

THE TAKEOVER PANEL
REPORT ON THE YEAR ENDED
31 MARCH 1995

THE TAKEOVER PANEL
1994 – 1995 REPORT

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THE PANEL
AS AT 20 JULY 1995

<p>SIR DAVID CALCUTT QC FORMER CHAIRMAN OF THE BAR</p>	<p>CHAIRMAN Appointed by the Governor of the Bank of England</p>	<p>SIR NICHOLAS GOODISON CHAIRMAN, TSB GROUP</p>	<p>President, British Bankers' Association</p>
<p>JOHN F C HULL FORMER CHAIRMAN, J HENRY SCHRODER WAGG & CO</p>	<p>DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England</p>	<p>MARTIN G TAYLOR VICE CHAIRMAN, HANSON</p>	<p>Nominated by Confederation of British Industry</p>
<p>JOHN F GOBLE FORMER SENIOR PARTNER, HERBERT SMITH</p>	<p>DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England</p>	<p>KEITH S WOODLEY FORMER PARTNER, DELOITTE HASKINS & SELLS</p>	<p>President, Institute of Chartered Accountants in England and Wales</p>
<p>SIR CHRISTOPHER BENSON CHAIRMAN, SUN ALLIANCE GROUP</p>	<p>Appointed by the Governor of the Bank of England</p>	<p>CHARLES K R NUNNELEY DEPUTY CHAIRMAN, ROBERT FLEMING HOLDINGS</p>	<p>Chairman, Investment Management Regulatory Organisation</p>
<p>H DENNIS STEVENSON CHAIRMAN, SRU</p>	<p>Appointed by the Governor of the Bank of England</p>	<p>JOHN L WALKER-HAWORTH MANAGING DIRECTOR, SBC WARBURG</p>	<p>Nominated by London Investment Banking Association</p>
<p>ROBERT B JACK FORMER SENIOR PARTNER, MCGRIGOR DONALD</p>	<p>Appointed by the Governor of the Bank of England</p>	<p>ANTONY R BEEVOR EXECUTIVE DIRECTOR, HAMBROS BANK</p>	<p>Chairman, London Investment Banking Association Corporate Finance Committee</p>
<p>JOHN G T CARTER CHIEF EXECUTIVE, COMMERCIAL UNION</p>	<p>Chairman, Association of British Insurers</p>	<p>JOHN KEMP-WELCH FORMER SENIOR PARTNER, CAZENOVE & CO</p>	<p>Chairman, London Stock Exchange</p>
<p>PAUL MYNERS CHAIRMAN, GARTMORE INVESTMENT MANAGEMENT</p>	<p>Chairman, Association of Investment Trust Companies</p>	<p>GEOFFREY M LINDEY HEAD OF UK INSTITUTIONAL INVESTMENT, J P MORGAN INVESTMENT MANAGEMENT</p>	<p>Nominated by National Association of Pension Funds</p>
<p>CLIVE N BOOTHMAN MANAGING DIRECTOR, SCHRODER UNIT TRUSTS</p>	<p>Chairman, Association of Unit Trusts and Investment Funds</p>	<p>THE HON CHRISTOPHER J SHARPLES DIRECTOR, GNI</p>	<p>Chairman, Securities and Futures Authority</p>

THE APPEAL COMMITTEE
AS AT 20 JULY 1995

<p>THE Rt HON SIR MICHAEL KERR FORMER LORD JUSTICE OF APPEAL</p>	<p>CHAIRMAN OF THE APPEAL COMMITTEE Appointed by the Governor of the Bank of England</p>	<p>THE Rt HON SIR CHRISTOPHER SLADE FORMER LORD JUSTICE OF APPEAL</p>	<p>DEPUTY CHAIRMAN OF THE APPEAL COMMITTEE Appointed by the Governor of the Bank of England</p>
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THE PANEL EXECUTIVE
AS AT 20 JULY 1995

