

THE TAKEOVER PANEL
REPORT AND ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2005

CONTENTS

PANEL MEMBERS AND EXECUTIVE.....	4
INTRODUCTION TO THE TAKEOVER PANEL.....	6
CHAIRMAN'S STATEMENT.....	8
THE CODE COMMITTEE	10
REPORT BY THE DIRECTOR GENERAL.....	13
STATISTICS.....	15
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005	16
STATEMENTS ISSUED BY THE PANEL.....	22
STATEMENTS ISSUED BY THE CODE COMMITTEE	24

THE TAKEOVER PANEL
2004-2005 REPORT

THE PANEL

AS AT 14 JULY 2005

PETER SCOTT QC	CHAIRMAN Appointed by the Governor of the Bank of England	G MARK POWELL CHAIRMAN, RATHBONE INVESTMENT MANAGEMENT	Chairman, Association of Private Client Investment Managers and Stockbrokers
JOHN L WALKER-HAWORTH MANAGING DIRECTOR, INTEGRATED FINANCE	DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England	SIR PETER MIDDLETON FORMER CHAIRMAN, BARCLAYS GROUP	President, British Bankers' Association
ANTONY R BEEVOR FORMER SENIOR ADVISER, INVESTMENT BANKING, SOCIETE GENERALE	DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England	MICHAEL J OLIVER COMPANY SECRETARY, BOOTS GROUP	Nominated by Confederation of British Industry
ANTONY P HICHENS CHAIRMAN, D S SMITH	Appointed by the Governor of the Bank of England	J IAN MORRIS PARTNER, MORRIS & CO	President, Institute of Chartered Accountants in England and Wales
SIR DAVID LEES CHAIRMAN, TATE & LYLE	Appointed by the Governor of the Bank of England	SIMON DAVIES CHIEF EXECUTIVE, THREADNEEDLE ASSET MANAGEMENT	Chairman, Investment Management Association
SIR WILLIAM MORRIS FORMER GENERAL SECRETARY, THE TRANSPORT AND GENERAL WORKERS UNION	Appointed by the Governor of the Bank of England	DAVID J CHALLEN VICE CHAIRMAN, EUROPEAN INVESTMENT BANK, CITIGROUP	Nominated by London Investment Banking Association
SIR IAN ROBINSON CHAIRMAN, HILTON GROUP	Appointed by the Governor of the Bank of England	SIMON P DINGEMANS MANAGING DIRECTOR, GOLDMAN SACHS	Chairman, London Investment Banking Association Corporate Finance Committee
KEITH SATCHELL GROUP CHIEF EXECUTIVE, FRIENDS PROVIDENT	Chairman, Association of British Insurers	ALAN C D YARROW VICE CHAIRMAN, DRESDNER KLEINWORT WASSERSTEIN	Chairman, London Investment Banking Association representing its Securities Trading Committee
ALEX HAMMOND-CHAMBERS CHAIRMAN, ALEX HAMMOND-CHAMBERS	Chairman, Association of Investment Trust Companies	KENNETH E AYERS CONSULTANT, RUSSELL INVESTMENT GROUP	Nominated by National Association of Pension Funds Investment Council

Sir Brian Stewart, Chairman of Scottish & Newcastle, and J Martin Taylor, International Adviser, Goldman Sachs are alternates to Antony Hichens, Sir David Lees and Sir Ian Robinson.

THE APPEAL COMMITTEE

AS AT 14 JULY 2005

THE RT HON SIR ANDREW LEGGATT FORMER LORD JUSTICE OF APPEAL	CHAIRMAN OF THE APPEAL COMMITTEE Appointed by the Governor of the Bank of England	THE RT HON SIR MARTIN NOURSE FORMER LORD JUSTICE OF APPEAL	DEPUTY CHAIRMAN OF THE APPEAL COMMITTEE Appointed by the Governor of the Bank of England
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THE PANEL EXECUTIVE

