)

The following is the full text of the announcement made by Abbot of its unaudited interim results for the six months to 30 June 2001 as announced today:

“Abbot Group Plc, the international energy services provider, announces interim results for the six months ended 30 June 2001.

- Turnover increased by 21 per cent. to £102.2 million (2000: £84.2 million).
- Operating profit, before goodwill amortisation, rose by 24.8 per cent. to £7.410 million (2000: £5.939 million).
- Profit before tax was £5.385 million (2000: £4.330 million) an increase of 24.4 per cent.
- Earnings per ordinary share, excluding goodwill amortisation, rose by 18.5 per cent. to 3.2p (2000: 2.7p).
- Interim dividend maintained at 1.1p per ordinary share.
- Each operating division made significant progress during the period.
- Disposal of BW Group for £17.3 million announced on 22 August 2001.
- In a separate announcement made today, Abbot has entered into a conditional agreement to acquire Deutag for a maximum cash consideration of £• million.

“The continuing improvement in the performance of our existing operating divisions together with the acquisition of Deutag announced today, encourages me to believe that the Group will have a highly successful year overall, with the prospect of realising the substantial potential of the enlarged group in the years to come.”

Alasdair Locke
Executive Chairman

CHAIRMAN'S INTERIM STATEMENT

Introduction

Our results for the six months ended 30 June 2001 show a significant improvement over the same period last year, and the future outlook remains positive. On 22 August 2001 we announced the sale of our drilling fluids division to MI Drilling Fluids (UK) Ltd for a total consideration of £17.3 million and we are today, separately, announcing a major acquisition which will transform our drilling division.

Each of our operating divisions made significant progress during the period, although Wind Power suffered from a low wind resource, and we are confident that all divisions will show continued progress in the second half of the year.

Results

Group turnover was £102.2 million (2000: £84.2 million), an increase of 21 per cent. Operating profits, before goodwill amortisation, rose by 25 per cent. to £7.4 million (2000: £5.9 million), with the drilling division contributing £6.3 million (2000: £6.0 million), the inspection division contributing £1.2 million (2000: £1.1 million) and drilling fluids £0.4 million (2000: Loss £0.7 million).

Profits before taxation, excluding goodwill amortisation, were £6.5 million (2000: £5.4 million), an increase of 20 per cent.

| Adjusted basic earnings per ordinary share, excluding goodwill amortisation, were 3.2p (2000: 2.7p), an increase of 19 per cent.

The Group's level of debt increased over the period by £9.2 million to £27.6 million, with a resultant increase in the level of gearing to 58 per cent., largely due to the increased working capital requirements of higher activity levels and increased capital expenditure and investments. Interest cover remains high, and the sale of the drilling fluids division subsequent to the end of the period has resulted in a substantial reduction in the level of gearing.

Dividend

The Directors have declared an interim dividend, unchanged from last year, of 1.1p per ordinary share. This will be paid on 2 November 2001 to shareholders on the register on 21 September 2001.

Drilling Division

Activity levels during the period have increased compared to the same period last year. Within the UK, there has been sustained activity as operators have maintained their existing operations encouraged by higher oil prices and a favourable market outlook.

UK operations continue to perform satisfactorily with all of KCA's incentive mechanisms yielding contribution.

| We were particularly pleased with the renewal, for five years plus options to extend, of our long standing contract with Exxon Mobil, for the provision of services to the Beryl field platforms.

Internationally, KCA has continued to make progress. In Libya, operations have continued both offshore on Agip's Bouri field and onshore for Waha Petroleum utilising two land rigs. It is anticipated that a third land rig may commence operations for Waha before the end of the year.

In Iran, KCA has successfully commenced a 3 year contract with Petroiran Development Company, a subsidiary of the National Iranian Oil Company for the supply and management of two jack up drilling units for work in the Iranian sector of the Persian Gulf. KCA has also commenced preparatory engineering for a multi-well onshore development drilling programme for TotalFinaElf on the Dorood field, utilising two land drilling units, with drilling expected to commence by the year end.

In Azerbaijan, KCA was successful in gaining the Front End Engineering study for BP's Shah Deniz proposed development.

KCA's engineering group commenced work on an upgrade programme for Talisman on its Claymore field platform, and in addition KCA is also carrying out a number of "Brown Field" upgrades for existing clients.

The Well Service division of KCA continues to contribute as utilisation and activity levels remain high.

Inspection Division

OIS operations have, along with our other divisions, shown an increase in activity especially in the UK and Europe. This has been especially evident in the Oil and Gas segments where the Aberdeen based traditional non-destructive testing business has been strong as the contracts with BP, Talisman, Total and Brown & Root became more active.

Onshore the contract with Conoco at its Immingham Refinery also provided a high level of activity.

The Middle East and South Africa both had a slow start, although we anticipate an improvement in their performances as the year progresses.

In the Far East, activity was higher than last year with new contracts with McDermott in Bataam (Indonesia), BP Vietnam and UNOCAL Thailand all starting to contribute.

The surveys division completed the primary survey work on the West Coast Mainline, and continues to carry out work on stations and tunnels. The surveys division also carried out Aerial Surveys on the Southern Region and the East Coast Mainline for Railtrack as well as for the Department of the Environment, Amec Power and others.

OIS was particularly pleased to have been awarded the pipeline inspection work by Nacap Lawrence/Transco for a new 48" gas delivery pipeline from St Fergus to Garlogie near Aberdeen. This is particularly interesting as it is the first time in the UK that advanced automated ultrasonics inspection techniques have been deployed on such a project.

Drilling Fluids Division

The Drilling Fluids Division also showed an increase in activity as Exxon Mobil, Talisman and Enterprise all recommenced drilling programmes during the period. The BP contract which was very slow to show an uplift in activity began to contribute towards the end of the period, particularly following a rates renegotiation which gave an uplift backdated to 1 April 2001.

The Tunisia joint venture also began a turnaround in activity making a positive contribution at the operating level during the period.

Wind Power Division

This division continues to grow in terms of installed capacity. PowerGen Renewables is one of the few wind energy companies with Wind Farms actually under construction in 2001, having some 54MW currently being installed, the majority of which is in Scotland.

However over the period the wind resource has been low, and in spite of high levels of equipment availability the quantity of electricity generated has been less than forecast. This has proven to be a European phenomenon, and experience tells us that over time, the situation will correct itself.

PowerGen Renewables continues to press ahead with the development of its offshore project at Scroby Sands, Great Yarmouth, being particularly encouraged by the formal award of the licence by the Crown Estates Commissioners and the results of public consultation shortly thereafter.

Outlook

The continuing improvement in the performance of our existing operating divisions together with the acquisition of Deutag announced today, encourages me to believe that the Group will have a highly successful year overall, with the prospect of realising the substantial potential of the enlarged group in the years to come.

Consolidated profit and loss account for the 6 months ended 30 June 2001

		<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
	<i>Notes</i>			
Turnover	2	102,205	84,159	168,401
Cost of sales		(85,322)	(70,191)	(138,653)
Gross profit		16,883	13,968	29,748
Operating expenses before goodwill amortisation		(9,473)	(8,029)	(16,260)
Operating profit before goodwill amortisation	2	7,410	5,939	13,488
Goodwill amortisation		(977)	(1,003)	(1,866)
Operating profit	2	6,433	4,936	11,622
Share of operating (loss)/profit in – joint venture including goodwill amortisation of £100,000 for six months in 2001 and 2000		(21)	249	350
Profit on ordinary activities before interest and taxation		6,412	5,185	11,972
Net interest payable		(1,027)	(855)	(1,853)
Profit on ordinary activities before taxation		5,385	4,330	10,119
Taxation on profit on ordinary activities	3	(1,809)	(1,521)	(3,403)
Profit on ordinary activities after taxation		3,576	2,809	6,716
Minority interest		99	95	202
Profit for the period		3,675	2,904	6,918
Dividends, including non-equity	4	(1,634)	(1,640)	(4,893)
Retained profit for the period	6	2,041	1,264	2,025
Earnings per ordinary share:				
Basic	5	2.5p	2.0p	4.7p
Adjusted, Basic – excluding goodwill amortisation		3.2p	2.7p	6.1p

Consolidated statement of total recognised gains and losses for the 6 months ended 30 June 2001

	<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
Profit for the period	3,675	2,904	6,918
Exchange movements on investment in overseas subsidiaries, net	89	38	(138)
Total recognised gains for the period	3,764	2,942	6,780

Consolidated balance sheet 30 June 2001

		Unaudited 30 June 2001	Unaudited 30 June 2000	Audited 31 Dec 2000
	Notes	£000	£000	£000
Fixed assets				
Goodwill		13,249	15,577	14,226
Tangible assets		23,722	21,274	23,095
Investments – joint venture				
share of gross assets		19,770	16,061	16,274
share of gross liabilities		(15,584)	(12,011)	(12,338)
goodwill		2,076	2,276	2,176
		6,262	6,326	6,112
Investments – others		4,500	1,991	3,697
		47,733	45,168	47,130
Current assets				
Stocks		10,134	6,804	8,006
Debtors		50,332	40,794	37,234
Cash at bank and in hand		2,035	2,858	1,983
		62,501	50,456	47,223
Creditors:				
Amounts falling due within one year		(52,232)	(39,187)	(37,354)
Net current assets		10,269	11,269	9,869
Total assets less current liabilities		58,002	56,437	56,999
Creditors:				
Amounts falling due after more than one year		(9,572)	(10,476)	(10,605)
Provisions for liabilities and charges		(1,155)	(1,207)	(1,154)
Net assets		47,275	44,754	45,240
Capital and reserves				
Called-up share capital	6	22,181	22,789	22,899
Share premium account	6	50,012	48,625	49,274
Profit and loss account	6	(24,638)	(26,571)	(26,746)
Total shareholders' funds		47,555	44,843	45,427
Equity minority interests		(280)	(89)	(187)
		47,275	44,754	45,240
Equity shareholders' funds		47,353	43,823	44,407
Non-equity shareholders' funds		202	1,020	1,020
		47,555	44,843	45,427

Consolidated cash flow statement for the 6 months ended 30 June 2001

	<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	6,433	4,936	11,622
Goodwill amortisation	977	1,003	1,866
Depreciation charge	1,763	1,626	3,320
Loss (profit) on sale of tangible fixed assets	9	(3)	(95)
(Increase) decrease in stocks	(2,128)	15	(1,187)
(Increase) in debtors	(11,931)	(4,303)	(491)
Increase (decrease) in creditors	5,460	(39)	(252)
Share incentive plan	(2)	—	—
Net cash inflow from operating activities	<u>581</u>	<u>3,235</u>	<u>14,783</u>
Cash flow statement			
Net cash inflow from operating activities	581	3,235	14,783
Returns on investment and servicing of finance	(775)	(592)	(1,263)
Taxation	(1,232)	(747)	(3,737)
Capital expenditure and financial investments	(4,507)	(4,537)	(10,031)
Acquisitions and disposals	—	334	822
Equity dividends paid	(3,224)	(3,194)	(4,797)
Net cash (outflow) before financing	<u>(9,157)</u>	<u>(5,501)</u>	<u>(4,223)</u>
Financing			
(Decrease) in debt	(1,247)	(232)	(195)
Net cash (outflow) from financing	<u>(1,247)</u>	<u>(232)</u>	<u>(195)</u>
(Decrease) in cash	<u>(10,404)</u>	<u>(5,733)</u>	<u>(4,418)</u>

Reconciliation of net cash flow to movement in net debt for the 6 months ended 30 June 2001

	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2001</i> <i>£000</i>	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2000</i> <i>£000</i>	<i>Audited</i> <i>12 months to</i> <i>31 Dec 2000</i> <i>£000</i>
(Decrease) in net cash in the period	(10,404)	(5,733)	(4,418)
Decrease in loans and finance leases	1,247	232	195
Increase in net debt resulting from cash flows	(9,157)	(5,501)	(4,223)
Exchange movements	(65)	60	(149)
Increase in net debt in the period	(9,222)	(5,441)	(4,372)
Net debt at beginning of period	(18,386)	(14,014)	(14,014)
Net debt at end of period	(27,608)	(19,455)	(18,386)
Cash at bank and in hand	2,035	2,858	1,983
Overdrafts	(14,932)	(6,685)	(4,606)
	(12,897)	(3,827)	(2,623)
Debt due within one year	(5,479)	(5,479)	(5,479)
Debt due after one year	(9,165)	(10,143)	(10,213)
Finance leases	(67)	(6)	(71)
	(27,608)	(19,455)	(18,386)

NOTES TO ACCOUNTS

30 June 2001

1 Basis of preparation

The interim accounts for the 6 months ended 30 June 2001 have been prepared in accordance with the accounting policies detailed in the accounts for the 12 months ended 31 December 2000.

These interim accounts do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

2 Segmental analysis

	<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
Turnover			
Drilling	64,412	56,876	111,473
Inspection	29,394	23,304	48,228
Drilling fluids	7,875	3,464	7,789
Corporate and other	524	515	911
Total	<u>102,205</u>	<u>84,159</u>	<u>168,401</u>
Operating profit before goodwill amortisation			
Drilling	6,290	5,960	12,907
Inspection	1,160	1,056	2,030
Drilling fluids	439	(690)	(938)
Corporate and other	(479)	(387)	(511)
Total	<u>7,410</u>	<u>5,939</u>	<u>13,488</u>
Operating profit			
Drilling	6,290	5,960	12,907
Inspection	982	878	1,674
Drilling fluids	(360)	(1,515)	(2,448)
Corporate and other	(479)	(387)	(511)
Total	<u>6,433</u>	<u>4,936</u>	<u>11,622</u>

3 Taxation

	<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
Current period	1,809	1,521	3,998
Adjustment relating to prior periods	—	—	(595)
	<u>1,809</u>	<u>1,521</u>	<u>3,403</u>

4 Dividends

	<i>Unaudited 6 months to 30 June 2001 £000</i>	<i>Unaudited 6 months to 30 June 2000 £000</i>	<i>Audited 12 months to 31 Dec 2000 £000</i>
Dividends on ordinary shares:			
Adjustment in respect of shares issued during the period and ranking for prior year final dividend	15	7	6
Proposed interim dividend 1.10p (2000 – 1.10p)	1,612	1,596	1,604
2000 final dividend 2.20p	–	–	3,209
Dividends on preference shares	7	37	74
	<u>1,634</u>	<u>1,640</u>	<u>4,893</u>

5 Earnings per share

The earnings per ordinary share for each period has been calculated on the Group profit for the period less the preference dividend and is based upon the weighted average number of shares in issue during the period as follows:

6 months to 30 June 2001	146,025,654
12 months to 31 December 2000	145,368,857
6 months to 30 June 2000	144,935,317

6 Share capital and reserves

	<i>Ordinary share capital £000</i>	<i>Preference share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>
At 1 January 2001	21,879	1,020	49,274	(26,746)
Issue of ordinary shares				
– conversion of preference shares	98	(818)	720	–
– options exercised	2	–	18	–
Exchange movement on investment in overseas subsidiaries	–	–	–	89
Awards under share incentive plan				
– reduction in accrual re options granted	–	–	–	(2)
– options exercised	–	–	–	(20)
Retained profit for the period	–	–	–	2,041
At 30 June 2001	<u>21,979</u>	<u>202</u>	<u>50,012</u>	<u>(24,638)</u>

Copies of this statement are available from The Secretary, Abbot Group plc, Minto Drive, Altens, Aberdeen AB12 3LW.”

PART IV

FINANCIAL INFORMATION ON DEUTAG

10.31(d)

10.31(e)



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The Directors
Abbot Group plc
Minto Drive
Altens
ABERDEEN AB12 3LW

The Directors
Cazenove & Co. Ltd
12 Tokenhouse Yard
LONDON EC2R 7AN

31 August 2001

Dear Sirs

Deutsche Tiefbohr-Aktiengesellschaft ("Deutag")

Introduction

We report on the consolidated financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 31 August 2001 ("the prospectus") of Abbot Group plc ("the Company") relating to the proposed acquisition by the Company of Deutsche Tiefbohr-Aktiengesellschaft ("Deutag").

Deutag and its subsidiaries are referred to as "the Deutag Group".

Basis of preparation

Financial information relating to Deutag was included in the audited consolidated financial statements of Preussag AG, which were prepared in accordance with International Accounting Standards, for each of the three financial years ended 30 September 1998, 1999 and 2000. No separate consolidated financial information for Deutag was disclosed or reported within the consolidated financial statements of Preussag AG for Deutag for this three year period ended 30 September 2000.

