

THE TAKEOVER PANEL  
REPORT AND ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2008

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PANEL MEMBERS AND EXECUTIVE

AS AT 9 JULY 2008

CHAIRMAN AND DEPUTY CHAIRMEN

★PETER DJ SCOTT QC			
		CHAIRMAN	
		Appointed by	
		the Panel	
‡★†ANTONY R BEEVOR	DEPUTY CHAIRMAN	‡DAVID J CHALLEN	DEPUTY CHAIRMAN
FORMER SENIOR ADVISER,	Appointed by	VICE CHAIRMAN,	Appointed by
INVESTMENT BANKING,	the Panel	EUROPEAN INVESTMENT	the Panel
SOCIETE GENERALE		BANKING, CITI	

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:

ANTONY P HICHENS	Appointed by	ALAN F PORTER	Appointed by the Confederation
DIRECTOR,	the Panel	GROUP GENERAL COUNSEL,	of British Industry
CANDOVER INVESTMENTS		TESCO	
★SIR DAVID LEES	Appointed by	DAVID A FURST	Appointed by the
CHAIRMAN,	the Panel	CHAIRMAN,	Institute of Chartered
TATE & LYLE		HORWATH CLARK WHITEHILL	Accountants in England and
			Wales
LORD MORRIS OF	Appointed by	ROBERT W JENKINS	Appointed by the
HANDSWORTH	the Panel	NON EXECUTIVE CHAIRMAN,	Investment Management
FORMER GENERAL SECRETARY,		F&C ASSET MANAGEMENT	Association
THE TRANSPORT AND GENERAL			
WORKERS UNION			
SIR IAN ROBINSON	Appointed by	★ALAN CD YARROW	Appointed by the London
CHAIRMAN,	the Panel	VICE CHAIRMAN,	Investment
LADBROKES		DRESDNER KLEINWORT	Banking Association
ARCHIE G KANE	Appointed by the	CHARLES G WILKINSON	Appointed by the
GROUP EXECUTIVE DIRECTOR,	Association of British Insurers	HEAD OF CORPORATE BROKING,	London Investment Banking
INSURANCE AND INVESTMENTS,		DEUTSCHE BANK	Association representing its
LLOYDS TSB GROUP			Corporate Finance Committee
CAROL C FERGUSON	Appointed by the	†ROBERT CM WIGLEY	Appointed by the
NON EXECUTIVE DIRECTOR,	Association of Investment	CHAIRMAN,	London Investment Banking
MONKS INVESTMENT TRUST	Companies	EUROPE, MIDDLE EAST & AFRICA,	Association representing its
		MERRILL LYNCH INTERNATIONAL	Securities Trading Committee
JOHN P HALL	Appointed by the	ARNO KITTS	Appointed by the
CHIEF EXECUTIVE OFFICER,	Association of Private Client	DIRECTOR OF EMEA BUSINESS,	National Association of Pension
BREWIN DOLPHIN HOLDINGS	Investment Managers and	HENDERSON GLOBAL INVESTORS	Funds
	Stockbrokers		
STEPHEN K GREEN	Appointed by the		
CHAIRMAN,	British Bankers' Association		
HSBC HOLDINGS			

Sir Brian Stewart, former Chairman of Scottish & Newcastle, and Baroness Hogg, Chairman of 3i Group, have been appointed by the Panel to serve as alternates for Antony P Hitchens, 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 VICE CHAIRMAN, EUROPE, BARCLAYS GLOBAL INVESTORS	Chairman Appointed by the Panel	ALISTAIR NC DEFRIEZ FORMER MANAGING DIRECTOR, UBS	Appointed by the Panel
JAMES D AGNEW MANAGING DIRECTOR, CHAIRMAN OF UK CORPORATE BROKING, DEUTSCHE BANK	Appointed by the Panel	DAVID P HAGER PRINCIPAL, GLOBAL INVESTMENT PRACTICE, HEWITT	Appointed by the Panel
PHILIP AJ BROADLEY FORMER GROUP FINANCE DIRECTOR, PRUDENTIAL	Appointed by the Panel	☆ALAN D PAUL PARTNER, ALLEN & OVERY	Appointed by the Panel
CHRIS S CHEETHAM CHIEF EXECUTIVE OFFICER, HALBIS CAPITAL MANAGEMENT	Appointed by the Panel	CHRISTOPHER SMITH MANAGING DIRECTOR, CORPORATE FINANCE, JPMORGAN CAZENOVE	Appointed by the Panel