AS AT 14 JULY 2005

*RICHARD A MURLEY GOLDMAN SACHS	DIRECTOR GENERAL
NOEL P HINTON	DEPUTY DIRECTOR GENERAL
ANTHONY G B PULLINGER	DEPUTY DIRECTOR GENERAL
CHARLES M CRAWSHAY	ASSISTANT DIRECTOR GENERAL
*SELINA S SAGAYAM SIMMONS & SIMMONS	SECRETARY
*NICKY S WICKREMA ERNST & YOUNG	ASSISTANT SECRETARY
*ROBERT E ADAM BAKER & MCKENZIE	ASSISTANT SECRETARY
*DIPIKA SHAH MERRILL LYNCH	ASSISTANT SECRETARY
*JONATHAN M AINSWORTH PRICEWATERHOUSECOOPERS	ASSISTANT SECRETARY
*SUZANNE E CHAMBERS BDO STOY HAYWARD	ASSISTANT SECRETARY
*DAVID A JONES ASHURST	ASSISTANT SECRETARY
*DAVID W BAXTER KPMG	ASSISTANT SECRETARY
JANE M TAYLOR	MANAGER, SUPPORT GROUP
LEE M MANN	MANAGER, MARKET SURVEILLANCE UNIT
CRAIG G ANDREWS	DEPUTY MANAGER, MARKET SURVEILLANCE UNIT
SUSAN POWELL	MANAGER, EXEMPT GROUPS UNIT
BARBARA A MUSTON	CODE REVISION
ANTONIA F STEWART	CODE REVISION
JOHN A DOVEY	CODE REVISION

*SECONDED

INTRODUCTION TO THE TAKEOVER PANEL

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

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 Competition Commission or the European Commission.

The Panel was set up as a non-statutory body 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.

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. These characteristics are important 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 and to reporting the offender's conduct to another regulatory authority (for example, the Department of Trade and Industry or the Financial Services Authority), as it thinks fit.

THE PANEL

The Panel draws its membership principally from major financial and business institutions who nominate 11 members which ensures a spread of expertise in takeovers, securities markets, industry and commerce. The Panel has benefitted since its inception from the support of the Bank of England and the Governor appoints the Chairman, the Deputy Chairmen and four independent members.

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

THE CODE COMMITTEE

The role of the Code Committee is to keep under review and, where appropriate, put forward, consult upon and make amendments to the substantive provisions (such as the General Principles and Rules) of the Code and the Rules Governing Substantial Acquisitions of Shares ("SARs"). Members of the Code Committee are appointed by the Panel.

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 and his deputy will usually have held high judicial office. The Chairman and Deputy Chairman are appointed by the Governor of the Bank of England.

THE EXECUTIVE

The Executive is headed by the Director General, usually an investment banker on secondment. Some of the Executive are permanent, providing an essential element of continuity. They are joined by lawyers, accountants, stockbrokers, investment 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 keeps 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 and in some cases requires 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 Director General's report describes the progress towards implementation of the Takeovers Directive. The support shown by the Government in its Consultative Document for the Panel's independence and for a future regime which maintains the speed, flexibility and certainty of the existing system has been welcome; we understand that the comments from responding parties also support the proposed approach. We will be working to ensure that the policy outlined in the Consultative Document is ultimately adopted in the legislation.

The number of bids in the year fell nearly to the levels seen in 2001/2 and 2002/3. We have now witnessed four consecutive years of activity at levels of less than half those achieved in the very busy period either side of the millennium. There is no sign that this now established pattern will change, although the future level of activity remains as hard as ever to predict. The number of appeals heard by the Panel from decisions of the Executive has also remained low (there were three during the year). This, I believe, reflects in particular the relatively low level of hostile or competitive bids in recent years, as well as the fairly settled nature of a number of the key provisions in the Code.

However, the trend towards offers being announced at a preliminary stage has continued. There has been much comment about the increased incidence of so-called "virtual bids". Early announcements of possible offers are made for a variety of reasons, but a leak, or a fear of leaks, is often a factor. Leaks are a source of great concern to the Panel and the Executive cooperates with the Financial Services Authority to facilitate its investigation of possible insider dealing and other market abuse. Parties may also have other reasons for an early announcement, for example to allow due diligence to take place or to allow other issues (such as obtaining clearances or authorisations) to be resolved. In future the need for parties to negotiate with pension fund trustees and to fulfil their obligations under the Information and Consultation Directive will further add to the likelihood of early announcements. The Code has been developed to cater for the rise in possible offer announcements, both through the introduction of the "put up or shut up" provision and through the regulation of statements made by potential offerors and the regime applicable to pre-conditions.