For the purpose of the proposed acquisition, the directors of Deutag have prepared the following financial information in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") ("the consolidated financial statements"):

- (a) statements of consolidated profit and loss accounts and cash flows (and related notes) for each of the three years ended 30 September 1998, 1999 and 2000; and
- (b) consolidated balance sheets as at 30 September 1998, 1999 and 2000, and related notes for each of the two years ended 30 September 1999 and 2000.

The consolidated financial statements have been derived by the directors of Deutag from the Deutag reporting schedules and other management information sources.

| The consolidated financial information set out below is based on the consolidated financial statements of
| Deutag for the three years ended 30 September 2000.

Responsibility

The consolidated financial statements are the responsibility of the directors of Deutag, who approved their issue.

The directors of the Company are responsible for the contents of the prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the consolidated financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors of the consolidated financial statements of Preussag AG and its subsidiaries underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the consolidated financial statements underlying the financial information and whether the accounting policies are appropriate to the circumstances of Deutag, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

| In our opinion, the financial information gives, for the purposes of the prospectus, a true and fair view of the
| state of affairs of the Deutag Group as at the dates stated and of its profits and losses, cash flows, and
| recognised gains and losses for the periods then ended.

**Consolidated profit and loss account for each of the three years ended
30 September 1998, 1999 and 2000**

		1998	1999	2000
	Notes	€'000	€'000	€'000
Turnover	2	449,002	362,273	307,753
Change in stock of finished goods and work in progress		2,035	(7,214)	2,943
Own work capitalised		5,105	7,881	8,446
		<u>456,142</u>	<u>362,940</u>	<u>319,142</u>
Other operating income		46,925	59,910	47,867
Cost of materials				
Cost of raw materials, consumables and supplies		(57,237)	(49,027)	(42,273)
Cost of purchased services		(149,473)	(111,760)	(104,203)
		<u>296,357</u>	<u>262,063</u>	<u>220,533</u>
Personnel costs	4	(135,010)	(133,823)	(107,032)
Depreciation and amortisation	9, 10	(17,305)	(20,058)	(18,634)
Other operating expenses	5	(151,247)	(106,739)	(76,522)
		<u>(7,205)</u>	<u>1,443</u>	<u>18,345</u>
Operating (loss)/profit	2			
Other net interest and similar income/expense	3	125	(2,565)	(4,442)
		<u>(7,080)</u>	<u>(1,122)</u>	<u>13,903</u>
(Loss)/profit of ordinary activities before taxation				
Taxation	7	(4,164)	(8,854)	(5,776)
		<u>(11,244)</u>	<u>(9,976)</u>	<u>8,127</u>
(Loss)/profit of ordinary activities after taxation				
Minority interest	20	19	(1,065)	(512)
		<u>(11,225)</u>	<u>(11,041)</u>	<u>7,615</u>
(Loss)/profit for the financial year				
(Loss)/profit transfer agreement	8	—	18,374	(13,400)
		<u>(11,225)</u>	<u>7,333</u>	<u>(5,785)</u>
Retained (loss)/profit for the financial year				

**Statement of total recognised gains and losses for each of the three years ended
30 September 1998, 1999 and 2000**

		1998	1999	2000
		€'000	€'000	€'000
Retained (loss)/profit for the financial year		(11,225)	7,333	(5,785)
Exchange adjustments	19	1,287	(437)	(335)
		<u>(9,938)</u>	<u>6,896</u>	<u>(6,120)</u>
Recognised gains and losses during the year				

Consolidated balance sheets as at 30 September 1998, 1999 and 2000

	<i>Notes</i>	<i>1998</i> €'000	<i>1999</i> €'000	<i>2000</i> €'000
Fixed assets				
Intangible assets	9	939	29,122	26,982
Tangible assets	10	92,736	91,198	114,312
Investments	11	2,600	7,893	5,948
		<u>96,275</u>	<u>128,213</u>	<u>147,242</u>
Current assets				
Stocks	13	30,241	34,462	12,022
Debtors – greater than 1 year	14	2,165	680	10,193
– less than 1 year	14	87,089	97,277	106,789
Cash at bank and in hand		16,931	11,396	7,908
		<u>136,426</u>	<u>143,815</u>	<u>136,912</u>
Creditors: Amounts falling due within one year	15	<u>(103,844)</u>	<u>(126,788)</u>	<u>(156,852)</u>
Net current assets/(liabilities)		<u>32,582</u>	<u>17,027</u>	<u>(19,940)</u>
Total assets less current liabilities		<u>128,857</u>	<u>145,240</u>	<u>127,302</u>
Provisions for liabilities and charges	16	<u>(91,280)</u>	<u>(99,564)</u>	<u>(87,780)</u>
Net assets		<u>37,577</u>	<u>45,676</u>	<u>39,522</u>
Capital and reserves				
Called up share capital	17	32,416	32,416	32,416
Share premium account	18	1,994	1,994	1,994
Profit and loss account	18	2,072	8,968	2,848
Total shareholders' funds		<u>36,482</u>	<u>43,378</u>	<u>37,258</u>
Equity minority interests	20	1,095	2,298	2,264
		<u>37,577</u>	<u>45,676</u>	<u>39,522</u>

**Consolidated cash flow statement for each of the three years ended
30 September 1998, 1999 and 2000**

	<i>Notes</i>	<i>1998</i> €'000	<i>1999</i> €'000	<i>2000</i> €'000
Net cash inflow/(outflow) from				
operating activities		66,151	(5,468)	10,162
Dividends received/(loss) transfer	21	655	18,374	1,009
Returns on investments and servicing of finance	21	(413)	(2,381)	(3,237)
Taxation	21	(1,628)	(4,713)	(6,324)
Capital expenditure and financial investments	21	(54,837)	(16,659)	(35,221)
Acquisition	12	—	(19,640)	—
Dividends paid/profit transfer	21	(32,566)	(224)	(14,359)
Net cash (outflow) before financing		(22,638)	(30,711)	(47,970)
Financing	21	28,018	23,343	44,126
(Decrease)/increase in cash		5,380	(7,368)	(3,844)

Reconciliation of operating (loss)/profit to operating cash flows

	<i>1998</i> €'000	<i>1999</i> €'000	<i>2000</i> €'000
Operating (loss)/profit	(7,205)	1,443	18,345
Depreciation and amortisation	17,305	20,058	18,634
Profit on sale of tangible and intangible assets	(376)	(4,877)	(762)
(Increase)/decrease in stocks	(8,018)	(3,146)	23,051
Decrease/(increase) in debtors	27,034	18,967	(14,835)
Increase/(decrease) in creditors	33,024	(37,027)	(18,173)
Increase/(decrease) in provisions	4,387	(886)	(16,098)
Net cash inflow/(outflow) from operating activities	66,151	(5,468)	10,162

Notes to the consolidated financial information

1 Accounting policies

A summary of the principal Deutag Group accounting policies, all of which, where relevant, have been applied consistently is set out below.

a) *Basis of accounting*

The Deutag Group consolidated financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the UK.

b) *Basis of consolidation*

The Deutag Group consolidated financial information incorporates the financial statements of the Deutag AG and all of its statutory subsidiary undertakings up to the end of the financial year where the directors consider that they exercise ultimate control or significant influence. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and written off on a straight line basis over its estimated useful economic life of fifteen to twenty years. On disposal or closure of a previously acquired business, the attributable amount of any goodwill previously written off to reserves is included in determining the profit or loss on disposal.

c) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over their estimated useful lives. Drilling rigs and equipment that are acquired after 1 October 1996 are depreciated by using the unit-of-production method. The estimated useful working lives for different categories of fixed assets are as follows:

Freehold buildings	15 – 50 years
Plant, machinery and vehicles	5 – 20 years

The Deutag Group has no assets under finance lease arrangements.

d) *Investments*

Investments held as fixed assets are shown at cost less appropriate provision where the directors consider that a permanent impairment in value has occurred.

e) *Stocks and work in progress*

Stocks of spare parts which are held for use in the Deutag Group's drilling operations are stated at cost less a provision in respect of the age of the spares. Other stocks and work in progress are valued at the lower of cost and net realisable value. Raw materials, consumables and supplies are valued using the weighted average method.

f) *Taxation*

Corporation tax payable is provided on taxable profits at current rates in the respective taxation jurisdictions.

g) *Deferred taxation*

Provision is made for deferred taxation where such taxation is expected to crystallise in the foreseeable future.

h) Pension costs

The Deutag Group operates certain unfunded defined benefit schemes under which the Deutag Group guarantees employees a certain level of pension. The resulting pension obligation is provided for by setting up a provision on the balance sheet. The obligations for these pension commitments are calculated annually in accordance with the internationally customary projected unit credit method, thereby taking into account expected future increases in salaries and pensions.

Contributions to the various Deutag Group defined benefit pension schemes are charged to the profit and loss account so as to spread the expected cost of providing benefits, calculated in accordance with actuarial advice, on a systematic basis over employees' working lives.

The Deutag Group also operates certain defined contribution schemes. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

i) Foreign currency

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction or contracted rates where appropriate. Hedged foreign currency receivables and liabilities are valued at the rate of exchange at the forward hedging transaction date. Unhedged monetary assets and liabilities denominated in foreign currencies are translated into EURO at the exchange rates ruling at the balance sheet date. Translation gains or losses are included in the profit and loss account for the year.

Assets and liabilities of overseas subsidiaries are translated into EURO at exchange rates ruling at the balance sheet date and translation gains or losses on the opening net investment are included as a movement in reserves. The items of the profit and loss account and hence the profit for the year are translated at the annual average rate. In one Venezuelan subsidiary, operating in a hyperinflationary economy, the translation of the income and expense item corresponding to the changed purchasing power conditions, including the result of the year, is effected at the closing rate. Prior to translation at the closing rate, the carrying amount of the non monetary balance sheet items of the company is adjusted to the changes in prices on the basis of the consumer price index, published by the Central Bank of Venezuela.

j) Turnover

Turnover is all derived from continuing operations and comprises the invoiced value of goods and services (excluding VAT) provided, including the value of services subcontracted by the Deutag Group. For construction contracts, the turnover is recognised on the basis of the completion stage of the contract (Percentage of completion method).

k) Financial instruments

Business transactions conducted by companies of the Deutag Group generate income and expenses in foreign currencies, which are not always matched by expenses or income in the same currency with identical amounts and maturities. The Deutag Group companies are therefore exposed to exchange rate risks, which mainly relate to payments in US dollars.

As a matter of principle, the Deutag Group companies counters these risks by using derivative financial instruments. The resulting hedging transactions entered into are solely concluded with the ultimate parent, Preussag AG.

2 Segmental analysis

Turnover, operating profit and net assets are analysed as follows:

a) By class of business

	Operating profit/(loss)		
	1998	1999	2000
	€'000	€'000	€'000
Drilling	25,693	32,829	14,752
Engineering and manufacturing	(32,898)	(31,386)	3,593
Total	(7,205)	1,443	18,345

	Turnover			Net assets	
	1998	1999	2000	1999	2000
	€'000	€'000	€'000	€'000	€'000
Drilling	342,389	335,177	259,891	46,178	41,390
Engineering and manufacturing	- 106,613	27,096	47,862	(502)	(1,868)
Total	449,002	362,273	307,753	45,676	39,522

b) By geographical market

	Operating profit/(loss)		
	1998	1999	2000
	€'000	€'000	€'000
Germany	13,663	(17,599)	10,496
United Kingdom	-	1,798	76
EU (without Germany and UK)	2,473	3,836	50
Rest of Europe	(27,652)	304	(1,774)
Rest of the world	4,311	13,104	9,497
Total	(7,205)	1,443	18,345

	Turnover			Net assets	
	1998	1999	2000	1999	2000
	€'000	€'000	€'000	€'000	€'000
Germany	156,075	110,610	100,171	51,553	54,450
United Kingdom	-	39,653	65,482	(770)	(980)
EU (without Germany and UK)	69,718	50,681	25,557	6,866	843
Rest of Europe	68,390	19,222	25,455	(28,513)	(30,968)
Rest of the world	154,819	142,107	91,088	16,540	16,177
Total	449,002	362,273	307,753	45,676	39,522

The geographical segment analysis is classified by origin.

3 Other net interest and similar income/(expense)

	1998	1999	2000
	€'000	€'000	€'000
Income from investments and long term loans	675	17	1,021
Write down on investments	—	—	(2,267)
Net income from investments and long-term loans	675	17	(1,246)
Other interest and similar income	847	1,509	1,087
Other interest and similar expenses	(1,397)	(4,091)	(4,283)
Net interest	(550)	(2,582)	(3,196)
	125	(2,565)	(4,442)

Other interest income and interest expenses arose mainly from funding and trading balances provided by and with Preussag AG.

4 Employee costs and number of persons employed

The aggregate remuneration of all employees (including executive directors) of the Deutag Group comprised:

	1998	1999	2000
	€'000	€'000	€'000
Wages and salaries	112,942	112,094	91,547
Social security costs	16,068	16,711	10,729
Other pension costs	6,000	5,018	4,756
	135,010	133,823	107,032

The average monthly number of persons, including directors, employed by the Deutag Group was as follows:

	1998	1999	2000
	Number	Number	Number
Drilling	2,180	2,457	2,293
Engineering and manufacturing	364	325	287
	2,544	2,782	2,580

5 Operating profit

Operating profit is stated after crediting/(charging):

	1998	1999	2000
	€'000	€'000	€'000
Gains on the sale of fixed assets	376	4,877	762
Leasing, rental and patent expense	(22,230)	(20,377)	(8,356)
Distribution cost	(6,604)	(5,963)	(3,984)
Insurance	(3,447)	(2,738)	(3,063)
Audit fees	(691)	(726)	(620)

6 Directors' remuneration

	1998	1999	2000
	€'000	€'000	€'000
Emoluments	256	384	537
Bonus payments	167	74	182
Pension contributions	63	40	53
	<u>486</u>	<u>498</u>	<u>772</u>

7 Taxation

The net tax charge for the year comprises:

	1998	1999	2000
	€'000	€'000	€'000
Corporate tax			
In respect of the current year			
– Germany	2,693	4,222	241
– overseas taxation	995	3,744	4,081
Taxes on income	<u>3,688</u>	<u>7,966</u>	<u>4,322</u>
Other taxes	476	888	1,454
Total	<u>4,164</u>	<u>8,854</u>	<u>5,776</u>

8 (Loss)/profit transfer agreement

	1998	1999	2000
	€'000	€'000	€'000
Contributions received/(paid) relating to (loss)/profit transfer agreement	<u>--</u>	<u>18,374</u>	<u>(13,400)</u>

A profit and loss transfer agreement was entered into by Deutsche Tiefbohr-Aktiengesellschaft with Preussag Energie GmbH its parent company effective from 1 October 1998.

The transfer agreement is prepared under German Law allowing each party to the agreement to set off profits and losses, such that one party incurs the ultimate taxation charge or credit on the combined results. The agreement stipulates that the profits and losses are prepared in accordance with German GAAP.

9 Intangible assets

	<i>Goodwill</i> €'000	<i>Intangible assets</i> €'000	<i>Total</i> €'000
Cost			
At 1 October 1998	–	4,164	4,164
Additions	29,269	594	29,863
Disposals	–	(243)	(243)
Exchange adjustment	772	39	811
At 1 October 1999	30,041	4,554	34,595
Additions	–	253	253
Disposals	–	(461)	(461)
Exchange adjustment	65	44	109
At 30 September 2000	30,106	4,390	34,496
Amortisation			
At 1 October 1998	–	3,225	3,225
Charge for the year	1,692	602	2,294
Disposals	–	(79)	(79)
Exchange adjustment	6	27	33
At 1 October 1999	1,698	3,775	5,473
Charge for the year	1,878	563	2,441
Disposals	–	(460)	(460)
Exchange adjustment	19	41	60
At 30 September 2000	3,595	3,919	7,514
Net book value			
At 30 September 2000	26,511	471	26,982
At 30 September 1999	28,343	779	29,122
At 30 September 1998	–	939	939

The intangible assets comprise mainly licences for software and patents and are amortised over 3-5 years.

The goodwill arose mainly on the acquisition of Hareness Ltd. and is amortised over 15 years, being its useful life estimated by the directors of Deutag.