‡ Finance Committee Member

☆ Nomination Committee Member

† Remuneration Committee Member

THE PANEL EXECUTIVE

\*ROBERT C A HINGLEY DIRECTOR GENERAL  
LEXICON PARTNERS  
NOEL P HINTON DEPUTY DIRECTOR GENERAL  
ANTHONY G B PULLINGER DEPUTY DIRECTOR GENERAL  
CHARLES M CRAWSHAY ASSISTANT DIRECTOR GENERAL

CASE OFFICERS

\*PAUL A WHITELOCK SECRETARY  
NORTON ROSE  
\*NICK J RUMSBY SECRETARY  
LINKLATERS  
DIPKA SHAH ASSISTANT SECRETARY  
\*SALMAAN A KHAWAJA ASSISTANT SECRETARY  
GRANT THORNTON  
\*BRITTA BÄHR ASSISTANT SECRETARY  
HSBC  
\*AMERJIT S KALIRAI ASSISTANT SECRETARY  
BERWIN LEIGHTON PAISNER  
\*ANNA L HOWARD ASSISTANT SECRETARY  
KPMG  
\*MARK C HUTT ASSISTANT SECRETARY  
LEHMAN BROTHERS  
\*GEOFF R ILES ASSISTANT SECRETARY  
BANK OF AMERICA  
\*SCOTT C HOPKINS ASSISTANT SECRETARY  
SKADDEN ARPS SLATE  
MEAGHER & FLOM

POLICY AND REVISION

BARBARA A MUSTON SECRETARY  
ANTONIA F STEWART SECRETARY  
JOHN A DOVEY SECRETARY  
JEREMY D EVANS SECRETARY

MARKET SURVEILLANCE

MARTIN C HARRISON MANAGER  
CRAIG G ANDREWS DEPUTY MANAGER  
SABER DOHA  
CLIVE W DAVIDSON  
BHAVIKA H MISTRY  
IAIN P SUMMERS

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 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, Enterprise and Regulatory Reform 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 independent members are appointed by the Panel. In addition, 11 members are nominated 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. Of the possible 20 independent 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 nominated 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 upon and 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 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

A little over 40 years ago, on 27 March 1968, the Panel was born. Since that time, the Panel has dealt with approximately 8,000 published offers, as well as thousands of other cases where, notwithstanding the commencement of an offer period, no offer was ever made, together with other matters such as concert party investigations and Rule 9 whitewashes. The Code, issued by the Panel, has expanded considerably to take account of changes in market practice in respect of bids, but also to reflect changes in the market itself. This does not mean, however, that the original purpose of the Code has changed. It is interesting to note that the first Annual Report, issued in 1969, made the point that the Code set out "to improve the conditions in which the shareholder, with such aid as he may choose, can judge the merits [of any individual offer] for himself, if he so wishes". The same premise holds today: the Panel seeks to ensure that shareholders in an offeree company are given sufficient information and time so that they can collectively make an informed decision about the future of the company which they own.

Since its inception, the Panel has also frequently made the point that a regulator of takeovers needs to be able to react flexibly and promptly to changing circumstances. In the 1978 Annual Report, the Chairman, Lord Shawcross, wrote: "... the flexibility of the system was well illustrated by the Panel's recent ability to deal rapidly with the so-called formula bids for investment trusts, a new technique devised by a resourceful market". Similar echoes of this are found in other Annual Reports. This aim of the Panel remains as true today as it did in 1968. A Code based on principle, avoiding the temptation to attempt legislation for every possibility, is a crucial basis for such flexibility. But flexibility must be balanced pragmatically with certainty, which is one of the reasons why the Panel places such importance upon consultation with the Executive. The Executive has always urged that it should be consulted if a practitioner, or a practitioner's client, has any doubts about how any part of a proposed transaction should be implemented. The Executive remains ready and willing to give non-binding guidance on the interpretation of the Rules. Such guidance helps to ensure that practitioners can be reasonably satisfied that their proposed course of action is in accordance with the requirements of the Code. The value of providing such a service is not seriously doubted. In this and other ways, the Panel seeks to prevent wrong-doing, in preference to punishment after the event.

The Executive has an unusual structure. It is made up of a combination of seconded practitioners, including the Director General, who normally spend two years at the Panel, and permanent staff. While the permanent staff provide a significant element of continuity, the seconded staff provide up-to-date market expertise. The continued willingness of practitioners in the City, whether investment banks, accountants or lawyers, to second high calibre staff to the Panel is a testament to the City's support for the Panel, and encourages understanding of the Panel and its activities.