The Code Committee has had a busy year, focussing on reform and updating of the market-related provisions in the Code. In particular, the proposed reforms of the regime for disclosure of interests held through derivatives and options have received much attention and have been widely welcomed. The proposed changes provide a good illustration of how the Code is able to keep pace with market developments, and to ensure that fair and transparent markets are maintained. Donald Brydon and his colleagues have dealt, and continue to deal, with an unprecedented volume of complex issues and I am very grateful for their efforts.

I am conscious that the Code Committee is only one of a number of organisations which publishes detailed consultation documents which have to be considered by industry bodies and others in the market. The load these bodies bear is significant and I thank them for the care and professionalism which they bring to their responses. Although the task is heavy, the responses are highly valued and improve the ultimate result.

An important part of the Panel's activities involves cooperation with the FSA. This extends beyond investigating potential instances of insider dealing to looking into wider issues of market abuse and we have built a close and constructive working relationship in the period since N2 in 2001. It is a priority for the Panel to ensure that the FSA is fully informed and supported by the Executive in those areas of bid activity where the FSA also has responsibilities for enforcement. Considerable efforts are devoted by the Executive to ensure that this is in fact the case. Our two organisations also work closely together on the way in which the range of Directives which come out of Brussels should be implemented in the field of takeovers. Apart from the Takeovers Directive itself, each of the Market Abuse, Prospectus and Transparency Obligations Directives will have implications for the regulation of takeovers.

A sad event during the year was the death of my predecessor, Sir David Calcutt. David chaired the Panel during a period of intense bid activity. He led the organisation with a characteristic blend of firmness and wisdom and did much to enhance the authority of the Panel in a series of challenging cases.

Lastly, I would like as ever to thank the Executive for its work during the year. The tasks during the period were varied and included dealing with an abnormal proportion of non-case related issues, in particular the major issues which are presented by implementation of the Takeovers Directive. I am grateful for the hard work and thought which the entire team has contributed.

A handwritten signature in black ink that reads "Peter Scott." The signature is written in a cursive, slightly slanted style.

PETER SCOTT QC
14 July 2005

THE CODE COMMITTEE

AS AT 14 JULY 2005

DONALD BRYDON	CHAIRMAN, CHAIRMAN	AXA INVESTMENT MANAGERS
CHRIS CHEETHAM	GLOBAL CHIEF INVESTMENT OFFICER, HSBC ASSET MANAGEMENT	
JOHN D COOMBE	FORMER CHIEF FINANCIAL OFFICER, GLAXOSMITHKLINE	
HEYDAR KAHNAMOUYIPOUR	FORMER MANAGING DIRECTOR, UBS INVESTMENT BANK	
ALAN D PAUL	PARTNER, ALLEN & OVERY	
THOMAS M ROSS	DIRECTOR, ROYAL LONDON MUTUAL INSURANCE SOCIETY	
CHRISTOPHER SMITH	MANAGING DIRECTOR, CORPORATE FINANCE JP MORGAN CAZENOVE	

CHAIRMAN OF THE CODE COMMITTEE'S STATEMENT

It is the role of the Code Committee to keep the Code and the SARs under review and to consider, consult on and make amendments as appropriate. Such amendments might arise from a specific experience, from market developments or from the particular concerns of those operating within the markets. During this past year, the work of the Committee has been largely dominated by market developments and the concerns arising from them.

The Committee met eight times during the year and published three new Public Consultation Papers ("PCPs") and three Response Statements ("RSs"). The Code has been amended to reflect the results of these consultation exercises. The Committee has also approved minor technical amendments during the year.

It is the Committee's practice, once it has agreed that an issue should be pursued, to delegate preparation of a draft PCP to the Executive, which consults as appropriate with parties who have a particular interest or relevant expertise in the subject matter. Once the Committee has approved the PCP, it is published and made available on the Panel's website. Consultation periods are normally between six and eight weeks, but may be longer if the subject is particularly complex. The Committee will then reach conclusions taking account of all responses to the PCP and those conclusions are published, with the final Code amendments, in a Response Statement. On occasion, the Committee may decide, in the light of responses received, to vary this procedure by consulting further on a particular matter before publishing a final Response Statement. Each RS is also available on the website. A full list of the PCPs and RSs published during the year can be found on page 24.