10 Tangible fixed assets

	<i>Land and Buildings €'000</i>	<i>Plant, Machinery and Equipment €'000</i>	<i>Total €'000</i>
Cost			
At 1 October 1998	1,775	390,175	391,950
Additions	–	19,883	19,883
Disposals	(477)	(29,675)	(30,152)
Exchange adjustment	2,227	5,185	7,412
At 1 October 1999	3,525	385,568	389,093
Additions	279	39,680	39,959
Disposals	(389)	(19,490)	(19,879)
Exchange adjustment	189	1,047	1,236
At 30 September 2000	3,604	406,805	410,409
Depreciation			
At 1 October 1998	636	298,578	299,214
Charge for the year	93	17,671	17,764
Disposals	(357)	(22,872)	(23,229)
Exchange adjustment	739	3,407	4,146
At 1 October 1999	1,111	296,784	297,895
Charge for the year	110	16,083	16,193
Disposals	–	(18,735)	(18,735)
Exchange adjustment	70	674	744
At 30 September 2000	1,291	294,806	296,097
Net book value			
At 30 September 2000	2,313	111,999	114,312
At 30 September 1999	2,414	88,784	91,198
At 30 September 1998	1,139	91,597	92,736

All land and buildings are owned by the Deutag Group.

11 Investments

	€'000
Cost	
At 1 October 1998	9,177
Additions	5,790
Disposals	(1,811)
Exchange adjustment	1,314
	<hr/>
At 1 October 1999	14,470
Additions	296
Disposals	(83)
Exchange adjustment	109
	<hr/>
At 30 September 2000	14,792
	<hr/>
Provision	
At 1 October 1998	6,577
Addition	—
	<hr/>
At 1 October 1999	6,577
Addition	2,267
	<hr/>
At 30 September 2000	8,844
	<hr/>
Net book value	
At 30 September 2000	5,948
	<hr/>
At 30 September 1999	7,893
	<hr/>
At 30 September 1998	2,600
	<hr/>

Fixed asset investments (continued)

The principal subsidiaries of the Deutag Group are as follows:

Principal subsidiary and undertakings	Country of incorporation and of operations	Principal activity	% of ordinary shares held by:	
			Parent %	Subsidiaries %
Deutag Friesland Drilling B.V., Oldenzaal ¹	Netherlands	Drilling and Workover Services		100
Oman Deutag Drilling Company LLC, Mina al Fahal	Oman	Drilling and Workover Services		100
Deutag (Nigeria) Ltd., Port Harcourt	Nigeria	Drilling and Workover Services		60
Deutsche Tiefbohr GmbH Grimmen, Grimmen ²	Germany	Rental Service		100
Deutsche Tiefbohr International GmbH, Bad Bentheim ²	Germany	Drilling and Workover Services	100	
Bentec GmbH Drilling & Oilfield System, Bad Bentheim	Germany	Design, Engineering, Fabrication of Drilling and Workover rigs	100	
Deutag Overseas (Curaçao) N.V., Willemstad	Curacao	Dormant		100
Deutag Europe B.V., Assen	Netherlands	Drilling and Workover Services		100
Deutag Europe GmbH, Bad Bentheim ²	Germany	Drilling and Workover Services	100	
Deutag-Petrol de Perforaciones C.A., Cabimas	Venezuela	Drilling and Workover Services		60
Bentec Norge AS, Oslo	Norway	Design, Engineering, Fabrication of Drilling and Workover rigs	100	
Hareness Ltd., Birmingham ³	Great Britain	Holding Comp.	100	
Deutag U.K.Ltd., Birmingham ³	Great Britain	Drilling and Workover Services		100
Prodrill Engineering Ltd., Birmingham	Great Britain	Prov.of Single Placement and Drilling Eng Service		100
Hamad Bin Khalid Drilling Comp. Ltd., Doha	Qatar	Dormant		100
DST Saudi Arabia Ltd., Al-Khobar	Saudi Arabia	Dormant	60	
Deutag Gerudi (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	Dormant		100
Deutag Marketing & Technical Services Inc., Houston	Texas	Marketing		100
UTB ULTRATIEF Bohrgesellschaft mbH i.L., Bad Bentheim	Germany	Dormant	85	
Seria Drilling Company Sdn. Bhd, Kuala Belait	Brunei	Drilling & Workover Services		65
Deutag do Brazil Ltda., Rio de Janeiro	Brazil	Marketing South America		100
Well Engineering Partners B.V., Vries/Niederlande	Netherlands	Well Engineering Activities		100
Deutag Services Ltd., Hongkong	China	Offshore pay- roll company	100	
Deutag Offshore Norge AS, Lysaker	Norway	Dormant	100	
Altra Holdings Ltd., Aberdeen ⁴	Great Britain	Dormant		100
Altra Consultants Ltd., Aberdeen	Great Britain	Consul. Engineering provider for oil gas oper.		100
Deutag Resource Management Ltd., Aberdeen	Great Britain	Dormant		100
Deutag Norge Drilling AS, Tananger	Norway	Drilling & Workover Services	50	
Deutag – ENTP Drilling Company (DECO) Algeria S.P.A., Hassi Messaoud	Algeria	Drilling & Workover Services	50	
Deutag Drilling India Pvt. Ltd., New Delhi	India	Dormant		40

1) Renamed Deutag Nederland B.V. as of 1 January 2001

2) Merger with Deutsche Tiefbohr International GmbH and Deutsche Tiefbohr GmbH Grimmen as of 1 January 2001. Deutag Europe GmbH changed its name to Deutag Land Drilling GmbH

3) As of 1 January 2001, Deutag U.K. Ltd. was renamed Deutag Ltd. and Hareness Ltd. was renamed Deutag U.K. Ltd., which is now the operating company

4) As of 1 January 2001 renamed Altra Ltd. The company is in the process of being wound up

12 Acquisitions

On 18 November 1998 Deutag acquired 100 per cent of Smedvig International Holding Ltd. (renamed Hareness Ltd.) for a consideration of €19.6 million. Hareness holds 100 per cent of the shares of Deutag UK Ltd. and Prodrill Engineering Ltd. From the date of acquisition to 30 September 1999 these acquired companies contributed €13.7 million to turnover. At the date of acquisition no fair value adjustments to the acquired assets was considered necessary by the directors.

	€'000
Book value of net liabilities acquired	(8,213)
Goodwill	27,853
Consideration satisfied in cash	<u>19,640</u>

13 Stocks

	1999 €'000	2000 €'000
Cost of raw materials, consumables and supplies	9,507	10,959
Work in progress	27,622	3,723
	<u>37,129</u>	<u>14,682</u>
Payments received on account	(2,667)	(2,660)
	<u>34,462</u>	<u>12,022</u>

14 Debtors and other assets

	1999 €'000	2000 €'000
Trade debtors	76,452	84,549
Amounts owed by Preussag group companies and companies in which shareholdings are held	8,016	14,725
Tax recoverable	940	1,722
Other debtors	5,550	7,773
Prepayments and accrued income	6,999	8,213
	<u>97,957</u>	<u>116,982</u>
of which less than 1 year	<u>97,277</u>	<u>106,789</u>
of which greater than 1 year	<u>680</u>	<u>10,193</u>

15 Creditors: Amounts falling due within one year

	1999 €'000	2000 €'000
Bank loans and overdrafts	31	—
Loans from Preussag group	72,330	116,487
Trade creditors	26,815	29,074
Other creditors		
– tax payable	5,454	3,632
– social security	1,361	1,315
– other creditors	5,380	6,341
Accruals and deferred income	179	3
Payments received on account on long term contracts	15,238	—
	<u>126,788</u>	<u>156,852</u>

16 Provisions for liabilities and charges

	1998 €'000	1999 €'000	2000 €'000
At 1 October	86,007	91,280	99,564
Transfers, exchange adjustment	555	4,673	(1,087)
Utilisation	(23,714)	(31,057)	(31,407)
Release	(7,744)	(4,814)	(7,924)
Addition	36,176	39,482	28,634
At 30 September	<u>91,280</u>	<u>99,564</u>	<u>87,780</u>

Comprising:

Pensions and similar commitments

	1998 €'000	1999 €'000	2000 €'000
At 1 October	44,961	48,450	50,566
Transfers, exchange adjustment	(59)	(11)	(6)
Utilisation	(1,356)	(1,504)	(1,637)
Release	(556)	(8)	(5)
Addition	5,460	3,639	3,777
At 30 September	<u>48,450</u>	<u>50,566</u>	<u>52,695</u>

Taxation

	1998 €'000	1999 €'000	2000 €'000
At 1 October	5,187	5,839	6,734
Transfers, exchange adjustment	77	1,221	184
Utilisation	(1,194)	(4,480)	(3,011)
Release	(180)	(610)	(1,903)
Addition	1,949	4,764	3,008
At 30 September	<u>5,839</u>	<u>6,734</u>	<u>5,012</u>

Other provisions

	1998 €'000	1999 €'000	2000 €'000
At 1 October	35,859	36,991	42,264
Transfers, exchange adjustment	537	3,463	(1,265)
Utilisation	(21,164)	(25,073)	(26,759)
Release	(7,008)	(4,196)	(6,016)
Addition	28,767	31,079	21,849
At 30 September	<u>36,991</u>	<u>42,264</u>	<u>30,073</u>

The other provisions mainly relate to personnel costs.

17 Called-up share capital

	1998 €'000	1999 €'000	2000 €'000
<i>Authorised</i>			
1,268,000 ordinary equity shares of 50 DEM each	<u>32,416</u>	<u>32,416</u>	<u>32,416</u>
<i>Allotted, called-up and fully paid</i>			
1,268,000 ordinary equity shares of 50 DEM each	<u>32,416</u>	<u>32,416</u>	<u>32,416</u>

| Preussag Energie GmbH owns 100 per cent of the issued share capital.

18 Reserves

	Share premium account			Profit and loss account		
	1998 €'000	1999 €'000	2000 €'000	1998 €'000	1999 €'000	2000 €'000
At 1 October	1,994	1,994	1,994	12,010	2,072	8,968
Contribution to/from (loss)/profit						
transfer agreement	—	—	—	—	18,374	(13,400)
Exchange movement on						
investment in overseas						
subsidaries	—	—	—	1,287	(437)	(335)
(Loss)/profit for the						
financial year	—	—	—	(11,225)	(11,041)	7,615
At 30 September	<u>1,994</u>	<u>1,994</u>	<u>1,994</u>	<u>2,072</u>	<u>8,968</u>	<u>2,848</u>

19 Reconciliation of movement in shareholders' funds

	1998 €'000	1999 €'000	2000 €'000
(Loss)/profit for the financial year	(11,225)	(11,041)	7,615
(Loss)/profit transfer agreement	—	18,374	(13,400)
Exchange adjustments	1,287	(437)	(335)
Total recognised gains and (losses) for the year	<u>(9,938)</u>	<u>6,896</u>	<u>(6,120)</u>
Opening shareholders' funds	46,420	36,482	43,378
Closing shareholders' funds	<u>36,482</u>	<u>43,378</u>	<u>37,258</u>

20 Minority interests

	1998 €'000	1999 €'000	2000 €'000
At 1 October	1,114	1,095	2,298
Share of (loss)/profit for the year	(19)	1,065	512
Dividends paid to minorities	—	(223)	(959)
Exchange movement	—	361	413
At 30 September	<u>1,095</u>	<u>2,298</u>	<u>2,264</u>

21 Analysis of cash flows

a) Dividends received

	1998	1999	2000
	€'000	€'000	€'000
Dividends from investments	655	–	1,009
Contributions received from (loss)/profit transfer agreement	–	18,374	–
Net cash inflow	655	18,374	1,009

b) Returns on investments and servicing of finance

	1998	1999	2000
	€'000	€'000	€'000
Interest received	777	1,273	1,022
Interest paid	(1,190)	(3,654)	(4,259)
Net cash (outflow)	(413)	(2,381)	(3,237)

c) Taxation

	1998	1999	2000
	€'000	€'000	€'000
Overseas tax paid	(1,152)	(3,825)	(4,890)
Other taxes paid	(476)	(888)	(1,434)
Net cash (outflow)	(1,628)	(4,713)	(6,324)

d) Capital expenditure and financial investments

	1998	1999	2000
	€'000	€'000	€'000
Purchase of tangible and intangible assets	(55,352)	(18,189)	(36,899)
Sale of tangible and intangible assets	867	7,197	1,830
Investment in financial assets	(3,374)	(5,791)	(235)
Disposal of financial assets	3,022	124	83
Net cash (outflow)	(54,837)	(16,659)	(35,221)

e) Financing

	1998	1999	2000
	€'000	€'000	€'000
Capital increase	1,108	–	–
Debt due within one year	27,200	44,450	44,157
Repayment of loans	(290)	(21,107)	(31)
Net cash inflow	28,018	23,343	44,126

f) Dividends paid

	1998	1999	2000
	€'000	€'000	€'000
Dividends paid	(32,566)	(224)	(959)
Contributions paid to (loss)/profit transfer agreement	–	–	(13,400)
Net cash (outflow)	(32,566)	(224)	(14,359)

22 Reconciliation of net cash flow to movement in net debt

	1998 €'000	1999 €'000	2000 €'000
Increase/(decrease) in net cash in the year	5,380	(7,368)	(3,844)
Increase in loans	(26,910)	(23,343)	(44,126)
Change in net debt resulting from cash flows	(21,530)	(30,711)	(47,970)
Exchange movements and other non cash changes	1,055	(19,274)	356
Movement in net (debt) in the year	(20,475)	(49,985)	(47,614)
Net cash/(debt) at 1 October	9,495	(10,980)	(60,965)
Net (debt) at 30 September	(10,980)	(60,965)	(108,579)

23 Analysis of net debt

	At 30 September 1998 €'000	Cash flows €'000	Other non cash changes €'000	Exchange movements €'000	At 30 September 1999 €'000	Cash flows €'000	Other non cash changes €'000	Exchange movements €'000	At 30 September 2000 €'000
Cash at bank and in hand	16,931	(7,368)	1,498	335	11,396	(3,844)	–	356	7,908
Debt due within 1 year	(27,911)	(23,343)	(21,107)	–	(72,361)	(44,126)	–	–	(116,487)
Net debt at 30 September	(10,980)	(30,711)	(19,609)	335	(60,965)	(47,970)	–	356	(108,579)

Other non-cash changes relate primarily to the acquisition of overdrafts with the acquisition of Smeolvig International Holdings Ltd.

24 Contingent liabilities, financial commitments and litigation

a) Contingent liabilities

	1998 €'000	1999 €'000	2000 €'000
Relating to warranties	736	1,555	2,036

b) Financial commitments

	1998 €'000	1999 €'000	2000 €'000
Rental commitments	22,974	15,029	7,302
Capital investment contracts	7,616	5,576	41
	<u>30,590</u>	<u>20,605</u>	<u>7,343</u>

c) Litigation

Neither Deutag nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on its economic position or such an impact. Furthermore, the subsidiaries have made appropriate provisions to cover any potential financial charges from court or similar arbitration proceedings. The financial position is therefore unlikely to be substantially affected by such charges.

25 Financial instruments

The Deutag Group has taken advantage of the exemption under FRS 13 to exclude all short term debtors and creditors from the following disclosure.

It is the policy of the Deutag Group to hedge all foreign currency exposures. Taking into account the various currency rate forwards and cross currency swaps, all significant financial liabilities of the Deutag Group are in Euros. The interest rate floats in accordance with market conditions. The interest rate exposure for financial liabilities as at the 30 September was :

<i>Financial liabilities</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Floating rate	<u>27,911</u>	<u>72,361</u>	<u>116,487</u>

After taking into account all relevant currency forward contracts and currency swaps, all significant financial assets of the Deutag Group are held in Euros. The interest rate profile of the financial assets of the Deutag Group as at 30 September was :

<i>Financial assets</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Floating rate	16,931	11,396	7,908
Non-interest bearing	<u>150</u>	<u>72</u>	<u>159</u>
	<u>17,081</u>	<u>11,468</u>	<u>8,067</u>

Maturity of borrowings :

	<i>1998</i>	<i>1999</i>	<i>2000</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Borrowings are repayable as follows:			
Within 1 year			
– Bank loans and overdrafts	–	31	–
– Loans from Preussag group	<u>27,911</u>	<u>72,330</u>	<u>116,487</u>
Total borrowings	<u>27,911</u>	<u>72,361</u>	<u>116,487</u>

Currency exposure on monetary assets and liabilities :

As explained in note 1 the Deutag Group's policy is to fully hedge significant exposures on monetary assets and liabilities.