*WILLIAM P STAPLE N M Rothschild & Sons	DIRECTOR GENERAL
PETER R FRAZER	DEPUTY DIRECTOR GENERAL
T PETER LEE	DEPUTY DIRECTOR GENERAL
NOEL P HINTON	DEPUTY DIRECTOR GENERAL
SUSAN M GOVIER	SECRETARY
ANTHONY G B PULLINGER	SECRETARY
*JUDITH L SHEPHERD Stephenson Harwood	SECRETARY
*PETER W MUMMERY HSBC Group	ASSISTANT SECRETARY
*CHARLES G WILKINSON Credit Lyonnais Laing	ASSISTANT SECRETARY
*SIMON P ALLPORT Gouldens	ASSISTANT SECRETARY
*HELENA R M Z SKARBK Bank of England	ASSISTANT SECRETARY
*LEONIE S GRIMES Arthur Andersen	ASSISTANT SECRETARY
*DAVID WINTON TSB Group	ASSISTANT SECRETARY
THERESA A SCOTT	ASSISTANT TO THE SECRETARY

* SECONDED

INTRODUCTION TO THE TAKEOVER PANEL

The Takeover Panel is the regulatory body which publishes and administers the City Code on Takeovers and Mergers. It is concerned with takeovers of companies the shares of which are held by the public. The Code is designed to ensure good business standards and fairness to shareholders. Maintaining fair and orderly markets is crucial to this.

The commercial merits of takeovers are not the responsibility of the Panel; these are matters for the companies concerned and their shareholders. Wider questions of public interest are the concern of the governmental authorities in the UK and, in some circumstances, the European Community, through the Office of Fair Trading and the Monopolies and Mergers Commission or the European Commission.

The Panel was set up in 1968 in response to mounting concern about unfair practices. The composition and powers of the Panel have evolved over the years as circumstances have changed, although it remains a non-statutory body.

The essential characteristics of the Panel system are flexibility, certainty and speed, enabling parties to know where they stand under the Code in a timely fashion. It is important that these characteristics should be retained in order to avoid over-rigid rules and the risk of takeovers becoming delayed by litigation of a tactical nature, which may frustrate the ability of shareholders to decide the outcome of an offer. It is the Panel's practice to focus on the specific consequences for shareholders of rule breaches, rather than simply on disciplinary action, with the aim of providing appropriate redress. If the Panel finds there has been a breach, it may have recourse to private reprimand, to public censure, to reporting the offender's conduct to another regulatory authority (for example, the Department of Trade and Industry, the London Stock Exchange, SIB or the relevant SRO or RPB) and/or to requiring further action to be taken, as it thinks fit.

THE PANEL

The Panel draws its membership from major financial and business institutions to ensure a spread of expertise in takeovers, securities markets, industry and commerce. The Panel has the support of the Bank of England, its original sponsor, and the Governor appoints the Chairman, two

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Deputy Chairmen and three independent members, two of whom are industrialists. To ensure that industry is represented at all meetings, many of which have to be arranged at short notice, in recent years a small group of senior industrialists has been appointed to act as alternates to the two industrialist members.

The Panel can be convened at short notice to hear an appeal against an Executive ruling. It also hears disciplinary cases.

THE APPEAL COMMITTEE

There is a right of appeal from the Panel to the Appeal Committee in certain circumstances, particularly where the Panel finds a breach of the Code and proposes to take disciplinary action. An appeal may also be made, in other cases, with leave of the Panel. The Chairman of the Appeal Committee will usually have held high judicial office.

THE EXECUTIVE

The day-to-day work of the Panel is carried out by its Executive, headed by the Director General, usually a merchant banker on secondment. Some of the Executive are permanent, providing an essential element of continuity. They are joined by lawyers, accountants, stockbrokers, bankers and others on two-year secondments.

The Executive monitors takeovers, checking that all actions taken, as well as documents and announcements issued, comply with the Code and keeping a close watch on dealings in relevant securities. The Executive is available for consultation and to give rulings and interpretations before, during and, where appropriate, after takeovers. The Panel encourages early consultation so that problems can be avoided; a major part of the Executive's role is to provide guidance.

Many enquiries about the possible effects of the Code on prospective transactions need a swift response to allow the potential bidders, once an offer has been announced, to meet the Code's strict timetable.

CHAIRMAN'S STATEMENT

The number of bids last year was up by one-third compared with the previous year. The Executive has therefore had a busy year and the Panel has also had to consider, on appeal, a number of important issues. The year saw the largest successful takeover in the UK's history, Glaxo's takeover of Wellcome.

The Panel's overall structure of the Executive, the Panel and the Appeal Committee continues, as it has for many years, to work well. It is a tribute to the Executive that the overwhelming majority of its decisions are not challenged. But it is important that it should always be open to a party to appeal a decision of the Executive to the Panel. There is rarely an appeal from a ruling of the Panel, but the knowledge that, in appropriate cases, an appeal to the Appeal Committee is available is also important. Last year the Panel heard six appeals from rulings by the Executive, of which one was successful. One appeal was heard by the Appeal Committee which was not successful.