The Committee's first publication of the year was PCP 2004/3 which addressed a number of market-related issues concerning the treatment in the Code and the SARs of dealing activities of persons during the course of an offer. In particular, it addressed: dealings by principal traders and fund managers and the relaxations of the usual

presumptions of concertedness that apply when a principal trading or fund management operation is part of the same group as a party, or an adviser to a party to a Code transaction; the application of the disclosure requirements of Rule 8 of the Code to certain dealings; the application of the definitions of 'acting in concert' and 'associate' in certain situations; and the procuring by an offeror or offeree company of irrevocable commitments and letters of intent and the making of statements of shareholder support. A number of other miscellaneous matters relating to dealing activities were also discussed, including in particular the treatment in the Code of stock borrowing and lending.

There was broad support for most of the proposals in the PCP but a few proved to be controversial and the Executive carried out further consultations with interested parties, in the light of which the Committee made amendments to its original proposals, particularly as regards presumptions of concertedness. The Committee also adopted a number of other clarifying changes to its proposals in the light of comments made and published its full response in RS 2004/3 in March 2005. The Committee delayed the implementation of the Code amendments arising from this consultation by approximately six weeks, in order to give practitioners time to familiarise themselves with the detailed technical changes.

Early in August, the Committee published its conclusions on the responses to PCPs 2004/1 and 2004/2, which had addressed problems relating to announcements of possible offers. PCP 2004/1 had made proposals for Rules explicitly permitting an offeree company to request that the Panel set a time limit for a potential offeror to clarify its intentions (ie to 'put up or shut up') and laying restrictions on those potential offerors who choose to make a 'no intention to bid' statement. Respondents were in general supportive of the proposals but made certain suggestions that led the Committee to conclude that some adjustments should be made. PCP 2004/2 addressed the implications for potential offerors of including in possible offer announcements specific information about the terms on which an offer might be made. Respondents supported these proposals overall. The Committee's conclusions on the results of both consultation exercises were published as RS 2004/1 and RS 2004/2 and the Code was amended at the same time.

The Committee followed up, later in August, with the publication of PCP 2004/4, relating to the invocation of offer conditions and pre-conditions and the inclusion of pre-conditions in the announcements of both possible and firm offers. In this PCP the Committee also took the opportunity to reconsult on the issue of offeree protection conditions, following reflection on some difficult issues that had arisen from the first round of consultation on this subject in PCP 15, in July 2003. There was general support from respondents for all these proposals, although some felt that the Code should be more flexible about the type of pre-conditions that might be permitted in a firm offer announcement. After considering these views, the Committee confirmed its view that pre-conditions should normally be permitted in only very limited circumstances. It did, however, make some changes to reflect other concerns of respondents and its conclusions were published in RS 2004/4 in April 2005, at which time the Code and the SARs were amended to reflect the changes arising both from this RS and from RS 2004/3.


In January, the Committee embarked upon the first stage of a major consultation on the subject of dealings in derivatives and options by parties to an offer and their concert parties and by other market participants. The volume of such dealings has increased significantly in recent years and the Executive's experience in certain cases led the Committee to believe that the Code and the SARs should be amended to reflect this change in practice. In view of the importance and complexity of these issues, the Committee

decided to consult first, in PCP 2005/1, on the outline of its proposals. This PCP elicited a number of strongly held views from practitioners and these were followed up with further consultation by the Executive with the parties concerned. Taking account of the views expressed, the Committee published in early May the second stage of this consultation, PCP 2005/2, including detailed proposals for amendments to the Code on issues concerning the disclosure of dealings in derivatives and options. The Committee is now considering the responses. A further PCP on the impact on the concept of 'control' of dealings in derivatives and options by parties to an offer and those whose interests fall into the 30% to 50% band will be published in due course.