Fair values of financial instruments:

	<i>Book values</i>			<i>Fair values</i>		
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Primary instruments:						
Amounts due from Preussag Group and companies in which shareholdings are held	150	72	159	150	72	159
Cash	16,931	11,396	7,908	16,931	11,396	7,908
Overdraft	–	31	–	–	31	–
Borrowings	<u>27,911</u>	<u>72,330</u>	<u>116,487</u>	<u>27,911</u>	<u>72,330</u>	<u>116,487</u>
Derivative instruments:						
Forward foreign currency contracts	–	–	–	128	(11)	204
Foreign currency swaps	<u>–</u>	<u>–</u>	<u>–</u>	<u>17</u>	<u>103</u>	<u>(10)</u>

26 Subsequent events

| On 1 August 2001 a contract was signed to acquire the remaining 40 per cent of shares in Deutag-Petrol de Perforaciones, Venezuela, effective from 1 January 2001.

27 Ultimate parent

The Deutag Group operated under the control of Preussag Energie GmbH, which is a wholly owned subsidiary of Preussag AG. The consolidated financial statements of Preussag AG are publicly available.

28 Related party transactions

Throughout the period all related party transactions of the Deutag Group were with group companies of Preussag AG. Transactions comprised mainly of funding with associated interest income and expenses as described in note 15 and note 3, together with trading balances which are included in note 14. As described in note 8, a profit and loss transfer agreement exists between Deutsche Tiefbohr-Aktiengesellschaft and Preussag Energie GmbH, a wholly owned subsidiary of Deutag's ultimate parent company Preussag AG.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART V

PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

12.29

The following unaudited pro forma statement of net assets of the Enlarged Group is prepared for illustrative purposes only to provide information about how the proposed acquisition of Deutag might have affected the financial information presented. Because of its nature, it may not give a true picture of the financial position of the Enlarged Group. It is based on the net assets of Abbot as at 30 June 2001 as shown in the unaudited interim results announcement made on 31 August 2001 and set out in Part 3, adjusted for the items set out below:

	Abbot 30 June 2001 £'000	Deutag 30 September 2000 £'000	Adjustments £'000	Enlarged Group Pro forma £'000
Fixed assets				
Intangible assets	13,249	16,205	<u>35,638</u>	<u>65,092</u>
Tangible assets	23,722	68,656	—	<u>92,378</u>
Investments	10,762	3,573	—	<u>14,335</u>
	<u>47,733</u>	<u>88,434</u>	<u>35,638</u>	<u>171,805</u>
Current assets				
Stocks	10,134	7,220	—	17,354
Debtors – less than 1 year	50,332	64,137	—	114,469
Debtors – greater than 1 year	—	6,122	—	6,122
Cash at bank and in hand	2,035	4,750	—	6,785
	<u>62,501</u>	<u>82,229</u>	—	<u>144,730</u>
Creditors: Amounts falling due				
within one year	(52,232)	(94,205)	<u>71,875</u>	<u>(74,562)</u>
Net current assets/(liabilities)	<u>10,269</u>	<u>(11,976)</u>	<u>71,875</u>	<u>70,168</u>
Total assets less current assets/(liabilities)	58,002	76,458	<u>107,513</u>	<u>241,973</u>
Creditors: Amounts falling due after				
more than one year	(9,572)	—	<u>(85,826)</u>	<u>(95,398)</u>
Provisions for liabilities and charges	(1,155)	(52,721)	—	<u>(53,876)</u>
Net assets	<u>47,275</u>	<u>23,737</u>	<u>21,687</u>	<u>92,699</u>

Notes:

1. The Abbot figures have been extracted without material adjustment from the unaudited interim results for the six months to 30 June 2001 as set out in Part III.
2. The Deutag figures have been extracted without material adjustment from the audited 30 September 2000 accounts restated under UK GAAP and Abbot accounting policies as set out in Part IV of this document. Balances have been translated at the 30 September 2000 exchange rate of £1=€1.665.
3. The adjustments recorded above are in respect of the following. It has been presumed for the purposes of these adjustments that a purchase price of €215,000,000 is applied. Unless otherwise stated, adjustment amounts quoted below have been translated at the 29 August 2001 exchange rate of £1=€1.60:
 - (a) The net adjustment to goodwill of £35,638,000 comprises the elimination of Deutag's own intangible assets of £16,205,000 and the capitalisation of goodwill arising on acquisition expected to amount to £51,843,000.
This goodwill is calculated as the difference between the net assets of Deutag as at 30 September 2000 and the consideration payable of €215,000,000 (£134,375,000) and excluding €120,000,000 (£75,000,000) in respect of the settlement of inter-company borrowings.
 - (b) The adjustment to Creditors: Amounts falling due within one year comprises the elimination of €120,000,000 (£75,000,000), in respect of the inter-company debt owed by the Deutag Group to the Preussag Group, and the establishment of a €5,000,000 (£3,125,000) creditor in respect of deferred consideration. The net adjustment is therefore £71,875,000.
 - (c) The adjustment to Creditors: Amounts falling due after more than one year comprises the draw down of bank facilities representing the difference between the cash consideration payable by Abbot of €210,000,000 (£131,250,000) (excluding the deferred consideration of €5,000,000) and the net proceeds of the Placing and Open Offer of £45,424,000.
4. No adjustments have been made in the above pro forma statement to reflect:
 - (a) trading of Abbot since 30 June 2001
 - (b) trading of Deutag since 30 September 2000
 - (c) any fair value adjustments arising on the acquisition of Deutag; and
 - (d) the expenses of the Acquisition and related financing costs, expected to amount to up to £6.0 million.



ARTHUR ANDERSEN

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31 August 2001

Dear Sirs

We report on the pro forma statement of net assets ("the pro forma financial information") set out in Part V of the Prospectus dated 31 August 2001 issued by Abbot Group Plc, which has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition of Deutag and placing and open offer of shares might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the Directors of Abbot to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority ("the Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, 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 Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued in the United Kingdom 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 Abbot.

Opinion

In our opinion:

1. the pro forma financial information has been properly compiled on the basis stated;
2. such basis is consistent with the accounting policies of Abbot Group Plc; and
3. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

Arthur Andersen
Chartered Accountants

PART VI

ADDITIONAL INFORMATION

1. Responsibility for information

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

6.A.3

10.38(e)

2. Abbot

2.1 Abbot was incorporated and registered in England as a private company limited by shares under the name Universal Underwear Limited (registered number 623285) on 17 March 1959 under the Companies Act 1948. It changed its name from Universal Underwear Limited to U.U. Textiles Limited on 9 March 1973, and it was re-registered on 21 May 1982 as a public company limited by shares under the Companies Act 1948 to 1980. The company further changed its name from U.U. Textiles Plc to Unigroup Plc on 17 January 1983, and from Unigroup Plc to Abbot Group plc on 19 June 1995. The Company's registered office is located at 3 Colmore Circus, Birmingham B4 6BH.

6.C.2

6.C.3

6.C.6

2.2 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

6.C.4

2.3 Abbot is the holding company of the Group.

2.4 Abbot's principal object is to carry on the business of a holding company, and its objects generally are set out in full in Clause 4 of its Memorandum of Association.

6.C.5

2.5 The Company's principal activity is the provision of oil services to the energy industry.

2.6 The Company's Ordinary Shares are listed on the Official List.

6.B.19

3. Share Capital

3.1 The following table shows the authorised and issued share capital of the Company at the date of this document, and the authorised and issued share capital of the Company following completion of the Placing and Open Offer:-

	At present		Following the Placing and Open Offer	
	Number	£'000	Number	£'000
Authorised				
Ordinary Shares	210,000,000	31,500	<u>210,000,000</u>	<u>31,500</u>
Issued and fully paid				
Ordinary Shares	146,530,205	21,979	<u>175,836,246</u>	<u>26,375</u>

3.2 Abbot was incorporated with an authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each, of which two ordinary shares were issued to the subscribers to the Memorandum of Association.

3.3 The following resolutions have been passed by the Company:

3.3.1 At the Annual General Meeting of the Company held on 11 June 1996 the Company's authorised share capital was increased from £26,250,000 to £31,500,000 by the creation of 35,000,000 new ordinary shares of 15p each having the rights set out in the Articles of Association and ranking *pari passu* in all respects with its existing ordinary shares.

3.3.2 At the Annual General Meeting of the Company held on 15 May 2001:

- (i) the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £5,746,257 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of such resolution or at the conclusion of the next Annual General Meeting of the Company following the date of the passing of such resolution, whichever first occurs, but so that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of such authority and the Directors may allot relevant securities in pursuance of that offer or agreement; and
- (ii) the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment in connection with:
 - (a) a rights issue, open offer, or otherwise in proportion to shareholders' holdings of existing ordinary shares; and
 - (b) allotments of equity securities pursuant to the Company's share option scheme; and
 - (c) any other allotment of equity securities for cash up to an aggregate nominal amount of £1,093,973,

such power to expire 15 months after the date of the passing of such resolution or at the conclusion of the next Annual General Meeting of the Company, whichever first occurs, but that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of such authority and the Directors may allot equity securities in pursuance of any such offer or agreement.

- (iii) The Company was generally authorised (pursuant to section 166 of the Companies Act) to make market purchases (within the meaning of section 163(3) of the Companies Act) of its own shares on such terms and in such manner as the Directors of the Company may from time to time provided that:
 - (a) the maximum number of Ordinary Shares of 15p each authorised to be acquired was 14,586,313;
 - (b) the minimum price which was paid for each Ordinary Share was 15p (exclusive of expenses);
 - (c) the maximum price (exclusive of expenses) which was paid for each Ordinary Share was, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent. of the average of the middle market quotations of ordinary shares taken from the Official List for the ten business days immediately preceding the day on which the contract of purchase is made.

The Company may make a contract of purchase of Ordinary Shares under the above authority before such authority expires which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract. The authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which the above resolution was passed or, if earlier, 12 months from the date of the passing of such resolution.

| 3.4 During the three years prior to the date of this document:

6.C.14

| 3.4.1 the following Ordinary Shares were allotted and issued credited as fully paid under the terms of the Abbot Group 1996 Share Incentive Plan:-

<i>Date</i>	<i>No. of Ordinary Shares</i>
30 June 1999	568,050
4 July 1999	37,500
14 July 1999	37,500
21 July 1999	32,500
27 August 1999	34,500
16 September 1999	172,500
4 October 1999	25,000
12 April 2000	95,000
3 July 2000	535,650
7 July 2000	87,300
16 August 2000	24,300
18 September 2000	72,500
4 October 2000	18,300
3 May 2001	12,150
Total	1,752,750

| 3.4.2 the following Ordinary Shares were allotted following the conversion of the 7¼ per cent. cumulative convertible restricted voting redeemable preference shares of £1 each, the rate of conversion being four Ordinary Shares for every £5 nominal value of preference shares:-

<i>Date</i>	<i>Number of Preference Shares</i>	<i>Number of Ordinary Shares</i>
14 May 1999	968,224	774,579
11 May 2000	234,395	187,516
14 May 2001	818,656	654,924
Total	2,021,275	1,617,019

| 3.5 Save as disclosed in paragraph 3.3, no share or loan capital in Abbot or any of its subsidiaries has, within the period of three years before the date of this document, been issued or agreed to be issued fully or partly paid, either for cash or for a consideration other than cash.

| 3.6 Save as disclosed in paragraphs 9 and 14.1.8, no part of the capital of Abbot, nor that of any of its subsidiaries, is under option or warrant nor has it been agreed, conditionally or unconditionally, to be put under option.

6.C.19

| 3.7 Save as disclosed in paragraph 14.1.4, no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue, conversion, or sale of any share or loan capital within the period of three years preceding the date of this document.

| 3.8 Immediately following completion of the Placing and Open Offer, the authorised share capital of the Company will be £31.5 million divided into 210 million Ordinary Shares, of which 175,836,246 Ordinary Shares are expected to be issued and fully paid or credited as fully paid.

- 3.9 The provisions of Section 89(1) of the Companies Act (to the extent that they are not disapplied pursuant to Section 95 of the Companies Act) confer rights of pre-emption on Shareholders in respect of the allotment of equity securities (as defined for the purposes of Section 89 of the Companies Act) which are, or are to be, paid up in cash. These provisions furthermore apply to the authorised unissued share capital of the Company to the extent that it has not been disapplied by a special resolution of Shareholders. The Resolutions in the notice of EGM propose special resolutions to disapply such rights of pre-emption. If Resolutions are passed, this disapplication will give the Directors of Abbot limited flexibility to issue Ordinary Shares for cash other than *pro rata* to existing holders following the Acquisition becoming effective. Disapplicaitons proposed in Resolution 1 are in respect of the Warrants. 6.B.5(a)
- 3.10 The New Ordinary Shares will be in registered form, and they will also be capable of being held in uncertificated form. 6.B.24 14.1(h)(vii)
- 3.11 The following table shows the quoted middle market closing price for the Ordinary Shares, as derived from the Daily Official List of the London Stock Exchange for the first dealing day of each of the six months before the date of this document, and for 30 August 2001 (being the latest practicable date prior to the publication of this document): 6.B.27

<i>Date</i>	<i>Price (pence)</i>
1 March 2001 _A	137
2 April 2001 _A	143.5
1 May 2001	158.5
1 June 2001	175
2 July 2001	179.5
1 August 2001	154
30 August 2001 _A	<u>173.5</u>

4. Subsidiary Undertakings

Details of Abbot's principal subsidiary undertakings are set out below. Unless otherwise stated, each of the following subsidiary undertakings is wholly owned, either by Abbot itself or by one of its subsidiaries:- 6.C.17

<i>Name</i>	<i>Principal Activity</i>	<i>Issued and fully paid share capital</i>	<i>Country of Incorporation and Registration</i>	<i>Registered Office</i>
United Kingdom				
KCA Drilling Limited	Drilling contracting	10,000 ordinary shares of £1 each	Scotland	Minto Drive, Altens, Aberdeen, AB12 3LW
OIS plc	Non-destructive testing and inspection services	14,322,000 ordinary shares of 10p each	England	PO Box 45, Bowesfield Lane, Stockton-on-Tees Cleveland TS18 3YH
PowerGen Renewables Holdings Limited (50% owned)	Windpower generation	12,275,000 ordinary shares of £1 each	England	53 New Broad Street, London EC2M 1SL
Malaysia				
Atkins Inspection Services (M) Sdn Bhd (10% owned)*	Inspection services	90,000 "A" ordinary shares of RM1 each and 10,000 "B" ordinary shares of RM1 each	Malaysia	No. 36 Jalan PJS 11/14, Bandar Sunway, 46150 Petaling Jaya, Selangor, Malaysia

<i>Name</i>	<i>Principal Activity</i>	<i>Issued and fully paid share capital</i>	<i>Country of Incorporation and Registration</i>	<i>Registered Office</i>
Oilfield Inspection Services (M) Sdn Bhd (10% owned)*	Non-destructive testing	90,000 "A" ordinary shares of RM1 each, 10,000 "B" ordinary shares of RM1 each and 7,400,000 redeemable, non participating, non convertible, non voting preference shares	Malaysia	No. 36 Jalan PJS 11/14, Bandar Sunway, 46150 Petaling Jaya, Selangor, Malaysia
South Africa				
The Unit Inspection Company of South Africa (Proprietary) Ltd	Non-destructive testing and inspection services	990,001 ordinary shares of R1 each	South Africa	Unit Inspection House, 245 Albert Amon Street, Millinium Park, Meadowdale, Germiston, Republic of South Africa
United Arab Emirates				
Oilfield Inspection Services (Middle East) LLC (49% owned)*	Non-destructive testing	500 shares of DH1,000 each	Abu Dhabi	PO Box 4074, Zayed Khalifa, Thani Al Mureiky Building, Abu Dhabi, United Arab Emirates

* Abbot exercises dominant influence over these companies by virtue of shareholders' agreements.

5. Memorandum and Articles of Association

5.1 Memorandum of Association

The principal object of the Company is to carry on the business of a holding company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association, which is available for inspection at the address specified in paragraph 16 below. 6.C.13

5.2 Articles of Association

The Articles of Association of the Company (the "Articles") contain, among others, provisions to the following effect:- 6.B.7

5.2.1 Redemption of Cumulative Redeemable Preference Shares

All of the Cumulative Redeemable Preference Shares were redeemed on 29 August 2001. Pursuant to the Articles, the unissued share capital resulting from the redemption of Cumulative Redeemable Preference Shares became ordinary share capital divided into Ordinary Shares at the time of such redemption.

5.2.2 Voting Rights

Subject to any disenfranchisement provided for in paragraph 5.2.6 below, and subject also to any special terms as to voting rights attaching to shares that may have been issued, or may for the time being be held, every member present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.

