

THE TAKEOVER PANEL  
REPORT AND ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2010

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## PANEL MEMBERS

AS AT 14 JULY 2010

### CHAIRMAN AND DEPUTY CHAIRMEN

SIR GORDON LANGLEY		CHAIRMAN Appointed by the Panel	
ANTONY R BEEVOR FORMER SENIOR ADVISER, INVESTMENT BANKING, SOCIETE GENERALE	DEPUTY CHAIRMAN Appointed by the Panel	DAVID J CHALLEN VICE CHAIRMAN, EUROPEAN INVESTMENT BANKING, CITI	DEPUTY CHAIRMAN Appointed by the Panel

All members of the Panel are designated to act as a member of either the Hearings Committee or the Code Committee.

### THE HEARINGS COMMITTEE

In addition to the Chairman and the Deputy Chairmen, the membership of the Hearings Committee is as follows:

BARONESS HOGG CHAIRMAN, FINANCIAL REPORTING COUNCIL	Appointed by the Panel from 21.4.10	STEPHEN K GREEN GROUP CHAIRMAN, HSBC HOLDINGS	Appointed by the British Bankers' Association
SIR DAVID LEES CHAIRMAN OF THE COURT OF THE BANK OF ENGLAND	Appointed by the Panel	ALAN F PORTER GROUP GENERAL COUNSEL, TESCO	Appointed by the Confederation of British Industry
LORD MORRIS OF HANDSWORTH FORMER GENERAL SECRETARY, THE TRANSPORT AND GENERAL WORKERS UNION	Appointed by the Panel	GERALD W RUSSELL CONSULTANT	Appointed by the Institute of Chartered Accountants in England and Wales
SIR IAN ROBINSON NON EXECUTIVE DIRECTOR, COMPASS GROUP	Appointed by the Panel	DOUGLAS FERRANS CHAIRMAN, INVISTA REAL ESTATE MANAGEMENT	Appointed by the Investment Management Association
ARCHIE G KANE GROUP EXECUTIVE DIRECTOR, SCOTLAND AND INSURANCE LLOYDS BANKING GROUP	Appointed by the Association of British Insurers	CHARLES G WILKINSON HEAD OF CORPORATE BROKING, DEUTSCHE BANK	Appointed by the Association for Financial Markets in Europe representing its Corporate Finance Committee
CAROL C FERGUSON NON EXECUTIVE DIRECTOR, MONKS INVESTMENT TRUST	Appointed by the Association of Investment Companies	JIM HAMILTON INVESTEC BANK	Appointed by the Association for Financial Markets in Europe representing its Securities Trading Committee
JOHN P HALL FORMER CHIEF EXECUTIVE OFFICER, BREWIN DOLPHIN HOLDINGS	Appointed by the Association of Private Client Investment Managers and Stockbrokers	RAY MARTIN VICE PRESIDENT UK PENSIONS, DHL UK	Appointed by the National Association of Pension Funds

Sir Brian Stewart, former Chairman of Scottish & Newcastle, and Nigel Rich, Chairman of SEGRO, have been appointed by the Panel to serve as alternates for Baroness Hogg, Sir David Lees and Sir Ian Robinson. Dr Campbell Christie has been appointed by the Panel to serve as an alternate for Lord Morris of Handsworth. Alternates for those members appointed by the major financial and business institutions are listed on the Panel's website.

THE CODE COMMITTEE

The membership of the Code Committee is as follows:

LINDSAY P TOMLINSON MANAGING DIRECTOR, BLACKROCK	Chairman, Appointed by the Panel	DAVID P HAGER PRINCIPAL, GLOBAL INVESTMENT PRACTICE, HEWITT	Appointed by the Panel
JAMES D AGNEW MANAGING DIRECTOR, CHAIRMAN OF UK CORPORATE BROKING, DEUTSCHE BANK	Appointed by the Panel	ALAN D PAUL PARTNER, ALLEN & OVERY	Appointed by the Panel
PHILIP A J BROADLEY GROUP FINANCE DIRECTOR, OLD MUTUAL	Appointed by the Panel	JOY SEPPALA CHIEF EXECUTIVE OFFICER, SISU CAPITAL	Appointed by the Panel
ALISTAIR N C DEFRIEZ FORMER MANAGING DIRECTOR, UBS	Appointed by the Panel	CHRISTOPHER SMITH FORMER MANAGING DIRECTOR, CORPORATE FINANCE, J.P. MORGAN CAZENOVE	Appointed by the Panel

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THE FINANCE AND AUDIT COMMITTEE

The membership of the Finance and Audit Committee is as follows:

ANTONY R BEEVOR FORMER SENIOR ADVISER, INVESTMENT BANKING, SOCIETE GENERAL	Chairman	HUW M JONES DIRECTOR, CORPORATE FINANCE, M&G INVESTMENT MANAGEMENT
DAVID J CHALLEN VICE CHAIRMAN, EUROPEAN INVESTMENT BANKING, CITI		IAN G SALTER CONSULTANT, DEUTSCHE BANK PRIVATE WEALTH MANAGEMENT

THE NOMINATION COMMITTEE

The membership of the Nomination Committee is as follows:

SIR GORDON LANGLEY	Chairman	SIR DAVID LEES CHAIRMAN OF THE COURT OF THE BANK OF ENGLAND
ANTONY R BEEVOR FORMER SENIOR ADVISER, INVESTMENT BANKING, SOCIETE GENERAL		ALAN D PAUL PARTNER, ALLEN & OVERY
DAVID J CHALLEN VICE CHAIRMAN, EUROPEAN INVESTMENT BANKING, CITI		PAUL M W TUCKER DEPUTY GOVERNOR, FINANCIAL STABILITY, BANK OF ENGLAND

THE REMUNERATION COMMITTEE

The membership of the Remuneration Committee is as follows:

G MARK POWELL CHAIRMAN, RATHBONE INVESTMENT MANAGEMENT	Chairman	HUW M JONES DIRECTOR, CORPORATE FINANCE, M&G INVESTMENT MANAGEMENT
ANTONY R BEEVOR FORMER SENIOR ADVISER, INVESTMENT BANKING, SOCIETE GENERAL		IAN G SALTER CONSULTANT, DEUTSCHE BANK PRIVATE WEALTH MANAGEMENT
DAVID J CHALLEN VICE CHAIRMAN, EUROPEAN INVESTMENT BANKING, CITI		

THE PANEL EXECUTIVE

AS AT 14 JULY 2010

PHILIP J REMNANT     DIRECTOR GENERAL  
ANTHONY G B PULLINGER     DEPUTY DIRECTOR GENERAL  
CHRISTOPHER H JILLINGS     DEPUTY DIRECTOR GENERAL  
CHARLES M CRAWSHAY     DEPUTY DIRECTOR GENERAL

CASE OFFICERS

\*MARK P BARDELL     SECRETARY  
HERBERT SMITH  
  
DIIPIKA SHAH     SENIOR ASSISTANT  
SECRETARY  
  
\*MICHAEL S BIRD     ASSISTANT SECRETARY  
PRICEWATERHOUSECOOPERS  
  
\*JONATHAN R SLAUGHTER     ASSISTANT SECRETARY  
NM ROTHSCHILD & SONS  
  
\*RICHARD J BUTTERWICK     ASSISTANT SECRETARY  
LATHAM & WATKINS  
  
\*ROWLAND T PHILLIPS     ASSISTANT SECRETARY  
KPMG  
  
\*ALEX M THOMAS     ASSISTANT SECRETARY  
INVESTEC BANK

POLICY AND REVISION

BARBARA A MUSTON     SECRETARY  
  
JOHN A DOVEY     SECRETARY  
  
JEREMY D EVANS     SECRETARY

MARKET SURVEILLANCE

CRAIG G ANDREWS     ACTING MANAGER  
  
CLIVE W DAVIDSON  
  
IAIN P SUMMERS  
  
DAVID J WEINBERG  
  
SAMUEL G HART  
  
JAMES R DONOVAN

ADMINISTRATION AND SUPPORT

JACK W KNIGHT     OFFICE MANAGER  
  
JANE M TAYLOR     MANAGER, SUPPORT GROUP

EXEMPT GROUPS

SUSAN POWELL     MANAGER  
  
NADIR M DOCTOR

\* SECONDED

## INTRODUCTION TO THE TAKEOVER PANEL

The Panel is an independent body whose main functions are to issue and administer the Takeover Code (the “Code”) and to supervise and regulate takeovers and other matters to which the Code applies in accordance with the rules set out in the Code.

The Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The Code is not concerned with the financial or commercial advantages or disadvantages of a takeover. These are matters for the company and its shareholders. Nor is the Code concerned with those issues, such as competition policy, which are the responsibility of government and other bodies.

The Panel was set up as a non-statutory body in 1968, since when its composition and powers have evolved as circumstances have changed. On 20 May 2006, the Panel was designated by the Secretary of State for Trade and Industry as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC). Its statutory functions are set out in and under Chapter 1 of Part 28 of the Companies Act 2006 (the “Act”).

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 of rule breaches, rather than simply on disciplinary action, with the aim of providing appropriate redress. If the Panel finds that there has been a breach, it may have recourse to private censure, to public censure, to suspension or withdrawal of any exemption, approval or other special status granted by the Panel (or to the imposition of conditions in relation to the grant), or to reporting the offender’s conduct to another regulatory authority (for example, the Department for Business, Innovation and Skills or the Financial Services Authority) or professional body, as it thinks fit. The Panel can also implement cold-shouldering procedures such that, in certain circumstances, persons authorised by the Financial Services Authority or certain other professional bodies will not be permitted to act for the individual in question in a transaction subject to the Code.

Under the Act, the Panel also has powers to require documents and information, to make compensation rulings in certain circumstances, and to seek enforcement of its rulings through the courts.

## THE PANEL

The Chairman, the Deputy Chairmen and up to 20 other members are appointed by the Panel. In addition, 11 members are appointed by major financial and business institutions, thus ensuring a spread of expertise in takeovers, securities markets, industry and commerce.

Each member of the Panel is designated on appointment to act as a member of either the Panel's Hearings Committee or its Code Committee. The Chairman and the Deputy Chairmen are designated as members of the Hearings Committee. Of the possible 20 other members appointed by the Panel, up to eight may be designated as members of the Hearings Committee and up to 12 as members of the Code Committee. All of the members appointed by the major financial and business institutions are members of the Hearings Committee.

