

# THE TAKEOVER PANEL

## STEAD & SIMPSON PLC

The full Panel met today and upheld the decision of the Panel Executive that the boards of Clayform Properties PLC ("Clayform") and Stead & Simpson PLC should not be required to reconsider the terms of the offers which have been made by Clayform for the ordinary and "A" shares in Stead & Simpson. An appeal against that Executive decision had been lodged by Wilshere, Baldwin & Co, members of The Stock Exchange based in Leicester, representing a number of "A" shareholders who considered that the ratio of the offer prices for the two classes of share (14.2 to 1) was not fair to them.

The Panel upheld the Executive's policy in relation to offers for companies with two classes of equity share capital and confirmed that the ratio of the offers made by Clayform complied with the Code.

### Notes for Editors

#### (a) Rule 14.1 of the Code

The consideration to be offered pursuant to a general offer is not normally regulated by the Code unless the offeror or a person acting in concert with it has purchased shares and thus incurred an obligation pursuant to Rules 6 (minimum level of consideration), 9 (mandatory offers) or 11 (requirement of cash consideration). However, amongst other things, Rule 14.1 of the Code provides as follows:

"Where a company has more than one class of equity share capital, a comparable offer must be made for each class whether such capital carries voting rights or not; the Panel should be consulted in advance."

In addition, Note 1 on Rule 14.1 states that, "A comparable offer need not be an identical offer but the difference has to be capable of being justified to the Panel."

(b) The Executive's policy

The Executive's policy in relation to offers to which Rule 14.1 relates has been well established for many years and has been applied on numerous occasions. In the case of a unilateral offer involving two classes of equity share capital, both of which are listed, the Executive insists that the ratio of the offer prices be equal to the average ratio of the closing prices on the Stock Exchange of the shares concerned over the course of the six month period immediately preceding the commencement of the offer period (the "six month average ratio"). Only in very exceptional circumstances would the Executive allow any other ratio to be used in a unilateral offer.

In the case of recommended offers (such as that of Clayform), however, the six month average ratio is not a mandatory requirement. If the advisers to a potential offeror and offeree company approach the Executive and indicate that they would prefer to use another ratio, and the adviser to the offeree company indicates that it believes that the alternative ratio is fair and reasonable, the Executive will permit that ratio to be used provided the advisers are able to justify their preferred ratio. On the other hand if, as in the present case, the parties agree to proceed on the basis of the six month average ratio, the Executive will not object.

18 August 1989