



OWN SHARE PURCHASE

1 THE AUTHORITY FOR GENERAL SHAREHOLDER APPROVAL

The Committee has not published formal guidelines on this subject but the Secretariat has been asked to request companies:

- (a) To provide that such powers can only be implemented by special resolution and not simply an ordinary resolution as is implied by Section 701 of the Companies Act 2006.
- (b) To provide that the authority to purchase shares is renewable annually.
- (c) To undertake in the document that the authority to purchase its own shares will only be exercised if so to do would result in an increase in earnings per share and is in the best interests of shareholders generally. In the case of property companies and investment trusts the undertaking would refer to an increase in asset value per share for the remaining shareholders.

2 OTHER CLASSES OF SHARE CAPITAL

Where the company has Preference share capital, class meeting consent should be obtained from the Preference shareholders and regard will be had to the resultant effect on their capital and dividend covers.

3 THE AMOUNT

Assuming the company is trading normally, authority to purchase up to 5% of the Ordinary share capital is unlikely to cause concern but regard will obviously be had to the effect on gearing etc., where larger amounts of capital are involved. Some institutional investors have indicated a reluctance to accept own share purchase powers over share capital in excess of 10% of the Issued Ordinary share capital.

4 THE PRICE

The Listing Rules requirements for purchases below the 15% level are for the price not to exceed 5% above the average middle market quotation over 5 business days before the purchase. The Committee regards this as an appropriate level, members having questioned other proposed bases, such as fixed prices, and companies have created problems for themselves by going beyond the basic requirements of the Listing Rules.

Enquiries to:

Michael McKersie
dated 25 January 1990
(amended 30 November 2009)