

THE TAKEOVER PANEL
REPORT ON THE YEAR ENDED
31 MARCH 2000

THE TAKEOVER PANEL
1999 – 2000 REPORT

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THE TAKEOVER PANEL
1999 – 2000 REPORT

THE PANEL
AS AT 12 JULY 2000

SIR DAVID CALCUTT QC FORMER CHAIRMAN OF THE BAR	CHAIRMAN Appointed by the Governor of the Bank of England	ALAN J AINSWORTH DEPUTY CHAIRMAN, THREADNEEDLE INVESTMENT SERVICES	Chairman, Association of Unit Trusts and Investment Funds
JOHN L WALKER-HAWORTH FORMER MANAGING DIRECTOR, U B S WARBURG	DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England	ANDREW R F BUXTON FORMER CHAIRMAN, BARCLAYS BANK	President, British Bankers' Association
ANTONY R BEEVOR SENIOR ADVISOR, S G HAMBROS	DEPUTY CHAIRMAN Appointed by the Governor of the Bank of England	JUDITH C HANRATTY COMPANY SECRETARY, B P AMOCO PLC	Nominated by Confederation of British Industry
SIR CHRISTOPHER BENSON	Appointed by the Governor of the Bank of England	GRAHAM N C WARD WORLD UTILITIES LEADER, GLOBAL ENERGY & MINING GROUP PRICEWATERHOUSECOOPERS	President, Institute of Chartered Accountants in England and Wales
LORD STEVENSON CHAIRMAN, PEARSON and HALIFAX	Appointed by the Governor of the Bank of England	DAVID J CHALLEN CO CHAIRMAN, SCHRODER SALOMON SMITH BARNEY	Nominated by London Investment Banking Association
ROBERT B JACK FORMER SENIOR PARTNER, MCGRIGOR DONALD	Appointed by the Governor of the Bank of England	MARK D SELIGMAN HEAD OF UK INVESTMENT BANKING, CREDIT SUISSE FIRST BOSTON (EUROPE)	Chairman, London Investment Banking Association Corporate Finance Committee
SANDY LEITCH CHIEF EXECUTIVE, ZURICH FINANCIAL SERVICES	Chairman, Association of British Insurers	DONALD G CRUICKSHANK	Chairman, London Stock Exchange
CHRISTOPHER C B DUFFETT MANAGING DIRECTOR, THE LAW DEBENTURE CORPORATION	Chairman, Association of Investment Trust Companies	ALAN M RUBENSTEIN MANAGING DIRECTOR, MORGAN STANLEY & CO INTERNATIONAL	Chairman, National Association of Pension Funds Investment Committee

THE APPEAL COMMITTEE
AS AT 12 JULY 2000

THE RT HON SIR MICHAEL KERR FORMER LORD JUSTICE OF APPEAL	CHAIRMAN OF THE APPEAL COMMITTEE Appointed by the Governor of the Bank of England	THE RT HON SIR CHRISTOPHER SLADE 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 TAKEOVER PANEL
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THE PANEL EXECUTIVE
AS AT 12 JULY 2000