I intend to make only a brief mention of the Takeovers Directive this year. Its implementation was a difficult process, but the manner in which the Government handled it has helped the Panel to satisfy the requirements of the Directive with very little change in our operations. The Executive is further developing its contacts with fellow takeover regulators in Europe both through bilateral meetings and through participation in the Takeovers Group set up by the Committee of European Securities Regulators. Discussions already held suggest that these contacts will undoubtedly prove useful, especially in the event of offers involving shared jurisdiction.

I hope that it will not appear complacent if I say that it does seem that, forty years on, the Panel continues to have the support of both practitioners and shareholders and is seen as an essential part of the fabric of City regulation. Clearly, however, the Panel cannot rest on its laurels, nor would it wish to do so. In the last few years, there have been many changes in the City landscape, the introduction of MiFID and the appearance of sovereign wealth funds to mention but two, and the Panel must remain alive to the challenges as they arise. I am sure that it will.

Sadly, I have to report the untimely deaths of Heydar Kahnouyipour and Sir Derek Higgs. Heydar had been a member of the Code Committee since its inception and applied himself wholeheartedly to the task of ensuring that the Code continued to reflect the needs of today's marketplace in its approach. Sir Derek had recently been appointed as a member of the Takeover Appeal Board but his association with and support of the Panel stretched back many years to his time at Warburgs. They will be much missed.

As mentioned in the Chairman of the Code Committee's report, Andrew Spokes and Tom Ross have left the Code Committee and, hence, the Panel. I would like to thank them for their considerable contributions over the busy recent years and welcome as new members Philip Broadley, Alistair Defriez and David Hager.

Next, I would like to thank the members of the Executive for their continued application to the varied tasks in front of them. Last November, Mark Warham completed his term of office as Director General. The Panel's thanks are due to him for the effective way in which he discharged his responsibilities and we wish him well on his return to Morgan Stanley. In his place, we are delighted to welcome Robert Hingley whose background at Citi and Lexicon Partners will no doubt serve him well during his time at the Panel.

I would also like to thank my colleagues at the Panel for their helpful and constructive participation on the Panel and its committees, and also the members of the Takeover Appeal Board under Lord Steyn who held their first hearing last year under the revised appeal arrangements.

Finally, Noel Hinton, Deputy Director General, retires shortly after more than 24 years at the Panel. Noel has been an outstanding member of the Executive and we will greatly miss his wisdom and experience. We wish him every happiness in his retirement.



PETER SCOTT QC  
9 July 2008

## CODE COMMITTEE CHAIRMAN'S REPORT

This year saw, in April 2007, the Committee's rule-making function given a statutory basis with the implementation of Chapter 1 of Part 28 of the Companies Act 2006. While this change was significant in the history of the Panel, its only practical effect on the Committee's work was to require rule changes to be made formally by Instruments in writing, which are published on the Panel's website.

The Committee met four times during the year, publishing two Public Consultation Papers ("PCPs") and one Response Statement ("RS"). The Committee also approved a number of minor amendments which did not require public consultation because they were consequential on changes to relevant regulations. Four rule-making instruments were made.

In June the Committee published the conclusions of its review of the operation of the regime relating to derivatives and options, which had been introduced in 2005 and 2006. It concluded that the regime had achieved its principal objectives without imposing undue burdens on market participants and that no further amendments were required at this stage.

Also in June, the Committee published PCP 2007/1 on schemes of arrangement. In this PCP, the Committee proposed a number of amendments to the Code as it applied to a transaction regulated by the Code and effected by way of a statutory scheme of arrangement. The aim of the proposals was to codify the practices developed by the Executive in relation to the application of certain provisions of the Code to such schemes. The amendments, which included the addition to the Code of a new Appendix 7 relating to schemes, were published in November in RS 2007/1. Instruments 2007/1 and 1A were made in November 2007 and January 2008 respectively and the amendments were implemented on 14 January.

During the course of the year, the Committee spent some time considering with the Executive the application of Rule 3. At the request of some investment banks, the Executive carried out a review of the way in which it determines the independence of proposed Rule 3 advisers. Following this review, the Executive reported to the Committee that while it proposed to modify its approach, the modifications proposed would not be such as to require a Code amendment. The Committee concurred with the Executive's conclusions and the Executive's modified approach was subsequently reflected in Practice Statement No. 21.

In March 2008, the Committee published PCP 2008/1 in which it proposed amendments to certain provisions of the Code relating to competition reference periods. The purpose of the proposals was to clarify the application of the relevant Rules, to codify existing practice in relation to the application of those Rules and to bring them more closely into line with UK and European competition law. The Committee expects shortly to publish the response statement including the amendments taking account of comments received.

