

Takeovers Panel

ANNUAL REPORT

for the year ended 30 June 2010

G.62

Laid before the House of Representatives pursuant to sections 150-157 of the Crown Entities Act 2004.

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FUNCTIONS AND POWERS OF THE PANEL

The functions of the Takeovers Panel are set out in section 8 of the Takeovers Act 1993 and section 14 of the Crown Entities Act 2004. In summary, the Panel's functions are:

- To keep under review the law relating to takeovers of Code 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 Code 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;
- Any functions that are incidental and related to, or consequential on, the other functions set out above.

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

The Panel is a body corporate and is a separate legal entity from its members, officers, employees and the Crown (section 15 Crown Entities Act).

The Panel's main powers are set out in Parts 3 and 4 of the Takeovers Act 1993 and section 17 of the Crown Entities Act. In summary, these powers of the Panel are:

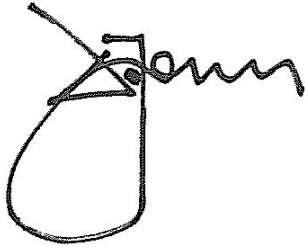
- To issue summonses and to take evidence on oath;
- To carry out inspections and obtain evidence at the request of overseas regulators;
- To make confidentiality orders;
- To accept undertakings that are enforceable by the Courts;
- To inspect documents, and to authorise the Registrar of Companies or 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 compliance orders; and
 - applying for Court orders;
- To do anything that a natural person of full age and capacity may do, for the purpose of performing the Panel's functions (e.g., making applications to Court in respect of matters that are relevant to its functions and powers).

The main statutory powers dealing with the Panel's governance, operation, reporting and financial obligations are set out in the Crown Entities Act.

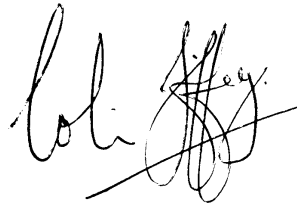
Under the Takeovers Code the Panel has powers to approve independent advisers and appoint independent experts.

* * * * *

This annual report was approved by the Takeovers Panel on 24 September 2010

A handwritten signature in black ink, appearing to read 'D O Jones', with a large loop at the start and a wavy tail.

D O Jones
Chairman

A handwritten signature in black ink, appearing to read 'C G Giffney', with a large loop at the start and a wavy tail.

C G Giffney
Deputy Chairman

CHAIRMAN'S REVIEW

The recovery to date from the global financial crisis has seen a small rise in the level of activity in the market for corporate control in New Zealand. The number of new takeovers started in the past year was higher than in the previous year but for a variety of reasons several of the takeovers failed or did not proceed to the offer stage. This continuing modest level of transactional activity has again given the Panel the opportunity to put a reasonable level of resources into policy work, including the publication of a second discussion paper on upstream takeovers of Code companies and reviews of two class exemptions. The Panel has also given guidance to the market on a number of important Code-related issues.

Upstream takeovers

The most significant of the Panel's policy work during the year has been the continuing review of the operation of the Code in relation to upstream takeovers. The issue was highlighted by BG Group plc's attempted takeover in 2008, in Australia, of Origin Energy Limited, which has a majority shareholding in Contact Energy Limited, a New Zealand Code company. If that takeover had been successful it would have resulted in BG Group obtaining control of Origin's holding in Contact, an acquisition of control that would have required compliance with the provisions of the Code.

The Panel published a discussion paper in May 2009 putting forward for market comment several options for dealing with the problems associated with upstream takeovers. These ranged from a complete exemption for the downstream acquisition of control, provided the upstream takeover is for a company listed on an exchange in a reputable jurisdiction, through to various possible class exemptions related to the purpose and value of the acquisition, and to maintaining the status quo where each case for an exemption is treated on its merits.

After consideration of the submissions received on its first discussion paper the Panel issued a second discussion paper in October 2009 setting out, and seeking comments on, the Panel's preferred option. This has proved a difficult and complex issue for the Panel because of the need to balance the competing interests in an upstream takeover, while not unduly impeding bona fide transactions. The Panel's policy on granting exemptions for upstream takeovers was finally published in early July 2010.

The key determinants of the outcome of an exemption application for an upstream acquisition are the jurisdiction of the upstream company and whether or not a significant purpose of the upstream acquisition is to gain control of voting rights in the downstream company.

Enforcement actions

Enforcement work is the largest of the Panel's outputs. In any year a number of potential and actual breaches come to the attention of the Panel. The Panel's practice is to work with market participants to achieve a Code-compliant outcome, if possible, without the need for a major enforcement activity under section 32 of the Act.

Major enforcement activity during the year concerned two section 32 meetings that the Panel was formally requested to hold in relation to the failed partial takeover offer by Marlborough Lines Limited for Horizon Energy Distribution Limited in the latter part of 2009.

- The first meeting was requested on 22 February 2010 by Marlborough Lines which made 27 separate allegations of breach of the Code by Horizon in relation to

Horizon's response to Marlborough Lines' September 2009 takeover offer. The Panel decided to convene a meeting under section 32 of the Act in relation to two of those issues (and the Panel added a third issue to be considered at the meeting) and held the meeting on 22 March 2010.

The Panel issued its determination on 10 May 2010. The Panel said that it was satisfied that Horizon had acted in compliance with rule 64 of the Code (which prohibits misleading or deceptive conduct in relation to takeovers) when issuing a revised profit outlook on 28 September 2009. However, the Panel said that it was not satisfied that Horizon had acted in compliance with rule 64 of the Code when omitting to disclose that a change in accounting treatment had been made and its impact on Horizon's profitability in the revised profit outlook issued on 28 September 2009. The Panel also said that it was satisfied that the directors of Horizon had acted in compliance with rule 64 of the Code in making the statement in the target company statement that "*The Directors assess that the Independent Adviser's valuation range does not adequately reflect the Board's view of the full value of [Horizon]*".

- The second meeting was requested by Horizon on 22 May 2010 and relates to Marlborough Lines' alleged non-compliance with rule 49 of the Code. This rule requires a bidder (Marlborough Lines) to reimburse a target company (Horizon) for the target company's "properly incurred" expenses in responding to a takeover (in this case Marlborough Lines' failed takeover offer).

Before the Panel could meet to consider whether to convene a meeting under section 32 of the Act to determine this allegation, Marlborough Lines issued proceedings in the High Court in Wellington under the Judicature Amendment Act challenging the Panel's jurisdiction to convene a meeting in relation to alleged non-compliance with rule 49 of the Code. The Panel has previously said that it has jurisdiction to consider issues under rule 49 and continues to believe this to be the case. The Panel is now awaiting the outcome of the Court proceedings before deciding how to deal with Horizon's request.

Review of Law

One of the functions of the Panel is to keep the law relating to takeovers under review. An example of this work that has just been concluded in a significant policy area is the Panel's review of its exemption policy in relation to upstream takeovers discussed above. Another example is the Panel's recommendations to the then Minister of Commerce, in 2008, in relation to schemes of arrangement and amalgamations under the Companies Act 1993. This matter is moving forward with support from the current Minister and his officials. Encouragingly, the market appears to have largely accepted the Panel's proposals as reflected in the willingness of market participants to consult with the Panel in relation to proposed schemes of arrangement.

The Panel, on a continuous basis, also reviews anomalies or areas of uncertainty which may arise in relation to the Code and the need for exemptions under the Code. In this context, during the year the Panel concluded reviews of the buybacks class exemption contained in clause 4 of the 2001 class exemption notice and of the need for a rule 16(b) class exemption. New class exemptions will be promulgated shortly. The Panel is also currently working on the policy process for a range of technical amendments to the Code, the need for which has come to light in the course of Code transactions over the last few years. Two discussion papers on these technical issues have been published, and a third (and final) one is anticipated to be published this year.

Consistent with the Panel's schemes proposals, the Panel granted an exemption to Craigs Investment Partners Limited for increases in voting control effected through a scheme of arrangement under the Companies Act. The scheme results in Deutsche Bank New Zealand Limited obtaining a 49% interest in Craigs in a two-stage process, approved by Craigs' shareholders and the High Court. The Panel granted its exemption subject to conditions that closely replicated the Panel's proposals for schemes of arrangement, in particular relating to voting thresholds and disclosure of information to shareholders. This transaction showed the workability of the Panel's law reform proposals for schemes.

Guidance

Improving public understanding of takeovers law is an important function of the Panel. The Panel achieves this through engaging with market participants in person, participating in industry seminars, the publication of *Code Word* on a periodic basis, the maintenance of an up-to-date and comprehensive website and the publication of guidance notes. In the last year the Panel has updated its website and published one guidance note. A further guidance note was issued early in July 2010. The Panel also provided several explanatory notes to clarify issues with the application of the Code:

- a guidance note on the payment of takeover consideration in foreign currency (April 2010);
- a guidance note on its upstream takeovers policy (early July 2010);
- *Code Word* articles reviewing the Panel's experience with the application of rule 20 of the Code (requiring the same consideration for all offerees in a takeover) to collateral arrangements in takeover transactions, providing guidance to the market on the calculation of the "specified percentage" for the purposes of partial takeovers, and advising offerors in partial takeovers to be careful when specifying the length of any extensions to offer periods.

Arrangements with Securities Commission

The final stages of the Panel's full separation from the Securities Commission occurred on 31 August 2009 when the Panel moved into its own premises. During 2008 the Panel's executive staff had all transferred from being employees of the Commission to being employees of the Panel.

The Panel records its gratitude to the Commission for its assistance and support from the time the Panel first became separately funded in 2000, during the years of administration of the Code, through until the final separation of staff and relocation to new premises in 2008/2009.

Executive Team

The Panel's executive team continues to be led by Kerry Morrell as the Chief Executive Officer with Margaret Bearsley as General Counsel.

The Panel executive was joined in the past year by Hilary Fleming, as our Accountant/Administrator, and by Diana Thomas, as a lawyer on the Panel's legal team.

Panel Members

The Panel is a committee of the market. The Panel has 11 members who are required to be qualified or experienced in business, law or accounting. Members are variously lawyers, company directors, sharebrokers, investment bankers, accountants or financial advisers.

One of the members is also a member of the Australian Takeovers Panel, appointed under a reciprocal arrangement made between the governments of Australia and New Zealand some years ago. (The Chairman of the New Zealand Panel sits as a member of the Australian Takeovers Panel under the same arrangement.)

The term of office of Kevin O'Connor, a member of the Panel since 1994, expired on 1 June 2010 but continues until the appointment of a new member to replace him. Kevin has made a significant contribution to the work of the Panel, both in the development of the Code and in administering its provisions after it came into force.

Other members of the Panel whose terms expire in the coming year include Sue Suckling, whose term expires in December 2010 after 8 years as a member of the Panel, and David Quigg, who will have been a member of the Panel for 10 years when his term expires in June 2011.

Relationship with Australian Authorities

The reciprocal arrangement with the Australian Panel has proved to be very beneficial. The Panel has been able to consult with the Australian Panel about various international issues. The Panel has also consulted with staff of the Australian Securities and Investments Commission, in developing its guidance note on upstream takeovers.

