

THE TAKEOVER PANEL

UNITED NEWSPAPERS PLC ("UN") / EXTEL GROUP PLC ("EXTEL")

The full Panel met today to consider whether UN and MIM Ltd ("MIM") have been acting, or are to be regarded as being, in concert in relation to UN's offer for Extel. MIM is a subsidiary of Britannia Arrow plc and its principal business is fund management on a discretionary basis.

The question, which was referred to the full Panel by the Panel executive, arose primarily out of the fact that Lord Stevens of Ludgate is chairman of both UN and MIM and that MIM holds some 7.2% of Extel's issued ordinary shares. Some 0.2% of this holding is for MIM's own account, all the remainder being held on behalf of discretionary clients.

Prior to the announcement of the UN offer for Extel, Samuel Montagu & Co. Limited, advisers to UN, purchased some 26.3% of Extel's ordinary shares pursuant to the tender offer published on 16 April, with an agreement to transfer the holding to UN subject to the approval of UN's shareholders.

After considering the facts and arguments presented by the parties, the Panel concluded that UN and MIM were not acting in concert prior to the announcement of UN's offer on 30 April. In particular the Panel was satisfied that, before that announcement, no MIM personnel with responsibility for fund management had any involvement with or knowledge of UN's proposed offer. While the fact that MIM had long held a sizeable amount of Extel shares for clients was known to UN, there were

no grounds for concluding that UN and MIM had at that time an agreement or understanding within the definition of "acting in concert" under the Code.

The Panel then went on to consider whether, given Lord Stevens' position in relation to both UN and MIM, it should rule that the two were to be regarded as being in concert from the time of the announcement; or whether the procedures for decision-making in MIM in relation to holdings the subject of bids were such as to justify treatment analogous to that given to Exempt Fund Managers under the Code. The Panel therefore enquired into these procedures and were assured that it was the practice for MIM in any case where it could be suggested that there was a conflict of interest (eg where any director was involved with one of the parties in a bid situation) to see that an independent non-executive committee of the board, in the case of an investment trust holding, or the trustees in the case of a pension fund client exercised the responsibility of deciding on the action to be taken in relation to each of the client holdings.

The Panel concluded that given the observance of these procedures it would be justifiable to treat MIM in this instance on the same basis as an Exempt Fund Manager and not presume UN and MIM to be acting in concert in relation to the discretionary holdings.

18 May 1987