

ANNUAL REPORT 2003

Laid before the House of Representatives pursuant to section 16 Takeovers Act 1993 and section 44A Public Finance Act 1989.

FUNCTIONS AND POWERS OF THE PANEL

The functions of the Takeovers Panel are set out in section 8 of the Takeovers Act 1993. In summary the Panel's functions are:

- > To keep under review the law relating to takeovers of specified companies and to recommend to the Minister any changes to that law it considers necessary;
- > For the purposes of its review of the law, to keep under review practices relating to takeovers of specified companies;
- > To investigate any act or omission or practice for the purpose of exercising its powers under the enforcement provisions of the Act;
- > To make determinations and orders and make applications to the Court under the enforcement provisions of the Act;
- > To co-operate with any overseas regulator and for that purpose to communicate to that regulator information obtained by the Panel in the performance of its functions and powers which the Panel considers may assist that regulator in the performance of its functions;
- > To promote public understanding of the law and practice relating to takeovers.

In exercising its functions and powers the Panel shall comply with the principles of natural justice.

The powers of the Panel are set out in Part 3 of the Takeovers Act 1993. In summary the powers of the Panel are:

- > To issue summonses and to take evidence on oath;
- > To carry out inspections and obtain evidence at the request of overseas regulators;
- > To make confidentiality orders;
- > To accept undertakings that are enforceable by the Courts;
- > To inspect documents, and to authorise the Registrar of Companies or any other person to undertake inspections;
- > To grant exemptions from the Code;
- > To enforce the Takeovers Code by:
 - making determinations on whether a person is complying with the Code;
 - issuing restraining orders; and
 - applying for Court orders.

Under the Takeovers Code the Panel has powers to approve independent advisers and appoint independent experts.



CHAIRMAN'S REVIEW

John King

The second year of the Takeovers Code has been both interesting and testing. The market's demands for approvals and exemptions, and enforcement activities, have kept us busy. The Panel has endeavoured to act quickly and, despite its few members and small staff, has made and published decisions within tight time frames so as to inhibit the operation of the takeovers market as little as possible.

THE CODE

The Code and its procedures have been tested in various ways. We have identified some areas where minor technical amendments are needed to clarify aspects of the Code and to improve procedures and processes. This, of course, is not a surprise as with any new law some issues are bound to arise. We released a discussion paper in April 2003 with a range of suggested amendments. These changes are technical and do not affect the basic policy and procedures of the Code. We are grateful for many thoughtful comments received from market participants and will proceed to recommend a number of changes to the Code.

EXEMPTIONS

The power to grant exemptions is one of the more important powers given to the Panel under the Takeovers Act. Exemptions deal primarily with technical difficulties where it is difficult or impossible to comply strictly with the express requirements of the Code.

The exemption process does not enable takeover participants to circumvent the need to comply with the Code. The legislation itself makes this clear by requiring the Panel, when granting an exemption, to state why it is appropriate to grant the exemption and why the exemption is consistent with the objectives of the Code.

Two class exemptions of some significance were granted by the Panel this year. The first arose out of the bid by PPCS Limited for Richmond Limited where uncertainty as to the effect of the Code was caused by High Court orders forfeiting and, in particular circumstances, suspending certain voting

rights. These orders have not yet taken effect because of an appeal to the Court of Appeal. The Panel granted an exemption to enable the sale and purchase of shares in Richmond Limited to continue, with market participants being aware of the effect of the Code on any such purchases in the event of the Court orders taking effect in their original form.

The second class exemption, which is expected to come into force in August 2003, is to facilitate takeovers involving offers of scrip by enabling small shareholders to receive cash where the scrip offer could result in the allotment of unmarketable parcels of shares. The Panel had previously granted a similar exemption in relation to a particular takeover. However, it was appropriate that the exemption apply to all offers that involve the issue of scrip.

30 applications for individual exemptions were received, of which 14 were granted.

INDEPENDENT ADVISERS

The role of independent advisers is fundamental to the Code's operation. An independent adviser's report is required with both full and partial takeover offers, for shareholder approvals of acquisitions and allotments under rules 7(c) and 7(d), and also for increases in voting control as a result of a buyback under clause 4 of the generic class exemptions.

