



NBPM

AT 25/11

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

25 November 1983

Andrew Turnbull Esq  
No 10 Downing Street  
LONDON SW1

*Dear Andrew,*

CABLE AND WIRELESS SHARE SALE

Sub-underwriting for the sale has now been successfully completed. The terms on which the sale has been underwritten are those agreed yesterday with the Bank of England and reported to you.

The offer will be for 100 million shares at a minimum tender price of 275p which represents a discount of 6.14 per cent on yesterday's closing price of 293p. The shares will be paid for in two instalments, the second call coming 17 February 1984. The first payment will be £1. Application lists will open and close on Friday 2 December. The striking price will be decided over the following weekend.

The arrangements for the sale are in other respects very similar to those for BP, with applications of up to 1,000 shares from UK employees of Cable and Wireless being accepted in full.

... For your information I am enclosing copies of the two Press Notices which the Bank of England is issuing today and the associated briefing.

Finally, you should know that because of the threat that industrial action may prevent the publication of some or all of the national newspapers over the next few days, we are having to take steps for the sale to be advertised on television on the evenings of Sunday 27 and Monday 28 November. The advertisements will be purely factual, drawing attention to the existence of the sale, and indicating where the full prospectus and application forms may be obtained.

*Yours sincerely,*

*Margaret O'Mara*

MISS M O'MARA

UNDERWRITING OF CABLE AND WIRELESS OFFER IN PROGRESS

The Bank of England announces that underwriting is in progress in respect of an Offer for Sale by Tender on behalf of HM Government of 100 million Ordinary Shares of 50p each of Cable and Wireless plc. The Offer is being managed by the Bank of England in conjunction with Kleinwort, Benson Limited.

The minimum tender price will be 27½p per share, payable as to 100p per share on application and the balance by 17 February 1984.

A further announcement will be made later today.

25 November 1983



2ND DRAFT PRESS NOTICE

UNDERWRITING OF CABLE AND WIRELESS OFFER COMPLETED

The Bank of England announces that underwriting has now been completed in respect of the Offer for Sale by Tender on behalf of H M Government of 100 million Ordinary Shares of 50p each of Cable and Wireless plc at a minimum tender price of 276 p per share. 100 p per share will be payable on application. The balance of the purchase price will be payable by 17 February 1984. The shares are being sold with the right to receive the interim dividend of 2.40p (3.43p gross) payable on 31 March 1984.

The Offer is being managed by the Bank of England in conjunction with Kleinwort, Benson Limited. It has been underwritten by Kleinwort, Benson Limited, Baring Brothers & Co., Limited, Morgan Grenfell & Co. Limited and J. Henry Schroder Wagg & Co. Limited. The brokers to the Offer are Mullens and Co., Cazenove & Co., James Capel & Co. and Rowe & Pitman.

The Applications Lists will open at 10.00 am on Friday, 2 December 1983 and will close at any time thereafter on the same date. Applications, which will be irrevocable until 13 December 1983, must be for a minimum of 100 shares. All shares will be sold at the same price (the Striking Price), which will be not less than the minimum tender price. The Striking Price may however be higher than the minimum tender price.

A person applying for not more than 1,000 shares may make either a Tender Application or a Striking Price Application. A Tender Application means an application at the minimum tender price or at any higher tender price per share which is a whole multiple of 1p. A Striking Price Application means an application under which the applicant does not have to decide at what price he should tender but will be deemed to have tendered at the Striking Price. A person applying for more than 1,000 shares must make a Tender Application. Tender Applications at prices above the Striking Price and Striking Price Applications will be eligible for preferential consideration.

The Striking Price may be set above the minimum tender price if both (i) Tender Applications at or above the Striking Price have been received for at least half the Ordinary Shares being offered for sale; and (ii) Tender Applications at or above the Striking Price, together with Striking Price Applications, are accepted in respect of all the Ordinary Shares being offered for sale. In other circumstances the Striking Price will be the minimum tender price. The Striking Price will not necessarily be the highest price at which sufficient Tender Applications, together with Striking Price Applications, are received in respect of all the Ordinary Shares being offered for sale.