The Committee has also been considering possible amendments to the Code that would facilitate and, in certain respects, require a wider use of electronic forms of communication as a means of making documents, announcements and other offer-related information available to shareholders and the market generally. The Executive has undertaken an informal consultation exercise on behalf of the Committee and the Committee intends to publish its proposals shortly.

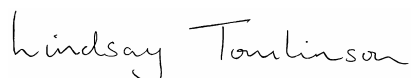
On 29 November 2007, the Committee made Instrument 2007/2, relating to amendments deriving from changes in the rules for issuers whose securities are admitted to trading on the PLUS primary markets. The amendments took effect on 14 January.

On 4 March 2008, the Committee made Instrument 2008/1, which amended Rule 29 of the Code relating to asset valuations, bringing that Rule into line with the latest amendments to the Royal Institution of Chartered Surveyors Standards. Those amendments were implemented on 4 April.

Once again this year, the Committee has been very appreciative of those who have taken the time to respond to its consultation papers and who have taken part in informal consultation exercises carried out by the Executive on its behalf. Such participation provides an invaluable contribution to the rule-making process and I would like to thank all those involved.

The Committee saw a number of changes in membership during the course of the year. It was with great sadness that the Committee learned in March 2008 of the death of Heydar Kahnamousipour, one of its founder members and someone who stood out in his thoughtfulness and attention to detail and who will be sorely missed. Andrew Spokes, who made an enthusiastic and effective contribution to the work of the Committee during the eighteen months in which he was a member, had to stand down in October following his work move to the United States. Another founder member, Tom Ross, from whose commitment and sound common sense approach the Committee has benefited greatly over the last seven years, stood down on 9 July. In turn, the Committee is delighted to welcome as new members appointed by the Panel, Philip Broadley, Alistair Defriez and David Hager.

I would like to express my thanks to the members of the Committee for their continuing dedication to the Committee's work during the year. I would also like to thank the Executive team for its continuing diligence and support, mentioning in particular the former Director General, Mark Warham, and wishing him well on his return to investment banking.



LINDSAY TOMLINSON  
9 July 2008

## DIRECTOR GENERAL'S REPORT

The number of takeover proposals which became unconditional, were withdrawn or lapsed during the year was 134. This was a decrease on last year's figure of 144.

### MiFID

The Markets in Financial Instruments Directive ("MiFID") was implemented in the UK, with effect from 1 November 2007. MiFID provides a harmonised regulatory regime for investment services across the 30 Member States of the EEA and aims, amongst other things, to increase competition in investment services. Following the introduction of MiFID, there has been a significant increase in the number and type both of platforms on which securities' trading can be effected and reported and of entities to which trades made off-market (or 'over-the-counter') may be reported, in both cases so as to provide market transparency to investors.

This fragmentation has rendered the Executive's task of market surveillance in the context of takeovers more complex, as data now has to be gathered from a wider range of entities. However, I am pleased to report that all principal relevant entities have agreed to supply data feeds to the Executive. In addition, the Executive has full access to the transaction reports provided to the FSA for regulatory monitoring purposes, including data provided to the FSA by other EEA regulators.

As a result, the Executive is confident that, through its Market Surveillance Unit, it continues to be able to monitor relevant trading activity in a comprehensive, timely and effective manner.

### SCHEMES OF ARRANGEMENT

For a variety of reasons, it has become more common in recent years to use schemes of arrangement in recommended takeovers. For example, in the year ended March 2002 around 10% of offers regulated by the Panel were effected through schemes; in the year ended March 2008, the equivalent figure was 41%.

Historically, the Code was applied to schemes on a case-by-case basis, with a flexible approach being adopted where necessary. In view, however, of the increasing number of schemes, the Code Committee decided to codify the application of the Code to schemes in order to provide greater transparency and certainty in this area. The Committee decided not to amend the Code on a rule-by-rule basis so that, except where specified, the provisions of the Code continue to apply equally to contractual offers and schemes. However, significant flexibility has been retained in relation to the application of the Code to schemes, bearing in mind the speed at which market practice in relation to schemes continues to develop.

In the recent High Court judgment in relation to the offer for Expro International Group Plc, which was effected through a scheme, it was noted that it was not considered desirable for Court procedure to introduce a level of uncertainty into offers which the provisions of the Code had successfully eliminated. On this evidence, it does not appear that there is any current likelihood of the Courts playing a more active role in determining the outcome of offers.

## PRACTICE STATEMENTS

The new Practice Statements published were:

Practice Statement No. 18 – Cross-border mergers

Practice Statement No. 19 – Rule 19.3 – Unacceptable statements

Practice Statement No. 20 – Rule 2 – Secrecy, possible announcements and pre-announcement responsibilities

Practice Statement No. 21 – Rule 3 – Independent advice

Practice Statements No. 20 and No. 21, in particular, addressed matters which have been the subject of considerable debate in recent years.