In a rather different exercise, the Committee began to consider during the year the consequences for the Code of the implementation of the Takeovers Directive. The Committee's preliminary thoughts were included in the Explanatory Statement published by the Panel in January. Overall, the Committee believes that the amendments required to implement the Directive in the Rules should not be extensive, though the General Principles will change. Further detail of the necessary changes will be published later in the year.

This has been a particularly busy year for the Committee, in which it has had to tackle a number of very complex and detailed matters. The Committee believes that the involvement of practitioners in the process of developing the Code is vital and it is extremely grateful to those individuals and professional bodies who assist it in its work by continuing to provide thoughtful and constructive comments on its proposals.

As Chairman, I would also like to thank the Director General and all his team in the Executive, the quality of whose work makes the functioning of the Committee possible, and also the members of the Committee who continue to give unstintingly of their time and energy to make its work successful.



DONALD BRYDON
14 July 2005

REPORT BY THE DIRECTOR GENERAL

The number of takeover proposals which were resolved (became unconditional, were withdrawn or lapsed) during the year, 114, was below last year's figure of 136 and only just higher than the figures of 108 and 107 seen in the two preceding years.

TAKEOVERS DIRECTIVE

The Executive has spent a considerable amount of time during the year preparing for the implementation of the Takeovers Directive. The Executive has been working closely with officials from the Department of Trade and Industry and is grateful for the constructive approach which they have taken.

The Government published its proposals for implementation in a Consultative Document in January 2005. On the same day, the Panel published an Explanatory Paper, expanding on the proposals in the Government's paper. The Government has stated that implementation will be by means of primary legislation.

The Government's proposals, if implemented as proposed, should ensure that the key benefits of the Panel system will remain in place. The Panel will become a statutory body and there will need to be a number of adjustments to the Panel's constitution. There will be measures to ensure that the orderly conduct of bids will not be disrupted by tactical litigation. The Panel will also be given extra powers, although the key features of its sanctions regime will remain unchanged.

The Executive believes that parties to a bid and their advisers will see little change in their dealings with it following implementation of the Directive. Practitioners will still be able, and encouraged, to consult in advance with the Executive. The secondment system, which has served the Panel well over the years, will remain. The Executive will still be able to interpret the Code flexibly to offer the right solution for the circumstances of the case and it will still expect to respond quickly to enquiries. If a party is unhappy with a decision of the Executive, it will be able to seek a hearing of the Panel in the same way as it can today. Thus, although the system will have a statutory framework, the day-to-day impact will be small.

PRACTICE STATEMENTS

The Executive published five Practice Statements during the year. These Statements do not form part of the Code or the SARs. Accordingly, they are not binding on the Panel or the Executive. In particular, they are not a substitute for consulting with the Executive to establish how the Code and the SARs apply in a particular case.

The Statements published were:

Practice Statement 5 – Note 2 on Rule 13 — Invocation of Conditions

Practice Statement 6 – Strategic Review Announcements

Practice Statement 7 – Possible Improvement Statements

Practice Statement 8 – Timetable Extensions in Potentially Competitive Situations

Practice Statement 9 – Note 3 on Rule 20.1 — Equality of Information to Shareholders and the Policing of Meetings

The text of these Statements is available on the Panel's website, www.thetakeoverpanel.org.uk.

ACCOUNTS

A surplus of £499,167 was recorded this year, compared to a surplus of £2,778,752 in the previous year. Income rose to £11,294,168 from £10,355,916, despite the lower level of activity. This was due to a rise in receipts from the PTM levy and a more favourable mix of bids. However, costs rose to £10,927,285 from £7,662,274, primarily due, as expected, to a significant rise in legal fees (due again to work preparing for the implementation of the Takeovers Directive) and one-off costs associated with the move to Paternoster Square.

This year the costs of the move will not be repeated, but we are again likely to incur significant legal fees as the implementation process moves to the Parliamentary phase.

The Accumulated Surplus rose to £5,652,021.



RICHARD MURLEY
14 July 2005

STATISTICS

The Panel held three meetings to hear appeals against rulings by the Executive. One of these appeals was successful. No cases were heard by the Appeal Committee.

There were 114 (year ended 31 March 2004 — 136) resolved takeover or merger proposals (ie announcements made under Rule 2.5) of which 112 (134) reached the stage where formal documents were sent to shareholders. These proposals were in respect of 109 (127) target companies.