No person who is or has been a member of the Code Committee may be a member of the Hearings Committee.

## THE HEARINGS COMMITTEE

The principal function of the Hearings Committee is to review rulings of the Executive. It also hears disputed disciplinary cases. The Hearings Committee can be convened at short notice, where appropriate.

## THE CODE COMMITTEE

The Code Committee carries out the rule-making functions of the Panel and is solely responsible for keeping under review and, where appropriate, proposing, consulting on, making and issuing amendments to the substantive provisions (in the Introduction, the General Principles and Rules) of the Code and the Rules of Procedure of the Hearings Committee.

## THE EXECUTIVE

The day-to-day work of takeover supervision and regulation is carried out by the Executive. In carrying out these functions, the Executive operates independently of the Panel. This includes, either on its own initiative or at the instigation of third parties, the conduct of investigations, the monitoring of relevant dealings in connection with the Code and the giving of rulings on the interpretation, application or effect of the Code. The Executive is available both for consultation and also the giving of rulings on the interpretation, application or effect of the Code before, during and, where appropriate, after takeovers or other relevant transactions. 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.

The Executive is headed by the Director General, usually an investment banker on secondment. Some of the Executive's staff are permanent, providing an essential element of continuity. They are joined by lawyers, accountants, stockbrokers, investment bankers and others on two-year secondments.

Further information on the Panel is available on its website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).



## CHAIRMAN'S STATEMENT

My first duty is to pay tribute to my predecessor, Peter Scott QC, who retired as Chairman of the Panel at the end of April 2010 after ten years in office. Peter made an immense contribution to the evolution of the Panel in the light of various changes in the world around it: the establishment of the Financial Services Authority; the implementation of the market abuse regime; the introduction of the Human Rights Act (which entailed constitutional separation between the Code Committee, the Hearings Committee and the Executive); and the Panel's successful transition into becoming a body with statutory powers and duties on implementation of the Takeovers Directive. During his time as Chairman he worked with five Directors General and brought his considerable forensic skills to bear in chairing thirteen Panel Hearings with great firmness, tact and judgement. I would like to record my thanks, on behalf of all Panel members, for everything that Peter has done for the Panel and to wish him the very best for the future.

It is also my duty to bid farewell to two long-serving members of the Panel, Antony Hichens and Alan Yarrow, and to thank them for their wise counsel and unstinting commitment to the Panel over many years. I welcome Baroness Hogg as a full member of the Hearings Committee and also Nigel Rich, Chairman of SEGRO plc, as an alternate member of the Hearings Committee. Finally, it is my sad duty to report the death of Robin Stormonth-Darling, Deputy Chairman of the Panel from 1985 to 1987, and to record our appreciation of the contribution he made as Deputy Chairman and throughout a distinguished City career.

Robert Hingley stepped down as Director General at the end of February 2010, having extended his secondment by three months to accommodate the demands of some particular cases. I would like to thank Robert for his flexibility in extending his secondment and for the exceptional commitment, judgement and intellectual capacity that he brought to the role.

Robert's designated successor withdrew his candidacy as Director General and I am, therefore, particularly grateful to Philip Remnant, who had been Director General from 2001 to 2003, for agreeing to become Director General for a second time, in addition to his other commitments. Philip's experience and his individual qualities are assisting the Executive to fulfil its responsibilities with its customary efficiency and authority.

The most significant bid during the past year was the offer by Kraft Foods Inc. for Cadbury plc, in the wake of which various parties suggested that certain aspects of the Code might be reviewed. On 1 June 2010, the Code Committee, in the light of those suggestions and ensuing public discussion, published a public consultation paper setting out various issues and considerations relating to possible changes to the Code. I encourage a wide and considered response to that review.

In Europe, the Panel's focus over the last year has been the proposal for a Regulation to establish a European Securities and Markets Authority ("ESMA"), which forms part of the EU's response to the financial crisis of late 2008. As originally drafted, the Regulation included the Takeovers Directive within the scope of ESMA's powers, enabling it, potentially, to set Europe-wide standards for regulating bids and even to intervene in individual offers. The Panel has argued that the inclusion of takeover regulation within a regime of harmonised European securities regulation would be inappropriate, not least because takeover regulation must reflect company law, which still varies considerably between Member States. The Executive has devoted considerable efforts to making representations to this effect in Brussels and with its counterparts in other Member States. While negotiations continue between the European Parliament, the Council and the Commission, amendments adopted by the Parliament on 7 July exclude the Takeovers Directive from the scope of ESMA's powers and it is hoped that, when it is finally established, ESMA will not compromise the existing framework of takeover regulation applied by the Panel.

Closer to home, on 1 July 2009, legislation was put in place in Jersey, Guernsey and the Isle of Man, putting the Panel's regulation of takeovers and mergers of companies registered in those jurisdictions on a statutory footing. As a result, the Panel now has powers and duties in the Channel Islands and the Isle of Man equivalent to those imposed on and granted to it in the UK by the Companies Acts 2006. On commencement of the new legislation, the Panel signed Memoranda of Understanding with the relevant supervisory authorities in Jersey, Guernsey and the Isle of Man.