The report is intended to ensure that shareholders are well-informed about the takeover or transaction before they decide to support or reject it. The Panel takes a close interest in the skills as well as the independence of any company, firm or individual proposed for appointment as an independent adviser, and monitors the performance of independent advisers in meeting their responsibilities.

On some occasions this performance has been disappointing. Independent advisers have not always fully informed shareholders of the protections which they enjoy under the Code and the advantages and disadvantages that may flow, not only from supporting the proposal, but also from declining the proposal.

The Panel has published a guidance note to assist independent advisers in preparing reports. Panel members have also held meetings with representatives of most advisory firms. The Panel encourages smaller professional corporate advisory and accounting firms to develop skills in this area.

The directors of the target or Code company also have important responsibilities in connection with independent adviser reports. From some of the reports it has seen, the Panel believes that not all directors appreciate the extent of those responsibilities. Directors need to ensure that the appointed adviser is given all the information necessary to provide a comprehensive report on the merits of the proposal. They should, in the course of reviewing the independent adviser's draft report, try to ensure that it is comprehensive and covers all the relevant issues. They cannot, of course, influence the adviser's views as to the merits of the proposal. The Panel processed 40 applications for approval of independent advisers, 34 of which were approved.

ANTI-AVOIDANCE

The Panel has published a detailed explanation of the anti-avoidance provisions of the Takeovers Code. These provisions are designed to ensure that the Code is not circumvented by sophisticated structuring of corporate vehicles. It was apparent to the Panel that the effect of the Code's anti-avoidance provisions was not fully understood.

ENFORCEMENT

Various issues arose with takeover bids and transactions requiring shareholder approval. The Panel convened six meetings under section 32 of the Takeovers Act dealing with ten separate issues. Three of these meetings involved takeover bids - GPG Forest Limited's partial bid for Rubicon Limited, Lowe Corporation Limited's bid for Blue Sky Meats Limited, and PPCS Limited's takeover bid for Richmond Limited. Two meetings involved shareholder approvals - Submarines Australasia Limited and TrustPower Limited. The final meeting concerned the issue of associates and involved Designer Textiles (NZ) Limited. Determinations were published after each meeting. The Panel issued three restraining orders and accepted enforceable undertakings under section 31T of the Takeovers Act in five instances from nine parties.

On two other occasions where a breach of the Code had been identified, the breach was remedied without the need for a section 32 meeting by the party concerned remedying the breach to the satisfaction of the Panel. On two further occasions the Panel issued retrospective exemptions to validate non-complying actions.

In the second year of the Code's operation the Panel dealt with a number of firsttime issues including:

- > when a party makes a partial bid it must stipulate the percentage it is seeking to acquire and cannot propose alternatives;
- > when a takeover bid is conditional on at least 90 per cent acceptance the offer document can include the right for the bidder to waive that condition;
- > when a shareholder wishes to increase its level of control through a share buyback pursuant to the Panel's class exemption the buyback must be approved by shareholders before the buyback offer is made.

The Panel has not yet had to use its powers to seek either orders or pecuniary penalties from the Court.

In fulfilling its enforcement role the Panel does not take a narrow legalistic approach to implementing the Code, but seeks to interpret and apply the Code in accordance with its underlying policy and intent. It can be expected that the Panel will look to the commercial substance of events.

REVIEW OF DOCUMENTS

Most documents relating to transactions covered by the Code are required to be sent to the Panel. The Panel is not obliged to vet these documents, but the executive generally reviews them for

compliance with the Code and will raise any issues with those responsible in an effort to facilitate the efficient operation of the takeovers market. The Panel received and reviewed 12 takeover notices (of which eight proceeded to takeover offers) and 17 sets of documents for shareholder meetings.

PUBLIC UNDERSTANDING

The Panel publishes on its website, www.takeovers.govt.nz, its determinations under section 32 of the Takeovers Act and also the exemptions granted from the Code. The number of visitors to the Panel's website has steadily increased. Four issues of the Panel's publication, *Code Word*, were published which included:

- > practice notes on aspects of the Code;
- > explanation of the anti-avoidance provisions of the Code;
- > comments on exemptions granted and on exemptions declined by the Panel;
- > guidance for independent advisers.