11 (25) offers were not recommended at the time the offer document was posted. 8 (19) of these remained unrecommended at the end of the offer period, of which 3 (2) lapsed.

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

A further 21 (18) cases, which were still open at 31 March 2005, are not included in these figures.

	2004-2005	2003-2004
OUTCOME OF PROPOSALS		
Successful proposals involving control (including schemes of arrangement)	99	110
Unsuccessful proposals involving control (including schemes of arrangement)	9	10
Proposals withdrawn before issue of documents (including offers overtaken by higher offers)	2	2
Proposals involving minorities, etc	4	14
	<u>114</u>	<u>136</u>
	<u><u>114</u></u>	<u><u>136</u></u>

There were 61 (49) companies in an offer period as at 31 March 2005 and 173 (188) companies went into an offer period during the year. 78 (77) whitewashes were posted during the year and 34 (47) Code waivers were granted.

ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2005

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005

	NOTE	2005	2004
		£	£
INCOME			
PTM levy		4,750,493	3,907,108
Document fees		5,986,000	5,852,000
City Code sales		226,525	254,333
Exempt income		330,000	340,000
Other income		1,150	2,475
		<u>11,294,168</u>	<u>10,355,916</u>
EXPENDITURE			
Personnel costs		5,202,629	4,965,947
Accommodation costs		2,501,892	779,114
Other expenditure		3,222,764	1,917,213
		<u>10,927,285</u>	<u>7,662,274</u>
SURPLUS BEFORE INTEREST AND TAXATION			
		366,883	2,693,642
Interest receivable		165,355	106,388
Taxation	2	(33,071)	(21,278)
		<u>499,167</u>	<u>2,778,752</u>
SURPLUS FOR THE YEAR			
		499,167	2,778,752
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		5,152,854	2,374,102
		<u>5,652,021</u>	<u>5,152,854</u>
ACCUMULATED SURPLUS AT END OF YEAR			
		<u>5,652,021</u>	<u>5,152,854</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.

BALANCE SHEET
AT 31 MARCH 2005

	NOTE	2005	2004
		£	£
CURRENT ASSETS			
Debtors and prepayments	3	2,333,317	1,650,336
Bank and cash		4,167,701	4,578,114
		<u>6,501,018</u>	<u>6,228,450</u>
CURRENT LIABILITIES			
Creditors and accruals	4	814,244	1,054,318
Corporation tax		34,753	21,278
		<u>848,997</u>	<u>1,075,596</u>
Net Assets		<u>5,652,021</u>	<u>5,152,854</u>
Representing:			
ACCUMULATED SURPLUS		<u>5,652,021</u>	<u>5,152,854</u>

The accounts on pages 16 to 19 were approved by the Finance Committee on 27 June 2005 and signed on behalf of the Members by:

PETER SCOTT QC
Chairman, Panel on Takeovers and Mergers

ANTONY BEEVOR
Chairman, Finance Committee

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005

	NOTE	2005	2004
		£	£
Net cash (outflow)/inflow from operating activities	5	(556,172)	3,047,435
Returns on investments and servicing of finance			
Interest received		165,355	106,388
Net cash inflow from returns on investments and servicing of finance		165,355	106,388
Taxation			
UK corporation tax paid		(19,597)	(11,384)
(Decrease)/increase in cash	6	(410,413)	3,142,439

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, except that all expenditure of a capital nature is written off in the year in which it is incurred.

(b) Income and expenditure is accounted for on an accruals basis.

	2005	2004
	£	£
2. TAXATION		
UK corporation tax payable on interest income received:		
Current	33,071	21,278
	33,071	21,278

Corporation tax is payable at a rate of 20% (2004: 19%) for the first £300,000 of taxable profit and thereafter at an effective rate of 32.5% (2004: 32.5%).