The Executive is particularly concerned, in applying Rule 2, both to ensure that the risk of leaks before the announcement of an offer is minimised and to prevent false markets by ensuring the prompt release of announcements of possible offers where leaks have led to rumour and speculation and/or to an untoward movement in the target company's share price. Practice Statement No. 20 emphasises, above all, the crucial importance of early consultation with the Executive.

As stated in last year's Annual Report, the Executive discussed the operation of Rule 3 in detail with the Code Committee in the light of concerns expressed by practitioners. Following this review, the Code Committee reiterated its strong commitment to the principle of independent advice for offeree companies. In addition, it concluded that the Executive should continue to play a critical part in determining the independence of potential offeree company advisers. Practice Statement No. 21 recognises, however, that the businesses of investment banks, and the nature of their relationships with their clients, have changed in recent years and so sets out certain additional flexibilities in approach as to when the Executive will regard a potential Rule 3 adviser as independent of the offeror.

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

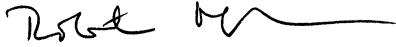
## ACCOUNTS

Operating income fell to £14,755,503 from £17,220,970, reflecting lower levels of market activity.

Expenditure rose to £11,841,372, compared with £9,429,943, reflecting, in particular, an increased level of professional expenses, in part due to the two appeals heard during the year, and increased personnel costs.

After taking into account net interest of £707,147, a surplus of £3,621,278 was recorded, compared with £8,167,045 in the previous year. The Finance Committee continues to believe that it is important to retain a substantial reserve given the unpredictable and variable nature of the principal sources of the Panel's income. This is

particularly so at times when, as at present, the market outlook and so likely levels of takeover activity remain uncertain. The Finance Committee has therefore concluded that a rebate of income would not be appropriate in current circumstances. As always, however, this matter will be kept under review if the reserve continues to grow.



ROBERT HINGLEY  
9 July 2008

## THE TAKEOVER APPEAL BOARD

AS AT 9 JULY 2008

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
SIMON CT ROBEY	MANAGING DIRECTOR, CO-CHAIRMAN OF GLOBAL M&A AND HEAD OF MORGAN STANLEY UK
ROBERT WA SWANNELL	VICE CHAIRMAN, CITI EUROPE
ROBERT E TALBUT	CHIEF INVESTMENT OFFICER, ROYAL LONDON ASSET MANAGEMENT
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).

The Board met in May 2007 to hear one appeal, which was not successful.

## STATISTICS

There were 134 (year ended 31 March 2007 — 144) resolved takeover or merger proposals (i.e. proposals announced under Rule 2.5 which subsequently became wholly unconditional, lapsed or were withdrawn), of which 130 (143) reached the stage where formal documents were sent to shareholders. These proposals were in respect of 128 (140) offeree companies.

13 (13) offers were not recommended at the time of the Rule 2.5 announcement and 10 (11) of these were not recommended at the time the offer document was posted. 7 (9) of these remained unrecommended at the end of the offer period, of which 2 (6) lapsed.

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

A further 22 (27) proposals announced under Rule 2.5 were still open at 31 March 2008, and are not included in these figures.

	2007-2008	2006-2007
OUTCOME OF PROPOSALS		
Successful proposals involving control	109	127
Unsuccessful proposals involving control	7	12
Proposals involving control withdrawn before issue of documents	4	1
Proposals involving minorities, etc.	14	4
	<u>134</u>	<u>144</u>
	<u><u>134</u></u>	<u><u>144</u></u>

There were 72 (57) offeree companies in an offer period as at 31 March 2008 and 220 (230) offeree companies went into an offer period during the year.

69 (81) 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 posted during the year.

36 (39) 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 4 (9) letters of private criticism during the year of which 1 (1) related to a failure to consult, 3 (2) were market-related and none (6) related to the conduct of the parties involved. The Executive issued 1(1) statement of public criticism (Statement 2007/29).

The Hearings Committee held two meetings to hear appeals against rulings by the Executive. Neither of the appeals was successful.



ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2008

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2008

	NOTE	2008 £	2007 £
INCOME			
PTM levy		6,123,521	6,970,483
Document fees		7,828,000	9,668,500
City Code sales		267,852	256,220
Exempt income		500,000	304,994
Recognised Intermediary fees		30,000	—
Other income		6,130	20,773
		<u>14,755,503</u>	<u>17,220,970</u>
EXPENDITURE			
Personnel costs		8,759,844	6,888,767
Accommodation costs		922,364	840,348
Other expenditure		2,159,164	1,700,828
		<u>11,841,372</u>	<u>9,429,943</u>
SURPLUS BEFORE INTEREST AND TAXATION		2,914,131	7,791,027
Interest receivable		990,181	490,653
Taxation	2	(283,034)	(114,635)
		<u>3,621,278</u>	<u>8,167,045</u>
SURPLUS FOR THE YEAR		3,621,278	8,167,045
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		17,058,934	8,891,889
		<u>20,680,212</u>	<u>17,058,934</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u>20,680,212</u>	<u>17,058,934</u>

All activities are regarded as being continuing.

The Takeover 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 2008

	NOTE	2008 £	2007 £
FIXED ASSETS	3	68,494	5,309
CURRENT ASSETS			
Debtors and prepayments	4	2,615,944	3,201,151
Debtors — Amounts due after one year:			
Rent deposit		469,914	469,914
		3,085,858	3,671,065
Bank and cash		18,715,127	14,153,979
		21,800,985	17,825,044
CURRENT LIABILITIES			
Creditors and accruals	5	912,232	654,142
Corporation tax		277,035	117,277
		1,189,267	771,419
Net Assets		20,680,212	17,058,934
Representing			
ACCUMULATED SURPLUS		20,680,212	17,058,934

The accounts on pages 18 to 22 were approved by the Finance Committee on 9 July 2008 and signed on behalf of the Members by:

PETER SCOTT QC  
The Chairman, Panel on Takeovers and Mergers

ANTONY BEEVOR  
The Chairman, Finance Committee

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2008

	NOTE	2008 £	2007 £
Net cash inflow from operating activities	6	3,780,849	5,197,048
Returns on investments and servicing of finance			
Interest receivable		990,181	490,653
Taxation			
UK corporation tax paid		(123,276)	(50,188)
Capital Expenditure		(86,606)	(7,078)
Increase in cash	7	4,561,148	5,630,435

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- (a) These accounts have been prepared under the historical cost basis of accounting.
- (b) Income comprises the PTM levy, Document fees, City Code sales, Exempt income, Recognised Intermediary fees and other income and is accounted for on an accruals basis.
- (c) Expenditure is accounted for on an accruals basis.
- (d) Interest receivable arises wholly in the UK and relates to interest receivable on deposits held and is recognised on an accruals basis.
- (e) 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

NOTES TO THE ACCOUNTS *continued*

	2008	2007
2. TAXATION	£	£
UK corporation tax payable on interest income receivable:		
Current tax payable	283,034	117,277
Prior year adjustment	—	(2,642)
	<u>283,034</u>	<u>114,635</u>
Tax charge for the year	<u><u>283,034</u></u>	<u><u>114,635</u></u>

In agreement with HM Revenue & Customs, the Panel pays Corporation Tax only on the bank deposit interest it receives. For the year to 2008, Corporation Tax was charged at the full rate of 30% which after marginal relief resulted in an effective tax rate of 28%.

	Motor Vehicles	Fixtures & fittings	Total
3. TANGIBLE FIXED ASSETS	£	£	£
Cost			
At 1 April 2007	—	7,078	7,078
Additions	39,181	47,425	86,606
	<u>39,181</u>	<u>54,503</u>	<u>93,684</u>
At 31 March 2008	<u>39,181</u>	<u>54,503</u>	<u>93,684</u>
Depreciation			
At 1 April 2007	—	1,769	1,769
Provided during the year	9,795	13,626	23,421
	<u>9,795</u>	<u>15,395</u>	<u>25,190</u>
At 31 March 2008	<u>9,795</u>	<u>15,395</u>	<u>25,190</u>
Net book value			
At 31 March 2008	<u><u>29,386</u></u>	<u><u>39,108</u></u>	<u><u>68,494</u></u>
At 31 March 2007	<u><u>—</u></u>	<u><u>5,309</u></u>	<u><u>5,309</u></u>

	2008	2007
4. DEBTORS AND PREPAYMENTS	£	£
PTM levy accrued	1,484,965	1,931,405
Document fees accrued	467,500	958,000
Exempt income accrued	55,000	—
Recognised Intermediary fees accrued	10,000	—
Code income accrued	2,875	—
Other debtors and prepayments	595,604	311,746
	<u>2,615,944</u>	<u>3,201,151</u>
	<u><u>2,615,944</u></u>	<u><u>3,201,151</u></u>

