



PRIME MINISTER

Agreed mt

BRITTOIL FLOTATION

We need to take final decisions on the Britoil flotation.

The method of sale has to be settled by the end of this weekend so that the prospectus can be finalised. The price will need to be agreed with the underwriters on Tuesday and I propose to inform the House of the method of sale by a written Parliamentary Answer on that day. Impact Day will be on Wednesday, as we have agreed.

We shall be selling approximately 255 million shares, 51 per cent of Britoil's issued share capital. We have had a first discussion on the price with Warburgs. In a fixed price offer they would be prepared to price the shares at 214p which would yield gross proceeds of £545 million, and they might go up a further 1p or so under this route. They can, I believe, be persuaded to underwrite the minimum price of a tender at 210p per share which would yield gross proceeds of at least £535 million. I intend to press them hard to raise this minimum price to 215p.

I see a strong case for proceeding by a tender with special arrangements for small investors; both to buy shares at the striking price without bidding a specific price in advance, and to receive a bonus of one share in ten if they hold their shares for 3 years.

A fixed price offer would admittedly be more familiar to the market and, in normal circumstances, more likely to tap the fullest range of investors. But even a small misjudgement in the price could lead to an apparent shortfall in the proceeds, representing a substantial sum on an offer of this size (£2½ million for every 1p a share), and so to large profits for the stags.

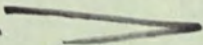
A tender would be novel for an offer of this size, and to an extent more risky. However, the special arrangements for small investors described above should make it attractive. A tender would allow the market to set the price and be seen to do so; and it would give the Government the benefit of any favourable movement in the market during the offer period. Although the minimum price per share might be below what we could obtain in a conventional offer, the proceeds could of course still be greater if the market bids up the price.

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I recommend that we should proceed on the basis of a tender with a minimum price of at least 210p. The Chancellor and the Financial Secretary agree. I would be grateful for your agreement also.

I am copying this minute to the Chancellor of the Exchequer, the Financial Secretary to the Treasury and Sir Robert Armstrong.

S. D. 

Approved by the Secretary of State for Energy
and signed in his absence

5 November 1982

CONQUEROR
LONDON



10 DOWNING STREET

From the Private Secretary

5 November 1982

Energy. HL
CC HMT
Fin Sec's Office
CO.

Dear Julian,

Britoil flotation

The Prime Minister was grateful for your Secretary of State's minute of 5 November. She agrees with his proposal to proceed on the basis of a tender with a minimum price of at least 210p..

I am sending a copy of this letter to John Kerr (H.M. Treasury), David Willetts (Financial Secretary's Office) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Julian West, Esq.,
Department of Energy.

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