Although the past year has been relatively quiet in terms of the level of bid activity, it has been a busy one for the Executive in terms of disciplinary matters and investigations into concert parties and other issues. Of particular note was the Executive's investigation into the existence of an undisclosed concert party in relation to Principle Capital Investment Trust plc, which culminated in a decision by the Hearings Committee of the Panel that Mr Brian Myerson, Mr Brian Padgett and Mr Daniel Posen should be cold-shouldered for a period of three years. This decision, following an appeal, was affirmed by the Takeover Appeal Board on 14 July 2010.

In the light of the reduced level of bid activity, the Executive's headcount has been reduced somewhat, both in permanent staff and in secondees, and, given the pressures arising from these other issues, I would like to thank all members of the Executive for their continuing commitment and professionalism.



SIR GORDON LANGLEY  
14 July 2010

## CODE COMMITTEE CHAIRMAN'S REPORT

In a busy year, the Code Committee met five times and published five Public Consultation Papers ("PCPs") and three Response Statements ("RSs"). The Code Committee also approved a number of minor amendments to the Code which did not require consultation because either they did not materially alter the effect of the provision in question or they were made as a consequence of changes to relevant legislation. The Code Committee made five Instruments containing rules in the course of the year.

In May 2009, the Code Committee published PCP 2009/1, which proposed a number of amendments to the Code with a view to increasing transparency in relation to the positions of, and dealings by, persons involved in takeover offers. Certain of the proposals in PCP 2009/1 had evolved from suggestions put forward by market participants during the Committee's review in 2007 of the Code's derivatives and options regime. Following an informal consultation exercise carried out by the Executive on behalf of the Committee, the Committee proposed in PCP 2009/1 the extension of the Code's disclosure regime by requiring parties to an offer and persons with gross long interests of 1% or more in any class of relevant securities of the offeree company or of any "paper" offeror to make "opening position disclosures" and to make disclosures on the basis of "extended composite disclosure" (as described in more detail in the Director General's Report). The combined effect of these two proposals was that such persons would have to disclose: (i) their positions in the relevant securities of the offeree company and of any paper offeror shortly after the commencement of the offer period or, if later, an announcement that first identifies a paper offeror; and (ii) their dealings in the relevant securities of the offeree company and any paper offeror, in each case on an extended composite basis. The Committee also proposed the deletion from the Code of the concept and definition of "associate".

In PCP 2009/1, the Committee also discussed the extension of the Code's disclosure regime to securities borrowing and lending and to persons with a significant gross short position in the relevant securities of a party to an offer but no significant gross long position in those securities. It concluded, in relation to securities borrowing and lending, that, while there were good arguments for such an extension, the costs of introducing the necessary systems and policy changes required would be disproportionate to the increase in market transparency achieved during offer periods. However, the Committee intends to keep these issues under review. As regards the disclosure of short only positions, the Committee concluded that the benefits of its adoption would not be significant.

Amendments arising from the PCP were published in RS 2009/1 in December. Instrument 2009/6 was made on 16 December and the amendments came into effect on 19 April 2010.

PCP 2009/2, published in July, proposed a number of miscellaneous amendments to the Code, with the purpose of either clarifying the application of existing provisions within the Code or of codifying existing practice in relation to matters not covered by the Code. Amendments arising from PCP 2009/2 were published in RS 2009/2 in December. Instrument 2009/5 was made on 16 December and the amendments came into effect on 25 January 2010.

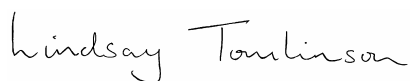
In December, the Code Committee published PCP 2009/3, which proposed a partial liberalisation of Rule 5.2(c)(iii), such that Rule 5 (Timing restrictions on acquisitions) would permit acquisitions of interests in shares in the offeree company by a unilateral offeror following the first closing date of the offer (or, if earlier, the first closing date of any competing offer). The amendments arising from this PCP were published in RS 2009/3 on 5 March 2010. Instrument 2010/1 was made on 5 March and the amendments came into effect on 8 March.

The publication of PCP 2010/1 in March followed a review by the Code Committee of the Rules in the Code which require third party reports to be provided on certain financial information, when published in the form of a profit forecast, an asset valuation, a merger benefits statement or any other quantified statement of effects, either before or during the course of an offer. The Committee proposed amendments with a view to improving the coherence and consistency of approach in these Rules. The Committee expects to publish an RS, including any amendments to the Code, taking account of comments received, in due course.

On 24 February 2010, in the light of widespread commentary and public discussion on various aspects of the regulation of takeover bids for UK companies which followed the takeover of Cadbury plc by Kraft Foods Inc., the Code Committee announced the initiation of a consultation exercise to review certain aspects of the Code. PCP 2010/2 was published on 1 June, inviting discussion on a number of suggestions. The Committee is now looking forward to receiving responses and will consider detailed proposals for any amendments to the Code in the light of comments received.

The Committee continues to appreciate the contributions of those who help it in formulating ideas, either by putting forward suggestions or participating in informal pre-consultation, or by responding to consultation papers. These contributions are a vital part of the rule-making procedure and are highly valued; I would like to thank all those who have been involved.