All cheques are liable to be presented for payment, but presentation of cheques accompanying applications in respect of which no allocation of shares is expected to be made will be avoided as far as is practicable. Letters of Acceptance and cheques in respect of refundable application moneys may be retained pending clearance of applicants' cheques. The right is reserved to reject, in whole or in part, any application regardless of the price tendered or deemed to have been tendered.

It is expected that the Striking Price and the basis of allocation will be announced on Monday, 5 December 1983. Dealings are expected to commence in partly-paid form shortly after such announcement. Letters of Acceptance will be despatched as soon as practicable to successful applicants. Dealings prior to receipt of Letters of Acceptance will be at applicants' risk.

Prospectuses and application forms will be published in newspapers on Sunday and Monday, 27 and 28 November 1983 and will be available from Monday, 28 November 1983 from the Bank of England, the branches and the Glasgow Agency of the Bank of England, main UK branches of many banks, main branches of Trustee Savings Banks, main Post Offices, the underwriters and the brokers to the Offer.

Special application forms are being made available to employees of Cable and Wireless and its United Kingdom registered subsidiaries engaged in and currently working in the United Kingdom and any such employee may apply on that form for up to 1,000 Ordinary Shares at the Striking Price. Such applications will be accepted in full.

A commission of 0.3p per share will be paid to recognised banks and licensed institutions (within the meaning of the Banking Act 1979), to Trustee Savings Banks, to National Girobank and to members of The Stock Exchange on acceptances in respect of applications (other than special employee applications) bearing their stamp. However, no payment will be made to anyone who would receive total commissions of less than £10.

In November 1981 H M Government reduced its 100% holding in Cable and Wireless by means of a public offer for sale of 133,285,000 Ordinary Shares. Following that offer for sale, and taking into account the shares committed at that time by H M Government to the Cable and Wireless Group's Employee Share Schemes, H M Government held just over 50% of the issued share capital of Cable and Wireless. In March this year Cable and Wireless issued 30,000,000 Ordinary Shares in connection with the purchase of shares in Hong Kong Telephone Company Limited, thus reducing H M Government's holding to just over 45%. This Offer by H M Government will result in its holding being reduced to per cent. H M Government has no plans at this stage to sell any more of its present holding in Cable and Wireless and will not do so in the next two years.

25 November 1983



OFFER FOR SALE OF CABLE AND WIRELESS SHARES:  
BACKGROUND BRIEF FOR PRESS OFFICES

1 On Friday 25 November the Government will offer for sale by Tender 100 million ordinary shares in Cable and Wireless plc at a minimum tender price of 275p. The offer will remain open until 10.00 am on Friday, 2 December. The offer is on a partly-paid basis, with the initial payment of 100p per share due on 2 December and the balance on 17 February 1984. The proceeds of the sale at the minimum tender price would amount to some £262 million (after expenses). It is hoped that the striking price and the basis of allocation will be announced before the opening of dealings on Monday, 5 December so that dealings in the partly-paid shares may begin on that day. (This is, however, open to delay and no indication of our intentions should be given in advance of the announcement itself.)

2 Background

In a Statement to the House of Commons on 27 October the Financial Secretary to the Treasury announced that, as part of their continuing programme of privatisation, the Government were now considering disposal of a further tranche of their shareholding in Cable and Wireless plc during the current financial year and that the Government had in mind a sale of approximately half their present shareholding through an offer for sale to the public.

3 Structure of the Offer

The Offer is being made by the Bank of England on behalf of the Government (formally, the Lords Commissioners of Her Majesty's Treasury) in conjunction with Kleinwort, Benson Limited. Underwriters to the issue are Kleinwort Benson, Baring Brothers, Morgan Grenfell and Schroder Wagg. Brokers to the issue are Mullens, in the lead, with Cazenove, James Capel and Rowe & Pitman.

4 The form of tender is essentially the same as that used successfully in the recent BP sale. All Shares for which applications are accepted will be sold at the same price (the



"Striking Price"). The Striking Price may be the Minimum Tender Price or a higher price in multiples of 1p: it will be determined by HMG and the Bank in the light of applications received, subject to certain technical constraints set out in the prospectus (see Appendix). Anyone applying for not more than 1,000 Shares may, instead of entering the tender, put in a Striking Price Application, which means that he does not have to bid a price but will be deemed to have tendered at the Striking Price: this is the mechanism for non-competitive applications by the small investor that worked so successfully in the BP sale. Applications for above 1,000 Shares have to be on a tender basis.