Members of the Panel and the executive held feedback sessions with legal firms and firms acting as independent advisers and the Chairman spoke at seminars on the Panel's work. Panel activities were widely reported in the news media and 213 inquiries from the general public were answered.

INTERNATIONAL

The Australian Takeovers Panel hosted the first international conference of takeovers regulators in Melbourne in October 2002. Representatives of the New Zealand Panel and its executive attended, together with representatives of takeovers regulators from 18 countries. The conference considered the wide range of issues faced by takeovers regulators and the approaches taken in the various jurisdictions. I expect this initiative will be continued.

I continue to be a member of the Australian Takeovers Panel. Denis Byrne, a member of the Australian Takeovers Panel, continues as a member of the New Zealand Panel. These appointments were made last year.

LEGISLATIVE CHANGES

The Securities Markets and Institutions Bill became law on 1 December 2002 and amended the Takeovers Act 1993. One constitutional change is that the Panel no longer has the power to formulate any amendments or changes to the Code. This power is now vested in the Minister of Commerce. However, the Minister must consult with the Panel and the Panel retains the function of keeping under review the law relating to takeovers and recommending to the Minister any changes to the law that it considers necessary.

An important change is that the Panel now has the power to accept undertakings which may be subsequently enforced by a Court order. The Panel has accepted undertakings since this law change and found it to be an appropriate and flexible way to remedy certain breaches of the Code. Another change is that the Panel can now carry out its own inspections. The Panel's inspection and evidence gathering powers may now be used to assist an overseas regulator to carry out its functions.

ADMINISTRATION

The Takeovers Panel is provided with executive, administrative and support services by the Securities Commission under a Memorandum of Understanding. The Panel does not directly employ its own staff. Currently the Panel and the Commission have agreed on support at a level of 5.6 professional full-time equivalent staff members. The Panel has a good working relationship with the Commission and appreciates the support that it provides to the Panel.

WORKLOAD OF THE PANEL

The Panel's role under the Code is demanding, particularly in relation to exemption and enforcement matters. Exemptions are often complex but need urgent action to fit in with deadlines for company meetings or takeovers that are under way. The Takeovers Act puts extraordinary time pressures on enforcement action. When takeover activity is happening, the decision on whether to call a meeting under section 32 needs to be made without delay. Once called, the meeting must be held within seven days. During that time the parties make written submissions and provide supporting information which is reviewed by the Panel and circulated between the parties. The meeting is then held and, as restraining orders expire two days after the meeting, the full written decision needs to be made within that time and the restraining orders extended where necessary.

These requirements place enormous strains on Panel members and the executive and are only met by many hours of work often outside normal business hours. Panel members, notwithstanding their own business activities and with little if any notice, may be required to be intensively involved with enforcement matters for ten or more consecutive days.

The amended Takeovers Act increased the number of Panel members from eight to eleven. Subsequently two new members, Sue Suckling and Anthony Frankham, were appointed and I welcome them. I pay tribute to Panel members and to the executive for both the quality and quantity of work they have handled during the year.

FINANCIAL POSITION

Parliament appropriated the Panel \$822,222 for the year for operational requirements and \$675,000 for a litigation fund. There was one call of a small amount on the fund that was ultimately recouped. The Takeovers (Fees) Regulations 2001 enable the Panel to recover costs for approvals, exemptions and, in certain circumstances, for section 32 actions. The Panel anticipated fee revenue of \$385,000 for the year. As the financial statements show, recoveries under the fees regulations were ahead of expectations as the Panel received or accrued fee revenue of \$460,870. Costs were less than expected. Resource constraints restricted some of the Panel's research, policy and other activities unrelated to market activity which reduced unfunded expenditure. The Panel's financial statements disclose a smaller than expected deficit of \$97,822.

CONCLUSION

The feedback from the marketplace indicates satisfaction with the Code and the performance of the Panel. In general, takeovers are taking place in an orderly fashion and with the information required for shareholders to make an informed decision.

A handwritten signature in black ink, appearing to read 'J.C. King', with a horizontal line underneath.

J.C. King
CHAIRMAN

FINANCIAL REPORT

SOURCES OF FUNDING

The Panel is funded by the appropriation of money by Parliament and the payment of fees by the users of its services, and parties to its enforcement actions. It is responsible for the allocation of the money. It sets priorities with care and reviews them continuously to ensure that the money is used to best advantage.

