

THE TAKEOVER PANEL

Crane Fruehauf Limited ("Crane")

The Chairman of Crane yesterday issued a letter to shareholders. The letter referred to two fundamental assumptions underlying Crane's profit forecast for the 52 weeks to 31st December 1977, namely that Crane's present management and management policies would not be changed and that present accounting policies would remain unaltered. The letter then went on to say: "Since control of the Company is now in the hands of Fruehauf these assumptions may no longer be applicable. It is also possible that the present directors will not be those responsible for drawing up the 1977 accounts. In these circumstances the United Kingdom Directors are no longer prepared to accept responsibility for the forecast which was made in the context of the Inchcape offer. It is not valid therefore in the context of the Fruehauf offer."

The Panel is not prepared to allow directors to repudiate responsibility for forecasts made in bid situations. Any forecast is made subject to certain assumptions, the purpose of which is to indicate areas of uncertainty where the directors have exercised their judgement. Even if a particular assumption is not fulfilled it is most unlikely that this could properly extinguish a board's responsibility for the forecast as a whole; in that event it would be necessary to identify the reason why the particular assumption failed and then to measure the impact of that failure on the out-turn for the period in question.

The Panel can see no reason why the forecast made by the directors of Crane should be treated in any special way.

7th December 1977