5.2.3 Transfer of Shares

The Ordinary Shares are in registered form. Every member may transfer any or all shares held in certificated form by executing an instrument of transfer in writing in any usual form, or in any form approved by the Board. Such an instrument is to be executed by or on behalf of the transferor and, in the case of a transfer of a share which is not fully paid up, by or on behalf of the transferee. The transferor shall remain the holder of the share until the name of the transferee is entered in the register in respect of it. The Board may in its absolute discretion, in the case of shares held in certificated form and, in the case of shares held in uncertificated form, in the circumstances permitted by the Uncertificated Securities Regulations 1995, without giving any reason, refuse to register any share transfer unless it is:- ^{6.B.11}

- (a) in respect of a share which is fully paid up;
- (b) in respect of only one class of shares;
- (c) in favour of a single transferee or not more than four joint transferees;
- (d) duly stamped (if so required); and
- (e) delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer. If the transfer is executed by some other person on behalf of the transferor, the Board may also make enquiries as to the authority of that person to do so.

5.2.4 CREST

The Company may issue shares which do not have share certificates, and it may also permit any shares held without share certificates to be transferred without an instrument of transfer (in each case in dematerialised form pursuant to the Uncertificated Securities Regulations 1995).

5.2.5 Dividends

- (a) Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. No dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Companies Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as it considers to be justified by the profits of the Company available for distribution. The Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend, as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears.
- (c) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject to the aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any

portion(s) of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

- (d) All dividends unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company. 6.B.8
- (e) The Board may, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Board) of any dividend specified by the ordinary resolution.
- (f) The Board may, before recommending any dividend (whether preferential or otherwise), carry to reserves such sums as it thinks fit out of the profits of the Company.

5.2.6 Restrictions on Voting and Dividends

- (a) No member shall be entitled to receive any dividend, or be present and vote at any general meeting, or be reckoned in a quorum, or exercise any other privilege as a member unless and until he shall have paid all calls that are due and payable on every share held by him, whether alone or jointly with any other person, and together with interest and expenses (if any).
- (b) If a member or any other person appearing to be interested in shares held by that member has been issued with a notice pursuant to Section 212 of the Companies Act, and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within 14 days (where the default shares represent at least 0.25 per cent. of their class) or 28 days (in any other case), the member shall not be entitled to be present or to vote at any general meeting in respect of the default shares nor shall he be entitled to be present or to vote at any separate meeting of the holders of any class of shares in respect of the default shares, or on any poll, or to exercise any other rights conferred by membership in relationship to such meeting or poll.
- (c) Where the default shares represent at least 0.25 per cent of their class, any dividend or other money payable in respect of the share shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect to receive shares instead of that dividend. The restrictions on voting and withholding of dividends referred to in this paragraph 5.2.6 will cease to have effect if the shares are transferred in permitted circumstances, or upon the expiry of the period of one week following receipt by the Company of the information required by the notice, and on the Board's determination that such information is full and complete.

5.2.7 Rights to Participate in Winding-up

On a winding-up, the surplus assets of the Company shall be applied in payment to the holders of the Ordinary Shares, *pro rata* according to the amount paid up or credited as paid up thereon.

5.2.8 Alteration of Share Capital

- (a) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger nominal amount, cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and, subject to the provisions of the Companies Act, sub-divide its shares or any of them into shares of a smaller amount and by such resolution determine that, as between the shares resulting from sub-division, one or more of the shares may have such preferred, deferred or other

special rights or be subject to restrictions that the Company has power to attach to unissued or new shares.

- (b) Subject to the provisions of Companies Act and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner, and it may also purchase its own shares.
- (c) The Company may issue shares which are, or may be liable to be redeemed on the terms and in the manner provided for by the Articles at the option of the Company or the option of a holder of such share.
- (d) Subject to any relevant authority of the Company in general meeting, unissued shares shall be at the disposal of the Board.

5.2.9 Variation of Rights

- (a) The rights for the time being attached to any share or class of shares in the Company may be varied in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened. The provisions of the Articles relating to general meetings shall apply to every separate class meeting, but the necessary quorum at such a meeting shall consist of two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the class, and at an adjourned meeting, one person holding shares of the class who was present in person or by proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll.
- (b) Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid upon such shares, or by the allotment of further shares ranking in priority thereto, but such rights and privileges shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date in which such new shares shall rank for dividend) with or subsequent to those already issued, or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Act and the Articles.

5.2.10 Directors' interests

- (a) A director who is in any way interested in a transaction or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the transaction or arrangement is first considered, or if later, the first meeting of the Board after he knows that he is or has become so interested.
- (b) Subject to the provisions of the Companies Act, a director of the Company may be a party to or otherwise interested in a transaction or arrangement with the Company, or in which the Company is otherwise interested, and he may also be a director or other officer or otherwise interested in a Company promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company by reason of his being a director, or for any benefit which he derives from his office, interests, and no transaction shall be avoided on the grounds of any such interest held by him. A director may hold any other office in the Company in conjunction with the office of director except that of auditor and he may act by himself or through his firm in a professional capacity for the Company and in any such case on such terms as to remuneration and otherwise as the Board may arrange.

- (c) A director shall not vote or be counted in a quorum in relation to any resolution concerning any contract or arrangement in which he is to his knowledge materially interested, unless the resolution concerns any of the following matters:-
- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of, or for the benefit of, the Company or any of its subsidiaries;
 - (ii) the giving to a third party of any guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) the subscription or purchase by him of any shares, debentures or other securities of the Company or any of its subsidiaries, or the underwriting or sub-underwriting by him of any such shares, debentures or other securities;
 - (iv) any contract or proposal concerning any other company in which he is interested directly or indirectly, whether as an officer, shareholder, or otherwise, and provided that he is not interested directly or indirectly in one per cent or more of either such other company or an intermediate company holding such an interest (any such interest being deemed to be a material interest);
 - (v) any contract or proposal concerning the adoption, modification or operation of a pension fund, retirement, death or disability benefits scheme or personal pension plan under which he may benefit and which either has been approved or is conditional upon approval by the Board of Inland Revenue for taxation purposes, or which does not accord to any such director any privilege or advantage not accorded to the employees to which such scheme or fund relates;
 - (vi) any contract or proposal concerning the purchase and/or maintenance of insurance against any liability which would otherwise attach to all or any of the directors; and
 - (vii) any contract or proposal for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees, and which does not provide to a director with a privilege not accorded to the employees to whom it relates.
- (d) Where proposals are under consideration concerning the appointment of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, the proposals may be divided and considered in relation to each director separately. Each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment (if not otherwise precluded from voting).

5.2.11 Remuneration of Directors

- (a) Unless otherwise determined by the Company in general meeting, the directors shall be entitled to receive by way of fees for their services as directors such sum as the Board may from time to time determine not exceeding an aggregate amount of £125,000 per annum. Any such fees are distinct from the salary, remuneration or other amounts payable to a director. Each director is also entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by him in connection with the discharge of his duties.
- (b) Any director who by arrangement with the Board performs special services outside his ordinary duties as a director may be paid such additional remuneration as the directors may determine to be reasonable in the circumstances.

- (c) The salary or remuneration of a director appointed to hold executive office may be either a fixed sum of money, or may be governed by the business done or profits made by the Company or otherwise determined by the Board.
- (d) The Board may exercise all of the powers of the Company to provide pensions or other retirement benefits and death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) to any person who is or has at any time been a director of the Company or any of its subsidiaries or any company allied to or associated with the Company, or any family member of such a director.

5.2.12 Retirement of Directors

6.F.13(d)

- (a) At each annual general meeting of the Company, one third of the directors shall retire from office. Subject to the provisions of the Companies Act and of the Articles, the directors to retire by rotation shall include first any director who wishes to retire and not offer himself for re-election, and second, those directors who have been in office longest since their last appointment or re-appointment. As between two or more directors who have been in office an equal length of time, in default of agreement between them, the director to retire shall be determined by lot. A director who retires at an annual general meeting (whether by rotation or otherwise) may be re-appointed.
- (b) A director shall be capable of being appointed a director despite having attained the age of 70 or any other age, and he shall not be required to retire by reason of his having attained the age of 70 or any other age. Section 293 of the Companies Act shall not apply. The Company may also remove a director by ordinary resolution before the expiration of his period in office in accordance with the Companies Act.

5.2.13 Borrowing Powers

6.F.13(c)

- (a) The directors may exercise all the powers of the Company to borrow money or to mortgage or charge its undertaking, property and uncalled capital.
- (b) The directors shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiaries so as to procure that the aggregate principal amount at any one time outstanding in respect of monies borrowed by the Group (excluding intra-Group borrowings and cash deposits) shall not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to two times the aggregate of (i) the amount paid up (or credited as paid up) on the allotted or issued share capital of the Company and (ii) the amount standing to the credit of the reserves, whether or not such reserves are distributable (to include the share premium account and capital redemption reserve) after adding or deducting any balance standing to the credit or debit of the profit and loss account as shown by the latest audited consolidated balance sheet of the Group adjusted as specified in the Articles.

6. Directors' and Others' Interests

- 6.1 The beneficial interests of the Directors and their families in the share capital of the Company as at 30 August 2001 (the latest practicable date prior to the publication of this document) which have been notified to the Company under sections 324 or 328 of the Companies Act, or which are required to be entered in the register maintained by the Company under the provisions of section 325 of the Companies Act, or which are interests of persons connected (within the meaning of section 346 of the Companies Act) with a Director (insofar as the latter are known to the Directors or could be ascertained by them with reasonable diligence) are set out below, together with such interests as they are expected to be immediately following the Placing and Open Offer:-

Director	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares after the Placing and Open Offer		Percentage of Enlarged Share Capital
Alasdair James Dougall Locke	40,000,000	27.30	•	•	
Michael John Lawrence Salter	163,124	0.11	•	•	
Peter John Milne	100,000	0.07	•	•	
Guy Delemere Lafferty	6,000	0.01	•	•	
John Winston Hollis	6,000	0.01	•	•	
Geoffrey Mark Philipps	5,000	0.01	•	•	
Michael Alexander McDowell	—	—	•	•	

- 6.2 The Directors have held in the five years prior to the date of publication of this document directorships in companies outside the Group, or partnerships in firms, as set out below. Save for their directorships of subsidiaries of the Company, or of companies listed below, none of the Directors has held any other directorships during the five years immediately prior to the date of this document.

	Current Directorships	Directorships held within the last five years
A J D Locke	Bennrines Underwriting Limited Dunwich Limited Glenrines Farms Limited The Glenrines Film Partnership First Property Online plc Patrick Spens & Co Limited Powergen Renewables Holdings Limited Tri-mex Group PLC	Itaco Limited Pelaburan Antarabangsa BV BW Group PLC
M J L Salter	Powergen Renewables Holdings Limited Spear Technologies Inc Bue Marine Limited Water Pressurisation Systems Oxygen Limited SCT Limited	BW Group PLC
P J Milne	Spear Technologies Inc	Pelaburan Antarabangsa BV BW Group PLC
J W Hollis	Hollis Consulting Services Limited	None

	<i>Current Directorships</i>	<i>Directorships held within the last five years</i>
G D Lafferty	Arts Alliance Limited African Plantations Corporations Stonehanger Court Management Company Limited Winta Investments Limited Höegh Capital Partners Advisors Limited (formerly Lafferty & Partners) Delemere Limited Zambeizi Investments Limited North Upon Barns (Amenities) Limited	Interactive Investors International Limited Lafferty & Partners Limited Höegh Capital Partners Inc
M A McDowell	Ocean Energy Services Limited C-Mar Group Holdings Limited	None
G M Philipps	Milford Haven Port Authority Ledwood Mechanical Engineering Limited Millwest Corporation Limited Opencroft Limited	Dawson Trading Limited Fastship Inc

- | 6.3 As at 30 August 2001 (being the latest practicable date prior to the publication of this document), the Directors were aware of the following persons other than Directors who, directly or indirectly, were interested in 3 per cent. or more of the issued share capital of Abbot:- 6.C.16
10.42(a)

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	
		<i>At present</i>	<i>After Placing and Open Offer⁽ⁱ⁾</i>
Standard Life Investments	5,846,659	3.99	3.99
Legal and General Investment Management	4,399,425	3.00	3.00

(i) Assuming take up of full entitlements under the Open Offer.

- 6.4 At the date of this document no Director:
- 6.4.1 has any unspent convictions in relation to any indictable offences; 6.F.2(b)
 - 6.4.2 has been bankrupt or entered into an individual voluntary arrangement; 6.F.2(c)
 - 6.4.3 was a director with an executive function of any company at the time of or in the 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; 6.F.2(d)
 - 6.4.4 has been a partner in a partnership at the time of or in the 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement; or 6.F.2(e)
 - 6.4.5 has had his assets made the subject of a receivership order, or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; 6.F.2(f)
 - 6.4.6 has been subject to public criticism by any statutory or regulatory authority (including a recognised professional body), nor has ever 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 a company. 6.F.2(g)

6.5 *Directors' interests in transactions*

- 6.5.1 Save as disclosed above, none of the Directors (nor any person connected with them) will have a beneficial or other interest in the share capital of Abbot. Save as disclosed above, none of the Directors (nor any person connected with them) holds an interest in any other securities of Abbot.
- 6.5.2 No Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions, or is or was significant to the business of Abbot or the Group, and which was effected by the Group in the current or past financial year of the Group, or which was effected during an earlier financial year and remains outstanding or unperformed in any respect. 6.F.6(a)
6.F.6(b)
- 6.5.3 There are no outstanding loans granted by Abbot or any member of the Group to any Director, nor are there any guarantees provided by any member of the Group for the benefit of any Director. 6.F.7
- 6.5.4 There is no arrangement under which a Director of the Company has agreed to waive his future emoluments, nor has there been any such waiver of emoluments during the financial year immediately preceding the date of this document. 6.F.10
- 6.5.5 The Company is not aware of any persons who, at the date of this document, could directly or indirectly, jointly or severally, exercise control over the Company. 6.C.15
- 6.5.6 Save as set out above, as at 30 August 2001 (being the latest practicable date prior to the publication of this document) the Company is not aware of any person who is, or will be directly or indirectly interested (within the meaning of Companies Act) in three per cent. or more of the issued share capital of the Company immediately following Admission. 6.C.16
6.F.12

7. **Directors' Service Agreements and Remuneration**

- 7.1 On 11 May 1999 the Company entered into a service contract with Mr A J D Locke pursuant to which Mr Locke is employed by the Company as Executive Chairman. The contract is terminable on either party's provision of not less than 12 months' notice in writing. Mr Locke is entitled to an annual salary of £162,000 which is subject to annual review, plus an amount equal to the maximum personal pension contribution allowed by the Inland Revenue from time to time. Mr Locke is also entitled to a bonus to be determined by the Board, and also to life assurance, medical expenses insurance, permanent health insurance, car fuel allowance, and other benefits. In the event that Mr Locke is absent due to illness for a total of 26 weeks in any 52 consecutive weeks, the Company may terminate his employment by providing him with 12 months' written notice and in that event, the Company is required to pay him a sum equal to 12 months of his salary calculated from the date of termination of his employment.
- 7.2 On 19 June 1995 the Company entered into a service contract with Mr P Milne pursuant to which Mr Milne is employed as a Finance Director. The contract is terminable on either party's provision of not less than 12 months' notice in writing. Mr Milne is entitled to a current annual salary of £135,000 which is subject to annual review, a bonus to be determined by the Board, pension benefits, life assurance, medical expenses insurance, permanent health insurance, a car, and other benefits. In the event that Mr Milne is absent due to illness for a total of 26 weeks in any 52 consecutive weeks, the Company may terminate his employment by providing him with 12 months' notice in writing and in that event, the Company is required to pay him a sum equal 12 months of his salary calculated from the date of termination of his employment.
- 7.3 On 10 May 1996 the Company entered into a service contract with Mr M J L Salter pursuant to which Mr Salter is employed as an Executive Operating Officer. The contract is terminable on either party's provision of not less than 12 months' notice in writing. Mr Salter is entitled to an annual salary of £148,000 which is subject to annual review, a bonus to be determined by the Board, pension benefits, life assurance, medical expenses insurance, permanent health insurance, a car, and other benefits. In the event that Mr Salter is absent due to illness for a total of 26 weeks in any 52 consecutive weeks,

the Company may terminate his employment by providing him with 12 months' notice in writing and in that event, the Company is required to pay him a sum equal to 12 months of his salary calculated from the date of termination of his employment.