STATEMENT OF RESPONSIBILITY

We acknowledge responsibility for the preparation of these financial statements and for the judgements used in them.

We acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Panel's financial reporting.

In our opinion these annual financial statements fairly reflect the financial position as at 30 June 2003 and the operations of the Takeovers Panel for the year ended 30 June 2003.



J.C. King

CHAIRMAN

5 August 2003



D.M.D. Rawstorne

CHAIRMAN, AUDIT COMMITTEE

5 August 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

<i>Budget</i> 2003 \$	<i>Note</i>	<i>Actual</i> 2003 \$	<i>Actual</i> 2002 \$
Operating income			
822,223		822,222	822,222
13,000		13,475	14,423
385,000	6	460,870	551,390
1,220,223		1,296,567	1,388,035
Income for litigation fund matters			
-		-	675,000
-		12,375	-
30,000		40,077	24,208
30,000		52,452	699,208
1,250,223		1,349,019	2,087,243
Operating expenditure			
3,500		3,500	3,500
-		31,996	-
-		10,000	-
-		2,893	-
24,000		24,410	19,031
330,829		258,432	257,338
33,000		34,252	26,551
101,000		97,207	114,575
42,820		31,731	35,944
72,000		76,559	50,902
14,500		35,557	9,849
824,821		787,852	603,716
1,446,470		1,394,389	1,121,406
-	4	12,375	-
1,446,470		1,406,764	1,121,406
Net operating surplus (deficit) before transfer to			
(196,247)		(57,745)	965,837
30,000		40,077	699,208
\$(226,247)		\$(97,822)	\$266,629

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

<i>Budget 2003 \$</i>	<i>Note</i>	<i>Actual 2003 \$</i>	<i>Actual 2002 \$</i>
Current assets			
5,100		6,206	20,929
250,000		166,431	287,203
729,208		733,909	617,906
-		822	791
-		5,376	6,302
35,000		182,605	294,802
-		(10,000)	-
12,000	<u>5</u>	20,950	10,407
1,031,308		1,106,299	1,238,340
Non-current assets			
22,000	<u>5</u>	4,227	16,222
\$1,053,308		\$1,110,526	\$1,254,562
Current liabilities			
100,000		35,980	118,150
21,255		3,991	8,112
121,255		39,971	126,262
Equity			
202,845		331,270	429,092
729,208	<u>4</u>	739,285	699,208
932,053		1,070,555	1,128,300
\$1,053,308		\$1,110,526	\$1,254,562

The accompanying notes form part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2003

<i>Budget 2003 \$</i>	<i>Note</i>	<i>Actual 2003 \$</i>	<i>Actual 2002 \$</i>
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Equity at start of year			
429,092	Accumulated funds	429,092	162,463
699,208	Litigation fund	699,208	-
Surplus (deficit) for year			
(226,247)	(Total recognised revenues and expenses)	(97,822)	266,629
30,000	Increase (decrease) in litigation fund	40,077	699,208
\$932,053	Equity at end of year	\$1,070,555	\$1,128,300
Comprising:			
202,845	Accumulated funds	331,270	429,092
729,208	Litigation fund	<u>4</u> 739,285	699,208
\$932,053	Equity at end of year	\$1,070,555	\$1,128,300

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

<i>Budget</i> 2003 \$	<i>Note</i>	<i>Actual</i> 2003 \$	<i>Actual</i> 2002 \$
Cash flows from operating activities			
Cash was provided from:			
822,222		897,222	1,422,222
553,881		477,683	354,328
49,302		54,447	32,200
Cash was applied to:			
(1,438,223)		(1,414,738)	(1,095,711)
(12,818)	7	14,614	713,039
Cash flows from investing activities			
Cash was provided from:			
-		4,769	-
Cash was applied to:			
4,275		-	(688,946)
-		(34,106)	(6,170)
4,275		(29,337)	(695,116)
(8,543)		(14,723)	17,923
20,929		20,929	3,006
\$12,386		\$6,206	\$20,929

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF ACCOUNTING POLICIES**Reporting Entity**

The Takeovers Panel is a body corporate established by the Takeovers Act 1993. The financial statements presented here are prepared pursuant to section 16 of the Takeovers Act 1993 and section 41 of the Public Finance Act 1989.