5 Employees of Cable and Wireless and its United Kingdom registered subsidiaries engaged in and currently working in the United Kingdom may additionally apply for between 100 and 1,000 Shares at the Striking Price and will be guaranteed allotment in full for that amount. The non-competitive Striking Price Applications, and Tender Applications at prices above the Striking Price, will be eligible for preferential consideration but the right is reserved to vary the basis of allocation as between different types of application, differing sizes of application and differing levels of prices at which tender applications are made.

#### 6 Advertising and Distribution

Prospectuses and Application Forms will be widely distributed. They will be available to the public at a large number of banks, TSBs and Post Offices in England, Wales, Scotland and Northern Ireland, as well as from the Bank of England and its branches, the underwriters and brokers to the issue, on Monday, 28 November.

7 It is hoped that the Prospectus and Application Form will be published in full in the Sunday Times, Sunday Telegraph and Observer on Sunday, 27 November and in the Financial Times, the Times, Daily Telegraph, Guardian, Scotsman, Glasgow Herald and Aberdeen Press & Journal on Monday, 28 November. In addition, it is intended to publish abridged particulars of the offer in most of the other national Sunday and daily papers and in the main regional, Scottish and Northern Irish papers.



8 Commissions and Expenses

The Government will pay a commission of 1 1/4% to the sub-underwriters for their commitment. Underwriting will not be undertaken until the sub-underwriting is complete. The Government will pay a commission of 1/8% to be shared by the four brokers and four underwriters. In addition, an allotment commission of 0.3p per share will be paid to intermediaries, eg, banks and brokers, who lodge successful applications on behalf of their clients. As in previous sales, the Government will pay the stamp duty due on the sale. The Government's total expenses, including the commissions and the costs of legal fees, printing and advertising, but excluding stamp duty and VAT are estimated to be around £6 million. Stamp Duty and VAT are estimated to be around £6 1/2mn.

9 Dividend

The Shares are being offered cum the right to the interim dividend of 2.4p net per ordinary Share declared by the Company on 16 November; the dividend is payable on 31 March 1984.

10 Future Intentions

As on previous similar occasions the Government has given an assurance about its plans for any further sales of Cable & Wireless Shares. On this occasion it is stated that "H M Government has no plans at this stage to sell any more of its present holding in Cable & Wireless and will not do so in the next two years." Any questions on this point should be answered only by reference to those words, which should not be amplified.

11 Non-Intervention

The Government has recently reaffirmed that it does not intend to use its rights as a shareholder to intervene in the Company's commercial decisions. Nor does it expect to vote its shareholding at general meetings of the Company in opposition to resolutions supported by a majority of the Court of Directors, although it retains the right to do so. Any questions on this point should be answered only by reference to the words above which should not be amplified.



12 Previous sales and Government Shareholding

In November 1981 the Government reduced its 100 per cent holding in Cable and Wireless by means of a public offer for sale of 133,285,000 Ordinary Shares of 50p each. Following that offer for sale, and taking into account the shares committed at that time by the Government to the Group's Employee Share Schemes, the Government held just over 50 per cent of the issued share capital of the Company. In March this year the Company issued 30,000,000 Ordinary Shares in connection with the purchase of shares in Hong Kong Telephone Company Limited, thus reducing the Government's holding to just over 45 per cent. There was a 1 for 2 capitalisation issue in September 1983.

13 Following this Offer for Sale, the Government will hold 103,786,252 Ordinary Shares, representing approximately 23 per cent of the issued ordinary share capital. The Government is committed, under arrangements agreed in October 1981, subject to certain profit targets being met, to allocate a total of 1,286,251 Ordinary Shares to the trustees of the Group's Employee Share Schemes.

14 The Government also holds the one Special Rights Preference Share of £1, which was issued to them on 23 November 1983 when shareholders passed a special resolution recommended by the Directors. This carries no rights to vote at general meetings but requires the prior written consent of the Government for certain events such as an amendment to Article 35 (which essentially limits shareholdings in the Company of individuals (other than the Government) and persons acting in concert to a maximum of 15%) or Article 120 (which requires the chief executive of the company to be a British citizen) of the Company's Articles of Association, the voluntary winding up of the Company, a material disposal of assets or the creation or issue of shares with different voting rights from those of the Ordinary Shares. The purpose of these provisions is to safeguard the independence of the Company.