NOTES TO THE ACCOUNTS *continued*

	2008	2007
5. CREDITORS AND ACCRUALS	£	£
Personnel costs	525,254	322,802
Legal and professional fees	48,055	193,925
Other creditors and accruals	294,699	137,415
Provision for PTM levy repayable	44,224	—
	<u>912,232</u>	<u>654,142</u>
	<u><u>912,232</u></u>	<u><u>654,142</u></u>
	2008	2007
6. NET CASH FLOW FROM OPERATING ACTIVITIES	£	£
Surplus before interest and taxation	2,914,131	7,791,027
Depreciation	23,421	1,769
Decrease/(Increase) in debtors and prepayments	585,207	(1,419,068)
Increase/(Decrease) in creditors	258,090	(1,176,680)
	<u>3,780,849</u>	<u>5,197,048</u>
Net cash inflow from operating activities	<u><u>3,780,849</u></u>	<u><u>5,197,048</u></u>
	2008	2007
7. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	£	£
Increase in cash in period	4,561,148	5,630,435
	<u>4,561,148</u>	<u>5,630,435</u>
Change in net funds	4,561,148	5,630,435
Net funds at 1 April 2007	14,153,979	8,523,544
	<u>18,715,127</u>	<u>14,153,979</u>
Net funds at 31 March 2008	<u><u>18,715,127</u></u>	<u><u>14,153,979</u></u>

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 2008 which comprise the income and expenditure account, the balance sheet, the statement of cash flows and 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 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 the Panel Members and Executive, Introduction to the Takeover Panel, Chairman's Statement, Code Committee Chairman's Report, the Director General's Report, The Takeover Appeal Board, the Statistics, Statements issued by the Panel, Statements issued by the Code Committee and Statements issued by 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 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 have been properly prepared in accordance with the basis of preparation and accounting policies set out in note 1 to the accounts.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

HEMEL HEMPSTEAD  
9 July 2008

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 2008. 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 2008

2007

5 April	2007/11	CODE AMENDMENTS <i>(Implementation of Code amendments and changes to the Panel's website)</i>
12 April	2007/12	BODYCOTE INTERNATIONAL PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 27 April 2007)</i>
3 May	2007/13	FREEPOR T PLC <i>(Request by offeror for permission not to proceed with its offer under Rule 2.7)</i>
6 July	2007/16	IMPERIAL CHEMICAL INDUSTRIES PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 9 August 2007)</i>
9 July	2007/17	WORLD TELEVISION GROUP PLC <i>(Holding announcement of the Hearings Committee decision)</i>
9 July	2007/18	WORLD TELEVISION GROUP PLC <i>(Reasons for the Hearings Committee decision)</i>
12 July	2007/19	FREEPOR T PLC <i>(Update on status of request by offeror for permission not to proceed with its offer under Rule 2.7)</i>
16 July	2007/20	EMI GROUP PLC <i>(Requirement for potential competing offerors to make Rule 2.5 announcement or announce no intention to bid by 19 July 2007)</i>
18 July	2007/21	2007 ANNUAL REPORT <i>(Publication of Panel's 2007 Annual Report)</i>
20 July	2007/22	NEW DIRECTOR GENERAL FOR THE TAKEOVER PANEL <i>(Panel Executive appointment)</i>
30 July	2007/23	FREEPOR T PLC <i>(Ruling regarding request by offeror for permission not to proceed with its offer under Rule 2.7)</i>
31 July	2007/24	QUINTAIN ESTATES AND DEVELOPMENT PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 10 September 2007)</i>
1 August	2007/25	FREEPOR T PLC <i>(No review by the Hearings Committee of 30 July ruling)</i>
6 August	2007/26	DOBBIES GARDEN CENTRES PLC <i>(Requirement for potential competing offeror to make Rule 2.5 announcement or announce no intention to bid by 9 August 2007)</i>
9 August	2007/27	IMPERIAL CHEMICAL INDUSTRIES PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 9 August to 13 August 2007)</i>
15 October	2007/28	RESOLUTION PLC <i>(Requirement for potential competing offerors to make Rule 2.5 announcement or announce no intention to bid by 25 October 2007)</i>
19 October	2007/29	iSOFT GROUP PLC <i>(Criticism of Monterrey Investment Management Limited)</i>