I would also like to thank the members of the Committee who have continued to apply themselves diligently to its work during the year. Finally, I would like to thank the Executive team for its continuing support. I would particularly like to mention Robert Hingley, the former Director General, for his excellent contribution during his period of secondment and Antonia Stewart, who has been a highly valued member of the team for many years. I wish them both well in their new ventures.



LINDSAY TOMLINSON  
14 July 2010

## DIRECTOR GENERAL'S REPORT

The number of takeover proposals which became unconditional, were withdrawn or lapsed during the year was 90. Although this was a decrease on last year's figure of 104, it led to the Panel crossing the significant milestone of having regulated over 8,000 bids since it was established in 1968.

In the current year, the number of firm offers announced remains at a low level. However, the Executive continues to receive a large number of enquiries in relation to a variety of issues, some of which can be extremely time consuming. The Executive's investigation of an undisclosed concert party in relation to Principle Capital Investment Trust plc, for example, required the commitment of considerable time and effort.

### EXTENSION OF THE CODE'S DISCLOSURE RULES

As noted by the Chairman of the Code Committee, two important changes were made to the Code's disclosure rules which came into effect on 19 April 2010:

- (a) first, to require that a person subject to the Code's disclosure regime (including a person with a gross long interest of 1% or more in any relevant securities of any party to an offer, other than a cash offeror) should disclose his long interests and short positions in relevant securities of an offeree company by no later than the tenth business day after the commencement of the offer period (and, in the case of a securities exchange offer, in relevant securities of the offeror by no later than the tenth business day after the announcement that first identifies it as an offeror), regardless of whether he has dealt in the relevant securities of the party concerned (the "opening position disclosure" requirement); and
- (b) secondly, to require that a person who has a gross long interest of 1% or more in any relevant securities of a party to an offer (other than a cash offeror) should disclose any dealing by him in any relevant securities of any party to the offer (other than a cash offeror) — i.e. not only dealings in relevant securities of the party to the offer in which he has a gross long interest of 1% or more; and also that any person making a disclosure under the Code should disclose details of all his long interests and short positions in relevant securities of all parties to the offer (other than a cash offeror) — i.e. not only the party to the offer in whose relevant securities the dealing occurred (the "extended composite disclosure" requirement).

Although the new regime has only been in effect for just under three months, it is operating well in practice.

## PRACTICE STATEMENTS

The new Practice Statements published during the course of the year were:

Practice Statement No. 25 – Debt syndication during offer periods

Practice Statement No. 26 – Shareholder activism

The text of all current Practice Statements is available on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

## ACCOUNTS

Operating income rose from £10,742,351 to £11,245,322. This was attributable to an increase in the income derived from the PTM levy, which outweighed a fall in document charges, reflecting the lower level of bid activity.

Although there was a reduction in personnel costs, this was offset by an increase in legal expenses, which was attributable in large part to the costs associated with the hearings before the Hearings Committee and the Takeover Appeal Board in relation to Principle Capital Investment Trust plc. As a result expenditure rose slightly to £11,174,586, compared with £11,028,904. After taking into account net interest of £219,079, a surplus of £289,815 was recorded, compared with £446,352 in the previous year.

Although the Panel's main sources of income remain unpredictable and variable, the current level of bid activity and the ongoing difficult market conditions make it likely that the Panel will incur a deficit for the current year. As a result, it is considered sensible for the Panel to continue to maintain substantial reserves of approximately two years' expenditure. This matter will, however, be kept under close review.

## CHAIRMAN OF THE PANEL

Finally, I should like to join Sir Gordon Langley in thanking Peter Scott QC for his enormous contribution in serving as Chairman of the Panel for almost ten years, during a period of significant change in the City and its regulation. I had the unusual privilege of being both the first and the last Director General to have been appointed by Peter and can testify to the considerable debt of gratitude which the City owes him for his exemplary leadership throughout this period. I also welcome Sir Gordon as the Panel's new Chairman and I have no doubt that he will fulfil this position with distinction.



PHILIP REMNANT  
14 July 2010

ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2010

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2010

	NOTE	2010 £	2009 £
INCOME			
PTM levy		6,843,381	5,600,650
Document fees		3,526,500	4,294,000
Code sales		175,316	212,355
Exempt income		465,000	370,000
Recognised Intermediary fees		235,000	255,000
Other income		125	10,346
		<u>11,245,322</u>	<u>10,742,351</u>
EXPENDITURE			
Personnel costs		7,529,120	7,936,269
Accommodation costs		990,211	1,008,312
Other expenditure		2,655,255	2,084,323
		<u>11,174,586</u>	<u>11,028,904</u>
SURPLUS/(DEFICIT) BEFORE INTEREST AND TAXATION		70,736	(286,553)
Interest receivable		277,315	1,007,729
Taxation	2	(58,236)	(274,824)
		<u>289,815</u>	<u>446,352</u>
SURPLUS FOR THE YEAR		<u>289,815</u>	<u>446,352</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>21,126,564</u>	<u>20,680,212</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>21,416,379</u></u>	<u><u>21,126,564</u></u>

All activities are regarded as being continuing.