Appreciation

My thanks go to the members of the Panel for their dedication, skills and willingness to take part in Panel work, often at very short notice. On behalf of the members of the Panel I particularly thank Kerry Morrell and Margaret Bearsley and the other staff members for their commitment and highly professional work during the past year. I acknowledge the willing assistance of market participants in their dealings with the Panel, not only on pure Code matters but also in relation to the development of Code policy. Finally, I also acknowledge and thank the Minister of Commerce and officials from the Ministry of Economic Development for their constructive support of the Panel during the year.

I believe 2009/2010 has been a year when the Panel has proved itself responsive to the changing market environment. It has maintained the momentum of policy development work while responding to the encouraging pickup in market activity. We have kept market participants well informed on matters which affect them, including on the Panel's views on takeovers law. We will continue to do so in future.

D O Jones
Chairman

MEMBERS OF THE TAKEOVERS PANEL

Chairman

David Jones *Lawyer. Partner of Jones Young, Barristers and Solicitors, Auckland, specialising in mergers and acquisitions and corporate law. Member of the Panel from its inception as an advisory group. Member of the Australian Takeovers Panel.*

Deputy Chairman

Colin Giffney *Specialist corporate adviser. Principal of Giffney & Jones. NZX Adviser and a founding Member of the Market Surveillance Panel. Appointed to the Panel in 2001.*

Members

Andy Coupe *Investment Banker. Consultant at UBS New Zealand, with very extensive transaction experience in both investment banking and capital markets. Appointed to the Panel in 2008.*

Murdo Beattie *Investment Banker. Partner of the investment banking firm of Cameron Partners Limited. Specialises in advising corporates on merger and acquisition transactions. Appointed to the Panel in 2008.*

Pip Greenwood *Lawyer. Partner of Russell McVeagh and **current** Chair of the **firm**. Specialising in securities offerings, mergers and acquisitions, takeovers and general corporate advisory work. Former member of the NZX Legal & Regulatory Advisory Board and Chairperson of NZX Unit Trust and Managed Fund Working Group. Appointed to the Panel in 2006.*

Kevin O'Connor *Company Director, Wellington-based. Director of Utilico Emerging Markets Limited and a range of private companies and charitable organisations. Former Chairman of the Market Surveillance Panel of the New Zealand Stock Exchange. Member of the Panel since 1994.*

David Quigg *Lawyer. 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. Member of the Wellington Committee of the Institute of Directors. Appointed to the Panel in 2001.*

Peter Scott *Investment banker, based in Melbourne. Vice Chairman, Investment Banking, of UBS AG in Australia and a member of the Australian Takeovers Panel since 2002. Appointed to the Panel as the Australian Panel's representative in 2008.*

Sue Suckling *Independent company director and business consultant. South Island based. Chair of the New Zealand Qualifications Authority, Baker Fruit Processors Limited, ECL Group, Carter Price Rennie, HSR Governance Limited, and a director of Restaurant Brands Limited. Appointed to the Panel in 2002.*

Keith Taylor

Director and consultant, Wellington-based. Former Group Managing Director of Tower Limited. Deputy Chairman of the Earthquake Commission; Director of Reserve Bank of New Zealand, New Zealand Qualifications Authority, Gough Gough & Hamer Limited, Government Superannuation Fund Authority, Port Marlborough and a range of private companies and charitable organisations. Appointed to the Panel in 2006.

John Waller

Independent company director, Auckland based. Former Partner of PricewaterhouseCoopers. Chairman of BNZ, the Eden Park Redevelopment Board and Eden Park Trust. Independent director of National Australia Bank Limited, Fonterra Co-operative Group Limited, Alliance Group Limited, Sky Network Television Limited, Donaghys Limited and Haydn & Rollett Limited. Member of the Auckland Transition Agency. Appointed to the Panel in 2006.

CHIEF EXECUTIVE OFFICER'S REPORT

The Panel is aiming to contribute to increased confidence and participation in New Zealand's financial markets. The Panel achieves this outcome by being an effective and efficient regulator of the takeovers market, respected by domestic and international market participants, and by enforcing a Takeovers Code that provides for fair treatment of shareholders and a transparent takeover process. The Panel believes it achieved that outcome contribution in 2009/2010 by its performance in the areas described below.

ACHIEVEMENT OF THE PANEL'S NON-FINANCIAL GOALS

Framework of the Code and Review of Market Practices

In its policy review work the Panel seeks to improve the efficiency and effectiveness of the Code.

The most significant policy work during the year concerned upstream takeovers. This is where control of a downstream Code company changes through the acquisition of a controlling corporate shareholder of the Code company rather than through the acquisition of shares in the Code company itself. The Panel issued a discussion paper in April 2009 setting out several options for dealing with the problems arising from upstream takeovers. After analysing the submissions on that discussion paper the Panel issued a second discussion paper in October 2009 describing the Panel's preferred policy option. After considering submissions received on that paper the Panel issued its formal guidance note in early July 2010.

Another significant and ongoing policy issue for the Panel is the review of the law governing schemes of arrangement and amalgamations under the Companies Act as it applies to the change of control of Code companies. This review was originally undertaken in 2007/2008 at the request of the then Minister of Commerce and the Panel made recommendations to her in May 2008. The Panel has had extensive interaction with Ministry officials in the past year and has discussed its proposals with the Minister. The issue is now moving forward with the support of the Minister and his officials.

The Panel is currently undertaking detailed work, over three stages, on a range of technical, or low policy content, amendments to the Code. The Panel issued a discussion paper in August 2009 on the first set of technical amendments to the Code, which related to the Code's provisions governing partial offers. After analysing submissions on its paper the Panel finalised a number of recommendations for changes to the law.

A discussion paper on the second tranche of the Panel's technical review of the Code, which concerns a number of miscellaneous provisions in Parts 1 to 5 of the Code, was issued in June 2010. Once all three stages of the review of technical amendments to the Code have been completed, recommendations will be made to the Minister.

The amount of expenditure allocated to this output category was considerably higher than forecast, reflecting the higher than expected input into the Panel's policy work during the year.

Enforcement of the Code

In its work enforcing the Code the Panel aims to continue improvement in the level of market compliance with the Code. The Panel's main enforcement powers are under section 32 of the Takeovers Act.

The Panel held one section 32 meeting during the year. This meeting was held in March 2010 at the request of Marlborough Lines Limited who made a number of separate allegations against Horizon Energy Distribution Limited. The allegations concerned Horizon's actions in response to Marlborough Lines' unsuccessful partial offer for Horizon in September 2009.

The Panel received a request from Horizon in May 2010 to convene a meeting under section 32 of the Act to determine whether Marlborough Lines was complying with rule 49 of the Code which requires Marlborough Lines to reimburse Horizon for the expenses it properly incurred in responding to Marlborough Lines' unsuccessful takeover offer.

The Panel has not yet convened the meeting as requested by Horizon. Before it could do so Marlborough Lines gave notice that it intended to file proceedings against the Panel in the High Court for judicial review to, among other things, challenge the Panel's jurisdiction to hold a meeting relating to compliance with rule 49 of the Code.

The Panel aims to review all formal takeover documents, often at a draft stage. The Panel executive also provides informal assistance to market practitioners on Code compliance issues that may arise. This level of interaction contributes to a high level of compliance with the law by the time documents are formally sent to shareholders. The Panel also reviews notices of meeting and reports for Code transactions that are put to a company meeting for approval by shareholders under the Code.

There was some recovery in the number of takeover notices received during the year, seven, compared to four last year. 2008/2009 had recorded the lowest number of takeover notices since the Code came into force.

There were 13 code company meetings over the year, compared to 13 in 2008/2009, that considered proposed transactions requiring approval under the Code.

The Panel reviewed all documents relating to takeovers and company meetings and followed up instances of non-compliance with the law arising from those reviews.

The cost recoveries received by the Panel from its enforcement activities were double the forecast recoveries, reflecting the completely unpredictable nature of this revenue. The cost allocated to this function was less than forecast, reflecting the Panel's greater than anticipated concentration on policy activities during the year.

The Panel is of the view that its enforcement activities are improving levels of compliance with takeovers law.

The granting of exemptions

The exemption function aims to improve the functioning of the takeovers market by alleviating unintended or unreasonable consequences arising from strict application of the Code, or by allowing otherwise legitimate, but Code non-compliant, transactions to proceed in ways that are consistent with the objectives of the Code.

The Panel has granted several exemptions during the year with significant policy content. These have included an exemption for Craigs Investment Partners Limited, in relation to a

Court-approved scheme of arrangement whereby Deutsche Bank New Zealand Limited would ultimately increase its holding in Craigs to 49% with shareholder approval. The Panel granted an exemption that incorporated the Panel's policy proposals for schemes of arrangement in respect to voting thresholds and information disclosures. The Panel provided a statement to the scheme promoters, for production to the Court, that the Panel had no objection to the scheme of arrangement.

In exercising its exemption function the Panel aims to meet the timing needs of the market. In the past year it achieved this in 87% of cases. Some exemption applications are processed within one week. Other applications may take many weeks to process, often because of their complexity and the need to obtain additional information from applicants.

Twenty-seven applications for individual exemptions were processed during the year, with five applications for class exemptions (29 and nil in 2008/2009). The number of applications for class exemptions (usually relating to either a class of shareholders or a class of transactions in a single Code entity) was unusually high and reflected some major corporate reorganisations with implications affecting groups of shareholders.

During the year the Panel finalised its review of the class exemption for buybacks. The Panel also decided, after public consultation, to issue a new class exemption covering allotments of shares under rule 16(b) of the Code. The promulgation of these notices is expected in August 2010.

The Panel's revenue from exemptions was higher than forecast because of several unexpected but significant exemptions processed during the year.

Overall the Panel is of the view that the responsible exercise of its exemption powers is contributing to a more efficient market.

The approval function

The Panel is required to approve the appointment of independent advisers for takeovers and other transactions effected under the Code. Through its approval function the Panel aims to improve the quality of advice given to recipients of takeover offers and to shareholders entitled to vote on Code-related acquisitions and allotments. The Panel changed its procedures just before the start of the year by delegating to me the ability to approve "straightforward" adviser applications.

The Panel applies criteria relating to both competence and independence in deciding whether to approve advisers to prepare reports under the Code.

During the year the Panel processed 34 applications for approval as independent advisers, of which five were declined. This was a higher number of applications than the previous year, 23, reflecting the increased level of takeover and corporate activity in the final months of the financial year. Of the 34 applications, 22 were approved by the Chief Executive Officer under delegated authority.

The Panel aimed to process 80% of these applications within three working days of receiving a complete application. It achieved this in 100% of cases through the year.

The Panel's practice is to review all adviser reports in draft form before they are sent to shareholders, to assess their quality and to see if they adequately address relevant Code and merits issues. The Panel measures its impact on the quality of adviser reports by the proxy measure of the number of comments it makes on each draft adviser report. The more Panel comments there are (of a substantive nature) the less complete is the report. The aim

is to reduce the number of Panel comments to two per report. The Panel believes this is an acceptable standard.

In the 2009/2010 year 69% of the reports reviewed by the Panel had two or less comments made on them (66% last year). The average number of Panel comments on each report in 2009/2010 was 1.7 comments per report, an improvement on the 2.3 comments per report in 2008/2009.

The Panel did not process any applications from target companies for approval under rule 39 of the Code to undertake defensive tactics during the course of a takeover compared with two last year. However the Panel dealt with one serious enquiry on this issue during the year.