*PATRICK DRAYTON SCHRODER SALOMON SMITH BARNEY	DIRECTOR GENERAL
T PETER LEE	DEPUTY DIRECTOR GENERAL
NOEL P HINTON	DEPUTY DIRECTOR GENERAL
ANTHONY G B PULLINGER	DEPUTY DIRECTOR GENERAL
*J NICHOLAS CALLISTER RADCLIFFE CMS CAMERON MCKENNA	SECRETARY
*CHRISTOPHER L SWIFT NORTON ROSE	SECRETARY
*RICHARD I HOUGH ALLEN & OVERY	SECRETARY
*TIM D CARGILL LOVELLS	SECRETARY
NICOLA M MILLER	ASSISTANT SECRETARY
*STEPHEN W P CHEUNG DELOITTE & TOUCHE	ASSISTANT SECRETARY
*ROGER D CLARKE ARTHUR ANDERSEN	ASSISTANT SECRETARY
*JAMES A DEANE PRICEWATERHOUSECOOPERS	ASSISTANT SECRETARY
*RUSSELL S H NEWTON KPMG	ASSISTANT SECRETARY
* RICHARD G BREARLEY NABARRO NATHANSON	ASSISTANT SECRETARY
*STEPHEN P NASH EVERSHEDS	ASSISTANT SECRETARY
*F MATTHEW S HALL CLOSE BROTHERS	ASSISTANT SECRETARY
*HELEN BRADLEY BAKER & MCKENZIE	ASSISTANT SECRETARY
JANE M TAYLOR	MANAGER, SUPPORT GROUP
LEE M MANN	MANAGER, MONITORING SECTION
CRAIG G ANDREWS	DEPUTY MANAGER, MONITORING SECTION
SUSAN POWELL	MANAGER, EXEMPT SYSTEM

* 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 whose shares 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 Competition 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. 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, to reporting the offender's conduct to another regulatory authority (for example, the Department of Trade and Industry, the London Stock Exchange or the Financial Services Authority) and 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, the 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 certain senior industrialists have 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 disputed 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 an investment 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 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 level of bid activity in 1999/2000, measured by the number of offers, has been at its highest since 1973. The Executive staffing has accordingly had to be increased during the year to handle the increased workload.

In May 2000 Spain and the UK finally agreed how the European 13th Company Law Directive on Takeovers should be applied in Gibraltar. The Council of Ministers adopted its common position in June 2000. It appears that the European Parliament will receive the Directive in September for its Second Reading. If, as seems likely, there are areas of disagreement between the Parliament and the Council, the Directive would then be subject to conciliation procedures. The Directive would then probably be adopted in the first quarter of 2001. The current draft provides that member states have four years to implement the Directive into their domestic law, but it is possible that this period of implementation could be reduced.

Although well-intentioned, there is little to commend the Directive. But it does contain damage-limitation provisions which should, subject to the manner of implementation of the Directive by the UK Government, help to maintain the benefits of the Panel's non-statutory system of regulation. The Directive would allow the UK to retain an administrative system of bid regulation. The courts would be able to dismiss purely tactical litigation, thereby continuing the approach adopted by the Court of Appeal in the *Datafin* case in 1986. The implementing legislation could also provide that the supervisory authority could not be sued for damages and could ensure that the implementation of the Directive did not create new grounds of litigation between the parties. These provisions should minimise the scope for litigation.

In June 2000 the Financial Services and Markets Bill received the Royal Assent. In a number of respects the Act seeks to continue the framework of the current takeover regulatory regime. For example, section 138 of the Act enables the Financial Services Authority to endorse the Takeover Code. It is expected that the FSA rules will do this and substantially retain present support rules for the Panel (for example, the co-operation and cold-shouldering rules).

There is also an important innovation in the Act which will have a significant impact on the Panel: the introduction of the market abuse regime. This regime is to apply to everyone and not just to persons who are to be authorised by the FSA to conduct investment business.

The definition of market abuse under the Act is broad and the FSA has extensive powers, including unlimited fining powers. There will, however, be a significant overlap between the jurisdiction of the Panel and that of the FSA in relation to takeovers. In recognition of this, the Panel asked the Government to amend the Bill to provide a defence to persons who complied with the Code (as applied by the Panel), and to give support to policies adopted by the FSA to establish a clear jurisdictional boundary in relation to the exercise of its powers in respect of abuse occurring in the context of a transaction within the Code.

The Government has responded to one of the Panel's concerns by including a provision in the Act which enables the FSA (with Treasury approval) to establish a safe harbour for behaviour which complies with the Code. This will be subject to such conditions and limitations as the FSA considers appropriate. The Panel and the FSA will be working together on the implementation of the safe harbour provisions. The Panel will also be seeking to keep the FSA informed of the way the Panel interprets and administers the Code: it will be important under the safe harbour provisions that the FSA and the Panel take a consistent approach, since the Panel's interpretation will be authoritative, but not conclusive, for market abuse purposes.