The Executive has been reviewing the merits of having a mechanism to deal with preliminary procedural matters in cases that come before the Panel. In order to provide a convenient means of establishing appropriate procedures in a case where these cannot otherwise be settled, the Panel has agreed, in principle, that it would be sensible to give power to the Chairman (or one of the Deputy Chairmen), sitting alone, to give such directions as are considered appropriate. There would be a right of appeal against any such directions to the Chairman (or the Deputy Chairman) of the Appeal Committee.

I am delighted that the Securities and Investments Board has endorsed the Code for the purposes of Principle 3 of its Statements of Principle. SIB's Statements of Principle under the Financial Services Act 1986 provide a general statement of standards to be met by all authorised persons. Principle 3 (Market Practice) requires authorised persons to comply with any code or standard (as in force from time to time), to the extent endorsed for the purposes of the Principle, including rulings which may be made under it. The Panel will remain the arbiter of whether there has been a breach of the Code or not and action may only be taken by SIB, an SRO or an RPB for breach of the Code at the request of the Panel.

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The Panel continues to have good relations with other regulators in the UK, whose fields of activity have relevance to the work of the Panel. Mutual exchange of information and general co-operation amongst regulators is as important now as it has ever been.

At the international level the Panel is, from time to time, in touch with most of the leading foreign regulatory bodies in this field. Once again, mutual help and intelligence can be of great benefit, particularly as an increasing number of transactions covered by the Code have an international dimension. The Director General, in his Report, mentions that last year there were three hostile bids for UK companies where the offer document was also posted to US shareholders. Because of dual jurisdiction, such offers present considerable practical problems. However, as a result of our discussions with the Securities and Exchange Commission over many years, most of the regulatory difficulties of such offers have been resolved.

Finally, it is sad to record the death, last year, of Sir Alexander Johnston, who was Deputy Chairman of the Panel from 1970 to 1983. Over this long and vital period in the development of the Panel and the Code Sir Alexander made a major contribution in every aspect of the Panel's affairs.

SIR DAVID CALCUTT QC
20 JULY 1995

**REPORT BY THE
DIRECTOR GENERAL**

There were more takeover or merger proposals published in the year to 31 March 1995 as compared with the previous year – 108 against 81. The number of detailed consultations on cases which did not lead to published takeover or merger proposals, but resulted in significant work for the Executive, was 201 as compared with 340 last year (but that figure exceptionally included examination of 116 BES prospectuses).

INDEPENDENT ADVICE

Rule 3 requires the board of an offeree company, and in certain circumstances the board of an offeror company, to obtain competent independent advice on any offer, and to make the substance of such advice known to its shareholders. The Panel has always regarded it as of paramount importance that the adviser should be sufficiently independent so that its advice should be objective beyond question.

A prospective adviser to an offeree company might not be considered sufficiently independent, for example, if it has had a recent advisory role with the offeror or has a very close advisory relationship with a large shareholder in the offeree company. The precise circumstances of every case will be different, links may be economic or advisory and sometimes quite a fine judgment will have to be made. The views of the offeree company's board will always be an important factor. The Panel strongly recommends early consultation with the Executive in any case where the independence of an adviser could be in doubt.

The independent adviser will be closely involved in the preparation of the document containing the board's views and advice on an offer, and the adviser's association with that advice should be clearly demonstrated. The independent adviser plays a very important part in assisting the board in presenting its views and should ensure that the board circulates full information and reasoned arguments to its shareholders. Where there is any divergence of view between the board and its independent advisers as to the merits of an offer, or as to any recommendation being made, it is important that shareholders should be aware of this and be given an explanation for it.

RULE 11

During the Enterprise Oil offer for LASMO, there was a certain amount of comment about the purchase by Enterprise of LASMO shares during the last few days of the offer.

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When an offeror purchases shares during an offer period, two Rules of the Code in particular are relevant. First, Rule 6, in a securities exchange offer, restricts the price which an offeror can pay for offeree company shares to the see-through price calculated on the basis of the value of the offeror's consideration securities at the time the purchases are made. The objective of the Rule is to ensure that those shareholders who choose to sell to an offeror do not receive a higher consideration for their shares than those who accept the offer. It is therefore the value of the offer consideration which determines the price at which an offeror can purchase offeree company shares rather than, for example, the prevailing market price of such shares. Secondly, Rule 11 ensures that an offeror which purchases, for cash, 10% or more of offeree company shares should offer a cash alternative to the remaining holders. Enterprise purchased less than 10% and was therefore not under an obligation to provide a cash alternative. However, as the offeror bought LASMO shares at significantly above their market price and the offer never became unconditional, there was some concern.