The cost allocated to this function was just under half of the forecast amount, reflecting in part the change made by the Panel at the start of the year to delegate authority to approve straightforward applications to the Chief Executive.

Promoting public understanding of the law and practice relating to takeovers

In the past year the Panel has published two editions of its newsletter *Code Word*. In November 2009 the Panel published a corrected version of the June 2009 *Code Word* which included a Guidance Note from the Panel on the many timing rules in the Code. The *Code Word* published in April 2010 included comment on the application of rule 20 of the Code to collateral arrangements linked to takeovers, and a Guidance Note on the use of foreign currency consideration in takeover transactions.

The Panel aims to publish information about significant changes to takeovers law within a month of those changes occurring. There have been no significant changes to takeovers law in the past year so this objective has not been tested.

The Panel also keeps its website up to date with a complete record of all its exemptions, policies, publications and important enforcement decisions. During the year the Panel's website was given a makeover to brighten it up and make it easier to navigate.

The Panel will continue its practice of seeking feedback from the market about its performance. The Panel last arranged a feedback meeting in May 2009, which was in Auckland and attended by some 60 lawyers, independent advisers and merchant bankers. The Panel has decided to hold the next feedback meeting towards the end of 2010, by which time several significant policies and exemptions will be public information. The Panel has also invited market participants to join Panel members during breaks in their regular meetings, although there have only been limited opportunities for this in the past year. In the course of their day to day business activities Panel members make a point of seeking feedback from market participants on relevant issues of the day. This has proved a successful means of keeping in touch with different areas of the market.

The number of enquiries received from the market, at 134 for the year, is slightly higher than the level of enquiries dealt with in 2008/2009 (105).

The Panel is confident that the resources it is putting into promoting public understanding of takeovers law is improving the public's knowledge of takeovers law.

International liaison

Through its international activities the Panel aims to improve the level of co-operation and understanding between international takeovers regulators.

The Panel's Chairman is a member of the Australian Takeovers Panel and Peter Scott, a member of the Australian Panel, is a member of the New Zealand Panel.

A senior member of the Panel's executive staff visited the offices of the Australian Panel in March 2010.

These arrangements and visits help promote a greater level of understanding between the trans-Tasman takeovers regulators.

ACHIEVEMENT OF THE PANEL'S FINANCIAL GOALS

The main measure by which the Panel's financial performance can be judged was described in last year's Statement of Intent as the achievement of ongoing financial viability.

For the year ended 30 June 2010 the Panel recorded an operating surplus of \$202,545 resulting in operating funds of \$660,960 at year end. This is a satisfactory position. It excludes the monies in the litigation fund, which are not available to meet the Panel's operating needs. It also includes an equity contribution of \$150,000 by the Crown to meet the Panel's relocation costs. The Panel has therefore met its main financial objective for the year.

The financial outcome for the year was an operating result that was more than \$225,000 better than that expected. The most significant contributor to this improvement was the increase in receipts from application fees and cost recoverables which were \$137,711 above budget. This increase was the result of markedly higher-than-expected levels of section 32 cost recovery and also of revenue from exemption applications.

The Panel's overall surplus was also helped by reduced costs resulting from last year's cost saving initiatives, and the move to the Panel's own premises. The cost saving initiatives included reducing the number of main Panel meetings from eight to six per year, with two of those being held by video conference, and the streamlined procedure for some independent adviser applications. These moves have resulted in a reduction in Panel costs (members' fees and travel) in the order of some \$50,000.

OTHER MATTERS

Panel support services

The Panel's transition to a stand-alone entity was completed on 31 August 2009 with the physical relocation of its operations to its own premises in Wellington.

The Panel virtually started from scratch with the design of the fit-out of its premises and the contracting of suppliers for almost every aspect of its operations. The Panel had to separate its records from the Securities Commission's IT system and set up its own IT infrastructure. The Panel went to tender where appropriate.

The fact that the move took place on time and on budget is a credit to all involved.

Relations with Ministry of Economic Development

The Ministry of Economic Development is the Panel's monitoring department. It is also the principal adviser to the Minister of Commerce on policy issues concerning takeovers law.

The Panel executive maintains good working relationships with staff with whom it deals in both the monitoring and policy development areas of the Ministry. These relationships ensure that the two organisations have a good understanding of each other's point of view and are able to work effectively and co-operatively to achieve good outcomes.

CONCLUSION

This has been a significant year for the Panel and the executive team with the Panel's physical relocation to its own premises during the early part of the year.

In general terms the Panel has met its financial and non-financial objectives in the past year.

I am grateful for the dedication and support of the executive team, who have at times worked under considerable pressure during this year. They have also responded to the challenge of undertaking an increased amount of policy work as transactional work has slowed. We have all appreciated the leadership and support of the Panel during the year.

K.G. Morrell
Chief Executive Officer

ADDITIONAL DISCLOSURES

Directions issued by the Minister

The Panel has not been given any directions under any enactment by the Minister of Commerce during the course of the past year. Because the Panel is an independent Crown entity for the purposes of the Crown Entities Act the Minister is constrained in his ability to give the Panel any formal directions.

Obligations to be a good employer

The Panel is an equal opportunity employer and strongly endorses the principles underlying equal opportunity and good employer legislation. The Panel values its employees and is determined to provide a caring, supportive and stimulating environment which provides equal opportunities for all.

The Panel has only been an employer for two years. The Panel has been in its own premises for less than a year. The Panel's personnel policies are evolving in line with best good employer practice consistent with the limitations of being a small organisation operating in a specialised area of the law. The Panel intends to keep developing its good employer strategies in the coming year in consultation with its staff.

With respect to the seven key employment elements of a good employer and equal employment opportunities programme the Panel reports as follows:

Leadership, accountability and culture

Panel management is committed to a high level of engagement with staff. There is a weekly meeting of all Panel staff which provides a forum for Panel staff to engage and participate in organisation decisions. Recent examples were aspects of the design of the Panel's new premises and the re-design of the Panel's website. The Panel has a comprehensive staff handbook that includes a staff Code of Conduct. Panel employees are encouraged to act ethically, fairly, impartially, responsibly and trustworthily, and to undertake their work with integrity.

Recruitment, selection and induction

The Panel does not discriminate against applicants on the basis of their age, ethnicity or gender. The Panel utilises the services of EEO certified employment agencies and selects candidates on the basis of their qualifications and ability to work well within a team. Two of the three members of the management team are women, five of the eight staff are women, and one member of staff is Asian.

Employee development, promotion and exit

The Panel's General Counsel provides fortnightly mentoring sessions with the Panel's legal staff. The Panel's Chief Executive conducts yearly performance reviews with all staff. The Panel makes internal promotions based on merit, and recruits externally where positions cannot be filled internally. The Panel encourages all employees to attend external training, such as seminars. During the year one staff member attended a training course in Melbourne run by the Australian Securities and Investments Commission.

Flexibility and work design

In particular circumstances, such as looking after a family member, employees are allowed flexible hours or to work from home, on a temporary basis.

Remuneration, recognition and conditions

Staff salaries are reviewed by the Chief Executive on an annual basis, taking into account individual performance, movements of salary in the public sector for comparable positions or experience, and any advice or directions from the Minister relevant to remuneration setting. The gender pay gap of the Panel is -13%, or 13% per cent in favour of women.

Harassment and bullying prevention

The Panel has a workplace Anti-bullying and Harassment Policy. This policy encourages Panel employees to take action against any form of workplace bullying or harassment. The Panel has zero tolerance to bullying and harassment. The procedures for making complaints are detailed in the Policy. The Panel has a policy on email misuse, which is part of the Staff Handbook.

Safe and healthy environment

The Panel promotes a positive work environment through celebrating important events and achievements in people's lives, both at home and at work. The Panel provides a weekly fruit bowl for staff to encourage healthy eating. The Panel has an Employee Assistance Programme that provides anonymous advice and support to Panel staff 24 hours a day 7 days a week. The Staff Handbook includes advice on emergency procedures, and there are fire extinguishers, a first aid box, and emergency provisions stored on site. Free flu vaccinations and courses of Buccaline tablets are provided for staff who want them. Workplace assessments are also available to ensure the comfort of employees at their desks.

Permission to act when interested

There were no occasions during the year when the Chairman of the Panel gave permission to a Member, in terms of section 68(6) of the Crown Entities Act, to act in a matter despite being interested in that matter.

CORPORATE GOVERNANCE

Corporate governance is the system by which entities are directed and controlled.

Although the Panel is a Crown entity, adherence to the principles of good corporate governance is just as important to the effectiveness of the Panel's operations as it would be if the Panel were a listed company.

Leadership and governance go together in a successful Crown entity. They require a strong relationship between the Board and management and a clear understanding right through the organisation of the Panel's objectives and corporate standards. The Panel is committed to providing such leadership.

Putting Governance into Context

The members of the Panel are the governing body of the Panel. A meeting of all the members of the Panel acts effectively as a Board, and is so defined in the Crown Entities Act. The responsibilities of the Board derive from the Takeovers Act and the Crown Entities Act. The functions and powers of the Panel are set out at page 3 of this Report.

Responsibilities of the Board

The responsibilities of the Board as set out in the Crown Entities Act are the background against which the Panel's governance is exercised. These include:

- The Board must act in a manner that is consistent with the Panel's powers and functions under the Crown Entities Act and the Takeovers Act, its Statement of Intent and any Output Agreement it has with its responsible minister;
- The Board must ensure that the Panel carries out its functions efficiently and effectively and consistently with the spirit of service to the public;
- The Board must ensure that the Panel operates in a financially responsible manner. For this purpose, the Board must prudently manage its assets and liabilities, and endeavour to ensure the Panel's long-term financial viability.

Responsibilities of Panel members

The responsibilities imposed on members of the Panel under the Crown Entities Act include the requirements that:

- Members of the Panel must not contravene, or cause the contravention of, or agree to the entity contravening, the Crown Entities Act or the Takeovers Act;
- Members of the Panel must, when acting as a member, act with honesty and integrity;
- Members of the Panel must, when acting as a member, act in good faith and not pursue their own interests at the expense of the Panel's interests;
- Members of the Panel must, when acting as a member, exercise the care, diligence, and skill that a reasonable person would exercise in the same circumstances, taking into account (without limitation) the nature of the Panel, the nature of the action and the position of the member and the nature of the responsibilities undertaken by him or her;
- Members of the Panel who have information in their capacity as a member that would not otherwise be available to them must not disclose that information to any person, or make use of, or act on, that information, except in the performance of the Panel's functions, or as required or permitted by law, or in complying with the requirements for members to disclose interests;

- Panel members may disclose, make use of, or act on the information if the member is first authorised to do so by the Board; and the disclosure, use, or act in question will not, or will be unlikely to, prejudice the Panel.

The duties of the Board and of members are duties owed to the responsible Minister and there are penalties set out in the Crown Entities Act for individual or collective non-compliance with these duties. The penalties can include removal from office in some circumstances, although there are specific limitations on this power for members of bodies such as the Panel, which are independent Crown entities.

The activities of the Panel (or “Board”)

Board role

The Board’s role is to provide leadership to the Panel within a framework of appropriate controls, which enables risk to be assessed and managed. The Board sets the Panel’s strategic aims and ensures that appropriate staff resources are in place, consistent with funding constraints arising from being largely funded by Parliament. The Board sets the Panel’s values and standards, consistent with the statutory imperatives described above, and reviews management’s performance.