Measurement System

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been applied.

Specific Accounting Policies*Budget Figures*

The budget figures are those approved by Panel members on 25 June 2002. The budget figures are prepared in accordance with generally accepted accounting practice.

Short Term Deposits

Short term deposits are shown at cost.

GST

The Panel is registered for GST and GST is accounted for by the net method.

Financial Instruments

Financial instruments recognised in the statement of financial position include cash balances, receivables, payables, and investments.

Income Tax

The Panel is exempt from income tax under the Income Tax Act 1994.

Sundry Debtors

Sundry debtors are stated at their net realisable value after providing for doubtful and uncollectable debts.

Revenue Recognition

The Government grant is recognised as revenue when it becomes due. Revenue from application fees and costs recoverable is recognised when the relevant services are provided or when the Panel has made the relevant determination under section 32 of the Takeovers Act 1993.

Litigation Fund

Interest income and expenditure on approved litigation fund matters are reported as income and expenditure of the Panel in the financial period in which they were derived or incurred. Reimbursements from the Crown to top up the fund are reported as income in the period in which the Panel's claim for reimbursement is accepted by the Crown. The balance of the fund is disclosed as a component of equity in the statement of financial position.

Prepayment for Use of Assets

This represents amounts paid to the Securities Commission to finance the purchase of assets required by the Commission to service the requirements of the Panel. The amounts are being written off,

having regard to the expected life of the assets and the estimated period of the arrangements with the Commission, over the following periods:

Furniture, fittings and library	5 years
Office equipment	3 years

NOTE 2 CHANGES IN ACCOUNTING POLICIES

There have been no changes in the Panel's accounting policies. All of the policies have been applied on bases consistent with those used last year.

NOTE 3 REMUNERATION OF MEMBERS OF THE PANEL

Members are remunerated on the basis of time spent on the work of the Panel. Members' fees for the year ended 30 June 2003 were:

	2003	2002
	\$	\$
J.C. King (Chairman)	81,059	61,267
D.O. Jones (Deputy Chairman)	47,030	76,550
D.M. Byrne	14,212	6,195
A.N. Frankham	6,729	-
C.G. Giffney	29,285	25,788
A. Lawrence	16,500	26,297
K.J. O'Connor	20,867	23,118
D.J. Quigg	15,613	17,357
P.A. Randall	-	566
D.M.D. Rawstorne	20,371	20,200
S. Suckling	6,633	-
P.D. McKenzie (Associate)	133	-
Total	\$258,432	\$257,338

NOTE 4 LITIGATION FUND

The Panel has established a litigation fund from an appropriation of \$675,000 (GST not applicable) made by Parliament. The fund is to be used solely for litigation costs that are incurred by the Panel as it enforces compliance with the Takeovers Code or responds to litigation brought against it. It is being held on short term deposit. Parliament has made a further appropriation of \$675,000 for the year ending 30 June 2004 to top up the fund to the set level of \$675,000, should this be required during the year.

The fund was used during the year to defend proceedings brought against the Panel in relation to one of its section 32 meetings.

A summary of the movements in the fund during the year is as follows:

	2003 \$	2002 \$
Opening balance 1 July 2002	699,208	-
Government grant received	-	600,000
GST refund due from Inland Revenue	-	75,000
Recovery of costs	12,375	-
Interest received	34,701	17,906
Interest accrued	5,376	6,302
Expenditure on approved litigation	(12,375)	-
Balance at 30 June 2003	\$739,285	\$699,208

NOTE 5 PREPAYMENT FOR USE OF ASSETS

	2003 \$	2002 \$
Opening balance	26,629	30,308
Amount paid to finance the purchase of additional assets	34,105	6,170
Amount amortised for use of assets	(35,557)	(9,849)
Balance at 30 June 2003	\$25,177	\$26,629
Current portion	20,950	10,407
Non-current portion	4,227	16,222
Balance at 30 June 2003	\$25,177	\$26,629