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

BALANCE SHEET  
AT 31 MARCH 2010

	NOTE	2010 £	2009 £
FIXED ASSETS	3	96,531	80,333
CURRENT ASSETS			
Debtors and prepayments	4	2,692,644	2,130,318
Debtors — Amounts due after one year:			
Rent deposit		469,914	469,914
		3,162,558	2,600,232
Cash and short term deposits		20,347,521	20,569,077
		23,510,079	23,169,309
CURRENT LIABILITIES			
Creditors and accruals	5	2,131,995	1,852,337
Corporation tax		58,236	270,741
		2,190,231	2,123,078
NET ASSETS		21,416,379	21,126,564
Representing			
ACCUMULATED SURPLUS		21,416,379	21,126,564

The accounts on pages 16 to 20 were approved by the Finance and Audit Committee on 14 July 2010 and signed on behalf of the Panel members by:

SIR GORDON LANGLEY  
Chairman, Panel on Takeovers and Mergers

ANTONY BEEVOR  
Chairman, Finance and Audit Committee



CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2010

	NOTE	2010 £	2009 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	6	(159,634)	1,174,352
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest receivable		277,315	1,007,729
TAXATION			
UK corporation tax paid		(270,741)	(281,118)
CAPITAL EXPENDITURE		(68,496)	(47,013)
		<u>          </u>	<u>          </u>
(DECREASE)/INCREASE IN CASH	7	<u>(221,556)</u>	<u>1,853,950</u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- These accounts have been prepared under the historical cost basis of accounting.
- Income comprises the PTM levy, Document fees, Code sales, Exempt income, Recognised Intermediary fees and other income and is accounted for on an accruals basis.
- Expenditure is accounted for on an accruals basis.
- Interest receivable arises wholly in the UK and relates to interest receivable on deposits held and is recognised on an accruals basis.
- Fixed assets are shown at historical cost net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the income statement during the financial periods in which they are incurred.

Depreciation is calculated to write down the cost of all tangible fixed assets on a straight-line basis over their estimated useful economic lives. The periods generally applicable are:

Fixtures and fittings	4 years
Motor vehicles	4 years

	2010 £	2009 £
2. TAXATION		
UK corporation tax payable:		
Current tax payable	58,236	273,549
Prior year adjustment	—	1,275
	<u>          </u>	<u>          </u>
Tax charge for the year	<u>58,236</u>	<u>274,824</u>

NOTES TO THE ACCOUNTS *continued*

In agreement with HM Revenue & Customs, the Panel pays corporation tax on the bank deposit interest it receives and on any profit it makes on Code sales. For the year to 2010, corporation tax was charged at the small profits rate of 21%.

	Motor vehicles	Fixtures & fittings	Total
	£	£	£
3. TANGIBLE FIXED ASSETS			
Cost			
At 1 April 2009	39,181	101,516	140,697
Additions	—	68,496	68,496
	<hr/>	<hr/>	<hr/>
At 31 March 2010	39,181	170,012	209,193
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2009	19,590	40,774	60,364
Provided during the year	9,795	42,503	52,298
	<hr/>	<hr/>	<hr/>
At 31 March 2010	29,385	83,277	112,662
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2010	9,796	86,735	96,531
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2009	19,591	60,742	80,333
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		2010	2009
4. DEBTORS AND PREPAYMENTS		£	£
PTM levy accrued		1,787,230	1,437,188
Document fees accrued		299,000	97,000
Exempt income accrued		60,029	35,000
Recognised Intermediary fees accrued		40,000	30,000
Other debtors and prepayments		506,385	531,130
		<hr/>	<hr/>
		2,692,644	2,130,318
		<hr/> <hr/>	<hr/> <hr/>
		2010	2009
5. CREDITORS AND ACCRUALS		£	£
Personnel costs		778,953	1,364,049
Legal and professional fees		797,093	183,745
Other creditors and accruals		555,949	304,543
		<hr/>	<hr/>
		2,131,995	1,852,337
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS *continued*

	2010	2009
6. NET CASHFLOW FROM OPERATING ACTIVITIES	£	£
Surplus/(Deficit) before interest and taxation	70,736	(286,553)
Depreciation	52,298	35,174
(Increase)/Decrease in debtors and prepayments	(562,326)	485,626
Increase in creditors	279,658	940,105
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(159,634)	1,174,352
	<hr/> <hr/>	<hr/> <hr/>
	2010	2009
7. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS	£	£
(Decrease)/Increase in cash in period	(221,556)	1,853,950
	<hr/>	<hr/>
Change in net funds	(221,556)	1,853,950
Net funds at 1 April 2009	20,569,077	18,715,127
	<hr/>	<hr/>
Net funds at 31 March 2010	20,347,521	20,569,077
	<hr/> <hr/>	<hr/> <hr/>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TAKEOVER PANEL

We have audited the accounts of the Takeover Panel for the year ended 31 March 2010 which comprise the income and expenditure account, the balance sheet, the statement of cash flows and the related notes 1 to 7. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Panel members, as a body. Our audit work has been undertaken so that we might state to the Panel members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Panel and the Panel members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

The Panel members' responsibilities for preparing the accounts in accordance with the basis of preparation and accounting policies in note 1 are set out in the Statement of Panel Members' Responsibilities.