How the Board operates

The full Board of the Panel meets six times a year, at two-monthly intervals, to conduct the governance functions of the Board, including the review of the performance of the Panel executive, review of the work of the various divisions of the Panel, relationships with stakeholders, and consideration of policy papers. Two meetings are held at the Panel’s offices in Wellington, two meetings are held in Auckland, and two meetings are held by video conference.

Panel members are provided with comprehensive briefings by the Panel executive for all items on the agenda of the regular meetings. The Chief Executive provides a detailed report on the operations of the Panel since the last Board meeting. Discussion at Board meetings is free and frank. Senior management attend Board meetings unless it is appropriate that they be excluded because of the topic for discussion.

Separation of the Board from the executive

The Board of the Panel is chaired by David Jones, partner in the firm of Jones Young, based in Auckland. The Deputy Chairman of the Panel is Colin Giffney, Corporate Adviser, also based in Auckland. All Panel members are part-time.

The executive of the Panel is headed by Kerry Morrell, Chief Executive Officer, who heads a staff of eight.

The Board regards it as critically important, particularly in a Crown entity exercising statutory enforcement and exemption powers, that there is a true separation between the decision-makers, the Panel, and the Panel’s advisers, the executive. The executive is able to assist the market by discussing compliance issues with market participants without fettering the discretion of the Panel to act in a particular matter. The executive gives the Panel free and frank advice, using its skills, experience and training, and the Panel acts on that advice in the manner it thinks fit.

The Board knows that the executive actively interacts with market participants, and will be giving those participants non-binding views about the application of the Code in particular

circumstances. The Panel executive knows that the Board carefully considers the executive's advice, but is not bound to follow it.

The Panel knows, the executive knows, and the market knows, that the Panel makes its own decisions on all matters before it and is not influenced by views the Panel executive may have expressed to market participants on those issues before matters were put before the Panel.

Executive appointment and succession planning

The Board is responsible for appointing the Panel's Chief Executive Officer, for negotiating annual Key Performance Indicators with him or her, for monitoring his or her performance during the year and for reviewing it at the end of the year.

The Board sets the remuneration of the Chief Executive Officer, but is required by law to consult with the State Services Commissioner over the Chief Executive Officer's terms and conditions of employment, including changes in remuneration. The Chief Executive Officer's remuneration package includes an "at risk" element linked to specific aspects of the Panel's performance.

The Board is also responsible for developing a succession plan for its Chief Executive Officer.

The Board has delegated to the Chief Executive Officer responsibility for the day to day management of the Panel, including the recruitment, remuneration, training and professional development of staff, promoting the health and safety of employees, executing the Panel's work programme, and maintaining sound financial management practices within the Panel.

Operating by divisions

For the purpose of exercising most of its statutory powers the Panel meets by division. Divisions are appointed by the Chairman and must have at least three members. Division members are chosen to give an appropriate spread of skills and experience, but will not include any member who is "interested" in the matter being considered.

Under the terms of the Takeovers Act appointed divisions are "the Panel" for the purposes of the matter they are established to consider and only that division can exercise the Panel's powers in respect of that matter. The Panel executive provides briefings to division meetings analysing the matter to be considered at the meeting. The executive liaises with market participants and generally executes the Panel's decisions.

Minutes are taken of all Panel Board meetings and division meetings and these are submitted for approval to the next scheduled Board meeting.

Board meetings and subcommittee structure

The Panel has an Audit and Risk Committee. The terms of reference of the Audit and Risk Committee have been approved by the Panel and are discussed below. The Panel has a large number of meetings by "division" during the year, but it has six Board meetings where all members attend. Meetings of the full Panel are also held to consider class exemptions because they cannot be dealt with by division due to the requirements of the Takeovers Act.

Under the provisions of the Crown Entities Act, meetings of the Panel must be chaired by the Chairman if he is available and is not "interested" in a matter. If the Chairman is not available or is interested then the Deputy Chairman must chair the meeting. If neither the Chairman

nor the Deputy Chairman is available then a Temporary Deputy Chairperson must be appointed.

The following are the records of Panel member participation in Board meetings, division meetings, Audit Committee and Finance Committee¹ meetings over the past twelve months:

Member	Board meetings (6 during year)	Division meetings (65 during year)*	Audit Committee (2 during year)	Finance Committee (3 during year)
David Jones	6	47	2	3
Colin Giffney	6	44		
Kevin O'Connor	5	20	2	3
David Quigg	5	28		
Sue Suckling	5	25		
Keith Taylor	5	15	1	3
John Waller	4	5		
Pip Greenwood	3	13		
Peter Scott**	5	0		
Murdo Beattie	6	6		
Andy Coupe	6	21		

*Included in the tally of division meetings are a few meetings where the Panel as a whole met to consider applications for class exemptions.

** Peter Scott is a member appointed to the Panel as the representative of the Australian Takeovers Panel under reciprocal arrangements with the Australian Government which also has the Chairman of the New Zealand Panel sit on the Australian Panel. Mr Scott is based in Melbourne and is not asked to sit on divisions.

Dealing with conflicts of interests

The Panel is meticulous in dealing with matters where members may be “interested”. The ability to act by division when exercising most of its statutory powers and functions ensures that interested members do not form part of the “Panel” for dealing with matters in respect of which they have an interest. When matters are being dealt with that involve the full Panel, members are always asked (unless it is already known) to confirm whether or not they have an interest in the matter. Those members who have an interest will not participate in any meetings relating to that matter nor will they receive papers about it. Generally the Panel executive will not report to the Board on the matter until the Panel’s involvement in that matter is concluded.

A number of Panel members are lawyers who are partners in legal firms that are often involved in takeover transactions. As a consequence, their firms from time to time make applications to the Panel on behalf of clients for exemptions from the Code, and their firms also at times represent clients who are involved in enforcement enquiries or actions made or undertaken by the Panel.

In such cases the division of the Panel which is formed excludes the member whose firm is applying on behalf of a client for an exemption or whose client is involved in a takeover transaction or in an enforcement action. If those clients are of the firm of which the Chairman of the Panel, David Jones, is a partner then not only will he not participate in the division as Chairman, he will also not be involved in the establishment of the division that deals with the matter. This will be a matter for the Deputy Chairman or in the event that he is interested, a Temporary Deputy Chairman who does not have an interest.

¹ Until June 2010 the Panel operated separate Audit and Finance Committees. The functions of the two committees were incorporated into the Audit and Risk Committee

Where an enforcement matter before the Panel involves a member of the Board, either as a legal adviser to a person the subject of a Panel enquiry, or as a possible witness representing a corporate participant in a Panel enforcement proceeding, the Board imposes a strict rule that that member must not appear before the Panel. The client must be represented by another partner of the law firm involved or by another member of the company concerned.

Planning

The Panel's main planning documents are the annual Statement of Intent, required to be prepared under the Crown Entities Act, and the annual Output Agreement agreed between the Panel and the Minister of Commerce. These documents are prepared by management and approved by the Board. The Panel keeps its business plans under review at each regular Board meeting.

Board performance

All members are appointed to the Panel by the Governor-General on the recommendation of the Minister of Commerce. Panel members must have experience in business, accounting or law. Members are appointed for various terms, generally up to five years.

The Board believes it is important to have the right mix of legal, commercial and market skills on the Panel so that divisions with the right balance of skills can be formed when needed. To this end the Board has developed a succession plan, taking account of the current terms of office and types of experience of existing members. This plan has been discussed with the Minister and with Ministry officials. However, the Board can only make suggestions to officials on these issues because appointments to the Panel are outside of the direct control of Panel members.

The remuneration of Board members is fixed by the Remuneration Authority, and includes a combination of daily rates and hourly rates. These rates are reviewed annually. In the spirit of the current economic times the Panel has not sought any increases in members' remuneration in the last two years.

New Board members are provided with extensive induction materials describing the powers and functions of the Panel and the policies and procedures applicable to their role in the Panel.

The Board is committed to having an effective governance structure and for this purpose monitors its own performance using an external facilitator. This process is currently underway and the Board is committed to following up the recommendations made by the facilitator.

The Board is in the process of developing a Board Governance Manual to ensure it always follows best practice in fulfilling its statutory responsibilities and functions. This manual is based on guidance provided by the State Services Commission and is being developed with the assistance of a specialist policy development firm.

Accountability and audit

Risk management

The Panel has recently combined its former Audit Committee and Finance Committee into the Audit and Risk Committee. The membership of the Audit and Risk Committee comprises:

Chairman: Keith Taylor

Members: David Jones (ex officio)
Colin Giffney

The membership of the Committee is reviewed every two years.

The Panel's Chief Executive Officer and Accountant are required to be available to attend meetings of the Audit and Risk Committee but are not members of the Committee.

The Audit and Risk Committee reviews all the Panel's external reporting documents, financial forecasts and budgets. The Committee is also responsible for developing a risk management plan for the Panel.

The Panel is a small organisation but its risks have expanded in the last two years since it became the employer of its own staff and also the occupier of its own premises.

The Panel does not have a separate internal audit function. Strict separation is maintained between the banking, payments and payment authorisation functions. A limited degree of external review of receipts and payments is provided by the Chairman of the Audit and Risk Committee.

The Audit and Risk Committee meets with the Panel's external auditors, Audit New Zealand, once a year following the annual audit. For part of that meeting management is excluded from the discussions.

The Panel does not use a contestable process to appoint its external auditor. As a market regulator the Panel considers it would be inappropriate to use a private accounting firm as external auditor when that firm might either seek the Panel's approval to be appointed as an independent adviser for the purposes of a Code transaction, or could be involved in an enforcement enquiry undertaken by the Panel. For this reason the Panel's financial statements are audited by only Audit New Zealand's own personnel.

Legal compliance

The Crown Entities Act gives the Board and Board members responsibility for ensuring the Panel complies with its legal responsibilities.

The Panel uses a proprietary legal compliance programme to facilitate this process. The programme provides questions in respect of the Panel's compliance with 25 separate pieces of legislation. Both Board members and management take part in answering the questions.

The Audit and Risk Committee reviews and reports to the Board on the meeting of the Panel's legal compliance obligations.

Protected disclosure policy

The Panel has a written policy under the Protected Disclosures Act 2000 to protect staff members who wish to make protected disclosures about serious wrongdoing by members of the Panel or other employees of the Panel.

Stakeholder relations

Stakeholder relations are very important to the Panel. The Panel's stakeholders include the Minister of Commerce, the Ministry of Economic Development, other market regulators such as NZX Limited and the Securities Commission, market practitioners active in the market for corporate control, including legal advisers, investment bankers and corporate advisers,

shareholders who may become involved in takeover transactions, the media, and overseas takeovers regulators.

The Board has developed a relationship management plan which ensures that the Panel interacts with its stakeholders at an appropriate level and frequency. Apart from direct meetings with stakeholders the Panel seeks feedback from the market through meetings with groups of market practitioners.

The Panel has developed a culture of openness with the market and the media, but balances this with its obligations of confidentiality in particular cases. The Panel aims to facilitate the market for changes of corporate control by, where possible, helping participants to comply with the provisions of the Code. The Panel operates as a market facilitator as well as an enforcer.

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 continually to ensure that the money is used to best advantage.