	2005	2004
	£	£
3. DEBTORS AND PREPAYMENTS		
PTM levy accrued income	1,529,137	1,000,000
Document fees	464,000	300,000
Exempt income	25,000	70,000
Other debtors and prepayments	315,180	280,336
	2,333,317	1,650,336

NOTES TO THE ACCOUNTS *continued*

	2005 £	2004 £
4. CREDITORS AND ACCRUALS		
Personnel costs	226,617	272,823
Legal and professional fees	112,000	233,712
New premises costs	0	197,721
First year rates on new premises	120,000	0
Provision for PTM levy repayable	318,000	318,000
Other creditors and accruals	37,627	32,062
	<u>814,244</u>	<u>1,054,318</u>
	<u><u>814,244</u></u>	<u><u>1,054,318</u></u>
5. NET CASHFLOW FROM OPERATING ACTIVITIES		
Surplus before interest and taxation	366,883	2,693,642
Increase in debtors and prepayments	(682,981)	(70,996)
(Decrease)/increase in creditors	(240,074)	424,789
	<u>(556,172)</u>	<u>3,047,435</u>
	<u><u>(556,172)</u></u>	<u><u>3,047,435</u></u>
6. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS		
(Decrease)/increase in cash in period	(410,413)	3,142,439
	<u>(410,413)</u>	<u>3,142,439</u>
Change in net funds	(410,413)	3,142,439
Net funds at 1 April 2004	4,578,114	1,435,675
	<u>4,578,114</u>	<u>1,435,675</u>
Net funds at 31 March 2005	4,167,701	4,578,114
	<u><u>4,167,701</u></u>	<u><u>4,578,114</u></u>

7. PENSION SCHEMES

During the year, the Panel operated two defined contribution pension schemes. Contributions to these schemes are charged to the profit and loss account in the year in which they arise. The cost of these schemes for the year was £153,981 (2004: £177,761).

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

We have audited the accounts which comprise the income and expenditure account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in Note 1.

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

The Panel Members' responsibilities for preparing the accounts in accordance with applicable accounting standards are set out in the statement of Panel Members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Panel Members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Takeover Panel web site is the responsibility of the Panel Members; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BASIS OF AUDIT 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 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with 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 2005 and of its surplus and cash flows for the year then ended.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants, London

27 June 2005

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 2005. 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.

STATEMENTS ISSUED BY THE PANEL
DURING THE YEAR
ENDED 31 MARCH 2005

2004		
7 April	2004/11	SILVESTOR UK PROPERTIES LTD — CWG ACQUISITION LTD — CANARY WHARF GROUP PLC <i>(Auction procedure under Rule 32.5)</i>
23 April	2004/12	CANARY WHARF GROUP PLC <i>(Appeal allowed: UBS held not to be connected with Songbird Acquisition Limited)</i>
28 April	2004/13	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 5)</i>
20 May	2004/14	CANARY WHARF GROUP PLC <i>(Panel dismisses appeals in relation to Canary Wharf Group Plc)</i>
24 May	2004/15	CANARY WHARF GROUP PLC <i>(Reasons for the Panel dismissing appeals in relation to Canary Wharf Group Plc)</i>
7 June	2004/16	CHANGE OF ADDRESS <i>(New address with effect from 21 June 2004)</i>
6 July	2004/18	MARKS AND SPENCER GROUP PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 6 August 2004)</i>
8 July	2004/19	MARKS AND SPENCER GROUP PLC — REVIVAL ACQUISITIONS LIMITED <i>(Confirmation that Marks and Spencer remains in an offer period)</i>
15 July	2004/20	WH SMITH PLC — JAMAICA TRADING LIMITED <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 9 August 2004)</i>
21 July	2004/21	PANEL EXECUTIVE PRACTICE STATEMENTS <i>(Issue of Practice Statements No. 6 & No. 7)</i>
8 October	2004/24	EUROPEAN COMPANY STATUTE <i>(Amendment to the Introduction to the Code)</i>
12 October	2004/25	GOSHAWK INSURANCE HOLDINGS PLC — NIKKO PRINCIPAL INVESTMENTS LIMITED <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 23 November 2004)</i>
22 November	2004/26	KIDDE PLC — UNITED TECHNOLOGIES CORPORATION <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 16 December 2004)</i>
2005		
10 January	2005/2	COUNTRYSIDE PROPERTIES PLC — COPTHORN LIMITED — ROCK PACIFIC LIMITED <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 10 January 2005)</i>
10 January	2005/3	COUNTRYSIDE PROPERTIES PLC — COPTHORN LIMITED — ROCK PACIFIC LIMITED <i>(Extension of deadline for potential offeror to make Rule 2.5 announcement or announce no intention to bid to 5.00 p.m. on 10 January 2005)</i>