NOTE 6 APPLICATION FEES AND COSTS RECOVERABLE

The Takeovers (Fees) Regulations 2001 enable the Panel to recover costs with respect to applications received for various approvals, for exemptions, and for certain enforcement action pursuant to the Takeovers Act. An analysis of the amounts received for the year ended 30 June 2003 is as follows:

	2003 \$	2002 \$
Exemptions	209,722	213,294
Approvals	78,997	86,782
Enforcement - section 32	166,266	250,676
Miscellaneous	5,885	638
Total	\$460,870	\$551,390

NOTE 7 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE WITH STATEMENT OF CASH FLOWS

	2003 \$	2002 \$
Reported surplus (deficit)	(57,745)	965,837
Add prepayment for use of assets	34,106	6,170
Movement in working capital:		
Increase (decrease) in creditors	(86,291)	4,673
(Increase) decrease in receivables	124,544	(263,641)
	38,253	(258,968)
Net cash flows from operating activities	\$14,614	\$713,039

NOTE 8 CASH FLOWS

The cash flows relating to the Panel's investing activities are reported on a net basis in the statement of cash flows. The amounts involved are held in short term deposits that are rolled over frequently through the year.

NOTE 9 FINANCIAL INSTRUMENTS**Credit Risk**

Financial instruments which potentially subject the Panel to credit risk consist of bank balances, bank short term deposits, sundry debtors, and accrued interest receivable.

The Panel's investments are deposited with a registered bank in New Zealand.

The Panel does not require collateral or security to support financial instruments. There are no concentrations of credit risk.

Fair Values

All financial instruments are recognised in the statement of financial position and are stated at fair values.

Currency Risk

The Panel does not hold any overseas securities or deposits and is therefore not exposed to any currency risk.

Interest Rate Risk

The Panel has not purchased any financial instruments that may be subject to interest rate risk.

NOTE 10 COMMITMENTS

There were no lease commitments at balance date. (2002 - no commitments)

The Panel has no material commitments at balance date. (2002 - capital commitments of \$34,000)

NOTE 11 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date. (2002 - no contingent liabilities)

NOTE 12 TRANSACTIONS WITH RELATED PARTIES

Mr Peter McKenzie QC has provided a number of expert opinions and acted as counsel assisting the Panel on several occasions during the year. Mr McKenzie was appointed as an associate member of the Panel for the period 19 September 2002 to 19 March 2003 in relation to one matter before the Panel. Fees totalling \$24,032 were paid to him during the year for his opinions and advice, in addition to his fees earned as an associate member of the Panel. There were no other transactions with related parties during the year. (2002 - no related party transactions)

NOTE 13 SUBSEQUENT EVENTS

There were no material events subsequent to balance date that would affect the interpretation of the financial statements or the performance of the Panel. (2002 - no subsequent events)

NOTE 14 SEGMENTAL INFORMATION

The Takeovers Panel operates in one industry segment administering the Takeovers Act and Code and is based in one geographical segment, which is New Zealand.

NOTE 15 BUDGET VARIANCES

Significant variances from budget were:

Income

Total operating income was \$76,344 higher than expected, primarily because of the number of section 32 meetings held during the year from which the Panel was able to recover its costs under the Takeovers (Fees) Regulations 2001.

Expenditure

Total operating expenditure for the year was \$52,081 less than expected, primarily because members' fees were lower than budget (the expected appointment of additional members to the Panel occurred later in the year than predicted) and fees paid to the Securities Commission were also lower than budget.

Net Surplus

The Panel recorded a lower deficit than had been expected. The variance from budget in recoveries from section 32 matters and expenditure on members' fees and Securities Commission services accounted for the variance in the deficit. The activities of the Panel are influenced significantly by the level of takeover activity and the needs of the market for exemptions and approvals. The Panel also has obligations to keep the Code under review and to review market practices.

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE TAKEOVERS PANEL FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements of the Takeovers Panel, comprising the Statement of Accounting Policies, Statement of Financial Performance, Statement of Financial Position, Statement of Movements in Equity, Statement of Cash Flows, and Notes 1 to 15 to the financial statements. The financial statements provide information about the past financial performance of the Takeovers Panel and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Responsibilities of the Members of the Takeovers Panel

The Public Finance Act 1989 requires the Members of the Takeovers Panel to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Takeovers Panel as at 30 June 2003, the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Members of the Takeovers Panel. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed H C Lim, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Members of the Takeovers Panel in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Takeovers Panel's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. 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 financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Takeovers Panel.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Takeovers Panel:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Takeovers Panel's financial position as at 30 June 2003; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 5 August 2003 and our unqualified opinion is expressed as at that date.