STATEMENT OF RESPONSIBILITY

We acknowledge responsibility for the preparation of these financial statements and Statement of Service Performance 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 and Statement of Service Performance fairly reflect the financial position as at 30 June 2010 and the operations of the Takeovers Panel for the year ended 30 June 2010.

Signed on behalf of the Panel by:

D O Jones
Chairman

24 September 2010

K B Taylor
Chairman,
Audit and Risk Committee

24 September 2010

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

Budget 2010			Actual 2010	Actual 2009
\$			\$	\$
	Revenue - operating	Note		
1,494,000	Government grant – baseline funding		1,494,000	1,494,000
14,000	Interest	12	13,479	17,150
299,000	Application fees and costs recoverable	5	436,712	342,310
-	Other income		10,852	6,466
<u>1,807,000</u>	Total operating income		<u>1,955,043</u>	<u>1,859,926</u>
	Revenue – litigation fund			
-	Government grant		-	-
-	Recovery of costs		-	-
32,000	Interest	12,4	31,264	47,409
<u>32,000</u>	Total litigation fund income		<u>31,264</u>	<u>47,409</u>
<u>\$1,839,000</u>	Total income		<u>\$1,986,307</u>	<u>\$1,907,335</u>
	Operating expenditure			
19,000	Audit fees		16,512	13,115
70,000	Communication charges		58,112	27,209
15,000	Training and memberships		17,318	12,454
58,000	Depreciation and amortisation		51,580	2,715
270,000	Members' fees	23	234,483	278,454
27,000	Printing and stationery		46,503	25,879
110,000	Consultants and legal		111,452	138,561
152,000	Services and supplies		135,180	38,431
110,000	Rent		109,675	-
40,000	Travel and accommodation		27,817	39,587
860,000	Personnel costs	11	863,339	769,968
96,000	Securities Commission services	3	80,527	503,349
<u>1,827,000</u>	Total operating expenditure		<u>1,752,498</u>	<u>1,849,722</u>
20,000	Expenditure – litigation fund	4	9,849	-
<u>1,847,000</u>	Total expenditure		<u>1,762,347</u>	<u>1,849,722</u>
<u>\$(8,000)</u>	Net Surplus/Deficit		<u>\$223,960</u>	<u>\$57,613</u>
-	Other comprehensive income		-	-
<u>\$(8,000)</u>	Total comprehensive income		<u>\$223,960</u>	<u>\$57,613</u>
	This is comprised of:			
(20,000)	Comprehensive income -operating /(deficit)		202,545	10,204
12,000	Comprehensive income -litigation / (deficit)	4	21,415	47,409
<u>\$(8,000)</u>			<u>\$223,960</u>	<u>\$57,613</u>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

Budget 2010			Actual 2010	Actual 2009
\$		Note	\$	\$
	Current assets			
193,725	Cash and cash equivalents – operations		227,452	146,536
492,157	Cash and cash equivalents – litigation fund	4	29,056	489,802
123,215	Term deposits – operations		180,495	115,252
302,370	Term deposits – litigation fund	4	796,603	311,228
1,057	Interest receivable – operating		867	445
1,028	Interest receivable – litigation fund	4	8,568	1,933
79,639	Trade and other receivables	13	234,986	134,041
-	Prepayments		32,007	41,103
-	GST receivable		-	4,198
<u>\$1,193,191</u>	Total current assets		<u>\$1,510,034</u>	<u>\$1,244,538</u>
	Non-current assets			
122,500	Property, plant and equipment	14	134,424	-
19,000	Software	15	13,015	11,285
<u>141,500</u>	Total non-current assets		<u>147,439</u>	<u>11,285</u>
<u>\$1,334,691</u>	Total assets		<u>\$1,657,473</u>	<u>\$1,255,823</u>
	Current liabilities			
76,394	Trade and other payables	17	79,794	86,689
25,932	Employee entitlements	16	74,775	57,756
10,600	GST payable		17,566	-
<u>\$112,926</u>	Total current liabilities		<u>\$172,135</u>	<u>\$144,445</u>
	Equity			
426,211	Operating funds		660,960	308,415
795,554	Litigation fund	4	824,378	802,963
<u>\$1,221,765</u>	Total equity		<u>\$1,485,338</u>	<u>\$1,111,378</u>
<u>\$1,334,691</u>	Total equity and liabilities		<u>\$1,657,473</u>	<u>\$1,255,823</u>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2010

Budget 2010		Actual 2010	Actual 2009
\$		\$	\$
	Equity at start of year		
296,211	Operating funds	308,415	298,211
783,554	Litigation fund	802,963	755,554
<u>\$1,079,765</u>	Equity at start of year	<u>\$1,111,378</u>	<u>\$1,053,765</u>
(20,000)	Total comprehensive income- operating/(deficit)	202,545	10,204
12,000	Total comprehensive income-litigation/ (deficit)	21,415	47,409
<u>(8,000)</u>	Total comprehensive income	<u>223,960</u>	<u>57,613</u>
150,000	Capital contribution	150,000	-
142,000	Increase (reduction) in equity	373,960	57,613
<u>\$1,221,765</u>	Equity at end of year	<u>\$1,485,338</u>	<u>\$1,111,378</u>
	Comprising:		
426,211	Operating funds	660,960	308,415
795,554	Litigation fund	824,378	802,963
<u>\$1,221,765</u>	Equity at end of year	<u>\$1,485,338</u>	<u>\$1,111,378</u>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

Budget 2010 \$		Actual 2010 \$	Actual 2009 \$
	Cash flows from operating activities		
	Cash was provided from:		
1,494,000	Government grant – operations	1,494,000	1,494,000
-	Government grant – litigation fund	-	-
299,000	Application fees and costs recoverable	335,767	377,131
48,762	Interest	37,686	66,868
-	Other income	10,853	6,466
-	Goods and Services Tax (net)	21,764	-
	Cash was disbursed to:		
(932,791)	Suppliers	(610,745)	(880,301)
(858,744)	Employees and members	(1,080,803)	(1,005,793)
-	Goods and Services Tax (net)	-	(15,970)
<u>50,227</u>	Net cash inflow (outflow) from operating activities	<u>208,522</u>	<u>42,401</u>
		7	
	Cash flows from investing activities		
	Cash was provided from:		
2,105	Receipts from sale of bank deposits	-	-
	Cash was applied to:		
-	Purchase of computer software	(9,968)	(14,000)
(151,000)	Purchase of office equipment	(138,693)	-
-	Purchase of office furniture	(39,073)	-
-	Acquisition of bank deposits	(550,618)	(27,731)
<u>(148,895)</u>	Net cash inflow (outflow) from investing activities	<u>(738,352)</u>	<u>(41,731)</u>
	Cash flows from financing activities		
	Cash was provided from:		
150,000	Capital contribution	150,000	-
<u>150,000</u>	Net cash inflow (outflow) from financing activities	<u>150,000</u>	<u>-</u>
51,332	Net increase (decrease) in cash and cash equivalents	(379,830)	670
634,550	Add opening cash and cash equivalents	636,338	635,668
<u>\$685,882</u>	Closing cash and cash equivalents	<u>\$256,508</u>	<u>\$636,338</u>
		8	

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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 154 of the Crown Entities Act 2004.

The Panel is an independent Crown entity for legislative purposes and a public benefit entity for the purposes of complying with Generally Accepted Accounting Practices in New Zealand (NZ GAAP).

The financial statements of the reporting entity, the Panel, for the year ended 30 June 2010 were authorised for issue by the Panel on 17 August 2010.

The Panel's primary function is the regulation of corporate takeovers in New Zealand.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Basis of measurement

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

Functional and presentational currency

These financial statements are presented in New Zealand dollars (\$) which is the entity's functional currency.

Use of estimates and judgements

The process of applying accounting policies requires the Panel to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Changes in accounting policy

The Panel has started accounting for fixed assets and an operating lease since September 2009.

The Panel has adopted the following revision to accounting standards during the financial year which has only had a presentational effect:

NZIAS 1 Presentation of Financial Statements (Revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (Issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as “owner”. The Panel has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Panel, include:

NZIFRS 9 Financial Instruments will eventually replace NZIAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 on the classification measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 2014. The Panel has not yet assessed the effect of the new standard and expects it will not be early adopted.

NZIAS 24 Related Party Disclosures (Revised 2009) replaces NZIAS 24 Related Party Disclosures (Issued 2004) and is effective for reporting periods commencing on or after 1 January 2011. The revised related party standard:

- i) Removes the previous disclosure concessions applied by the Panel for arms-length transactions between the Panel and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Panel and entities controlled or significantly influenced by the Crown;
- ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Commerce, the Panel will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown;
- iii) Clarifies that related party transactions include commitments with related parties.

The Panel has not yet assessed the effect of the new standard but expects it will adopt it for the 2010/2011 year.

Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

- a Cash and cash equivalents
Cash and cash equivalents comprise cash balances on hand, held in bank accounts and short-term deposits that form part of the Panel's day-to-day cash management. They are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values. They are held for the purpose of meeting short-term cash commitments and have short maturities of three months or less.
- b Term deposits
This category only includes term deposits with maturities greater than three months. These deposits are loans and receivables under NZ IFRS. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.
- c Trade and other receivables
Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.
- d GST
All items in financial statements are exclusive of GST with the exception of trade and other receivables and trade and other payables which are stated with GST included.

The statement of cash flows has been prepared on a net GST basis. That is, cash receipts and payments are presented exclusive of GST. A net GST presentation has been chosen to be consistent with the presentation of the statement of financial performance and statement of financial position. The net GST component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST component has been presented on a net basis as the gross amounts would not provide meaningful information for financial statement purposes.

- e Trade and other payables
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.
- f Financial instruments
A financial instrument is recognised when the Panel becomes party to a financial contract. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income.

Financial instruments comprise trade and other receivables, cash and cash equivalents, term deposits and trade and other payables.

- g Income tax
The Panel is exempt from income tax under the Income Tax Act 2004.
- h Revenue recognition
Government grant is recognised as revenue when earned and is reported in the financial period to which it relates. 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.

Interest income is recognised as it accrues, based on the effective interest rate inherent in the respective financial instrument. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

i Cost allocation policy

For the purposes of the statement of service performance direct costs are charged directly to outputs. Indirect costs are allocated on the basis of direct labour hours spent on each output.

j 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 to which the Panel's claim for reimbursement relates. The balance of the fund is disclosed as a component of equity in the statement of financial position.

k Impairment

The Panel considers at each reporting date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

Given that the future economic benefits of the Panel's assets are not directly related to the ability to generate net cash flows, the value in use of these assets is measured on the basis of depreciated replacement cost.

At each balance date financial assets such as receivables are assessed for impairment. Trade and other receivables are individually assessed for impairment. This assessment is also made with reference to previous experience with debtors. The recoverable amount is the present value of the estimated future cash flows.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of comprehensive income.

l Short term employee benefits

Employee entitlements represent the Panel's liability for employee annual leave entitlements and salaries accrued up to balance date. This has been calculated on an accrued entitlement basis which involves recognising the undiscounted amount of short term employee benefits expected to be paid in exchange for service that an employee has already rendered. This is calculated at current remuneration rates.

m Property, plant and equipment

Property, plant and equipment are shown at cost or deemed cost less depreciation, and less any impairment losses (see note 1(k)). The following classes of property, plant and equipment have been depreciated over their economic lives on the following basis:

- office furniture 8.5 – 10.5 percent straight line,
- office equipment 17.5 – 40 percent straight line.