Our responsibility is to audit the accounts in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts are properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1.

In addition, we also report to you if, in our opinion, the Panel has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. The other information comprises only Panel Members and Executive, Introduction to the Takeover Panel, the Chairman's Statement, the Code Committee Chairman's Report, the Director General's Report, the Statistics, Statements issued by the Panel, Statements issued by the Code Committee and The Takeover Appeal Board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 have been properly prepared in accordance with the basis of preparation and accounting policies in note 1 of the accounts.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

MILTON KEYNES  
14 July 2010

STATEMENT OF PANEL MEMBERS' RESPONSIBILITIES

Pursuant to section 963 of the Companies Act 2006, the Panel has a duty to include accounts in its Annual Report. The Panel members have determined that these accounts should 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 judgments and estimates have been made in the preparation of the accounts for the year ended 31 March 2010. 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

There were 90 (year ended 31 March 2009 — 104) resolved takeover or merger proposals (i.e. proposals announced under Rule 2.5 which subsequently became wholly unconditional, lapsed, or were withdrawn), of which 88 (101) reached the stage where formal documents were sent to shareholders. These proposals were in respect of 87 (99) offeree companies.

25 (21) offers were not recommended at the time of the firm offer announcement made under Rule 2.5 of the Code and 21 (13) of these were not recommended at the time the offer document was published. 15 (9) of these remained unrecommended at the end of the offer period, of which 4 (1) lapsed.

10 (5) offers were, at the time of their announcement under Rule 2.5, mandatory bids under Rule 9.

A further 12 (11) proposals announced under Rule 2.5 were still open at 31 March 2010, and are not included in these figures.

	2009-2010	2008-2009
O U T C O M E O F P R O P O S A L S		
Successful proposals involving control	74	88
Unsuccessful proposals involving control	6	6
Proposals involving control withdrawn before publication of documents	2	3
Proposals involving minorities, etc.	8	7
	90	104
	90	104

There were 44 (51) offeree companies in an offer period as at 31 March 2010 and 162 (211) offeree companies went into an offer period during the year.

82 (85) whitewashes (i.e. documents seeking a waiver from existing shareholders of an obligation to make a mandatory offer under Rule 9 following an issue of new shares) were published during the year.

20 (26) Code waivers (i.e. dispensations from the application of the Code to offers or proposals for companies with a very limited number of shareholders) were granted during the year.

The Executive issued 9 (8) letters of private criticism during the year of which 1 (5) related to a failure to consult, 2 (0) were market related and 6 (3) related to the conduct of the parties involved. The Executive issued no (0) statements of public criticism.

There were no meetings of the Hearings Committee during the year. However, there was one appeal against a ruling of the Executive which the Chairman dismissed as being without merit and without having to convene a meeting of the Hearings Committee.

## STATEMENTS ISSUED BY THE PANEL

2009

1 April	2009/6	APPOINTMENT OF CHARLES CRAWSHAY AS A DEPUTY DIRECTOR GENERAL <i>(Panel Executive appointment)</i>
12 May	2009/8	CONDOR RESOURCES PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 3 June 2009)</i>
15 May	2009/9	NEW DIRECTOR GENERAL FOR THE TAKEOVER PANEL <i>(Panel Executive appointment)</i>
17 June	2009/10	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 25)</i>
17 June	2009/11	VENTURE PRODUCTION PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 13 July 2009)</i>
25 June	2009/12	CODE AMENDMENTS <i>(Code amendments to have effect on 1 July 2009 in relation to legislative changes relating to Jersey, Guernsey and the Isle of Man)</i>
9 July	2009/13	NEW CHAIRMAN FOR THE TAKEOVER PANEL <i>(Appointment of Sir Gordon Langley as Chairman)</i>
15 July	2009/14	2009 ANNUAL REPORT <i>(Publication of Panel's 2009 Annual Report)</i>
27 July	2009/16	NEW SECRETARY FOR THE TAKEOVER PANEL <i>(Panel Executive appointment)</i>
5 August	2009/17	NATIONAL EXPRESS GROUP PLC <i>(Requirement for potential offerors to make Rule 2.5 announcement or announce no intention to bid by 11 September 2009)</i>
9 September	2009/18	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 26)</i>
11 September	2009/19	NATIONAL EXPRESS GROUP PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 11 September to 25 September 2009)</i>
23 September	2009/20	CODE AMENDMENTS <i>(Code amendments to have effect on 1 October 2009 in relation to the Companies Act 2006 and other minor matters)</i>
25 September	2009/21	NATIONAL EXPRESS GROUP PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 25 September to 16 October 2009)</i>
28 September	2009/22	DIRECTOR GENERAL <i>(Secondment of Director General extended)</i>
30 September	2009/23	CADBURY PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 9 November 2009)</i>
2 October	2009/24	ANGLO AMERICAN PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 20 October 2009)</i>
2 November	2009/25	CODE AMENDMENTS <i>(Code amendments in relation to the replacement of LIBA by AFME)</i>