As regards behaviour which does not comply with the Code and which is also market abuse, the FSA has indicated that it will not normally intervene and, in the rare cases when it does, it will generally only do so after the bid process is over. For its part, the Panel will consider asking the FSA to exercise its powers in appropriate cases. Further details of the FSA's policies regarding the exercise of its powers in takeover situations will be set out in the FSA's Enforcement Manual. The FSA is expected to publish a draft for consultation shortly.

The relationship between the FSA and the Panel will be crucial to the future effectiveness of the Panel's work. This is a matter which the Executive has been addressing with the FSA, and it will be of the highest priority in the coming months.

The London Stock Exchange has announced proposals for a merger with the Deutsche Börse in Frankfurt. The implications of this merger for takeover regulation are not yet clear. The Panel's relationship with the London Stock Exchange has always been important, not least for its ability to monitor market activity in listed bid stocks. The Executive will be seeking to ensure that this relationship is maintained.

In October 1999 John Hull retired as one of the Deputy Chairmen of the Panel. He has served the Panel both as Director General from 1972 to 1974 and as a Deputy Chairman since 1987, and he has done so with great distinction and vigour. We all thank him for his major contribution to the success of the Panel over so many years. In his place we welcome Antony Beevor, who was himself Director General from 1987 to 1989.

SIR DAVID CALCUTT QC

12 JULY 2000

REPORT BY THE DIRECTOR GENERAL

The number of takeover proposals published, 305, has been the highest since 1973, so the Executive has had one of the busiest years in its history.

COMMUNICATION OF EXECUTIVE RULINGS BY FINANCIAL ADVISERS TO THEIR CLIENTS

As the Introduction to the Code makes clear, the responsibilities described in the Code apply to all professional advisers, insofar as they advise on the transactions in question. Professional advisers are required to observe the highest standards of care in connection with all matters relating to a transaction governed by the Code. Invariably one or more professional advisers will assume responsibility for liaising and communicating with the Executive on behalf of their client. Such advisers are responsible for ensuring that any rulings or instructions of the Executive given to them are communicated clearly and unambiguously to their client and any other relevant persons (including other professional advisers engaged in the transaction). Professional advisers should ensure that their clients (and any other recipients) understand fully the consequences of the Executive's rulings or instructions.

PENSION FUNDS

In the definition of acting in concert a company is presumed to be acting in concert with any of its pension funds whether or not the assets of those pension funds are managed on a discretionary basis. For the purposes of the presumption, the constitution, organisation and management/operation of a particular pension fund are irrelevant.

The Executive is concerned that in certain cases companies and their advisers may have been making an assumption that a company's pension fund was not acting in concert on the basis of their view of the pension fund's independence from the company. If a company or its pension fund wishes to seek to rebut the presumption of concertedness the Executive must always be consulted.

SHAREHOLDER MEETINGS

Under Rule 20.1 information about companies involved in an offer must be made equally available to all shareholders as nearly as possible at the same time and in the same manner. The Code does not restrict parties to a bid from holding meetings with shareholders provided no new material information is given and no significant new opinions are expressed. These meetings must

also have an appropriate representative of the relevant financial adviser or corporate broker present who is responsible for confirming to the Executive, by 12 noon on the next business day, in writing whether or not any such information was forthcoming or opinions were given. This letter must be signed by the representative personally who must also ensure that a list of all the attendees at the meeting is also provided to the Executive. The Executive expects to receive such letters even in circumstances where the potential offerer has not been named.

If a meeting is to be held before the publication of an announcement or document, for example to gather irrevocable commitments or ascertain the views of selected major shareholders, the Executive may permit those present at the meeting to receive new information or opinions provided all new material information or opinions will be in the relevant document or announcement. If it is proposed to hold such meetings the Executive must be consulted in advance.