- n Intangible assets
Computer software that is not integral to the operation of the hardware is recorded as an intangible asset and amortised on a straight line basis over a period of three years.
- o Contingent assets and contingent liabilities
Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.
- p Superannuation schemes
Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the statement of comprehensive income as incurred.
- q Leases
Operating leases – an operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

NOTE 2 BUDGET FIGURES

The budget figures are those approved by the Panel on 19 May 2009 and published in the Panel's Statement of Intent 2009-2012. The budget figures are prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Panel for the preparation of the financial statements.

NOTE 3 SECURITIES COMMISSION SERVICES

Although the Panel is an independent Crown entity, up until August 2009 it had not had its own premises nor equipment. These services were provided by the Securities Commission in terms of an agreement negotiated between the Panel and the Commission on an arm's length basis. From 31 August 2009 the Panel relocated to its own premises and acquired its own IT systems, furniture and fittings.

The Panel had been paying the Commission an overhead contribution in respect of staff the Panel employed and an overhead and salary contribution for the Commission staff utilised by the Panel on a part-time basis. Payments totalled \$80,527 for the two months utilised in 2010 (2009 \$503,349).

NOTE 4 LITIGATION FUND

The Panel operates a litigation fund started with an appropriation of \$675,000 (GST not applicable) made by Parliament several years ago. The fund is to be used for litigation costs that are incurred by the Panel as it enforces compliance with the Takeovers Code or responds to litigation brought against it. In the 2006/2007 Output Agreement with the Minister the scope of the litigation fund was widened to include involvement in Court proceedings under the scheme of arrangement or amalgamation provisions of the Companies Act affecting Code companies. It is being held on short term deposit.

Parliament made a further appropriation of \$200,000 (GST inclusive) for the year ended 30 June 2010 to top-up the fund to the set level of \$675,000. The Panel has not had to draw from this appropriation during the year.

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

	2010	2009
	\$	\$
Government grant received	-	-
Recovery of costs	-	-
Interest received	22,696	45,476
Interest accrued	8,568	1,933
Expenditure on approved litigation	(9,849)	-
Comprehensive income /(deficit) for the year	<u>21,415</u>	<u>47,409</u>
Opening balance	<u>802,963</u>	<u>755,554</u>
Closing balance	<u><u>\$824,378</u></u>	<u><u>\$802,963</u></u>
This is comprised of:		
Cash and cash equivalents		
- Call account	29,056	28,157
- Short term deposits	-	461,645
Term deposits	796,603	311,228
Interest receivable	<u>8,568</u>	<u>1,933</u>
Trade payables	<u>(9,849)</u>	<u>-</u>
	<u><u>\$824,378</u></u>	<u><u>\$802,963</u></u>

NOTE 5 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 invoiced for the year ended 30 June 2010 (on a GST exclusive basis) is as follows:

	2010	2009
	\$	\$
Exemptions	203,378	221,544
Approvals	32,538	38,433
Enforcement – section 32	<u>200,796</u>	<u>82,333</u>
Total	<u><u>\$436,712</u></u>	<u><u>\$342,310</u></u>

The Panel's allocation of costs made following the section 32 meeting held in March 2010 has been disputed by Marlborough Lines Limited. The amount which has been invoiced to Marlborough Lines Limited is \$145,430 (GST exclusive). It is currently the subject of judicial review proceedings brought against the Panel in the High Court. The Panel considers it has made proper use of its discretion to impose costs and has not made any provision against the non-recovery of these fees.

NOTE 6 MANAGEMENT OF EQUITY

The Panel seeks to maintain sufficient equity to enable it to manage its ongoing operations and obligations. Surplus funds are invested having regard to the cash flow profile of future commitments. There have been no material changes in the Panel's management of equity during the period compared with the previous period.

The Panel is not subject to any externally imposed equity requirements.

NOTE 7 RECONCILIATION OF STATEMENT OF COMPREHENSIVE INCOME WITH STATEMENT OF CASH FLOWS

	2010	2009
	\$	\$
Net surplus (deficit):	223,960	57,613
Movement in non cash items		
Depreciation / amortisation	51,580	2,715
Movement in working capital:		
Increase (decrease) in creditors	27,960	(28,272)
(Increase) decrease in receivables and prepayments	<u>(94,708)</u>	<u>10,345</u>
	<u>(15,438)</u>	<u>(15,212)</u>
Net cash flows from operating activities	<u>\$208,522</u>	<u>\$42,401</u>

NOTE 8 CASH FLOWS

Investing activities

Investing activities are those activities relating to the movements in short term deposits and the purchase of property, plant and equipment. The cash flows relating to the Panel's investing activities are reported on a gross basis in the statement of cash flows. The amounts held in term deposits are rolled over frequently through the year.

Financing activities

Financing activities are those activities relating to changes in the equity structure of the Panel.

Operating activities

Operating activities for the purposes of the statement of cash flows include all activities other than investing and financing activities. Activities funded from the litigation fund are included in this category.

Cash

This means cash balances on hand, held in bank accounts, and short term deposits in which the Panel invests as part of its day-to-day cash management.

The closing balance of cash reported in the statement of cash flows is comprised of:

	2010	2009
	\$	\$
Cash and cash equivalents – operations		
- Cash	227,452	146,536
Cash and cash equivalents – litigation fund		
- Cash	29,056	28,157
- Short term deposits	-	461,645
Closing cash balance	<u>\$256,508</u>	<u>\$636,338</u>

NOTE 9 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	2010 \$	2009 \$
Loans and receivables		
Cash and cash equivalents	256,508	636,338
Trade and other receivables	244,421	136,419
GST receivable	-	4,198
Term deposits	977,098	426,480
Total loans and receivables	<u>\$1,478,027</u>	<u>\$1,203,435</u>
Financial liabilities measured at amortised cost		
Trade and other payables	79,794	86,689
GST payable	17,566	-
Employee entitlements	74,775	57,756
Total financial liabilities measured at amortised cost	<u>\$ 172,135</u>	<u>\$144,445</u>

NOTE 10 FINANCIAL INSTRUMENTS

Credit risk

Credit risk represents the risk that a counterparty will default on its contractual obligations to the Panel. Financial instruments which potentially subject the Panel to credit risk consist of bank balances, bank term deposits, interest receivable, and trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of those instruments as detailed below.

There is limited credit risk for the Panel because most of the financial assets are the Panel's cash or investments. These are deposits with Bank of New Zealand which is a registered bank in New Zealand and is rated by Moody's Aa2, Standard & Poors AA as at 31 March 2010. The credit risk is also minimised as the deposits are subject to the provisions of the Government's deposit guarantee scheme that expires in October 2010.

The Panel does not require collateral or security to support financial instruments.

As well as the balances with the BNZ, there is a concentration of credit risk in the debtors where \$145,430 (GST exclusive) has been invoiced to Marlborough Lines. This accounts for 62% of the total debtors balance. Refer notes 5 and 13.

Fair values

All financial instruments are recognised in the statement of financial position and are stated at carrying amounts. Given their short term nature, the carrying amounts are considered a reasonable approximation of their fair values. There has been no change from the previous period in the Panel's exposure to risks, how they arise or the Panel's objectives, policies and processes for managing the risk and the methods used to measure the risks.

Liquidity risk

Liquidity risk represents the Panel's ability to meet its contractual obligations associated with financial liabilities. The Panel evaluates its liquidity requirements on an ongoing basis. The Panel's creditors are mainly those reported as trade and other payables. The Panel aims to pay these within normal commercial terms: that is, by the 20th of the month, if not earlier.

Currency risk

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

Market risk

The only market risk that the Panel is subject to is interest rate risk. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Panel's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Panel's exposure to cash flow interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Details are as follows:

	Effective Interest Rate	Total \$	Maturities 3 months or less \$	Maturities greater than 3 months \$
2010				
Cash and cash equivalents – operations				
- Current account	0.00%	38,302	38,302	-
- Call account	3.15%	189,150	189,150	-
Term Deposit	3.45-3.50%	180,495	-	180,495
		<u>\$407,947</u>	<u>\$227,452</u>	<u>\$180,495</u>
Cash and cash equivalents – litigation fund				
- Call account	3.15%	29,056	29,056	-
Term deposits	3.5-4.9%	796,603	-	796,603
		<u>\$825,659</u>	<u>\$29,056</u>	<u>\$796,603</u>
2009				
Cash and cash equivalents - operations				
- Current account	0.00%	87,199	87,199	-
- Call account	3.15%	59,337	59,337	-
Term deposits	3.20%	115,252	-	115,252
		<u>\$261,788</u>	<u>\$146,536</u>	<u>\$115,252</u>
Cash and cash equivalents – litigation fund				
- Call account	3.15%	28,157	28,157	-
- Short term deposits	3.50%	461,645	461,645	-
Term deposits	3.20%	311,228	-	311,228
		<u>\$801,030</u>	<u>\$489,802</u>	<u>\$311,228</u>

The Panel's interest rate risk is limited to interest on call accounts and term investments, the maturities of which are shown above.

Sensitivity analysis

As at 30 June 2010, if the floating interest rate on call deposits had been 100 basis points higher or lower throughout the year, with all other variables held constant, the surplus/deficit for the year would have been \$2,182 (2009 \$875) higher or lower.

NOTE 11 PERSONNEL COSTS

	2010	2009
	\$	\$
Salaries	840,174	746,912
Employer contributions to defined contribution plans	10,648	9,631
ACC	3,244	-
Recruitment	8,100	13,425
Contractors	1,173	-
Total personnel costs	<u>\$863,339</u>	<u>\$769,968</u>

NOTE 12 INCOME FROM FINANCIAL ASSETS

	2010	2009
	\$	\$
Loans and Receivables		
Interest – operations	13,479	17,150
Interest – litigation fund	31,264	47,409
Total interest income from loans and receivables	<u>\$44,743</u>	<u>\$64,559</u>

NOTE 13 TRADE AND OTHER RECEIVABLES

	2010	2009
	\$	\$
Trade receivables	<u>234,986</u>	<u>134,041</u>
Total trade and other receivables	<u>\$234,986</u>	<u>\$134,041</u>

The status of trade and other receivables as at 30 June 2010 is as follows:

	Total \$	Not past due \$	Up to 30 days past due \$	Over 30 days past due \$
2010				
Gross receivables	234,986	29,014	189,284	16,689
Impairment	-	-	-	-
	<u>\$234,986</u>	<u>\$29,014</u>	<u>\$189,284</u>	<u>\$16,689</u>
2009				
Gross receivables	134,041	108,357	13,931	11,753
Impairment	-	-	-	-
	<u>\$134,041</u>	<u>\$108,357</u>	<u>\$13,931</u>	<u>\$11,753</u>

Included in the gross receivables up to 30 days past due is the amount of \$163,609 (GST inclusive) invoiced to Marlborough Lines Limited which is currently the subject of High Court proceedings for judicial review brought against the Panel by that company.

