

THE TAKEOVER PANEL

C.H. Johnson & Sons Limited ("Johnson")

Shortly after 4 p.m. on 13th April, 1977, an announcement was released to The Stock Exchange and the press stating that an offer would be made by J.W.I. Limited ("JWI"), a company incorporated in Canada, for the whole of the issued ordinary share capital of Johnson not already owned by JWI, at a price of 60p per share. A copy of this announcement was seen early in the afternoon of 13th April by Mr. G. R. Ellerton, an assistant manager at a major branch of National Westminster Bank which had taken part in the negotiations which led to the offer being made. Mr. Ellerton was not personally involved in these negotiations but had access to the information by virtue of his position in the bank.

Mr. Ellerton telephoned his stockbroker and, using the name of a friend who happened to be a client of the same firm, asked for the price of Johnson's shares. It was apparent from the response to this question that the announcement had not by then been made public but Mr. Ellerton nevertheless placed in the name of the friend an order for 2,000 shares which were bought at a price of 34p per share. The friend, who was out of the country at the time and who had no knowledge of the purchase, accepted the JWI offer in respect of the 2,000 shares and paid over the profit on the transaction to Mr. Ellerton.

At the request of Johnson, The Stock Exchange launched an investigation into dealings in the company's shares. The results of the investigation were conveyed, as is customary, to the company which then pursued its own enquiries. As soon as he became aware of these investigations, Mr. Ellerton informed his superiors at National Westminster Bank of his share purchase and they immediately carried out an investigation.

The Panel is of the view that this purchase was in breach of Rule 30 of the Code and reprimands Mr. Ellerton. Mr. Ellerton accepts that his action was wrong and has expressed his regret to the Panel. He has left the employment of National Westminster Bank and has agreed to pay over the profit from the transaction to a charity approved by the Panel.

The Panel's enquiries have been considerably aided by the work of The Stock Exchange, National Westminster Bank and Johnson.

28th November 1977