WEBSITES

During the course of the year the Executive has noted a significant increase in the availability and distribution of offer-related information on websites. The use of new media, such as the internet and CD ROMs, does not cause any particular concerns provided that the Code's principles of care, responsibility and availability of documentation are upheld. The Executive has considered how the Code should apply in this area and has formulated the following policy applicable to all offers.

Rules 19.1 (standards of care) and 19.3 (unacceptable statements) should be applied in the same way as to other offer-related information.

Rule 19.2 (responsibility) will apply to all offer-related information on a website or CD ROM. In particular, a responsibility statement will be required to be attached to such information even if it has first been announced without the inclusion of such a statement. As an alternative, however, to including a responsibility statement on each document or page of the website or CD ROM, it will be acceptable for such a statement to be included on the gateway to the area of the website or CD ROM where the offer-related information is located, provided that access to the relevant area can only be obtained through this gateway.

Rule 19.7 (distribution and availability of documents and announcements) should be applied so that a CD ROM and copies of all relevant website pages (whether or not previously published via another medium) should be lodged with the Panel and the advisers to all other parties to the offer at the time of release.

For the purpose of Rule 20.1 (equality of information to shareholders), the posting of information on a website will not satisfy the obligation to notify all offeree shareholders of material

new information or significant new opinions. Accordingly, a financial adviser to the offeror or offeree should, by 12 noon on the business day following the posting of information on a website, provide the Executive with a letter confirming that no material information or significant new opinions have been placed on a website.

NOTE 1 AND NOTE 4 ON RULE 16

Under Rule 16 an offeror, or person acting in concert with it, may not make any arrangements with shareholders and may not deal or enter into arrangements to deal in shares of the offeree, or enter into arrangements which involve acceptance of an offer, either during an offer or when one is reasonably in contemplation, if there are favourable conditions attached which are not being extended to all shareholders.

In certain circumstances an offeror may ask a member of its concert party (usually the financial adviser or stockbroker) to acquire and hold offeree shares. In such circumstances it is essential that any arrangements entered into between the financial adviser and the offeror are carefully reviewed to ensure they do not breach Rule 16. Note 1 on Rule 16 makes it clear that these arrangements must ensure that the offeror will bear all the risks and receive all the benefits of the shareholding. In addition, the financial adviser must not receive any other benefit (or potential benefit), for example a fee for undertaking the buying exercise, beyond normal expenses and carrying costs. This can be a difficult area and advance consultation with the Executive is advised.

Note 4 on Rule 16 recognises that in certain offers, for example MBOs, the services of certain of the offeree management need to be retained, but that management may need to be given an incentive to remain and perform in the form of a continuing financial involvement (usually including some form of equity participation) in the company. Where the management are shareholders, this may mean that they are offered a deal which is different from that being offered to other shareholders. Note 4 sets out the parameters which can make the difference acceptable, by balancing any benefits of the management's retained interest with appropriate risks.

The Executive was asked by the Panel to consider whether all arrangements coming within Note 4 should, as a condition of any Panel consent to such arrangements, normally be subject to approval by independent shareholders (in addition to the normal requirement of a fair and reasonable opinion from the Rule 3 adviser). Following a review, including a consultation exercise with practitioners and Panel members, the Panel decided that, in applying Note 4, a vote of independent shareholders should normally be required if the participating management and the offeror together hold more than 5% of the offeree. This change of practice has been reflected in an amendment to the Code.

RULE 20.2 : EQUALITY OF INFORMATION TO COMPETING
OFFERORS

Under Rule 20.2 any information given to one offeror or potential offeror must, on request, be given equally and promptly to another offeror or bona fide potential offeror. This requirement usually only applies once there has been a public announcement of the existence of the offeror or potential offeror. An announcement that a company is in talks about a possible offer would constitute the public announcement of the existence of a potential offeror, even if the potential offeror has not been named.