The Executive considered whether there was a case for altering the application of Rule 11. During its consideration the Executive held a number of discussions with interested parties. There was general acceptance that offerors offering shares as consideration should be permitted limited buying freedom during an offer. It was also acknowledged that total equality of treatment would require that such offerors be prohibited from purchasing any shares during an offer but it was agreed that this was not justified. Even if such an approach were adopted the offeror would still be able to purchase shares until the day before the offer. Accordingly, the Executive recommended to the Panel that there should be no change in the approach to Rule 11, a view endorsed by the Panel.

OFFERS TO US SHAREHOLDERS IN UK OFFEREE
COMPANIES

There appears to be an increasing tendency to structure offers so that they can be made to US as well as UK shareholders in UK offeree companies. As markets become more international and as the shareholder base of UK companies becomes geographically more widespread, this tendency is likely to continue. The first case of a dual UK and US offer, of which the Panel is aware, was the agreed offer by Ford for Jaguar in 1989. During the last year there were three hostile offers (Enterprise's offer for LASMO, BFI's offer for Attwoods and Glaxo's offer for Wellcome) where the offer document was posted to US shareholders.

Such offers present additional obstacles to parties in that there are certain significant differences between the Code and US legal and regulatory requirements regarding offers. The areas of difference include certain timing requirements, provisions on withdrawal rights and methods of acceptance. Since 1989 the Panel and the Securities and Exchange Commission ("SEC")

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have held discussions to try to resolve the various conflicts that exist between the two systems. These discussions have been very fruitful and, although not all points have been fully resolved, a reasonable *modus vivendi* has been established. This is evidenced by the three recent hostile offers mentioned above. The Panel has a continuing dialogue with the SEC to try to ease the conduct of such offers.

The Panel strongly recommends early consultation with the Executive (even on a no names basis) in any case where an offeror proposes to make an offer available to US shareholders. It is an area where practice is constantly evolving and developing, often following further discussions with the SEC, and it is therefore difficult to set down precise guidelines. For this reason it is unwise to rely totally on the approach adopted in the documentation prepared in previous offers. Prior consultation will enable the Executive to offer up-to-date guidance on the appropriate method of dealing with these additional complexities.

THE TAKEOVER DIRECTIVE

It is understood that the European Commission is preparing a revised draft of the proposed Thirteenth Company Law Directive to take account of views expressed by Member States in a recent questionnaire. While the Panel has not seen the revised text (which might be less detailed than the previous draft), it remains concerned that the adoption of any directive in the area of takeover regulation, whether detailed or not, and its subsequent implementation in the United Kingdom, runs the risk of having an adverse impact on the operations of the Panel. The Panel continues to discuss its concerns with the Department of Trade and Industry and with other Member States.

EIS COMPANIES

The Enterprise Investment Scheme (“EIS”) was introduced in 1993 as the successor to the Business Expansion Scheme (“BES”) which ended in the same year.

The Code’s likely application to BES companies was well publicised. Practitioners should note that the Code is equally likely to apply to EIS companies.

As with BES companies the Executive has had to consider the application of the Code to EIS companies which include what are known as “contracted exit” arrangements. Typically the business and assets acquired by the EIS company are subject to a put and call option with the vendors providing for the re-purchase of the business and assets at a fixed price at the end of the EIS 5-year holding period which may be effected by a purchase of the shares of the EIS company. Under EIS rules it is not possible to make any binding contractual arrangements at the outset with regard to a purchase of shares. However, a share purchase may prove more attractive to shareholders.

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In order to ensure acceptance of a “contracted exit” share offer, if one is made, there will usually be arrangements binding the shareholders to accept such an offer either pursuant to an express contract or through the articles of association.

Where it has been consulted in advance, the Executive will usually be prepared to agree to the disapplication of the Code in respect of a “contracted exit” share offer, provided that the identity of the offeror, the price at which the offer will be made and the time at which the offer will be made are all predetermined from the outset and clearly set out in the prospectus. Waivers can only be granted where the financial return to the investor is pre-ordained and where, therefore, there is no issue of valuation for the investor to decide. The fact that a waiver has been granted in respect of a “contracted exit” share offer must be prominently stated in the prospectus. In all other respects when the Code applies to an EIS company it will be applied in the usual way.