15 Company Developments

CARE: The remainder of this brief is for background information only. Any questions on the Company's business should be referred to Cable and Wireless.

The Company announced its interim dividend (up from 2.1p per Share to 2.4p per Share) on 16 November, together with the results for the six months to 30 September 1983. The profits before tax for this period were £80 million compared with £69 million for the comparable period of 1982.

16 The following is the text of the comment on the results which was contained in the Interim Report:

The pre-tax profit of £80 million (£69 million-1982) is an increase of 15 per cent over the comparable period of last year. Turnover increased by 11 per cent. Trading profits including associated companies increased by 25 per cent. Traffic volumes originating at Group locations continued to increase at an overall average rate of almost 15 per cent.

Results expressed in sterling for a Group which has most of its activities overseas have been helped by current sterling exchange rates. The trading profit has increased over the comparable period of last year by some £2 million currency gain.

Investment continues in the US, the Far East and the UK. Telecommunications projects have characteristically extended periods before earning profits. The acquisition of almost 35 per cent of the Hong Kong Telephone Company was partly financed with some £26 million cash. Lower cash balances and reduced interest rates have led to a reduction in interest income.



The prospectus reads as follows:-

Striking Price and Basis of Allocation

The Striking Price may be set above the minimum tender price if both:

- (i) Tender Applications at or above the Striking Price have been received for at least half the Ordinary Shares now offered for sale; and
- (ii) Tender Applications at or above the Striking Price, together with Striking Price Applications, are accepted in respect of all the Ordinary Shares now offered for sale.

In other circumstances the Striking Price will be the minimum tender price.

The Striking Price will not necessarily be the highest tender price at which sufficient Tender Applications, together with Striking Price Applications, are received in respect of all the Ordinary Shares now offered for sale.



QUESTIONS AND ANSWERS (FOR USE IN TALKING TO THE PRESS)

Q1 Why has the Government chosen the present moment for its offer?

A1 The Financial Secretary to the Treasury announced on 27 October that the Government were now considering disposal of a further tranche of their shareholding in Cable and Wireless plc during the current financial year. It seemed sensible to bring the offer as soon as possible after the announcement of the Company's interim figures on 16 November. This will ensure receipt of the proceeds of the offer within the timescale envisaged by the Financial Secretary.

Q2 How much are you expecting to raise?

A2 After all expenses, the minimum net amount raised, based on the minimum tender price of 275p, will be some £262 million. The outcome of the tender may of course be higher than this.

Q3 Why a tender? Why not a placing? Why not a tap?

A3 The choice of method of sale is reviewed in the context of each operation and the judgment was made on this occasion that a tender in this form was the most likely way of achieving a successful sale of the Shares. This form of tender worked very successfully for the recent sale of BP Shares.

Q4 Would not a fixed price issue have achieved a higher underwriting price?

A4 When comparing one method with another, you have to consider the operation as a whole, not just the parts. A tender gives the Government a chance to benefit from a favourable response in the market during the offering period. A fixed-price offer gives no such opportunity.

Q5 What makes you think that 275p is the right price?

A5 The market will determine the 'right' price. The minimum tender price of 275p, at which the offer is underwritten, ensures that the Government will receive at least that price for its shares, and the tender gives the Government the chance to benefit from a favourable response in the market during the offering period.

Q6 Why have you chosen this particular method of tender? Is it not too complicated?

A6 No. It is a conventional common-price tender with just two additional features which are familiar to the market from other issues. These are:-



- (i) The facility for small investors to make applications at the striking price (and the preferential treatment their applications may receive).
- (ii) The possibility of preferential treatment for tender applicants who tender at prices above the striking price.

Both features were successfully employed in the recent Offer for Sale of BP Shares.