THE TAKEOVER PANEL
2004-2005 REPORT

2005

10 January	2005/4	QXL RICARDO PLC — TIGER ACQUISITION CORPORATION LIMITED — BELEGGINGSMAATSCHAPPIJ FLORISSANT NV <i>(Suspension of the offer timetable)</i>
13 January	2005/5	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 8)</i>
13 January	2005/6	QXL RICARDO PLC — TIGER ACQUISITION CORPORATION LIMITED — BELEGGINGSMAATSCHAPPIJ FLORISSANT NV <i>(Further timetable suspension)</i>
14 January	2005/7	BALTIMORE TECHNOLOGIES PLC — EARTHPORT PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 31 January 2005)</i>
14 January	2005/8	QXL RICARDO PLC — TIGER ACQUISITION CORPORATION LIMITED — BELEGGINGSMAATSCHAPPIJ FLORISSANT NV <i>(Recommencement of offer timetable)</i>
18 January	2005/9	COUNTRYSIDE PROPERTIES PLC — COPTHORN LIMITED — ROCK PACIFIC LIMITED <i>(Offer timetable extended)</i>
20 January	2005/10	THE EUROPEAN DIRECTIVE ON TAKEOVER BIDS <i>(Issue of Explanatory Paper about DTI Consultation Document on the Takeovers Directive)</i>
21 January	2005/11	COUNTRYSIDE PROPERTIES PLC — COPTHORN LIMITED — ROCK PACIFIC LIMITED <i>(Further offer timetable extension)</i>
18 February	2005/12	BRITISH VITA PLC — TEXAS PACIFIC GROUP <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 21 March 2005)</i>
22 February	2005/13	WOOLWORTHS GROUP PLC — APAX PARTNERS WORLDWIDE LLP <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 21 March 2005)</i>
25 February	2005/14	DIRECTOR GENERAL <i>(Secondment of Director General extended)</i>
28 February	2005/15	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 9)</i>
4 March	2005/16	TIGER ACQUISITION CORPORATION LIMITED — BELEGGINGSMAATSCHAPPIJ FLORISSANT NV — QXL RICARDO PLC <i>(Auction procedure rules)</i>
15 March	2005/17	BRITISH VITA PLC — TEXAS PACIFIC GROUP <i>(Extension to the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 22 March 2005)</i>
18 March	2005/19	WOOLWORTHS GROUP PLC — APAX PARTNERS WORLDWIDE LLP <i>(Extension to the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 6 May 2005)</i>
24 March	2005/20	PERPETUAL INCOME AND GROWTH TRUST PLC — SECURITIES TRUST OF SCOTLAND PLC <i>(Dealings in relevant securities of Lowland Investment Company Plc to be subject to the disclosure requirements of Rules 8 and 38)</i>
29 March	2005/21	RENSBURG PLC — RATHBONE BROTHERS PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 11 April 2005)</i>
29 March	2005/22	CREST NICHOLSON PLC — HERON CORPORATION <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 4 May 2005)</i>

STATEMENTS ISSUED BY THE CODE
COMMITTEE DURING THE YEAR
ENDED 31 MARCH 2005

2004

17 June	2004/17	CODE COMMITTEE — PUBLIC CONSULTATION PAPER <i>(Issue of Public Consultation Paper 2004/3)</i>
6 August	2004/22	CODE COMMITTEE — RESPONSE STATEMENTS 2004/1 AND 2004/2 AND CODE AMENDMENTS <i>(Response Statements 2004/1 and 2004/2 and Code amendments)</i>
10 August	2004/23	CODE COMMITTEE — PUBLIC CONSULTATION PAPER <i>(Issue of Public Consultation Paper 2004/4)</i>

2005

7 January	2005/1	CODE COMMITTEE — PUBLIC CONSULTATION PAPER <i>(Issue of Public Consultation Paper 2005/1)</i>
16 March	2005/18	CODE COMMITTEE — RESPONSE STATEMENT 2004/3 <i>(Response Statement 2004/3)</i>

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