TRADEPOINT

It appears likely that Tradepoint will come into operation in the near future. It has been developed as an automated order-driven system for trading securities and has been granted Recognised Investment Exchange status by the SIB. Tradepoint will provide a new market place which will not be part of the London Stock Exchange.

While it cannot be predicted how much activity will take place through Tradepoint, it is possible that there will be a significant number of dealings. It is therefore important for the Panel to be in a position to monitor transactions so as to ensure that the Code’s disclosure requirements and other market-related rules are properly observed. The Executive has had various discussions with Tradepoint about this subject during the last year or so.

The Panel’s market surveillance unit, which was set up in 1987 and which monitors dealings in relevant securities, will receive details of Tradepoint transactions. The surveillance unit will also monitor activity through Tradepoint on a real-time basis. The unit will liaise closely with Tradepoint to ensure that these arrangements achieve a satisfactory result in practice.

The contract note levy, which applies to dealings on the London Stock Exchange, will also apply to Tradepoint transactions.

CREST

The impact of electronic share settlement will require amendments and additions to the Code relating to the validity of acceptances and purchases. Offerors operating in an uncertificated environment will still need to be satisfied that the vendors are entitled to sell holdings of securities and that acceptors are in a position to accept. Similarly, the Panel expects offerors’ receiving

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agents to be in a position to provide offerors with accurate information about the result shortly after the close of the offer.

To this end, the Executive has participated in a number of meetings of CREST working parties, chaired by the Bank of England, and has had discussions with other relevant bodies. Draft amendments to the Code are being prepared for consideration by these bodies and Panel members. The amendments are intended to be as straightforward as possible and are generally designed to replicate the approach already in use for certificated holdings. The latter will obviously continue to apply for holdings which have not been dematerialised. The Executive believes that it will be necessary for acceptors of dematerialised stock to continue to complete an acceptance form while proof of ownership will be provided electronically to the offeror's receiving agent.

The detailed amendments and additions to the Code will be published in due course.

ACCOUNTS

In the year to 31 March 1995 income from document fees was £1,889,500 as compared with £1,208,000 in 1994; the contract note levy produced £2,679,841 against the 1994 figure of £4,660,899. Expenditure was approximately in line with 1994, in spite of carrying out the first stage of a computer network replacement programme.

The Panel's aim is to have a sufficient surplus to cope with a sudden sharp drop in income or an unexpected major expense. However, it is important that a surplus above a reasonably prudent level is not allowed to accumulate. With this in mind, the contract note levy was halved with effect from 1 October 1994. Because this reduction coincided with an increased level of takeover activity, it has not been sufficient to reduce the surplus so far. When next year's accounts are available it will be possible to assess the effect of the reduction over an 18 month period and it may then be appropriate to reduce the levy again.

William P Staple

20 July 1995

STATISTICS

The Panel held six meetings to hear appeals against rulings by the Executive. One appeal was successful. One appeal was heard by the Appeal Committee. It was not successful.

There were 108 (year ended 31 March 1994 – 81) published takeover or merger proposals of which 106 (81) reached the stage where formal documents were sent to shareholders. These proposals were in respect of 100 (79) target companies.

33 (24) offers were not recommended at the time the offer document was posted. 24 (17) of these remained unrecommended at the end of the offer period, of which 7 (8) lapsed.

12 (10) offers were, at the time of their announcement, mandatory bids under Rule 9.

A further 16 (5) cases, which were still open at 31 March 1995, are not included in these figures.

The Executive was engaged in detailed consultations in another 201 cases (340 – this exceptionally included examination of 116 BES prospectuses) which either did not lead to published proposals, were waivers of the Code's requirements in cases involving very few shareholders or were transactions, subject to approval by shareholders, involving controlling blocks of shares.