- Q7 The striking price will not necessarily be the highest tender price at which sufficient Tender Applications, together with Striking Price Applications, are received in respect of all the Shares now offered for sale. In the event that it were not, would it not reduce the proceeds to the Government?
- A7 The striking price will be set in the light of applications received. The wording is a standard feature of equity tenders.
- Q8 Why may the striking price not be set above the minimum tender price unless Tender Applications at or above the striking price have been received for at least half the ordinary shares now offered for sale?
- A8 This is a protection for striking price applicants against a freak result. It removes the possibility that striking price applicants (ie, small investors) might receive allotments at an unusually high price in the event that there were only a small number of tender applicants.
- Q9 Why are employees guaranteed allotment for up to 1,000 Shares?
- A9 The Government feels it appropriate, when selling Shares in the Company, to offer employees preferential treatment.
- Q10 Why is there no preferential treatment for shareholders?
- A10 This is a secondary market sale, not a rights issue. In a rights issue, the new Shares are offered to existing shareholders so that their shareholding is not diluted. The present sale is a secondary market offer of existing, not new, Shares and there is thus no element of dilution.
- Q11 Why is the guarantee of allotment for employees limited to 1,000 Shares?
- A11 This strikes a reasonable balance between the interests of the employees and those of the wider market. Employees are, of course, free to apply for more shares on forms available to the general public.
- Q12 Why is the guaranteed allotment not extended to foreign employees of the Company?
- A12 Because this would cause formidable legal and logistical problems in the many overseas countries in which the Company operates.



- Q13 Why limit striking price applicants to 1,000 Shares?
- A13 The facility to apply at the striking price was designed to help the small investor.
- Q14 Why cannot applicants submit both Striking Price and Tender Applications?
- A14 Because this would open the facility to apply at the striking price to applicants other than the small investors.
- Q15 Why is the offer for sale on a partly-paid basis?
- A15 This is a standard feature.
- Q16 Why are the Shares being offered cum the interim dividend?
- A16 Because that is the basis on which the Company's Shares are currently trading in the market.
- Q17 Why was the offer for sale underwritten?
- A17 Because the Government needs to be sure of receiving the proceeds in the present financial year.
- Q18 Why has prior sub-underwriting been undertaken?
- A18 This method minimises the cost of the underwriting provided that the vendor has the confidence that the market has sufficient capacity to take the sale.
- Q19 Why have you chosen these underwriters and brokers?
- A19 Apart from Mullens, who are the Government's brokers, they are all firms who have worked with the Company and are thus most familiar with its business.
- Q20 Why is the Bank of England managing the offer?
- A20 The Bank is acting as the Government's agent, as it has done for a number of other Government sales of shares in the secondary market.
- Q21 The offer is described (in our press notice) as being managed by the Bank of England in conjunction with Kleinwort Benson. What does 'in conjunction with' mean?
- A21 The Bank of England is acting as the Treasury's agent. Kleinworts are the Company's merchant bankers. The phrase 'in conjunction with' accurately reflects the respective roles of the Bank of England - responsible for the overall management of the Offer for Sale on behalf of the Government - and Kleinwort Benson - who are acting as issuing house for the Offer.
- Q22 What about the commissions?
- A22 These are normal and are the same as in the offers for sale of BP shares.



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- Q23 What about the expenses?
- A23 Excluding stamp duty and VAT, the expenses are presently estimated at around £6 million. Stamp Duty and VAT are estimated at around a further £6 1/2 million.
- Q24 Why is there no separate offer for sale in the USA?
- A24 The capacity of the market in London is judged to be ample for this Offer. Cable and Wireless shares are not listed in the USA.
- Q25 What is the meaning of the Government's future intentions statement?
- A25 CARE Press offices must stick to the words and not attempt to interpret them. They mean what they say.
- Q26 Is the Government worried that its holding of Cable and Wireless Shares is past the 25% level?
- A26 You must ask the Treasury.
- Q27 Some unsuccessful applicants for the recent BP share sale had their cheques presented even though they were not allocated any shares. Do you expect this to recur in the present Offer for Sale?
- A27 In the BP sale, we tried as far as possible to avoid presenting cheques attaching to unsuccessful applications but in an operation of that size, with around 100,000 applications, it was simply not possible to avoid presenting a few. It happened, however, in only a very few cases. The prospectus for the present Offer states "All cheques are liable to be presented for payment, but presentation of cheques accompanying applications in respect of which no allocation of shares is expected to be made will be avoided as far as is practicable." It is very much our intention to avoid presenting cheques from those applicants who prove to be unsuccessful and we shall be making every effort to avoid doing so. But in the last resort if the volume of applications again proves to be very large, we could not absolutely guarantee that a few such cheques might not be presented: hence the words in the prospectus.