NOTE 14 PROPERTY PLANT AND EQUIPMENT

	Office equipment \$	Office furniture \$	Total \$
Cost or valuation			
Balance at 1 July 2008	-	-	-
Additions	-	-	-
Disposals	-	-	-
Balance at 30 June 2009	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 July 2009	-	-	-
Additions	138,693	39,073	177,766
Disposals	-	-	-
Balance at 30 June 2010	<u>138,693</u>	<u>39,073</u>	<u>177,766</u>
Accumulated depreciation			
Balance at 1 July 2008	-	-	-
Depreciation	-	-	-
Balance at 30 June 2009	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 July 2009	-	-	-
Depreciation expense	(40,031)	(3,311)	(43,342)
Balance at 30 June 2010	<u>(40,031)</u>	<u>(3,311)</u>	<u>(43,342)</u>

Carrying amounts:

At 30 June 2008	-	-	-
At 30 June and 1 July 2009	-	-	-
At 30 June 2010	<u>\$98,662</u>	<u>\$35,762</u>	<u>\$134,424</u>

NOTE 15 COMPUTER SOFTWARE

	Computer software
	\$
Cost or valuation	
Balance at 1 July 2008	-
Additions	14,000
Disposals	-
Balance at 30 June 2009	<u>14,000</u>
Balance at 1 July 2009	14,000
Additions	9,968
Disposals	-
Balance at 30 June 2010	<u>23,968</u>
Accumulated amortisation	
Balance at 1 July 2008	-
Amortisation	(2,715)
Balance at 30 June 2009	<u>(2,715)</u>
Balance at 1 July 2009	(2,715)
Amortisation	(8,238)
Balance at 30 June 2010	<u>(10,953)</u>
Carrying amounts:	
At 30 June 2008	-
At 30 June and 1 July 2009	11,285
At 30 June 2010	<u>\$13,015</u>

NOTE 16 EMPLOYEE ENTITLEMENTS

	2010	2009
	\$	\$
Accrued salaries and wages	36,618	34,475
Annual leave	38,157	23,281
Total employee entitlements	<u>\$ 74,775</u>	<u>\$57,756</u>

NOTE 17 TRADE AND OTHER PAYABLES

	2010	2009
	\$	\$
Trade payables	68,282	69,779
Securities Commission services	-	8,796
Accrued expenses	11,512	8,114
Total trade and other payables	<u>\$ 79,794</u>	<u>\$86,689</u>

NOTE 18 COMMITMENTS

The Panel has the following operating lease commitments. These amounts are the total of minimum future lease payments under the Panel's non-cancellable operating leases.

	2010	2009
	\$	\$
Not later than one year	131,604	109,674
Later than one year and not later than five years	526,416	526,416
Later than five years	21,934	153,538
	<u>\$679,954</u>	<u>\$789,628</u>

The Panel entered into a six year operating lease agreement for its new premises that commenced 1 September 2009. This lease gives the Panel the right to renew the lease for six years subject to a mutually agreed redetermination of the lease rental.

The Panel had no capital commitments at balance date. (2009 - no commitments).

NOTE 19 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date. (2009 - no contingent liabilities).

NOTE 20 CONTINGENT ASSETS

There were no contingent assets at balance date. (2009 - no contingent assets).

NOTE 21 TRANSACTIONS WITH RELATED PARTIES

Transactions with other entities within the Crown

The Panel is an independent Crown entity for the purposes of the Crown Entities Act 2004. The Crown is its major source of revenue.

The Panel has entered into a number of transactions with other entities within the Crown on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Panel, related party disclosures have not been made for transactions of this nature.

The Panel had a special relationship with the Securities Commission, another independent Crown entity and therefore also a related party. This is referred to in Note 3 above. That relationship ceased on 31 August 2009.

Transactions with suppliers

Mr J.A. Waller, Member of the Panel, was appointed as Chairman of the Bank of New Zealand during the 2009 year. The Panel has had banking facilities with the Bank since it received its own funding in 2000. The facilities are provided on normal commercial terms.

Transactions with firms of Panel members

The Panel has processed a number of exemption applications from firms where a member of the Panel was a partner in the firm making the application. The affected members are legally not part of the Panel for the purposes of considering any exemption applications from their firm. Those applications were processed and invoiced using the Panel's standard procedures.

No related party debts have been written off or forgiven during the year.

NOTE 22 KEY MANAGEMENT PERSONNEL COMPENSATION

Key personnel comprise the members of the Panel and the senior management staff.

	2010 \$	2009 \$
Short term employee benefits:		
- Members' fees	234,483	278,454
- Senior management team remuneration	412,789	398,973
	<u>\$ 647,272</u>	<u>\$677,427</u>

Employee remuneration

During the year, the number of employees of the Panel, not being members, who received remuneration and other benefits in excess of \$100,000 were:

	Number of Employees 2010 \$	Number of Employees 2009 \$
230,001 to 240,000	1	1
220,001 to 230,000	-	-
210,001 to 220,000	-	-
200,001 to 210,000	-	-
190,001 to 200,000	-	-
180,001 to 190,000	-	-
170,001 to 180,000	1	-
160,001 to 170,000	-	1
150,001 to 160,000	-	-
140,001 to 150,000	-	1
	<u>2</u>	<u>3</u>

During the year \$35,000 was paid to one employee in relation to his cessation of employment.

NOTE 23 BOARD MEMBER REMUNERATION

Members are remunerated on the basis of time spent on the work of the Panel. Members' fees for the year ended 30 June 2010 were:

	2010	2009
	\$	\$
D.O. Jones (Chairman)	95,858	95,038
C.G. Giffney (Deputy Chairman)	27,594	35,689
M.M. Beattie	8,242	10,695
R.A. Coupe	20,880	16,554
P.M. Greenwood	7,450	11,017
A. Lawrence	-	10,148
K.J. O'Connor	18,122	26,817
D.J. Quigg	22,167	22,487
P.J.M. Scott	-	3,160
S.H. Suckling	14,649	23,964
K.B. Taylor	14,920	18,370
J.A. Waller	4,601	4,515
Total	<u>\$ 234,483</u>	<u>\$278,454</u>

NOTE 24 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. (2009 – the Panel had entered into commitments to purchase computer hardware, software and support of approximately \$120,000 in July 2009).

NOTE 25 BUDGET VARIANCES

Significant variances from budget were:

Income

Total operating income was \$148,043 higher than budgeted, primarily because of the higher than expected level of recoveries from exemptions work and enforcement action (one section 32 meeting was held during the year).

Expenditure

Total operating expenditure for the year was \$74,502 lower than budgeted, primarily because of lower than expected expenditure on members' fees, travel expenditure and Securities Commission services. This was attributed to fewer Panel meetings being held, use of teleconferencing and delegated authority for work on some approvals.

Printing and stationery expense was \$19,503 higher than budgeted. This was in part due to new expenditure on stationery of \$17,000 that was previously provided as part of the agreement with Securities Commission.

Net operating surplus

The Panel recorded an operating surplus of \$202,545 when a deficit of \$20,000 had been expected. This is a result of the lower than expected expenditure in addition to higher than expected income.

NOTE 26 PROFESSIONAL INDEMNITY INSURANCE

The Panel has effected a professional indemnity insurance policy to provide cover for members of the Panel, employees of the Panel, as the Panel performs its duties and statutory functions.

STATEMENT OF SERVICE PERFORMANCE

For the year ended 30 June 2010

PERFORMANCE STANDARDS AND MEASURES FOR THE OUTPUTS OF THE PANEL

OUTPUT 1: *Recommendations for changes to takeovers law:*

- To keep under review the law relating to takeovers and to recommend to the Minister of Commerce changes as appropriate;
- To keep under review practices relating to takeovers of Code companies for the purpose of recommending changes to the law.

Impact:

Improvements in the efficiency of the Code through the making of recommendations to the Minister of Commerce to achieve changes to the Code and takeovers law more generally.

Activities and actions to include:

- reviewing the provisions of takeovers law;
- identifying areas of the Code which require correction or would benefit from improvement;
- reviewing the practices relating to the takeover of Code companies;
- developing policy papers, guidance notes and practice notes on issues arising under the Code and its administration;
- supporting implementation of the recommendations to the Minister of Commerce, on the interaction between the provisions of company law and takeovers law as they apply to schemes of arrangement and amalgamations effected under Parts 13 and 15 of the Companies Act 1993;
- developing proposals for public comment on proposed recommendations to the Minister, as necessary;
- making recommendations to the Minister for changes to that law, where appropriate.

Actual performance against planned performance standards and performance measures for 2009/2010:

<u>Quantity and Quality</u>	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Keep the Takeovers Code and the Takeovers Act 1993 under review and recommending amendments to the Code and Act as necessary.	The Panel intends to make recommendations to the Minister by June 2010 for a significant number of technical (low policy content) changes to the Code which have arisen out of the Panel's experience administering the Code over the past few years.	No recommendations made. A number have been prepared but are being held back until the full review of technical amendments has been completed.	Panel's proposals for changes to the law relating to schemes of arrangement affecting Code companies, which were made in May 2008, remain under consideration by the Minister. There were no proposals made to the Minister in 2008/2009
Participate as required on projects and reviews.			
Keep under review practices relating to takeover activities.	Continuous.	Continuous.	Continuous.

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Inquiries into market practice with a view to recommend amendments to the Takeovers Code and to the Panel's policies and publishing proposed changes to the Code and Panel policies for public comment.	Review work to be of a high standard. 2	2 (foreign currency consideration and collateral consideration on takeovers).	1 (The consequences of upstream takeovers on changes of control of Code companies).
<u>Timeliness</u>			
Recommendations for amendments to the Code will be made in accordance with Work Programme.	As stipulated by Panel.	No recommendations were made during the year. Timeliness is affected by the decision to delay making recommendations to the Minister until the full technical review is completed.	No recommendations were made.
Complete inquiry work promptly.			
<u>Revenue:</u>	Nil	Nil	Nil
<u>Cost:</u>	\$329,000	\$449,774	\$321,975

OUTPUT 2: *Approvals:*

The approval of the appointment of independent advisers, where required under Rules 18, 21 or 22 of the Code or by the terms of an exemption granted, and the appointment of independent experts where required by Rule 57 of the Code.

Impact:

The improvement in the quality of advice and independent adviser reports to recipients of takeover offers and to shareholders entitled to vote to approve Code-related allotments and acquisitions. Such improvements will further ensure the equal treatment of shareholders and a transparent takeovers process.

Activities and actions to include:

- processing applications from advisers for approval under the Code;
- ensuring that appointed advisers are both independent and competent to do the job required;
- assessing, where necessary, previous work of advisers to determine their experience and competence;
- reviewing draft independent advisers' reports and making suggestions for improvement;

- meeting with advisers on an ongoing basis to discuss and obtain feedback on any issues and concerns;
- appointing independent experts where required under the compulsory acquisition provisions of the Code;
- processing applications for consent to withdraw offers, and in relation to approval of defensive tactics.

Actual performance against planned performance standards and performance measures for 2009/2010:²

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
<u>Quantity</u>			
Applications for approval of independent advisers and independent experts.	30-35	34	23
Applications for consent to withdrawal of offers, and in relation to defensive tactics.	2	0	0
<u>Quality</u>			
Approved advisers to provide high quality advice to shareholders.	As quality proxy, to reduce Panel executive comments on draft independent adviser reports to 2 substantive comments per report.	69% of 16 reports reviewed had 2 or less comments.	66% of 15 reports reviewed had 2 or less comments.
The Panel aims to achieve improvement in the quality of independent advice given to shareholders involved in Code transactions by setting high standards of independence and competence for advisers approved by the Panel and by reviewing and commenting on their draft reports.			
Applications processed in accordance with the Panel's published policies.	100% as self assessed.	100%	Not available.
<u>Timeliness</u>			
For approvals of independent advisers within 3 working days of receipt of complete application. For other applications within 5	To be achieved in 80% of cases. Pressures on staff and Panel members can result in processing times for applications sometimes	Achieved in 100% of cases.	Achieved in 85% of cases.