- 7.4 Messrs G D Lafferty and G M Philipps were appointed as non-executive directors of the Company on 19 June 1995. Their appointments are terminable at the Company's option, and on the provision of three months' notice in writing. Each is currently paid a fee of £12,000 per annum.
- 7.5 Following Mr M A McDowell's retirement as an executive director in 1996 he was appointed as a non-executive director of the Company. His appointment is terminable at the Company's option, and on the provision of three months' notice in writing. He is currently paid a fee of £12,000 per annum.
- 7.6 Mr J W Hollis was appointed as a non-executive director on 1 August 1999. His appointment is terminable at the Company's option, and on the provision of three months' notice in writing. He is currently paid a fee of £12,000.
- 7.7 Save as disclosed above, there are no existing or proposed service agreements between any Director and any member of the Group, or between any Director and any of its subsidiaries which do not expire or cannot be terminated without payment of compensation (other than statutory compensation) within one year, and no such contracts are proposed (nor have there been any amendments thereto) in the six months preceding the date of publication of this document. There are no provisions for compensation to be paid to any of the Directors in the case of early termination of any of the service agreements referred to above.
- 7.8 It is estimated that under the arrangements in force as at the date of publication of this document, the aggregate remuneration to be paid and benefits in kind to be granted to the Directors by the Group for the year ending 31 December 2001 will total approximately £593,000 including benefits from car schemes, loan and health insurance arrangements. 6.F.11
- 7.9 The aggregate remuneration paid and benefits in kind granted to the Directors by the Group for the year ended 31 December 2000 totalled approximately £786,000 including capital gains from the exercise of share options, benefits from car schemes, loan and health insurance arrangements. 6.F.3
- 7.10 The service contracts described in the preceding paragraphs will not be affected by the Acquisition. 6.C.22(b)

8. Principal Premises

The following is a summary of the principal properties occupied by the Enlarged Group:-

<i>Location</i>	<i>Tenure</i>	<i>Unexpired term (yrs)</i>	<i>Rent p/a (£)</i>	<i>Approximate size (m²)</i>
Minto Drive, Altens, Aberdeen	Leasehold	993	1	20,423
	Leasehold	993	1	3197
	Freehold	n/a	n/a	7,800
Bad Bentheim	Leasehold	Until the end of 2006	DM 2,500,000	28,910

9. Employee Share Schemes

9.1 *Unigroup plc 1994 Executive Share Option Scheme (the "1994 Scheme")*

9.1.1 The 1994 Scheme was established by resolution of the shareholders on 20 December 1994, and was granted approval by the Board of the Inland Revenue under section 185 and Schedule 9 to the Income and Corporation Taxes Act 1988 on 10 March 1995.

9.1.2 The 1994 Scheme allows the Remuneration Committee absolute discretion to grant market value subscription options to employees and full time directors of the Company and/or its subsidiaries, up to the amount designated by the Inland Revenue for such schemes (currently

£30,000 per individual). Options would normally be exercisable between the third and tenth anniversaries of the date of the grant subject to the satisfaction of objective performance targets. Early exercise of options would be permitted in certain circumstances. There are currently no options subsisting under the 1994 Scheme. The 1994 Scheme will terminate automatically on 20 December 2004, unless it is terminated earlier by either the Board or the Company in general meeting. In accordance with assurances given to shareholders prior to the adoption of The Abbot Group Share Incentive Plan on 11 June 1996, no further options have since been or will be granted under the 1994 Scheme.

9.2 *The Abbot Group Employees' Share Trust (the "Trust")*

The Trust is a discretionary settlement for the benefit of employees of the Group, (excluding any employee who is a substantial shareholder), former employees of the Group, and their dependents. The trust is constituted by a trust deed dated 25 June 1996 made between the Company and Abbot Group Employees' Trustees Limited, a wholly-owned subsidiary of the Company which is incorporated and managed in Jersey, and whose directors are independent of the Group. Abbot itself cannot benefit under the Trust, which is controlled and managed outside the UK. The right to remove a trustee and appoint a new trustee vests in the Company. The trustee is required to waive both voting rights in, and dividends payable on, any share in the Company in excess of 0.001p unless otherwise directed by the Company. The Trust may not hold more than 5 per cent of the issued ordinary shares of the Company from time to time (excluding shares over which a beneficial interest has been transferred).

9.3 *The Abbot Group 1996 Share Incentive Plan (the "1996 Plan")*

The 1996 Plan was adopted by shareholders on 11 June 1996. It is governed by rules approved by the Remuneration Committee. Under the 1996 Plan, awards may be made to selected full-time employees (excluding Mr A J D Locke) of the Group. Awards take the form of deferred rights to acquire shares from the Trustee (acting with the consent of the Remuneration Committee) in the form of either Bonus Awards, or Long Term Incentive Awards. There are no subsisting Bonus Awards under the 1996 Plan, and no further Bonus Awards can be granted. Long Term Incentive Awards will normally become vested only if a target relating to the performance of the Company (and, if appropriate, to the performance of a subsidiary of the Company) over a minimum three-year period is exceeded, and if other condition(s) the Trustee may impose are met. Such Long Term Incentive Awards may only be made in the 42 days following an announcement by the Company of its annual results. Insofar as such rights become vested they may normally be exercised in two equal tranches at the end of the performance period and one year thereafter. Such rights may not in any event be exercised more than seven years after they are granted. The price payable on the exercise of a Long Term Incentive Award is £1. The exercise of an Award is in any event subject to the participant and the Trustee complying with the Model Code. The maximum initial market value of shares over which a Long Term Incentive Award may be granted in any year cannot exceed 50 per cent of the amount of an executive's annual rate of basic salary. There are no longer any subsisting Long Term Incentive Awards under the 1996 Plan. Invitations to participate in the 1996 Plan cannot be issued after 11 June 2006. In accordance with assurances given to shareholders prior to the adoption of The Abbot Group 1999 Executive Incentive Plan on 11 May 1999, no further Long Term Incentive Awards have since been or will be granted under the 1996 Plan.

9.4 *The Abbot Group 1999 Executive Incentive Plan (the "1999 Plan")*

The 1999 Plan was approved by Shareholders on 11 May 1999. The principal terms of the 1999 Plan are as follows:

General

9.4.1 Under the 1999 Plan, executive directors and other selected senior executives may, after the announcement of results of a "bonus year", be awarded a bonus of up to 75 per cent of the amount of basic annual salary paid to them in respect of that bonus year. The amount of such bonus will be calculated by the Remuneration Committee in their discretionary capacity, but

such an amount will also be determined with reference to the attainment of individual and company targets set at the beginning of that bonus year.

9.4.2 An executive may elect to take all or part of his bonus in the form of shares in the Company ("Annual Award Shares") which, if held for a period of three years (the "Holding Period") will be matched up to 1 for 1 by a 'gift' of additional shares at the end of the Holding Period ("Matching Share Award").

9.4.3 The value of shares taken under an Annual Share Award (as at the time they are appropriated) is equal to the net amount of cash bonus forgone (after deduction of income tax and any employees' National Insurance contributions). The value of shares over which a Matching Share Award is made ("Matching Shares") is, however, determined with reference to the gross amount of cash bonus foregone. In respect of the financial year 2000, cash bonuses totalling £135,000 (1999: £nil) have been awarded to a number of senior executives at subsidiary level. The bonuses were paid at the end of March 2001 when certain executives elected to take part of the bonus in the form of 36,450 Annual Award Shares (the relevant Matching Shares element being 60,752).

Financial performance targets have been set for the financial year 2001 which, if achieved, would result in bonuses of no more than 50 per cent of basic salary being paid to certain executive directors and a number of senior executives across the Group.

9.4.4 The 1999 Plan is administered by the trustee of the Abbot Group Employees' Share Trust (the "Trustee") based in Jersey.

9.4.5 The number of Matching Shares which would otherwise be transferred will be reduced in direct proportion to the proportion of Annual Award Shares sold or otherwise disposed of by the holder of a share award (the "Awardholder") before the end of the Holding Period.

9.4.6 The transfer of Matching Shares is normally conditional upon the Awardholder remaining employed within the Group. If an Awardholder leaves the Group, the Trustee will transfer a proportion of the Matching Shares to the Awardholder, which corresponds to that portion of the Holding Period for which the Awardholder was employed within the Group. An Awardholder's entitlement to Matching Shares lapses if he voluntarily resigns, or leaves by reason of, or in consequence of, misconduct.

Reconstruction, reorganisation, amalgamation, de-merger and winding-up

9.4.7 In the event of a reconstruction, reorganisation, amalgamation or de-merger of the Company, or if a resolution is proposed for the voluntary winding-up of the Company, the Trustee may make such provision for the variation and/or early transfer of Matching Shares as the Trustee (acting with the consent of the Remuneration Committee) may then determine.

Takeover of the Company

9.4.8 If the Company is the subject of a successful takeover bid, an Awardholder shall become immediately entitled to the Matching Shares.

Variation of share capital

9.4.9 The cost of Awards is charged to the Group's profit and loss account each year. Matching Shares are purchased in the market by the Trustee using funds contributed by the respective Group employer companies.

Amendment of the 1999 Plan

9.4.10 The Trustee may amend the 1999 Plan in any respect with the consent of the Remuneration Committee, however, no amendment to the advantage of the existing or new Awardholders is to be made to the provisions relating to eligibility limits on the making of Awards, the basis for determining an Awardholder's entitlement to shares, the adjustment of such entitlements on a

variation of share capital (and this provision itself), without the prior approval of an ordinary resolution of shareholders in general meeting. Shareholder approval is not required to effect minor amendments to benefit the administration of the 1999 Plan, to take into account any change of legislation or obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of the Group.

10. United Kingdom Taxation

The following statements are intended to provide a general guide to the current United Kingdom tax legislation, and to what is understood to be the current practice of the United Kingdom Inland Revenue (the "Inland Revenue"). They also apply only to shareholders who are resident and ordinarily resident for tax purposes in (and only in) the United Kingdom (except in so far as express reference is made to the treatment of non-United Kingdom residents), and who hold Ordinary Shares as an investment. The rates used are the current rates for tax and may vary. Any person who is in any doubt as to his tax position, who requires more detailed information than the general outline below or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult his professional advisers immediately.

10.1 Taxation of Capital Gains

It is understood that the Inland Revenue takes the view that in circumstances such as these, the issue of Open Offer Shares under the Open Offer by the Company to Qualifying Shareholders, up to each such Shareholder's maximum entitlement, will amount to a reorganisation of the share capital of the Company for the purposes of United Kingdom capital gains tax. Accordingly, Open Offer Shares issued to Qualifying Shareholders by the Company pursuant to the Open Offer will, for the purposes of United Kingdom capital gains tax, be treated as the same asset as the Qualifying Shareholder's existing holding, and the price paid by the Qualifying Shareholder for such Open Offer Shares will be added to the base cost of his existing holding.

In the case of non-corporate Qualifying Shareholders, taper relief will be applied on both the existing holding and the Open Offer Shares by reference to the date of acquisition of the existing holding (subject to transitional rules for shares acquired prior to 6 April 1998). In the case of corporate Qualifying Shareholders, an indexation allowance on the subscription price for the Open Offer Shares (namely, the Issue Price) will be calculated from the date of subscription for the Open Offer Shares.

United Kingdom resident or ordinarily resident shareholders may, depending on their circumstances, be liable to United Kingdom taxation on chargeable gains arising from a sale or other disposal of Ordinary Shares.

10.2 Taxation of Dividends

10.2.1 Tax treatment of the Company

Under current United Kingdom legislation the Company is not required to withhold tax at source from dividend payments. 6.B.10

10.2.2 Tax treatment of United Kingdom resident individual shareholders

Individual shareholders who are resident for tax purposes in the United Kingdom should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual shareholder's liability to UK income tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, together with other investment income, will be regarded as the top slice of the individual's income. The rates of income tax to which such income will be subject are set out below.

The tax credit equals ten per cent of the gross dividend. It will be available to offset an individual shareholder's liability (if any) to income tax on the gross dividend. 6.B.9(a)
6.B.9(b)

Individual shareholders whose total income is such that they are liable to income tax only at the basic rate or at a rate which is lower than the basic rate will be liable to tax on the gross dividend at the rate of ten per cent. This means that the tax credit will satisfy the income tax liability of such a shareholder and no further tax will be payable on the dividend received.

Individual shareholders who are liable to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, this means that a higher rate taxpayer will be liable to additional income tax of 22.5 per cent of the gross dividend, equal to 25 per cent of the net dividend received. For example, 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 income tax liability of £22.50 on the dividend.

The same procedure applies for UK resident trustees who are liable to income tax at the rate applicable to trusts (currently 34 per cent) save that the trust rate of 25 per cent (as opposed to 32.5 per cent) applies. To the extent the tax credit exceeds the trustees' liability to account for income tax, the trustees will have no right to claim repayment of the tax credit. UK resident trustees who are not subject to the rate applicable to trusts will have no further income tax liability on a dividend they receive, as the tax credit attaching to the dividend will discharge their liability to tax on the dividend. Trustees who are in doubt as to their tax position should consult their own professional advisers immediately.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 6 April 2004), individual shareholders who are resident in the United Kingdom cannot claim repayment of the tax credit from the Inland Revenue should their liability to income tax not exceed the amount of the tax credit.

10.2.3 Tax treatment of United Kingdom resident corporate shareholders

A corporate shareholder resident for tax purposes in the United Kingdom will not normally be liable to corporation tax on any dividend received.

10.2.4 Tax treatment of United Kingdom resident pension funds and charities

UK pension funds and charities are generally exempt from tax on dividends they receive, but they cannot reclaim from the Inland Revenue tax credits attached to dividend payments made to them by the Company. Charities will receive some compensation for the loss of the tax credit.

10.2.5 Non-United Kingdom resident shareholders

Individual shareholders who are resident for tax purposes outside the United Kingdom, but who are Commonwealth citizens, European Economic Area nationals, residents of the Isle of Man or the Channel Islands, or certain other persons will normally be entitled to a tax credit as if they were resident for tax purposes in the United Kingdom, which they may set off against their total United Kingdom income tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Other shareholders who are resident for tax purposes in countries other than the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of the United Kingdom tax credit to one-ninth of the dividend received with effect from 6 April 1999, the entitlement to any payment from the Inland Revenue under any double tax treaty agreement will be reduced or eliminated.

10.3 Stamp duty and stamp duty reserve tax

10.3.1 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable in respect of the allotment or issue of New Ordinary Shares pursuant to the Placing and Open Offer.

10.3.2 A liability to stamp duty or SDRT will arise in relation to the sale of Ordinary Shares under the Placing. However, under the Placing Agreement the vendors have agreed to meet any such liability and the stamp duty or SDRT will be discharged by Cazenove on behalf of the vendors.

10.3.3 Subsequent sales of Ordinary Shares within CREST will generally be liable to SDRT at a rate of 0.5 per cent of the amount or value of the consideration.

10.3.4 Subsequent sales of Ordinary Shares outside CREST will generally be liable to *ad valorem* duty and SDRT at the rate of 0.5 per cent of the amount or value of the consideration (rounded up to the nearest £5 in the case of the stamp duty liability). However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it became unconditional) the stamp duty paid will cancel the SDRT liability, and any SDRT paid can be recovered.

11. Working Capital

The Company considers that, having regard to the Placing and Open Offer and existing bank facilities, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document. 6.E.16
6.41(c)(i)

12. Significant Change

12.1 There has been no significant change in the financial or trading position of the Group since 30 June 2001, the date to which the most recent unaudited consolidated interim results for the Group have been prepared and which are set out in Part III. 10.41(a)(?)
6.E.8
6.D.9

12.2 There has been no significant change in the financial or trading position of the Deutag Group since 30 September 2000, the date to which the accountants' report on the Deutag Group has been prepared and which is set out in Part IV.

13. Litigation

13.1 There have been no legal or arbitration proceedings (including any such proceedings which are pending or threatened which Abbot is aware) which may have or have had (in the 12 months preceding the date of publication of this document) a significant effect on Abbot's and its subsidiaries' financial position. 6.D.8
10.41(a)(i)

13.2 Save as described below, there have been no legal or arbitration proceedings (including any such proceedings which are pending or threatened which Abbot is aware) which may have or have had (during the 12 months preceding the publication of this document) a significant effect on Deutag's and its subsidiaries' financial position.

13.3.1 There are two class actions (now consolidated) proceeding in Brazoria County, Texas:- *Adame Arturo et al -v- Alcolac Inc et al* and *Coleman Marshal et al -v- ABB Lummus Crest Inc. et al*. These actions were filed in 1994 by veterans of the Gulf War. The plaintiffs are suing Deutag in respect of, *inter alia*, deliveries allegedly made to Iraq in contravention of export restrictions imposed during the Gulf War, as they claim that the exports allowed Iraq to produce the biological and chemical weapons to which they were exposed. The sums the plaintiffs claim are unquantified, though Deutag estimates that the veterans' claims for both punitive and general damages will exceed \$1 billion. Both matters are presently in the pre-discovery of documents stage.

