

THE TAKEOVER PANEL

THE GATEWAY CORPORATION PLC ("GATEWAY")

In its document of 6 June 1989, Gateway included a "Group Property Appraisal as at 29 April 1989" undertaken by Jones Lang Wootton. This appraisal did not meet the requirements of Rule 29 of The City Code which sets out the basis on which any valuation of assets should be published in connection with an offer. The Panel is concerned that shareholders may place undue reliance on figures produced by an appraisal which might or might not have been confirmed by the more exhaustive examination necessary for a valuation.

Rule 29 applies to any indication of the value of assets irrespective of how it is described. It requires that valuations be supported by an independent valuer and, in the case of property assets, attention is drawn to The Royal Institution of Chartered Surveyors' Guidance Notes and Background Papers on "Valuation of Assets". These lay down the requirements of the Institution applicable to full valuations as opposed to appraisals. There are certain specific exceptions to this approach, subject to the prior approval of the Panel.

The Institution's requirements include the safeguard that a valuation certificate will normally be issued after a physical inspection of the properties by the valuer. In the case of an appraisal, such as the one in the Gateway document, this is not required by the Institution and was not undertaken. It is recognised by the Panel that the valuers, Jones Lang Wootton, followed at short notice, instructions given to them by their client.

While the Panel accepts that the appraisal was published in good faith and in the light of the time constraint, it is a matter of concern that Lazard Brothers & Co Ltd, Lazard Freres & Co Ltd and Morgan Grenfell & Co Ltd, the financial advisers to Gateway, did not consult the Panel on this subject as there was a clear

question whether publication of this appraisal was permitted by the Code. In the event the information it contains as to the value of Gateway's properties has not been dealt with as required by the Code.

The Panel wishes to remind advisers that all valuations published during offers must comply with Rule 29.

15 June 1989