	1994-1995	1993-1994
OUTCOME OF PROPOSALS		
Successful proposals involving control (including schemes of arrangement)	75	57
Unsuccessful proposals involving control (including schemes of arrangement)	11	11
Proposals withdrawn before issue of documents (including offers overtaken by higher offers)	2	–
Proposals involving minorities, etc	20	13
	108	81

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**ACCOUNTS FOR THE YEAR ENDED
31 MARCH 1995**

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	NOTE	1995 £	1994 £
INCOME			
Contract note levy		2,679,841	4,660,899
Document fees		1,889,500	1,208,000
City Code sales		29,370	107,490
Other income		3,655	6,177
		<u>4,602,366</u>	<u>5,982,566</u>
 EXPENDITURE			
Personnel costs and Panel members' fees		2,569,864	2,535,940
Accommodation costs		764,371	787,189
Other expenditure		532,555	546,109
		<u>3,866,790</u>	<u>3,869,238</u>
 SURPLUS BEFORE INTEREST AND TAXATION			
		735,576	2,113,328
Interest receivable		219,359	104,593
Taxation	2	(54,839)	(27,915)
		<u>900,096</u>	<u>2,190,006</u>
 ACCUMULATED SURPLUS			
AT BEGINNING OF YEAR		4,623,735	2,433,729
		<u>5,523,831</u>	<u>4,623,735</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>5,523,831</u></u>	<u><u>4,623,735</u></u>

All activities are regarded as being continuing.

The Panel on Takeovers and Mergers has no recognised gains and losses other than the income and expenditure shown above and therefore no statement of total gains and losses has been presented.

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BALANCE SHEET
AT 31 MARCH 1995

	NOTES	1995 £	1994 £
CURRENT ASSETS			
Debtors and prepayments	4	555,376	1,547,312
Bank and cash		5,194,773	3,258,662
		<u>5,750,149</u>	<u>4,805,974</u>
CURRENT LIABILITIES			
Creditors and accruals	5	168,759	154,324
Corporation tax		51,452	24,891
		<u>220,211</u>	<u>179,215</u>
NET CURRENT ASSETS			
Deferred tax	6	(6,107)	(3,024)
Net assets		<u>5,523,831</u>	<u>4,623,735</u>
Representing:			
ACCUMULATED SURPLUS		<u>5,523,831</u>	<u>4,623,735</u>

The accounts on pages 16 to 20 were approved by the Finance Committee on 27 June 1995 and signed on behalf of the Members by:

SIR DAVID CALCUTT QC

The Chairman, Panel on Takeovers and Mergers

JOHN HULL

The Chairman, Finance Committee

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CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1995

	NOTES	1995 £	1994 £
Net cash inflow from activities	7	<u>1,754,457</u>	<u>1,503,277</u>
Returns on investments and servicing of finance			
Interest received		<u>206,849</u>	<u>99,562</u>
Net cash inflow from returns on investments and servicing of finance		<u>206,849</u>	<u>99,562</u>
Taxation			
UK corporation tax paid		<u>(25,195)</u>	<u>(21,606)</u>
Increase in cash	8	<u><u>1,936,111</u></u>	<u><u>1,581,233</u></u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- a) The accounts have been prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards in the United Kingdom.
- b) All expenditure of a capital nature is written off in the year in which it is incurred.
- c) Income and expenditure is accounted for on an accruals basis.
- d) Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

	1995	1994
	£	£
2. TAXATION		
UK corporation tax payable on interest income received at the rate of 25% (1994 – 25%)		
Current	51,756	24,891
Deferred	<u>3,083</u>	<u>3,024</u>
	<u><u>54,839</u></u>	<u><u>27,915</u></u>

Following discussions with the Inland Revenue, agreement was reached in 1991 to the effect that the Panel is not carrying on a trade and that consequently no tax liability arises on the accumulated surpluses. Corporation tax continues to be payable on investment income.

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NOTES TO THE ACCOUNTS *continued*

3. BUSINESS RATES REFUND

The Panel pays rates to the Corporation of London based on an apportionment of business rates for the whole Stock Exchange building in which the Panel is a tenant. Following a reassessment of the basis for this apportionment, the Panel is likely to receive a rebate in respect of rates in the year ending 31 March 1996. This income will be included in the accounts in the year in which it is received.