2009

5 November	2009/26	CENTAUR MEDIA PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 7 December 2009)</i>
18 November	2009/27	NOVERA ENERGY PLC <i>(Offer timetable extended)</i>
23 November	2009/28	HARTEST HOLDINGS PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 31 December 2009)</i>
17 December	2009/31	NR NORDIC AND RUSSIA PROPERTIES LIMITED <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 25 January 2010)</i>
30 December	2009/32	CADBURY PLC <i>(Amendment to offer timetable)</i>
31 December	2009/33	HARTEST HOLDINGS PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 31 December 2009 to 1 February 2010)</i>

2010

15 January	2010/1	MITCHELLS & BUTLERS PLC <i>(Concert party allegations)</i>
19 January	2010/2	CADBURY PLC <i>(Requirement for potential offerors to make Rule 2.5 announcement or announce no intention to bid by 25 January 2010)</i>
22 January	2010/3	MOUCHEL GROUP PLC <i>(Requirement for potential offerors to make Rule 2.5 announcement or announce no intention to bid by 8 March 2010)</i>
25 January	2010/4	CODE AMENDMENTS <i>(Miscellaneous Code amendments arising from RS 2009/2)</i>
1 February	2010/5	HARTEST HOLDINGS PLC <i>(Extension of requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 1 February to 22 February 2010)</i>
25 February	2010/7	DIRECTOR GENERAL <i>(Secondment of Director General deferred)</i>
1 March	2010/8	VT GROUP PLC <i>(Requirement for potential offerors to make Rule 2.5 announcement or announce no intention to bid by 12 April 2010)</i>
19 March	2010/10	BLACKS LEISURE GROUP PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 1 April 2010)</i>



## STATEMENTS ISSUED BY THE CODE COMMITTEE

### 2009

8 May	2009/7	CODE COMMITTEE - PUBLIC CONSULTATION PAPER 2009/1 <i>(Issue of Public Consultation Paper 2009/1 (Extending the Code's disclosure regime))</i>
16 July	2009/15	CODE COMMITTEE - PUBLIC CONSULTATION PAPER 2009/2 <i>(Issue of Public Consultation Paper 2009/2 (Miscellaneous Code amendments))</i>
9 December	2009/29	CODE COMMITTEE - PUBLIC CONSULTATION PAPER 2009/3 <i>(Issue of Public Consultation Paper 2009/3 (Amendments to Rule 5.2(c)(iii)))</i>
16 December	2009/30	CODE COMMITTEE - RESPONSE STATEMENTS <i>(Publication of Response Statements 2009/1 (Extending the Code's disclosure regime), Response Statement 2009/2 (Miscellaneous Code amendments) and Instruments 2009/5 and 2009/6)</i>

### 2010

24 February	2010/6	CODE COMMITTEE REVIEW <i>(Consultation on aspects of the Takeover Code)</i>
5 March	2010/9	CODE COMMITTEE - PUBLIC CONSULTATION PAPER AND RESPONSE STATEMENT <i>(Publication of PCP 2010/1 (Profit forecasts, asset valuations and merger benefits statements), RS 2009/3 (Amendments to Rule 5.2 (c)(iii)) and Instrument 2010/1)</i>

## THE TAKEOVER APPEAL BOARD

AS AT 14 JULY 2010

LORD STEYN	CHAIRMAN
SIR MARTIN NOURSE	DEPUTY CHAIRMAN
ERIC E ANSTEE	NON-EXECUTIVE DIRECTOR, INSIGHT INVESTMENTS
KENNETH E AYERS	FORMER CHAIRMAN, NATIONAL ASSOCIATION OF PENSION FUNDS (INVESTMENT COUNCIL)
KAREN R COOK	MANAGING DIRECTOR, GOLDMAN SACHS INTERNATIONAL
JOHN K GRIEVES	FORMER SENIOR PARTNER, FRESHFIELDS BRUCKHAUS DERINGER
DAVID L MAYHEW	CHAIRMAN, J.P. MORGAN CAZENOVE
JOHN F NELSON	CHAIRMAN, HAMMERSON
SIMON C T ROBey	MANAGING DIRECTOR, CO-CHAIRMAN OF GLOBAL M&A AND HEAD OF MORGAN STANLEY UK
ROBERT W A SWANNELL	FORMER VICE CHAIRMAN, CITI EUROPE
DAVID WEBSTER	CHAIRMAN, INTERCONTINENTAL HOTELS GROUP

The Takeover Appeal Board (the “Board”) is an independent body which hears appeals against rulings of the Hearings Committee. The Chairman and Deputy Chairman are appointed by the Master of the Rolls and will usually have held high judicial office. The other members are appointed by the Chairman or Deputy Chairman of the Board and will usually have relevant knowledge and experience of takeovers and the Takeover Code. No person who is or has been a member of the Code Committee of the Panel may simultaneously or subsequently be a member of the Board.

Any party to a hearing before the Hearings Committee (or any person denied permission to be a party to a hearing before the Hearings Committee) may appeal to the Board against any ruling of the Hearings Committee or of the chairman of the relevant hearing (including in respect of procedural directions).

The procedures of the Board are set out in its Rules which can be viewed on its website at [www.thetakeoverappealboard.org.uk](http://www.thetakeoverappealboard.org.uk).

No appeals were heard by the Board during the year.