

Press Notice 1

15 May 2006

PRESS NOTICE

NEWLY REFORMED PRE-EMPTION GROUP PUBLISHES STATEMENT OF PRINCIPLES

The Pre-Emption Group today published a Statement of Principles that provides guidance to companies and investors on the factors to be taken into account when considering the case for disapplying pre-emption rights. The Statement of Principles replaces the Pre-Emption Guideline, which had been in place since 1987.

The Statement of Principles has been issued in response to Paul Myners' report to the Department of Trade and Industry on pre-emption rights, published last year, which recommended that new guidance be produced which emphasised the need for case by case engagement between companies and their shareholders.

The principles state that:

- While pre-emption rights remain a cornerstone of UK company law and provide shareholders with protection against inappropriate dilution of their investments, a degree of flexibility is appropriate in circumstances where new equity issuance on a non pre-emptive basis would be in the interests of companies and their owners.
- Companies have a responsibility to signal an intention to seek a non-pre-emptive issue at the earliest opportunity and to establish a dialogue with the company's shareholders.
- Shareholders have a responsibility to engage with companies to help them understand the specific factors that might inform their view on a non-pre-emptive issue by the company. They should review the case made by companies on its merits and decide on each case individually using the usual investment criteria.

Scott Dobbie, Chairman of the Pre-Emption Group, noted:

"New guidance was needed to reflect the significant changes in the nature of listed companies, the patterns of their ownership and the structure of the UK investment market since the Pre-Emption Guidelines were published nearly 20 years ago. Today's Statement of Principles is intended to provide a basis for open, constructive and early communication between companies and their major shareholders, and I would encourage boards and investors to approach it in that spirit."

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Welcoming the Statement of Principles, Lord Sainsbury, Parliamentary Under Secretary of State for Science and Innovation said:

"Pre-emption rights provide valuable protection for shareholders and remain an important part of company law, but flexibility can benefit both shareholders and companies if it enables companies, particularly in such sectors as bioscience and hi-tech industries, to respond rapidly to market opportunities and to grow. The Statement of Principles rightly emphasises this flexibility and the need for companies wishing to take advantage of it to demonstrate a strong business case for shareholder approval. I am extremely pleased that the Pre-Emption Group's work has met the challenge set by Paul Myners in his report".

Notes for Editors

1. Pre-emption rights give existing shareholders in a company the right to subscribe for their pro rata share of any new shares in that company issued for cash, providing them with protection against inappropriate dilution of their investments. Pre-emption rights are enshrined in law and, under the Companies Act 1985, may be disapplied only by a special resolution of shareholders at a general meeting of the company.
2. The Statement of Principles replaces the Pre-emption Guidelines, which were published in 1987 by the original Pre-Emption Group. The principles relate to issues of equity securities for cash other than on a pre-emptive basis pro rata to existing shareholders by all UK companies which are primary listed on the Main Market of the London Stock Exchange.
3. In 2004 Paul Myners was asked by the Department of Trade and Industry to examine the impact of pre-emption rights on the ability of some companies to raise finance for innovation and growth. In his report, published in 2005, he concluded that pre-emption rights were valuable to shareholders and should remain a cornerstone of UK company law, and recommended that the Pre-Emption Group should be reconstituted to produce updated guidance on disapplying pre-emption rights.
4. Copies of the Statement of Principles can be obtained from: www.pre-emptiongroup.org.uk. Beginning in 2007 the Pre-Emption Group will publish an annual report on how the principles are being applied.
5. Members of the Pre-Emption Group represent listed companies, investors and intermediaries. A list of members is attached.
6. Press enquiries should be directed to: Scott Dobbie tel: 020 7645 0603; e-mail: scott.dobbie@sii.org.uk

Pre-Emption Group

Members of the Pre-Emption Group

Scott Dobbie	Chairman, Securities & Investment Institute and Chairman of the Pre-Emption Group
John Aston	Chief Financial Officer, Cambridge Antibody Technology plc (representing the BioIndustry Association)
Edward Banks	Managing Director, Corporate Finance, JPMorgan Cazenove (representing the London Investment Banking Association)
Peter Blythe	Director of Finance, GUS plc (representing the Hundred Group)
Simon Fraser	President – UK and Europe Institutional, Fidelity Investments (representing the Investment Management Association)
David Hobbs	Head of Passive Investment, UBS Global Asset Management (representing the National Association of Pension Funds)
Bob Holt	Chairman, Mears Group plc (representing the Quoted Companies Alliance)
Stuart Siddall	Finance Director, AMEC plc (representing the Association of Corporate Treasurers)
Robert Talbut	Chief Investment Officer, Royal London Mutual Insurance Society (representing the Association of British Insurers)
Chris Hodge	Corporate Governance Unit, Financial Reporting Council and Secretary to the Pre-Emption Group