However, the Executive may also require information passed to one potential offeror to be passed to another bona fide offeror or potential offeror if such offeror or potential offeror is informed authoritatively of the existence of the first potential offeror, even though there has been no public announcement to this effect.

ACCOUNTS

In the year to 31 March 2000 receipts from the contract note levy rose to £1,379,124 from £955,318 in the previous year; the total income from document fees was £7,731,500 compared with £6,192,500 in 1999. Expenditure totalled £7,319,089 compared with £5,554,917 last year.

The record levels of income generated reflect the markedly higher level of takeover activity throughout the year. There are three principal reasons for the significant growth in expenditure: first, staff numbers are at record levels; secondly, the Panel's computer network has been substantially upgraded; and, finally, building works to accommodate the increased numbers were required. Despite the increase in expenditure, such was the income generated that the Panel decided that some rebate of document fees should nonetheless be made. Accordingly 25% of the document fees paid was returned, reducing the recorded income from this source to £5,885,725.

It remains the Panel's intention to keep the accumulated surplus at a prudent level, given the unpredictable nature of the Panel's sources of income.

Patrick Drayton
12 July 2000

**ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2000**

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2000

	NOTE	2000 £	1999 £
INCOME			
Contract note levy		1,379,124	955,318
Document fees	2	5,885,725	3,715,500
City Code sales		41,885	46,130
Other income		9,645	4,570
		<u>7,316,379</u>	<u>4,721,518</u>
EXPENDITURE			
Personnel costs		4,554,385	3,790,325
Accommodation costs		800,050	478,044
Other expenditure		1,964,654	1,286,548
		<u>7,319,089</u>	<u>5,554,917</u>
(DEFICIT) BEFORE INTEREST AND TAXATION		(2,710)	(833,399)
Interest receivable		350,246	437,453
Taxation	3	(79,899)	(109,047)
		<u>267,637</u>	<u>(504,993)</u>
SURPLUS /(DEFICIT) FOR THE YEAR			
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>5,682,383</u>	<u>6,187,376</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>5,950,020</u></u>	<u><u>5,682,383</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.

THE TAKEOVER PANEL
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BALANCE SHEET
AT 31 MARCH 2000

	NOTES	2000 £	1999 £
CURRENT ASSETS			
Debtors and prepayments	4	889,917	540,097
Bank and cash		5,772,187	5,742,533
		<u>6,662,104</u>	<u>6,282,630</u>
CURRENT LIABILITIES			
Creditors and accruals	5	632,251	491,200
Corporation tax		79,833	109,047
		<u>712,084</u>	<u>600,247</u>
Net assets		<u>5,950,020</u>	<u>5,682,383</u>
Representing:			
ACCUMULATED SURPLUS		<u>5,950,020</u>	<u>5,682,383</u>

The accounts on pages 14 to 18 were approved by the Finance Committee on 28 June 2000 and signed on behalf of the Members by:

SIR DAVID CALCUTT QC

The Chairman, Panel on Takeovers and Mergers

ANTONY BEEVOR

The Chairman, Finance Committee

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	NOTES	2000 £	1999 £
Net cash (outflow) from operating activities	6	<u>(209,590)</u>	<u>(654,359)</u>
Returns on investments and servicing of finance			
Interest received		348,357	453,921
Net cash inflow from returns on investments and servicing of finance		<u>348,357</u>	<u>453,921</u>
Taxation			
UK corporation tax paid		<u>(109,113)</u>	<u>(127,201)</u>
Increase/(Decrease) in cash	7	<u><u>(29,654)</u></u>	<u><u>(327,639)</u></u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- The accounts have been prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards in the United Kingdom.
- All expenditure of a capital nature is written off in the year in which it is incurred.
- Income and expenditure is accounted for on an accruals basis.

