

# THE TAKEOVER PANEL

**THE DICKINSON ROBINSON GROUP LIMITED ("DRG")/  
ROYAL SOVEREIGN GROUP LIMITED ("ROYAL SOVEREIGN")**

As a result of a rise in the price of the ordinary shares in Royal Sovereign, The Stock Exchange investigated dealings in the shares during the period between 13th and 19th July, 1976 when it was announced that discussions were taking place with DRG which could lead to an offer for all the issued share capital of Royal Sovereign. On the following day, 20th July, DRG announced an offer on a share exchange basis underwritten by a cash offer worth 78.4p per ordinary share. A full report of The Stock Exchange's investigation was subsequently passed to the Panel and a list of dealings sent to the Chairman of each company.

The Panel has investigated these purchases further and is satisfied from the explanations which it has received from all those who dealt during the period under investigation that no improper use of confidential information was made by anyone who was party to the discussions that preceded the announcement. For this reason the Panel has no cause to single out any of those who dealt for criticism under the insider dealing provisions: of Rule 30 of the City Code.

Nevertheless, one particular series of purchases has thrown doubt on the standard of Royal Sovereign's own security, namely a series of purchases by a former senior employee of the company who paid his first visit to its premises after a year's absence about a fortnight before the announcement of discussions. There he met a number of the senior executives. At the time of this visit the discussions between the companies had been inconclusive although

fresh proposals had just been received from DRG. On 14th July, two days after the opening of the new Stock Exchange account and when the two companies were close to agreeing terms, this former employee bought 5,000 shares at 40p and 5,000 at 41p. On 15th July, when the Financial Times noted that as a result of the previous day's dealings, the share price had gained 3p at 41p, he bought a further 5,000 shares at that price after normal dealing hours. He made no further purchases until Monday, 19th, when he bought 5,000 at 43p, 5,000 at 44p, 5,000 at 48p, 5,000 at 51p, 5,000 at 52½p, 5,000 at 54p before the announcement released at 1.13p.m. These orders were spread between eight different stockbrokers. It was the first time that he had dealt in Royal Sovereign shares since leaving the company and his first deal of any significance in the stock market after a long period of relative inactivity. The Panel cannot accept that these purchases were inspired simply by vague impressions of Royal Sovereign's prosperity conveyed to this former employee on his visit to the company. We can only conclude that through inadvertence or as a result of an indiscretion by an official of Royal Sovereign, he was, at the least, able to deduce something of what was in the air and that the company thus failed to achieve the level of security required by Rules 7 and 30 of the Code.

The Panel notes that the release of a holding announcement was raised by Royal Sovereign and its advisers on 15th July, when negotiations had reached an advanced stage. The terms of the negotiations, however, provided that no announcement of discussion should be made until agreement had been reached between the two companies and commitments given in respect of shares held by directors and their families. As indicated in the joint statement issued by the Panel and The Stock Exchange on 14th April of this year, however common such arrangements may have been in the past, a potential offeror should not take steps to prohibit a company making an announcement under Rule 5 at any time it considers appropriate.

20th June 1977