2007

24 October	2007/30	PANEL EXECUTIVE PRACTICE STATEMENT <i>(Issue of Practice Statement No. 18)</i>
25 October	2007/31	RESOLUTION PLC <i>(Holding statement regarding request for extension)</i>
25 October	2007/32	RESOLUTION PLC <i>(Holding statement)</i>
25 October	2007/33	RESOLUTION PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 25 October to 26 October 2007)</i>
26 October	2007/34	SAINSBURY (J) PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 8 November 2007)</i>
29 October	2007/35	RESOLUTION PLC <i>(Clarification of a statement made by Standard Life Plc)</i>
7 November	2007/36	600 GROUP PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 29 November 2007)</i>
9 November	2007/37	RIO TINTO PLC <i>(Delay of release of Rule 2.10 information)</i>
9 November	2007/38	RIO TINTO PLC <i>(Rule 8.3 disclosure procedures for Rio Tinto and BHP Billiton)</i>
12 December	2007/40	BULGARIAN PROPERTY DEVELOPMENTS PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 28 December 2007)</i>
17 December	2007/41	SCOTTISH & NEWCASTLE PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 21 January 2008)</i>
21 December	2007/42	RIO TINTO PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 6 February 2008)</i>

2008

14 January	2008/01	CODE AMENDMENTS <i>(Implementation of amendments in relation to schemes of arrangement and other minor amendments)</i>
14 January	2008/02	WITHDRAWAL, ISSUE AND AMENDMENT OF PRACTICE STATEMENTS <i>(Withdrawal of Practice Statements Nos. 7, 13, 14 and 17; issue of Practice Statement No. 19; amendment of Practice Statements Nos. 1, 9 and 11)</i>
17 January	2008/03	SCOTTISH & NEWCASTLE PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 21 January to 24 January 2008)</i>
24 January	2008/04	SCOTTISH & NEWCASTLE PLC <i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 24 January to 25 January 2008)</i>
31 January	2008/05	GCAP MEDIA PLC <i>(Requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid by 5 March 2008)</i>
8 February	2008/06	IMPRINT PLC <i>(Auction procedure introduced under Rule 32.5)</i>
13 February	2008/07	IMPRINT PLC <i>(Result of Imprint Auction)</i>
28 February	2008/08	IMPRINT PLC <i>(Requirement for potential competing offeror to make Rule 2.5 announcement or announce no intention to bid by 4 March 2008)</i>

2008

- |         |         |  |
|---------|---------|--|
| 5 March | 2008/10 | GCAP MEDIA PLC<br><i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 5 March to 26 March 2008)</i>  |
| 7 March | 2008/11 | ISSUE AND AMENDMENT OF PRACTICE STATEMENTS<br><i>(Issue of Practice Statements Nos. 20 and 21 and amendment of Practice Statement No. 12)</i>                              |
| 7 March | 2008/12 | GCAP MEDIA PLC<br><i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 26 March to 31 March 2008)</i> |
| 7 March | 2008/13 | GCAP MEDIA PLC<br><i>(Extension of the requirement for potential offeror to make Rule 2.5 announcement or announce no intention to bid from 31 March to 1 April 2008)</i>  |

STATEMENTS ISSUED BY THE CODE  
COMMITTEE DURING THE YEAR  
ENDED 31 MARCH 2008

2007

- |             |         |  |
|-------------|---------|--|
| 11 June     | 2007/14 | CODE COMMITTEE — PUBLIC CONSULTATION PAPER<br><i>(Issue of Public Consultation Paper 2007/1 (Schemes of Arrangement))</i>  |
| 29 June     | 2007/15 | CODE COMMITTEE — DERIVATIVES AND OPTIONS<br>REGIME: 2007 REVIEW<br><i>(Review of the derivatives and options regime introduced on 7 November 2005 and 20 May 2006)</i>                           |
| 29 November | 2007/39 | CODE COMMITTEE — RESPONSE STATEMENT 2007/1<br>(SCHEMES OF ARRANGEMENT) AND OTHER MINOR CODE<br>AMENDMENTS<br><i>(Publication of Response Statement 2007/1 and Instruments 2007/1 and 2007/2)</i> |

2008

- |         |         |   |
|---------|---------|---|
| 4 March | 2008/09 | CODE COMMITTEE — PUBLIC CONSULTATION PAPER AND<br>MINOR CODE AMENDMENTS<br><i>(Issue of Public Consultation Paper 2008/1 (Competition Reference Periods) and Instrument 2008/1 (Minor Amendments to Rule 29))</i> |
|---------|---------|---|

STATEMENTS ISSUED BY THE  
TAKEOVER APPEAL BOARD DURING  
THE YEAR ENDED 31 MARCH 2008

2007

- |        |        |  |
|--------|--------|--|
| 18 May | 2007/1 | EUROTUNNEL PLC<br><i>(Result of Appeal by Mr Russell Ford and Mr John Webley to the Takeover Appeal Board)</i> |
| 23 May | 2007/2 | EUROTUNNEL PLC<br><i>(Reasons for dismissing the Appeal by Mr Russell Ford and Mr John Webley)</i>             |