2. DOCUMENT FEES

In the year to 31 March 2000 document fees generated £7,731,500 compared with £6,192,500 in 1999. The Panel decided to rebate 25% of the amount levied in the year to 31 March 2000. (1999: 40%). The figure shown in the Income and Expenditure Account is net of this rebate.

	2000 £	1999 £
3. TAXATION		
UK corporation tax payable on interest income received:		
Current	<u>79,899</u>	<u>109,047</u>
	<u><u>79,899</u></u>	<u><u>109,047</u></u>

Corporation tax is payable at a rate of 20% (1999: 21%) for the first £300,000 of taxable profit and thereafter at an effective rate of 32.5% (1999: 33.5%).

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NOTES TO THE ACCOUNTS *continued*

	2000	1999
4. DEBTORS AND PREPAYMENTS	£	£
Contract note levy accrued income	454,191	292,012
Document fees	315,500	76,500
Interest receivable	33,913	32,023
Other debtors and prepayments	86,313	139,562
	<u>889,917</u>	<u>540,097</u>
	2000	1999
5. CREDITORS AND ACCRUALS	£	£
Personnel costs	288,884	198,299
Legal and professional fees	78,875	79,430
Document fees	229,096	181,000
Other creditors and accruals	35,396	32,471
	<u>632,251</u>	<u>491,200</u>
	2000	1999
6. NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	£	£
(Deficit) before interest and taxation	(2,710)	(833,399)
(Increase) in debtors and prepayments	(347,930)	(24,029)
Increase in creditors	141,050	203,069
Net cash (outflow) from operating activities	<u>(209,590)</u>	<u>(654,359)</u>

THE TAKEOVER PANEL
1999 – 2000 REPORT

NOTES TO THE ACCOUNTS *continued*

	2000	1999
7. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS	£	£
Increase/(Decrease) in cash in period	29,654	(327,639)
Change in net funds	29,654	(327,639)
Net funds at 1 April 1999	5,742,533	6,070,172
Net funds at 31 March 2000	5,772,187	5,742,533

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

We have audited the accounts on pages 14 to 18, which have been prepared under the historical cost convention and the accounting policies set out on page 16.

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

As described on page 19 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 United Kingdom 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 2000 and of its surplus and cash flows for the year then ended.

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors, London

28 June 2000

THE TAKEOVER PANEL
1999 – 2000 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 2000. 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.

STATISTICS

The Panel held one meeting to hear appeals against a rulings by the Executive. None of the appeals was successful. No cases were heard by the Appeal Committee.

There were 305 (year ended 31 March 1999–235) published takeover or merger proposals of which 298 (231) reached the stage where formal documents were sent to shareholders. These proposals were in respect of 285 (221) target companies.

35 (38) offers were not recommended at the time the offer document was posted. 24 (24) of these remained unrecommended at the end of the offer period, of which 14 (12) lapsed.

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

A further 29 (38) cases, which were still open at 31 March 2000, are not included in these figures.

The Executive was engaged in detailed consultations in another 178 (219) cases 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.

	1999-2000	1998-1999
OUTCOME OF PROPOSALS		
Successful proposals involving control (including schemes of arrangement)	256	181
Unsuccessful proposals involving control (including schemes of arrangement)	26	19
Proposals withdrawn before issue of documents (including offers overtaken by higher offers)	7	4
Proposals involving minorities, etc	16	31
	<u>305</u>	<u>235</u>

