

THE TAKEOVER PANEL

HEPWORTH CERAMIC HOLDINGS PLC ("HEPWORTH") / BIRMID QUALCAST PLC ("BIRMID")

Before the opening of business on 23 February 1987 the following announcement was issued on behalf of Hepworth:

"The Board of Hepworth announces that, following a series of discussions with Birmid, a further scheduled meeting will take place this week. Hepworth's holding of 4.9% in Birmid's issued share capital reflects the Board's conviction that a merger would be in the interests of both companies and their shareholders. A further announcement will be made as soon as possible."

As a result of the announcement the Panel ruled that an offer period existed for the purposes of the Code.

On 23 and 24 February, Hoare Govett, brokers to Hepworth, purchased on Hepworth's behalf a further 3.5mn ordinary shares in Birmid, amounting to 5.3% of its issued share capital. These purchases were made from Hoare Govett Securities, the market-making subsidiary of Hoare Govett.

Rule 38.2 of the Code states that an offeror and persons acting in concert with it must not deal as principals with an exempt market-maker connected with the offeror in relevant securities of the offeree company during the offer period. Hoare Govett Securities is an exempt market-maker connected with Hepworth for the purposes of the Code. The purchase of 3.5mn shares was therefore made in contravention of Rule 38.2.

In addition, Rule 38.5 requires that dealings in relevant securities by an exempt market-maker connected with an offeror must be aggregated and disclosed to The Stock Exchange, the Panel and the press no later than 12 noon on the business day following the date of the transactions. The dealings concerned were not disclosed until the afternoon of 25 February.

The Panel has been assured by Hoare Govett that these breaches arose from an oversight of the Rules in question. Having discussed the matter in detail with those involved, the Panel accepts this explanation.

At the request of the Panel, in order to restore the status quo ante, the shares purchased in contravention of Rule 38.2 have been sold to investment institutions unconnected with Hepworth.

3 March 1987