Preussag AG has given Abbot an indemnity in relation to this litigation under the terms of the Acquisition Agreement. The indemnity is for all temporary and final payment obligations, including costs incurred in defending such proceedings, arising from or in connection with these proceedings unless such costs are incurred without the prior written consent of Preussag AG (the principal holding company of the Preussag Group), such consent not to be unreasonably withheld. The indemnity is subject to Abbot using its best endeavours to procure

that Deutag follows the instructions of Preussag AG in the conduct of proceedings and any settlement thereof.

13.3.2 In 1999, Well Construction Teams Inc filed an action against Deutag in Harris County, Texas after it lost a contract to Preussag AG. Deutag is being sued for inducing the relevant breach of contract. Deutag has estimated the value of the claim to be in the region of US\$300,000 to US\$2,145,000.

13.3.3 A claim was brought by Kannon Industrial Technologies Inc and Pyramid Manufacturing Co in Waller County, Texas. The plaintiffs claim DM360,000 (£•) for delivery of a drilling mast to Deutag. Deutag counterclaims damages amounting to DM4.9 million for breach of their supply contract. The case is currently in the discovery of documents stage.

13.3.4 Bentec Norge AS filed a claim against Heerema Tonsborg in Asker og Baerum District Court, Norway. Bentec claims NOK290 million (approximately \$36 million) for work and services performed and supplies delivered pursuant to a claimed contractual variation, and for the refund of a penalty payment Heerema drew under a bank guarantee.

14. Material Contracts

14.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years immediately preceding the date of this document by Abbot or any other member of the Abbot Group and are, or may be, material or may contain any provision under which any member of the Abbot Group has any obligation or entitlement which is material to the Abbot Group as at the date of this document. 6.C.20(a)
6.C.20(b)
10.41(a)(i)

14.1.1 An exclusivity agreement dated 10 July 2001 entered between Preussag Energie GmbH and Abbot pursuant to which Preussag Energie GmbH granted exclusivity of negotiations in relation to the Acquisition for a period expiring on 31 August 2001 (the "Exclusivity Agreement"). The Exclusivity Agreement provided that a fee of €6 million would be payable by Abbot in the event that, *inter alia*, the Acquisition Agreement (as defined in paragraph 14.1.2 below) had not been signed and this document had not been posted to shareholders of Abbot by 31 August 2001. The obligations of Abbot under the Exclusivity Agreement therefore ceased on 31 August 2001, the date on which the Acquisition Agreement was signed and this document was posted to Abbot Shareholders.

14.1.2 An agreement dated 31 August 2001 made between Preussag Energie GmbH ("Preussag") and Abbot for the sale and purchase of the entire issued share capital of Deutag (the "Acquisition Agreement") for a maximum consideration of €215 million (£•) which is comprised of:-

- (i) a fixed amount of €90 million (£•) which will be adjusted (positively or negatively) by the amount by which the Consolidated Equity (as defined in the Acquisition Agreement) at the completion date, exceeds or falls short of the amount of €43.8 million (£•), subject to an upward adjustment cap of not more than €5 million (£•) (the "Purchase Price"); and
- (ii) a maximum amount of €120 million (£•) in respect of the inter-company debt owed by the Deutag Group to the Preussag Group at the Completion date.

In the event that the consolidated net financial debt of the Deutag Group exceeds €100 million (£•), then Preussag will provide to Abbot a bridge financing facility for a period of six months covering the excess up to a maximum of €20 million (£•) at an interest rate of 1.5 per cent. above three-month Euribor.

Pending finalisation of completion accounts, a preliminary tranche of the Purchase Price equal to €90 million (the "Preliminary Purchase Price") less an amount of €5 million (the "Deferred Price") will be paid by Abbot to Preussag.

If the Preliminary Purchase Price is higher than the Purchase Price, Preussag will repay to Abbot the difference between the Preliminary Purchase Price and the Purchase Price and if the Preliminary Purchase Price is lower than the Purchase Price, Abbot shall pay to Preussag, an amount equal to the amount by which the Preliminary Purchase Price falls short of the Purchase Price save that the amount payable by Abbot under this adjustment cannot exceed €5 million.

Abbot shall, within 12 months of completion of the Acquisition, pay the Deferred Price plus accrued interest at a rate of 1.5 per cent. per annum above three-month Euribor.

The Acquisition Agreement is conditional upon, *inter alia*:

- (a) the passing of the resolution numbered 1 in the notice of EGM;
- (b) merger control clearances required in the United Kingdom and Germany having been obtained;
- (c) there having been no sale or disposal of all or substantially all of the business, assets or undertakings of any Deutag group company nor any disposal of any interest in the share capital of Deutag or any substantial interest in any Deutag group company and there having been no material adverse change or development, other than related to the market and legislation, which would give rise to a material adverse change in the financial or trading position of the Deutag Group taken as a whole: a material adverse change being understood as a negative impact of such magnitude that a reasonable purchaser would not continue with completion under such conditions (this condition in paragraph 14.1.2(c) can only be waived by Abbot); and
- (d) there having been no breach of warranty 6.35 (no material adverse development in the asset financial and profit situation of the Deutag Group since the signing of the Acquisition Agreement which would prevent a reasonable purchaser from continuing to completion) and/or warranty 6.40 (no member of the Deutag Group having entered into any material agreement, which, in the event of a change of control of any member of the Deutag Group would result in the termination or modification to such an agreement by the other party) which has a material adverse effect of such magnitude that a reasonable seller would not continue with closing under such condition (this condition can only be waived by Preussag);

in each case by no later than 31 December 2001.

Preussag and its affiliates have agreed not to compete with the business of Deutag for a period of three years following completion of the Acquisition, save that Preussag can continue to carry on its existing businesses.

Preussag has given warranties to Abbot concerning, *inter alia*, the business and affairs of the Deutag Group as at completion of the Acquisition and Preussag has agreed to indemnify Abbot in relation to any environmental liabilities of the Deutag Group towards public authorities or private third parties existing at the completion date. The warranties given by Preussag are subject to a maximum liability of €50,000,000 and Preussag has no liability under the Warranties after the later of 31 March 2003 or the expiry of a period of eighteen months from the date of Completion of the Acquisition.

Abbot has also undertaken to Preussag and Preussag AG to release them from their obligation under all of the Guarantees (defined in the Acquisition Agreement) in existence at the date of completion.

In connection with the Guarantees, Abbot is required to provide to Preussag a bank guarantee for €20 million against any claims made by third parties in relation to the Guarantees (the "Bank Guarantee"). This is to be provided through the Working Capital Facility described in paragraph 14.1.6 below.

In the event that Abbot has not replaced all of the Guarantees within 90 days of the date of Completion, Abbot has agreed to pay commission fees to Preussag AG in respect of the outstanding Guarantees with a value in excess of €20 million:

- (a) at a rate of 0.5 per cent. per annum during the first 90 days after the date of Completion;
- (b) at a rate of 1 per cent. per annum during days 91 to 180 (inclusive) after the date of Completion; and
- (c) at a rate of 1.5 per cent. per annum after the 180th day after the date of Completion.

in each case calculated on the contract value (as more particularly defined in the Acquisition Agreement) of the relevant Guarantee.

In the event that Abbot completes the release of Preussag and Preussag AG from all obligations in relation to the Guarantees within 90 days of the date of completion, Preussag has agreed to reimburse Abbot for all commitments and other charges and expenses in relation to the Bank Guarantee and none of the commission fees set out above will otherwise become payable.

- 14.1.3 A sale and purchase agreement dated 21 August 2001 entered between Abbot and MI Drilling Fluids UK Limited ("MI") for the sale of the entire issued share capital of BW Group Plc ("BW") to MI (the "BW Sale Agreement"). The consideration for the purchase by MI was £12 million. In addition, pursuant to the terms of the BW Sale Agreement, MI also satisfied BW's indebtedness to Abbot the amount of which is to be determined by the completion accounts, subject to a maximum amount of £1.6 million. MI also repaid approximately £1.94 million, being the level of BW's overdraft of the date of completion. Warranties and indemnities given by Abbot to MI under the agreement are subject to a maximum liability of £12,000,000 and Abbot shall have no liabilities under the Warranties after 31 March 2003.

Abbot and the Abbot Group companies have agreed not to compete with the business of BW for a period of five years from 21 August 2001.

- 14.1.4 By a placing and open offer agreement dated 31 August 2001_A between the Company and Cazenove (the "Placing Agreement"), Cazenove has agreed, on behalf of and as agent for the Company, to invite Qualifying Shareholders to apply for Open Offer Shares on the basis of 1 Open Offer Share for every 5 existing Ordinary Shares held upon and subject to the terms and conditions set out in this document and the Application Form and to use its reasonable endeavours to procure placees to subscribe for, or failing which itself as principal to subscribe for, the New Ordinary Shares (other than those the subject of an undertaking to take up under the Open Offer) at • pence per share, other than those for which valid applications are received from Qualifying Shareholders pursuant to the Open Offer. A Director has undertaken to the Company and Cazenove to take up some of his entitlement to Open Offer Shares, which are therefore not being underwritten, and that Director and a qualifying shareholder connected with him have irrevocably undertaken not to take up some or all of their entitlements to Open Offer Shares to which Cazenove has agreed to place firm.

The Placing Agreement is conditional upon, *inter alia*, the passing of Resolution 1 set out in the notice of Extraordinary General Meeting at the end of this document and Admission taking place not later than 8.00 a.m. on 26 September 2001_A or such later date as the Company and Cazenove shall agree (being no later than 9.00 a.m. on 3 October 2001) and to the Acquisition Agreement not being terminated or lapsing in accordance with its terms prior to Admission. The Placing Agreement contains warranties and undertakings_A given by the Company in favour of Cazenove. In addition, the Company has agreed to indemnify Cazenove in respect of certain liabilities it may incur in respect of the Placing and Open Offer. Cazenove has the right to terminate the Placing Agreement at any time up to the passing of Resolution 1 in the event of, *inter alia*, a material breach of warranty_A.

In addition to a corporate finance fee of £700,000 (plus an amount equal to 0.25 per cent. of the aggregate value of the New Ordinary Shares), payable on completion of the Acquisition, the Company has agreed to pay to Cazenove:

- (a) an underwriting commission of 0.25 per cent. of the aggregate value of the New Ordinary Shares at the Issue Price together with a further commission, in the event that Admission occurs later than 26 September 2001, equal to 0.125 per cent. of the aggregate value of the New Ordinary Shares at the Issue Price for each whole week (or part of a week) from but excluding 26 September 2001 to and including the date of Admission);
- (b) conditional on Cazenove's obligations becoming unconditional, a brokerage commission of 0.5 per cent. of the aggregate value of the New Ordinary Shares at the Issue Price;
- (c) conditional on Cazenove's obligations becoming unconditional, a commitment commission of 0.5 per cent. of the aggregate value of the New Ordinary Shares (other than those New Ordinary Shares the subject of irrevocable undertakings to take up or not to take up under the Open Offer) at the Issue Price together with a further commission, in the event that Admission occurs later than 26 September 2001, equal to 0.125 per cent. of the aggregate value of the New Ordinary Shares (other than those New Ordinary Shares the subject of irrevocable undertakings to take up or not to take up under the Open Offer) at the Issue Price for each whole week (or part of a week) from but excluding 26 September 2001 to and including the date of Admission); and
- (d) conditional on Cazenove's obligations becoming unconditional, in the event that Admission occurs, a further commission of 0.75 per cent. of the aggregate value of the New Ordinary Shares (other than those New Ordinary Shares the subject of irrevocable undertakings to take up or not to take up under the Open Offer) at the Issue Price.

Out of the commission paid to it, Cazenove will pay all commissions due to placees. Additionally, the Company has agreed to pay the costs and expenses of the Placing and Open Offer.

- 14.1.5 An agreement dated 10 April 2000 between Abbot and Spear Technologies Inc. ("Spear"), a Californian based software development company which specialises in providing asset management solutions to the transportation industry. Pursuant to the agreement Abbot agreed to invest up to US\$6 million in convertible unsecured loan notes in Spear, with an interest rate of 4 per cent. These loan notes are convertible into common stock of Spear at the option of the Group at any time in the period to April 2003. On a fully diluted basis, full conversion would result in the Group holding approximately 28 per cent. of the common stock of Spear. Abbot has certain investment protection rights, principally related to mergers, acquisitions and the issue of further share capital. Abbot additionally has a call option, which expires in April 2003, to acquire all of the share capital of Spear.

As at 30 August 2001, Abbot had guaranteed overdraft facilities of Spear for up to US\$4 million.

- 14.1.6 The Company has entered into the following facilities with the Bank (the "Facilities"):

- (a) a senior term loan facility of £65 million (the "Senior Facility").
- (b) a revolving credit facility of £25 million (the "Revolving Facility").
- (c) a working capital facility of £32.5 million (the "Working Capital Facility").
- (d) a loan stock facility of £20 million (the "Loan Stock Facility").

The Working Capital Facility reduces by an amount of up to £12.5 million 100 days after Completion of the Acquisition if and to the extent that the Bank Guarantee (as detailed in paragraph 14.1.2) is not utilised.

The Facilities (other than the Working Capital Facility) must be used to fund the Acquisition (including transaction costs) and to refinance existing borrowings of the Enlarged Group. The Revolving Facility may also be used to fund future acquisitions agreed with the Bank. Part of the Working Capital Facility is also available by way of a bank guarantee to enable a replacement guarantee to be provided to Preussag as provided in paragraph 14.1.2 above.

All other indebtedness of the Enlarged Group will be repaid at Completion, other than certain guarantees as described in paragraph 14.1.2 above and other trade guarantees and borrowings. The Senior Facility and the Loan Stock Facility must be drawn down by 31 January 2002 (or such later date as the Bank in its capacity as agent under the Senior Facility may agree).

The Working Capital Facility can also potentially be used by various other Enlarged Group companies to fund their ongoing working capital requirements.

The Facilities are conditional upon, *inter alia*:

- (a) the passing of the Resolutions;
- (b) the Placing and Open Offer raising £40 million (gross); and
- (c) to no material adverse change having arisen in relation to the Deutag Group before Completion or the Abbot Group before the putting of the Resolutions to the EGM.

Such material adverse change is (apart from delivery to the Bank of the general completion conditions precedent to the Facilities) the only reason why the Bank can refuse to make the first drawing under the Facilities and the material adverse change condition in the Acquisition Agreement can only be waived with the consent of the Bank.

The Facilities are currently made available by the Bank but (except in the case of the Working Capital Facility) are transferable, subject in the case of the Loan Stock Facility to the Company's consent, not to be unreasonably withheld (except where necessary to comply with regulatory requirements). Whilst, therefore, the Facilities are not now syndicated they may at a future date be syndicated (in which case the Bank acts as agent in respect of the various facilities). The Bank is obliged at all times to retain:

- (a) 30 per cent. of the Senior Facility and the Revolving Facility;
- (b) 100 per cent. of the Working Capital Facility; and
- (c) 50 per cent. of the Loan Stock Facility (held by the Bank or other members of the Bank Group).

The Bank Group is only entitled to transfer 50 per cent. of the Warrants (as detailed in paragraph 14.1.8 below). The Loan Stock Facility is transferable alongside the Warrants but the Loan Stock Facility can also be transferred separately to the extent the corresponding Warrants have been exercised or lapsed.

The Facilities will be secured over the assets and undertakings of the majority of the companies in the Enlarged Group, but in certain jurisdictions legal restrictions apply regarding the extent to which security can be provided and, therefore, in particular cases, only share security or security for working capital debt may be provided. Some of the security package is being put in place post-Completion and must be put in place within the 90 day period agreed with the Bank otherwise the margins on the Senior Facility and the Revolving Facility increase as summarised below until the situation is remedied and such circumstances do not give rise to an event of default under the Facilities if the security provision requirements are complied with within six months after the end of the 90 day period. The Bank is holding all the security as security trustee for the lenders from time to time.

The repayment terms of the Facilities are, in summary:

- (a) Senior Facility – quarterly instalments, increasing each year, with final repayment on the last business day in December 2008.
- (b) Revolving Facility – repayable in any event on the third anniversary of the date of the agreement documenting the Revolving Facility.
- (c) Working Capital Facility – repayable on demand or, as applicable, in accordance with the relevant ancillary facilities provided and subject to annual review. (The Bank has given an informal confirmation of its current intention to extend such facility for a further year, subject, *inter alia*, to changes in circumstances and its then current practice.)
- (d) Loan Stock Facility – repayable on the tenth anniversary of the date of issue but subject to prepayment at any time by the Company after five years if the Senior Facility has been repaid and prepayable in any event upon a Change of Control or a Sale, where as a consequence of such Sale the Sale proceeds are returned to shareholders in the Company, by way of dividend or otherwise.