**STATEMENTS ISSUED BY THE PANEL
DURING THE YEAR
ENDED 31 MARCH 2000**

1999

14 April	1999 / 6	3i GROUP PLC – ELECTRA INVESTMENT TRUST PLC <i>(Completion of examination of recent trading in 3i shares)</i>
21 April	1999 / 7	CORPORATE SERVICES GROUP PLC <i>(Offeror could not invoke condition concerning composition of offeree board)</i>
28 May	1999 / 8	CALA PLC – DOTTEREL LIMITED – MILLER 1999 PLC <i>(Panel dismissed appeal by competing offeror against a ruling of the Panel Executive prohibiting an increase in the offer price following a “no increase” statement)</i>
16 June	1999 / 9	AIRTOURS PLC – FIRST CHOICE HOLIDAYS PLC <i>(Dispensation from restriction preventing a new offer being made within 12 months of original offer lapsing)</i>
16 July	1999 / 10	INDUCEMENT FEES <i>(Panel requirements where an inducement fee is proposed)</i>
16 July	1999 / 11	SUCCESS FEES; ONE MONTH FOR APPEALS; TIME LIMITS FOR COMPLAINTS <i>(Conclusions of the Panel following an examination of certain issues by the Panel Executive)</i>
16 July	1999 / 12	RULES 9 AND 37 – DIRECTORS AND CLOSELY CONTROLLED COMPANIES <i>(Relaxation of restrictions on the purchase of shares by directors and controlling shareholders)</i>
16 July	1999 / 13	PRE-CONDITIONAL OFFER ANNOUNCEMENTS <i>(Requirement to consult the Panel Executive in advance of any announcement relating to a pre-conditional offer)</i>
20 July	1999 / 14	1999 ANNUAL REPORT <i>(Extracts from the Report by the Director General contained in the 1999 Annual Report)</i>
15 September	1999 / 15	LONDON STOCK EXCHANGE MARKET HOURS – CODE AND SAR AMENDMENTS <i>(Amendments to the Code and SARs)</i>
8 October	1999 / 16	TREFICK LIMITED – NEWPORT HOLDINGS PLC <i>(Bid timetable suspended pending receipt of competition authority clearance)</i>
15 October	1999 / 17	RULE 37.1 – REDEMPTION OR PURCHASE BY A COMPANY OF ITS OWN SHARES <i>(Amendments to the Code)</i>
3 November	1999 / 18	NEWPORT HOLDINGS PLC <i>(Offeree company shares purchased by offeree company directors during buying prohibition to be assented to the offer in the event of the offer being successful)</i>
3 November	1999 / 19	NATIONAL WESTMINSTER BANK PLC – BANK OF SCOTLAND – THE ROYAL BANK OF SCOTLAND <i>(Panel dismissed appeal by an offeror against a ruling of the Panel Executive not to require an announcement by a potential competing offeror)</i>
19 November	1999 / 20	BANK OF SCOTLAND – NATIONAL WESTMINSTER BANK PLC <i>(Bid timetable suspended pending receipt of competition authority clearance)</i>

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21 January	2000 / 1	BANK OF SCOTLAND – NATIONAL WESTMINSTER BANK PLC <i>(Comment on statements made by offeror company financial adviser regarding the intentions of certain offeree company shareholders)</i>
31 January	2000 / 2	LONDON VISTA HOTEL LIMITED – REGAL HOTEL GROUP PLC <i>(Bid timetable suspended pending resolution of a Code issue)</i>
10 February	2000 / 3	APPOINTMENT OF RICHARD HOUGH AS JOINT SECRETARY <i>(Panel Executive appointment)</i>
29 February	2000 / 4	BURLINGTON BISCUITS PLC AND FINALREALM LIMITED – UNITED BISCUITS (HOLDINGS) PLC <i>(Bid timetable suspended pending further discussions regarding a possible combination of offers by the competing offerors)</i>
14 March	2000 / 5	LAFARGE MINERALS LTD – BLUE CIRCLE INDUSTRIES PLC <i>(Bid timetable suspended pending receipt of competition authority clearance)</i>
20 March	2000 / 6	BURLINGTON BISCUITS PLC AND FINALREALM LIMITED – UNITED BISCUITS (HOLDINGS) PLC <i>(Bid timetable re-started)</i>
31 March	2000 / 7	APPOINTMENT OF TIM CARGILL AS JOINT SECRETARY <i>(Panel Executive appointment)</i>

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