H C Lim
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Takeovers Panel for the year ended 30 June 2003 included on the Takeovers Panel's website. The Members of the Takeovers Panel are responsible for the maintenance and integrity of the Takeovers Panel's website. We have not been engaged to report on the integrity of the Takeovers Panel's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 5 August 2003 to confirm the information included in the audited financial statements presented on this web site.

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

MEMBERS OF THE TAKEOVERS PANEL

CHAIRMAN



John King

Consultant with Russell McVeagh. Director of Telecom Corporation of New Zealand Limited, Westpac (NZ) Investments Limited and The New Zealand Guardian Trust Company Limited. Vice President of the Employers & Manufacturers Association (Northern) Inc., and Deputy Chairman of the Spirit of Adventure Trust. Member of the Council of the Auckland College of Education and the Council of Business New Zealand. Chairman of the Panel since it was created in 1994 and previously of the Takeovers Panel Advisory Committee. Member of the Australian Takeovers Panel.

DEPUTY CHAIRMAN



David Jones

Principal of Jones Young, Auckland, specialising in commercial and company law. Personal adviser to the Minister of Justice on the company law reform programme 1991. Member of the Company Law Monitoring Group 1993. Lecturer in company law for the Institute of Directors. Member of the Panel from its inception as an advisory group.

MEMBERS



Denis Byrne

Brisbane-based commercial lawyer and company director. Chair of the Fisheries Research & Development Corporation, Director of Horticulture Australia Ltd, Total Care Technologies Pty Ltd, the Ball Solutions Group of Companies (Australia) and Birkdale Nursery Holdings Pty Ltd. Member of the Australian Takeovers Panel since 1997. Chair of the Queensland Gas Appeals Tribunal and the Dowlands College Foundation, Member of the Starlight Children's Foundation Advisory Board. Appointed to the New Zealand Takeovers Panel in 2001.



Anthony Frankham

Principal and Director of Frankham Lyne Limited, Director of Auckland International Airport Limited, and a Director and Chairman of New Zealand Experience Limited. Board Member of the Spirit of Adventure Trust. Chairman of the Audit Office's New Zealand Audit Committee and the Institute of Chartered Accountants Disciplinary Tribunal. Life Member of the Institute of Chartered Accountants. Appointed to the Panel in 2002.



Colin Giffney

Principal of Giffney & Jones, specialist corporate advisers. Previously Partner and Managing Director of JB Were in New Zealand. NZX broker and a founding Member of the Market Surveillance Panel. Appointed to the Panel in 2001.



Alastair Lawrence

Auckland-based investment banker. Principal of Antipodes, a private investment bank which provides specialist mergers and acquisitions advice in addition to private equity. Director of a number of private companies. Member of the Panel since 1993.



Kevin O'Connor

Wellington company director. Chairman of utilities investment company Infratil Limited, Director of a range of private companies and a previous Chairman of the Market Surveillance Panel of the New Zealand Stock Exchange. Member of the Panel since 1994.



David Quigg

Partner of Quigg Partners, barristers and solicitors of Wellington, specialising in mergers and acquisitions, takeovers and corporate law. Lecturer in takeovers and mergers and acquisitions law for the Institute of Directors. Appointed to the Panel in 2001.



Daphne Rawstorne

Wellington-based accountant, former Managing Partner of Deloitte Touche Tohmatsu, company director and business consultant. Member of the Panel since 1999.

**Sue Suckling**

South Island company director and business consultant. Chair of the National Institute of Water & Atmospheric Research, AgriQuality New Zealand Ltd., Baker Fruit Processors Ltd., Carsons (SI) and Wellington Ltd., and The Oxford Clinic Ltd. Director of Westpac (NZ) Investments Limited and Farmlands. Appointed to the Panel in 2002.

TAKEOVERS PANEL EXECUTIVE

Kerry Morrell, Senior Executive
Amelia Longuet, Secretary to the Panel
Marion Hemphill, Senior Lawyer
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