

THE TAKEOVER PANEL

GUEST, KEEN AND NETTLEFOLDS LIMITED

MILES, DRUCE & CO. LIMITED

On 14th March, 1974, application was made to the Panel by Guest, Keen and Nettlefolds, Limited ("GKN") in connection with the offers made that day by Morgan Grenfell and Co. Limited on its behalf for the whole of the issued share capital of Miles, Druce and Co. Limited ("Miles Druce") not already owned by it. Since that date, the Panel executive have had discussions with the parties involved.

So far as the executive are aware, the current position is as follows: -

- (a) The European Commission has decided under the Treaty of Paris (which established the European Coal and Steel Community) that it has no objection to GKN acquiring the whole of the issued share capital of Miles Druce. This decision has been notified to Miles Druce, which has one month within which to lodge an appeal with the European Court in Luxembourg.
- (b) In order to give Miles Druce a reasonable time within which to decide whether or not to appeal against the Commission's decision and meanwhile to preserve the status quo, the Commission has ruled that its decision should not become operative for three weeks.
- (c) Miles Druce has not yet appealed to the Court against the decision of the Commission.
- (d) The GKN offers are expressed to be conditional on:-
 - (a) any delay imposed by the Commission's decision having elapsed;
 - (b) there being no order of a Court of competent jurisdiction preventing the acquisition by GKN of any shares the subject of the offer at the time when the offer becomes otherwise unconditional; and
 - (c) acceptances of the offer being received from not less than 75 per cent, (or such lesser percentage as GKN may decide) in number of the holders in respect of not less than 90 per cent of the ordinary shares of Miles Druce for which the offer is made (or such lesser percentage as GKN may decide to accept, not being less than a percentage which would result in GKN having acquired, pursuant to the offer or otherwise, by the date when the offer becomes or is declared, unconditional, over 50 per cent. of the ordinary shares of Miles Druce) not later than 10 a.m. on 8th April, 1974 or such later date as GKN may from time to time decide.

GKN has requested the Panel to direct the board of Miles Druce in accordance with General Principle 4 of the Code that they should not take any action without the approval of shareholders in general meeting which could effectively result in the GKN offer being frustrated or in shareholders being denied an opportunity to decide on its merits. GKN has requested the Panel to set out its conclusions in writing.

The conclusion of the Panel is that General Principle 4 is applicable, and that the interests of all parties should be protected as far as possible. Accordingly, the Panel has ruled as follows:-

1. That General Principle 4 requires the directors of Miles Druce to obtain the approval of shareholders in general meeting before taking any step which would or might give rise to an order falling within the terms of condition (b) of the GKN offers.
2. That at any such general meeting of Miles Druce, no votes shall be cast in respect of any of the share capital of Miles Druce at present owned by GKN.
3. That GKN shall not declare the offers unconditional as regards acceptances before 2nd April, 1974 in any event. If any such general meeting has been convened before 2nd April and for a date not later than 17th April, then GKN shall not, without the consent of the Panel, declare the offers unconditional as regards acceptances before the expiry of seven days following the date of the meeting.
4. That, if any such meeting has been convened before 2nd April, 1974 for a date not later than 17th April:
 - (i) GKN shall, unless the Panel otherwise agrees, keep the offers open for acceptances until at least the expiry of seven days following the date of the meeting; and
 - (ii) neither GKN nor any person acting in concert shall, without the consent of the Panel, purchase any further shares in Miles Druce before the expiry of seven days following the date of the meeting.

If the GKN offers lapse the permission of the Panel would be required before the offer for the Miles Druce ordinary shares could be replaced with a new offer. If such permission were to be given the Panel would not necessarily require the new offer to be at a price of not less than 198p per share: this would depend on the date of the new offer, the reasons for the lapsing of the original offer and all other relevant circumstances.

20th March, 1974.