The Facilities are repayable in any event upon the occurrence of a Change of Control, a Sale or an event of default (which includes non-payment, insolvency, breach of covenants (including financial covenants), Alasdair Locke ceasing to own 15 per cent. of the Company's share capital (without Bank consent) and certain other standard defaults). The Facilities also contain certain financial and other covenants, including restrictions on other indebtedness.

The following margins apply with respect to the Facilities:

- (a) Senior Facility – 1 per cent. per annum up to £16,250,000, 1.25 per cent. per annum thereafter up to £32,500,000, 1.5 per cent. per annum thereafter up to £48,750,000 and thereafter 1.75 per cent. per annum.
- (b) Revolving Facility – 1 per cent. per annum up to £6,250,000, 1.25 per cent. per annum thereafter up to £12,500,000, 1.5 per cent. per annum thereafter up to £18,750,000 and 1.75 per cent. per annum thereafter.
- (c) Working Capital Facility – 1 per cent. per annum over the base rate from time to time of the Bank (with appropriate charges and fees for ancillary facilities provided under this Facility).
- (d) Loan Stock Facility – 4.5 per cent. per annum (unless the Company elects initially that the fixed rate option should apply, in which case an interest rate of 10 per cent. per annum will apply and the Company will have to enter into appropriate hedging arrangements with the Bank).

The above margins (other than in paragraph (c) where the base rate applies) apply on top of LIBOR and any mandatory costs of the lenders.

The following margins will instead apply with respect to the Senior Facility and the Revolving Facility in the event that the additional security package is not put in place within the 90 day period agreed with the Bank as described above until the situation is remedied:

- (a) Senior Facility – 1 per cent. per annum up to £13,000,000, 1.25 per cent. per annum thereafter up to £26,000,000, 1.5 per cent. per annum thereafter up to £39,000,000, 1.75 per cent. per annum thereafter up to £52,000,000 and thereafter 2 per cent. per annum.
- (b) Revolving Facility – 1 per cent. per annum up to £5,000,000, 1.25 per cent. per annum thereafter up to £10,000,000, 1.5 per cent. per annum thereafter up to £15,000,000, 1.75 per cent. per annum up to £20,000,000 and 2 per cent. per annum thereafter.

The following fees are, in summary, payable regarding the provision of the Facilities:

- (a) a transaction fee of £2,750,000 payable on the first drawdown with an additional sum of £250,000 payable six months later and an additional arrangement fee of 1 per cent. of the amount of any Bank Guarantee provided as specified in paragraph 14.1.2, payable on issue thereof.
- (b) a monitoring fee of £40,000 per annum payable monthly in arrears for as long as the Bank or any member of the Bank Group participates in the Loan Stock Facility.
- (c) a commitment fee of 0.5 per cent. per annum on the amount of the Facilities (other than the Working Capital Facility) payable monthly in arrears until first drawdown of the Senior Facility and thereafter a corresponding commitment fee payable quarterly in arrears on undrawn amount from time to time of the Revolving Facility.

Certain prepayment fees apply for an initial period where any of the Facilities (other than the Working Capital Facility) are prepaid (which includes upon a Change of Control or a Sale) following a refinancing:

- (a) Senior Facility – 1 per cent. of the amount prepaid if made before the end of the second year and thereafter 0.5 per cent. of the amount prepaid if made before the end of the fourth year.
- (b) Loan Stock Facility – 2 per cent. of the amount prepaid if made before the end of the third year and thereafter 1 per cent. of the amount prepaid if made before the end of the fifth year.

Also, a cancellation fee applies in relation to the Revolving Facility in an amount of 1 per cent. of the amount cancelled if made within the first two years and thereafter 0.5 per cent. of the amount cancelled if made before the final repayment date (i.e. the end of the third year).

The financing documents also contain standard indemnities for, in summary, the Bank's legal, accountancy and due diligence fees, enforcement costs and break costs regarding early termination of hedging.

The Enlarged Group has agreed to enter into certain hedging arrangements as agreed with the Senior Facility Agent in respect of interest rates with respect to the Facilities prior to first drawdown.

14.1.7 Intercreditor arrangements have also been entered into between various members of the Enlarged Group and the Bank to regulate the respective priorities of the Facilities, to subordinate the Loan Stock Facility and the Warrants and, in particular to provide, in summary, that no payments (whether of principal or interest) may be made with respect to the Loan Stock Facility or the Warrants to the extent that the directors of the Company are unable at the relevant time to certify that the making of the proposed payment is not likely to result within a period of six months in the occurrence of a default under the Facilities.

14.1.8 The Company will upon Completion issue Warrants to Uberior, for a consideration of €1, which are exercisable until the fifth anniversary of Completion. The Warrants give rise to rights to subscribe for, in summary, five per cent. of the Enlarged Share Capital (currently 9,254,539 Ordinary Shares) at an exercise price of 200p per Ordinary Share (subject to adjustment). In certain circumstances the subscription rights attaching to the Warrants are subject to adjustment.

The shares issued pursuant to the exercise of the Warrants must be listed on the same basis as the Ordinary Shares of the Company are from time to time listed.

The Bank Group can only transfer 50 per cent. of the Warrants (except where necessary to comply with regulatory requirements). The Warrants are transferable to other financial institutions alongside the Loan Stock Facility as provided above. Any other transferee must receive not less than five Warrants.

If a holder of Warrants exercises its Warrants it must do so in respect of its entire holding, and the Bank Group counts as a single "holder" for this purpose.

The Loan Stock Facility and Warrants must be transferred together, but if Warrants have been exercised then the corresponding Loan Stock Facility is transferable separately but subject to the Company's consent as provided above.

The Warrant subscription rights are adjustable upon, in summary, allotments of Ordinary Shares by way of capitalisation of reserves or profits and on subdivision or consolidation of the Ordinary Shares. Also, the Company has agreed (where feasible) to extend the benefit of rights issues (and like offers but not scrip dividend issues) to holders of Warrants on the same basis as if their Warrants had been exercised or otherwise in such circumstances to adjust the subscription rights.

Upon a winding up of the Company, holders of Warrants participate in any surplus assets on the same basis as holders of Ordinary Shares (minus a deemed subscription price) and their Warrants lapse.

The Warrants also lapse if unexercised during a thirty day period in a Change of Control situation, but subject as provided in paragraph 14.1.9 below, regarding mandatory exercise of Warrants.

- 14.1.9 An aggregate redemption premium of £7,000,000 (scaled down *pro rata* to the extent the Warrants have been exercised in such time) (the "Redemption Premium Amount") is payable on the Loan Stock Facility upon expiry of the Warrant exercise period or, if earlier, upon prepayment of the Loan Stock Facility upon a Change of Control, a Sale, or following an event of default under the Facilities.

If, however, a Change of Control arises and the offer price for each Ordinary Share on such Change of Control exceeds the subscription price under the Warrants, then in such circumstances the Warrants must be exercised in a thirty day window period (if the offer comprises cash and/or listed tradeable securities) and the Redemption Premium Amount is reduced to the difference between the resulting price on exercise of the Warrants (before tax but net of sales costs and expenses) and £7,000,000 scaled down *pro rata* to the extent Warrants have been exercised by such time. If any part of the offer consideration is not cash, then it is ascribed a value (if applicable) of the middle market quotation at close of business on the first dealing day after receipt or, if then sold, the actual value realised.

- 14.2 There are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into in the two years immediately preceding the date of this document by Deutag or any other member of the Deutag Group and which are, or may be, material or which may contain any provision under which any member of the Deutag Group has any obligation or entitlement which is material to the Deutag Group as at the date of this document.

15. General

- 15.1 Cazenove has given and has not withdrawn its written consent to the inclusion of their name and letter as set out in Part II (and the references thereto) in the form and context in which it is included. It has furthermore authorised the contents of that Part for the purposes of Section 152(1)(e) of the Financial Services Act 1986. 6.A.9 14.16) 10.38(g)
- 15.2 Abbot's auditors are Arthur Andersen Chartered Accountants and Registered Auditors of 1 Surrey Street, London WC2R 2PS. Arthur Andersen have audited the consolidated financial statements of Abbot for the three years ended 31 December 1998, 31 December 1999 and 31 December 2000. 6.A.4 6.A.5
- 15.3 Arthur Andersen have given and have not withdrawn their written consent to the inclusion of their name and report as set out in Part V (and the references thereto) in the form and context in which they are included. They have furthermore authorised the contents of that Part for the purposes of section 152(1)(e) of the Financial Services Act 1986. 6.A.9 10.38(g)

- 15.4 PricewaterhouseCoopers have given and have not withdrawn their written consent to the inclusion of their name and report set out in Part IV (and the references thereto) in the form and context in which they are included. They have furthermore authorised the contents of that Part for the purposes of section 152(1)(e) of the Financial Services Act 1986. 6.A.9
10.38(g)
- 15.5 The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act. Abbot's auditors, Arthur Andersen, issued an unqualified audit report on the financial statements of the Group for the last three financial years to 31 December 2000. These financial statements have been filed with the Registrar of Companies. 6.A.6
- 15.6 The total costs, charges and expenses payable by the Company in connection with the Acquisition and the Placing and Open Offer are estimated to amount to £• million (exclusive of VAT). 6.B.15(i)
- 15.7 The Company's receiving agents and registrars are Lloyds TSB Registrars of The Causeway, Worthing, West Sussex, BN99 6DA. 6.B.14
- 15.8 Except as is envisioned for the purposes of the Placing and Open Offer, the New Ordinary Shares have not been marketed to the public, nor are they available in whole or in part, to the public in connection with the application for their listing. No temporary documents of title for the relevant shares will be issued. 6.B.15(g)
- 15.9 The Issue Price for the New Ordinary Shares involves the payment of a premium of • pence over their nominal value of 15 pence. 6.B.15(d)(i)
- 15.10 Pending the issue of definitive certificates for the New Ordinary Shares, transfers will be certified against the register of members (to the extent the New Ordinary Shares are not being held in the CREST system). The New Ordinary Shares will be in registered form. It is expected that definitive share certificates will be posted to shareholders by 3 October 2001.

16. Documents for Inspection

Copies of the following documents may be inspected at the registered office of the Company at 3 Colmore Circus, Birmingham B4 6BH and at the offices of its legal advisers, Pinsent Curtis Biddle of Dashwood House, 69 Old Broad Street, London EC2M 1NR during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for 14 days from the date of this document:-

- 16.1 the Memorandum and Articles of Association of the Company; 6.C.7(a)
- 16.2 the audited consolidated accounts of the Company and its subsidiaries for the three financial periods ended 31 December 1998, 31 December 1999, and 31 December 2000; 6.C.7(g)
- 16.3 the report prepared by Arthur Andersen set out in Part V; 6.C.7(f)
- 16.4 the report prepared by PricewaterhouseCoopers set out in Part IV; 6.C.7(e)
- 16.5 the service agreements referred to in paragraph 7 above; 6.C.7(c)
- 16.6 the rules of the Unigroup plc 1994 Executive Share Option Scheme, the Abbot Group 1996 share Incentive Plan, the Abbot Group Employees Share Trust and the Abbot Group 1999 Executive Incentive Plan; 6.C.7(b)
- 16.7 the material contracts referred to in paragraph 14 above (including translations where required); 6.C.7(c)
- 16.8 the written consents referred to in paragraph 15 above;
- 16.9 the irrevocable undertakings signed by the Directors to vote in favour of Resolution 1 to be proposed at the Extraordinary General Meeting, and the irrevocable undertaking to take up and/or not to take up New Ordinary Shares pursuant to the Open Offer as described in Part I; and
- 16.10 this Document.
- 31 August 2001

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of Abbot Group plc (the "Company") will be held at 12.00 noon on 25 September 2001 at the offices of Pinsent Curtis Biddle, Dashwood House, 69 Old Broad Street, London EC2M 1NR to consider the following resolutions, which will be proposed as special resolutions.

1. THAT:

1.1. the acquisition by the Company of the entire issued share capital of Deutag pursuant to and on the terms of a conditional acquisition agreement dated 31 August 2001 between the Company and Preussag Energie GmbH (the "Acquisition Agreement") described in the circular to shareholders dated 31 August 2001 to which the notice convening this meeting is attached (a copy of which agreement initialled by the Chairman for the purpose of identification has been produced to the meeting) (the "Circular") be and is hereby approved, and that the Directors be and are hereby authorised to do, undertake, approve, and execute all acts, things, and documents as may be necessary or desirable to complete and give effect to the Acquisition Agreement and the arrangements contemplated therein, and to make such amendments, variations and extensions to any of the terms of the Acquisition Agreement and its related arrangements (to such extent as shall not constitute material amendments, variations or extensions of the terms of the Acquisition Agreement and related arrangements) as they think necessary or desirable;

1.2. the arrangements between the Company and the Governor and the Company of the Bank of Scotland, namely, a senior term loan facility of £65 million, a working capital facility of £32.5 million, a loan stock facility of £20 million and a revolving credit facility of £25 million, be and are hereby approved in accordance with the provisions of Article 123 of the Company's Articles of Association; and

1.3. subject to the issue of new ordinary shares of 15 pence each in the capital of the Company pursuant to the Placing and Open Offer (details of which are contained in the Circular) ("the Placing and Open Offer") being admitted to the Official List of the United Kingdom Listing Authority and such admission becoming effective by (and not later than) 8.00 a.m. on 26 September 2001:-

1.3.1 in addition to the authority given to the Directors pursuant to the ordinary resolution of the Company passed on 15 May 2001, the Directors be specifically and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (pursuant to section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £1,388,182 in connection with the grant of warrants (as defined in the Circular), for a period expiring 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting), whichever occurs first, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority, and the Directors may allot relevant securities in pursuance of that offer or agreement; and

1.3.2 in addition to all existing authorities, the Directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by sub-paragraph 1.3.1 of this resolution as if section 89(1) of the Act did not apply to such allotment. This power is limited to the grant of warrants (as defined in the Circular), and shall expire 15 months after the date of the passing of this resolution, or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever occurs first, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority, and the Directors may allot equity securities in pursuance of that offer or agreement.

2. THAT, subject to the passing of the resolution numbered 1 in this notice of extraordinary general meeting and to the issue of new ordinary shares of 15 pence each in the capital of the Company pursuant to the Placing and Open Offer being admitted to the Official List of the United Kingdom Listing Authority, and

such admission becoming effective by (and not later than) 8.00 a.m. on 26 September 2001 and subject also to completion of the acquisition occurring in accordance with the terms of the Acquisition Agreement:-

2.1 the authorised share capital of the Company be increased from £31,500,000 to £36,900,000 by the creation of 36,000,000 new ordinary shares of 15 pence each;

2.2 in substitution for all existing authorities (save for the authorities set out in resolution 1.3 above), the Directors be generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £8,791,812 for a period expiring 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting), whichever occurs first, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority, and the Directors may allot relevant securities in pursuance of that offer or agreement; and

2.3 in substitution for all existing authorities (save for the authorities set out in resolution 1.3 above), the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by subparagraph 2.2 of this resolution as if section 89(1) of the Act did not apply to such allotment. This power:-

2.3.1 expires 15 months after the date of the passing of this resolution (unless previously renewed, varied or revoked by the Company in general meeting), or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever occurs first, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the Directors may allot equity securities in pursuance of that offer or agreement; and

2.3.2 is limited to:-

(a) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares, but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:-

(i) to deal with equity securities representing fractional entitlements; and

(ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

(b) allotments of equity securities for cash otherwise than pursuant to paragraph 2.3.2(a) up to an aggregate nominal amount of £1,318,771.

Registered Office:
3 Colmore Circus
Birmingham
B4 6BH

By Order of the Board
Alec W.J. Banyard
Company Secretary

31 August 2001

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote in his place. A proxy form is enclosed for this purpose.
- (2) To be valid at the meeting, the proxy form 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 or authority), must be lodged at the office of the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA not later than 12.00 noon on 23 September 2001 (or 48 hours prior to any adjournment thereof). Completion of a proxy form will not preclude a member from attending and voting at the meeting if he wishes to do so.
- (3) To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person may exercise), a person must have his/her name entered on the relevant register of shares by no later than 12.00 noon on 23 September 2001. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.