² Although described as "planned", the number of independent adviser applications reviewed by the Panel is dependent on the level of market activity.

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
working days of receipt of complete application.	exceeding targets.		
<u>Revenue (from fees):</u>	\$39,000	\$32,538	\$38,433
<u>Cost:</u>	\$128,000	\$56,634	\$106,363

OUTPUT 3: Exemptions:

The granting of individual and class exemptions for Code events where relief from the Code's requirements is appropriate and consistent with the objectives of the Code.

Impact:

The improvement in the functioning of the market for corporate control by removing impediments in the Code or by providing a framework within which transactions can be undertaken. Proper functioning of the Code and market will result in a market for corporate control that has the confidence of market participants, both domestic and international.

Activities and actions to include:

- considering applications for individual exemptions from the Code;
- considering applications for class exemptions from the Code;
- issuing exemption notices for individual exemptions;
- issuing exemption notices for class exemptions;
- gazetting the exemption notices;
- publishing guidance notes to explain the policies being applied by the Panel in relation to various types of exemption.

Actual performance against planned performance standards and performance measures for 2009/2010.³

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
<u>Quantity</u>			
Applications for individual exemptions from the Takeovers Code will be processed as received.	28 – 36	27	29
Class exemptions from the Takeovers Code when applied for or at Panel initiative.	2 – 4	5	0
<u>Quality</u>			
The Regulations Review Committee does not recommend disallowance of notices, and notices are not successfully judicially reviewed.	100%	100%	Not available
The Panel aims to complete all exemption	100%	87%	Not available

³ Although characterised as "planned", the number of exemption applications is dependent on the level of market activity

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
applications received in a timely manner as agreed with the applicant.			
Proportion of notices which comply with the Panel's internal processes.	100%	100% as self assessed.	Not available
<u>Timeliness</u>			
Within timeframe agreed with applicants.	100%	87%	100%
<u>Revenue (from fees):</u>	\$160,000	\$203,378	\$221,543
<u>Cost:</u>	\$438,000	\$451,893	\$534,226

OUTPUT 4: Enforcement:

To maintain oversight of takeover activity in New Zealand and to intervene, where necessary, in accordance with the Panel's statutory powers.

Impact:

The improvement in the standard of compliance with the Takeovers Code and facilitation of the operation of the takeovers market. Non-compliance with the Code is undesirable as it results in unequal treatment of shareholders and a non-transparent takeover process.

Activities and actions to include:

- reviewing all main takeover offer documents;
- reviewing Code-related meeting documents;
- convening formal meetings to exercise the Panel's enforcement powers under sections 32 and 35 of the Code;
- making applications to the Court to seek orders from the Courts, as necessary;
- investigating possible Code breaches;
- investigating complaints by shareholders and other principal parties to a transaction;
- monitoring NZX company announcements, media and other public information for transactions with Code implications;
- accepting enforceable undertakings from the party or parties in breach of the Code;
- issuing determinations and Panel decisions;
- seeking to be heard in Court proceedings involving the change of control of Code companies being effected through the scheme of arrangement provisions of the Companies Act.

Actual performance against planned performance standards and performance measures for 2009/2010.⁴

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
<u>Quantity</u>			
Review all offer documents.	12	7	4
Review all meeting documents.	22	13	13

⁴ Although described as "planned", the number of offer documents and meeting documents reviewed by the Panel is dependent on the level of market activity

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Section 32 meetings.	3	One meeting held during the year. A second meeting was requested but has been put in abeyance pending resolution of a Court challenge to the Panel's jurisdiction to convene the meeting.	1
Section 35 actions.	1	0	0
Investigation of possible Code breaches.	30	10	11
Involvement in Court proceedings in relation to schemes of arrangement affecting Code companies.	2	1	1 (Did not seek to appear in Court).
<u>Quality</u> Documents reviewed for compliance with the law. Remedial action initiated to correct deficiencies.	The Panel aims to review all takeover documentation and all documentation relating to shareholder meetings conducted for the purpose of approving Code transactions, and taking appropriate enforcement action where necessary. Panel interventions are to be timely so as not to disrupt the market and to be consistent with the objectives of the Code.	100% reviewed.	100% reviewed

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Meetings conducted in accordance with the Panel's procedures with no Court challenges or, where challenged, Court endorsement.	100% as demonstrated by lack of legal challenge to conduct of meetings.	One Court challenge to convening of section 32 meeting that Panel has been requested to hold. This issue has not yet been determined by the Court.	100% (Self assessment).
<u>Timeliness</u>			
Complete enforcement work within timeframes specified in the Takeovers Act 1993.	100%	100%	100%
Comply with Court-ordered timetables for legal proceedings under the Companies Act involving Code companies.	100%	100%	N/A
<u>Revenue (from fees):</u>	\$100,000	\$200,796	\$82,333
<u>Cost:</u>	\$806,000	\$657,481	\$692,065

OUTPUT 5: *Public Understanding:*

To promote public understanding of the law and practice relating to takeovers.

Impact:

The improvement in public understanding of takeovers law over time, in particular, the improvement in the public's knowledge of the provisions of the Code. Improving public understanding and knowledge of the Code will enhance the public's confidence in the transparency of the takeovers process and the public's confidence in the integrity of the market.

Activities and actions to include:

- publishing the Panel's occasional newsletter, *Code Word*, to explain changes to the Code and the Act and key Panel enforcement and exemption decisions;
- publishing practice notes and guidance notes to inform the market about the Panel's decisions and policies, to assist market participants to relate to the Panel and to explain how the Panel interprets various rules of the Code;
- improving the market's understanding of takeover matters and Panel activities through public speeches about the Code at relevant conferences and other meetings;
- receiving feedback from market participants about the Panel's performance through meetings with market participants to both gauge the effectiveness of the Panel in dealing with its stakeholders and to explain issues which have arisen;

- visiting the most active legal and advisory firms to obtain direct feedback;
- holding group meetings with other interested market participants;
- maintaining a website that is kept up-to-date with all Panel decisions, news releases, speeches, discussion papers, practice notes;
- communicating with affected shareholders through telephone and correspondence explaining the application of the Code in particular circumstances;
- assisting the media with background information to ensure that the public receives accurate reports on issues of public interest.

Actual performance against planned performance standards and performance measures for 2009/2010:

<u>Quantity, Quality and Timeliness</u>	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Publish a publication designed to provide information about the Takeovers Code and relevant law.	3 times a year, with publication within 1 month of significant changes to the law affecting takeovers.	2.	2 times, each time within 1 month of significant changes.
Issue policy statements, guidance notes and commentaries on current issues.	3 times a year.	6 times.	3 times.
Interface with the market through public and private meetings.	10 occasions.	6 occasions.	6 occasions.
Provide news media with relevant information about the Panel and the Takeovers Code.	Continuous.	Continuous.	Continuous.
Maintain a website with relevant information about the Takeovers Code and Takeovers Act 1993 and activities of the Panel.	All relevant material posted promptly to the website, within 5 working days of the event or decision.	100% of events or decisions.	100% of events or decisions.
Receive miscellaneous enquiries from members of the public and professional firms.	Receive 180 enquiries. Respond to enquiries within 3 working days.	134 enquiries received. Responded within 3 days in 99% of cases.	105 enquiries received. Responded within 3 days in 99% of cases.
<u>Revenue:</u>	Nil	Nil	Nil

	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
<u>Cost:</u>	\$142,000	\$134,400	\$186,167

OUTPUT 6: *International Liaison:*

To enhance and improve cooperation and liaison with overseas takeovers regulators on matters of mutual interest.

Impact:

The improvement in the level of cooperation, liaison and understanding between the Panel and other international takeovers regulators. Such improvements enhance international investors' and overseas takeovers regulators' confidence in the New Zealand market and enhance the Panel's administration of the Code's provisions.

Activities and actions to include:

- continuing the high level of contact with the Australian Takeovers Panel through the Panel Chairman's membership on the Australian Panel and membership of the New Zealand Panel by a member of the Australian Panel;
- continuing to maintain the good working relationships with the relevant staff of the Australian Panel and of the Australian Securities and Investments Commission by members of the Panel and executive;
- continuing to support the Australian Panel's promotion of the informal group of international takeovers regulators by attending the group's conferences;
- cooperating, on request, with overseas takeovers regulators on various regulatory matters within the Panel's powers.

Actual performance against planned performance standards and performance measures for 2009/2010:

<u>Quantity and Quality</u>	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
Liaise with comparable overseas bodies, particularly in Australia, to improve the administration and enforcement of takeovers law, and to promote international understanding of New Zealand's laws.	Respond to all enquiries from overseas bodies within 5 working days. Initiate enquiries of other bodies as required. 2 enquiries.	0 enquiries received. 3 enquiries made.	1 received, responded to in 5 working days.
Maintain reciprocal membership between Australian and New Zealand Takeovers Panels.	Maintain 1 Australian Panel member on New Zealand Panel and 1 New Zealand Panel member on Australian Panel.	(1,1)	New Australian member appointed 23/6/08.
Prepare to host		In view of fiscal	In view of fiscal

<u>Quantity and Quality</u>	<u>Forecast</u>	<u>Actual 09/10</u>	<u>Actual 08/09</u>
conference of regulators in New Zealand in 2010.		constraints Panel decided to withdraw its informal offer to host conference in 2010.	constraints Panel decided to withdraw its informal offer to host conference in 2010.
<u>Timeliness</u> Panel representatives to meet regularly with overseas bodies.	1 time per year.	1 time.	0
<u>Revenue:</u>	Nil	Nil	Nil
<u>Cost:</u>	\$4,000	\$12,165	\$8,925

Audit Report

**To the readers of
the Takeovers Panel's
financial statements and statement of service performance
for the year ended 30 June 2010**

The Auditor-General is the auditor of the Takeovers Panel (the Panel). The Auditor-General has appointed me, Robert Cox, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Panel for the year ended 30 June 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Panel on pages 27 to 46:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Panel's financial position as at 30 June 2010; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Panel on pages 47 to 56:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 24 September 2010, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Members of the Panel and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Members of the Panel;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Members of the Panel and the Auditor

The Members of the Panel are responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Panel as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Panel's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Members of the Panel's responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Panel.



Robert Cox
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of the Takeovers Panel for the year ended 30 June 2010 included on the Takeovers Panel's website. The Members of the 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 website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. 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 statement of service performance as well as the related audit report dated 24 September 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

Executive of the Takeovers Panel

Kerry Morrell, Chief Executive Officer
Margaret Bearsley, General Counsel
Jennifer Fawcett, Senior Solicitor
Matthew Tolan, Solicitor
Tom Barnes, Solicitor
Diana Thomas, Solicitor
Hilary Fleming, Accountant/Administrator
Gayle Steere, Personal Assistant to the Chief Executive Officer

How to contact us

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