	1995	1994
	£	£
4. DEBTORS AND PREPAYMENTS		
Contract note levy accrued income	475,000	1,500,000
Document fees	6,000	2,000
Interest receivable	24,606	12,096
Other debtors and prepayments	49,770	33,216
	555,376	1,547,312
	1995	1994
	£	£
5. CREDITORS AND ACCRUALS		
Personnel costs and Panel members' fees	108,687	89,525
Legal and professional fees	19,011	21,908
Other creditors and accruals	41,061	42,891
	168,759	154,324
	1995	1994
	£	£
6. DEFERRED TAXATION		
In respect of short term timing differences:		
Provision at 1 April	3,024	–
Charge for year	3,083	3,024
	6,107	3,024
Provision at 31 March		
	1995	1994
	£	£
7. RECONCILIATION OF SURPLUS TO NET CASH INFLOW FROM ACTIVITIES		
Surplus before interest and taxation	735,576	2,113,328
(Increase)/decrease in debtors and prepayments	1,004,446	(599,408)
Increase/(decrease) in creditors	14,435	(10,643)
	1,754,457	1,503,277

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NOTES TO THE ACCOUNTS *continued*

	1995	1994			
8. CASH AND CASH EQUIVALENTS	£	£			
a) CHANGES DURING THE YEAR					
Balance at 1 April	3,258,662	1,677,429			
Net cash inflow	1,936,111	1,581,233			
Balance at 31 March	5,194,773	3,258,662			
b) ANALYSIS OF BALANCES					
Cash at bank and in hand	5,194,773	1,936,111	3,258,662	1,581,233	1,677,429

REPORT OF THE AUDITORS TO THE MEMBERS OF THE PANEL ON TAKEOVERS AND MERGERS

We have audited the accounts on pages 16 to 20.

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

As described on page 21 the Panel Members are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Panel Members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Panel's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts present fairly, on the basis set out in Note 1, the state of affairs of The Panel on Takeovers and Mergers at 31 March 1995 and of its surplus and cash flows for the year then ended.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors, London
27 June 1995.

THE TAKEOVER PANEL
1994 – 1995 REPORT

STATEMENT OF PANEL MEMBERS' RESPONSIBILITIES

The Panel Members have determined that accounts should be prepared for each financial year that present fairly the state of affairs of the Panel as at the end of the financial year and of its surplus or deficit for that period.

The Panel Members confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 March 1995. The Panel Members also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The Panel Members are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the Panel and to prevent and to detect fraud and other irregularities.

THE TAKEOVER PANEL
1994 – 1995 REPORT

**STATEMENTS ISSUED BY THE PANEL
DURING THE YEAR
ENDED 31 MARCH 1995**

1994

25 May	1994 / 3	ENTERPRISE OIL – LASMO <i>(Clarification following statement in press)</i>
3 June	1994 / 4	ENTERPRISE OIL – LASMO <i>(Standards which parties to takeovers should observe in making statements in documents)</i>
17 June	1994 / 5	APPOINTMENT OF JUDITH SHEPHERD AS SECRETARY <i>(Panel Executive appointment)</i>
28 July	1994 / 6	CHILTERN RADIO – CAPITAL RADIO – DAILY MAIL AND GENERAL TRUST – GWR GROUP <i>(Concert party investigation)</i>
5 August	1994 / 7	SERVICE CORPORATION INTERNATIONAL – GREAT SOUTHERN GROUP <i>(Extension of offer timetable following “talks” announcement)</i>
10 August	1994 / 8	SERVICE CORPORATION INTERNATIONAL – GREAT SOUTHERN GROUP – THE LOEWEN GROUP <i>(Competitive situations and reliance upon a “no increase” statement)</i>
14 December	1994 / 9	S G WARBURG GROUP – MORGAN STANLEY GROUP – MERCURY ASSET MANAGEMENT GROUP <i>(MAM put into an offer period as a precautionary measure)</i>

1995

3 March	1995 / 1	SWISS BANK CORPORATION – TRAFALGAR HOUSE – NORTHERN ELECTRIC <i>(Entry into and operation of contracts for differences)</i>
7 March	1995 / 2	THE BRITISH LAND COMPANY – STANHOPE PROPERTIES <i>(Application of the “chain principle”)</i>
15 March	1995 / 3	TRAFALGAR HOUSE – NORTHERN ELECTRIC <i>(Executive ruling regarding second offer within 12 months of first)</i>
17 March	1995 / 4	TRAFALGAR HOUSE – NORTHERN ELECTRIC <i>(Panel hearing regarding second offer within 12 months of first – holding announcement)</i>
17 March	1995 / 5	TRAFALGAR HOUSE – NORTHERN ELECTRIC <i>(Panel hearing regarding second offer within 12 months of first – full statement)</i>

For details of how to obtain copies of the Code, Panel Statements and Annual Reports contact:

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P O Box No 226, The Stock Exchange Building,
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