

THE TAKEOVER PANEL
REPORT AND ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2015

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INTRODUCTION TO THE TAKEOVER PANEL

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

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

The Code is not concerned with the financial or commercial advantages or disadvantages of a takeover. These are matters for the offeree company and its shareholders. In addition, it is not the purpose of the Code either to facilitate or to impede takeovers. Nor is the Code concerned with wider questions of public interest, such as competition policy, which are the responsibility of government and other bodies.

The Panel was established as a non-statutory body in 1968, since when its composition and powers have evolved as circumstances have changed. On 20 May 2006, the Panel was designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC). Its statutory functions are set out in and under Chapter 1 of Part 28 of the Companies Act 2006 (as amended by The Companies Act 2006 (Amendment of Schedule 2) (No 2) Order 2009) (the “Act”). The rules set out in the Code also have a statutory basis in relation to the Isle of Man, Jersey and Guernsey.

The essential characteristics of the Panel system are flexibility, certainty and speed, enabling parties to know where they stand under the Code in a timely fashion. These characteristics are important in order to avoid over-rigid rules and the risk of takeovers becoming delayed by litigation of a tactical nature, which may frustrate the ability of offeree company shareholders to decide the outcome of an offer.

The Panel seeks to avoid problems arising during takeovers and other relevant transactions by encouraging, and in some cases requiring, early consultation. In the event of a breach of a provision of the Code, the Panel focuses on providing an appropriate remedy in addition to taking appropriate disciplinary action. Such action may include private censure, public censure, the suspension, withdrawal or amendment to the terms of any exemption, approval or other special status granted by the Panel, or reporting the offender’s conduct to another regulatory authority or professional body. The Panel can also implement “cold-shouldering” procedures such that persons authorised by the Financial Conduct Authority or certain other professional bodies will not be permitted to act for an individual in a transaction subject to the Code.

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

THE PANEL

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

Each member of the Panel is designated on appointment to act as a member of either the Panel's Hearings Committee or its Code Committee. The Chairman, the Deputy Chairmen and all of the members nominated by the major financial and business institutions are designated as members of the Hearings Committee. Of the possible 20 members appointed by the Panel, up to eight may be designated as members of the Hearings Committee and up to 12 as members of the Code Committee. No person who is or has been a member of the Code Committee may be a member of the Hearings Committee.

THE HEARINGS COMMITTEE

The principal function of the Hearings Committee is to review rulings of the Executive. It also hears disputed disciplinary cases. The Hearings Committee can be convened at short notice, where appropriate. The quorum for proceedings before the Hearings Committee is five members (or their alternates).

THE CODE COMMITTEE

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

THE EXECUTIVE

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

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

Further information on the Panel is available on its website at www.thetakeoverpanel.org.uk.

PANEL MEMBERS
AS AT 15 JULY 2015

CHAIRMAN AND DEPUTY CHAIRMEN

SIR GORDON LANGLEY CHAIRMAN
Appointed by
the Panel

DAVID J CHALLEN DEPUTY CHAIRMAN
Appointed by
the Panel

PHILIP J REMNANT DEPUTY CHAIRMAN
Appointed by
the Panel

Each member of the Panel is designated to act as a member of either the Hearings Committee or the Code Committee.

HEARINGS COMMITTEE

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

BARONESS HOGG Appointed by
LEAD INDEPENDENT DIRECTOR, the Panel
HM TREASURY

PAUL EVANS Appointed by
GROUP CHIEF EXECUTIVE, the Association of British Insurers
AXA UK

SIR DAVID LEES Appointed by
the Panel

PETER ARTHUR Appointed by
CHAIRMAN, the Association of Investment
ASSOCIATION OF INVESTMENT Companies
COMPANIES

LORD MORRIS OF HANDSWORTH Appointed by
FORMER GENERAL SECRETARY, the Panel
THE TRANSPORT AND GENERAL
WORKERS' UNION

SIR NIGEL WICKS Appointed by
CHAIRMAN, the British Bankers' Association
BRITISH BANKERS' ASSOCIATION

SIR IAN ROBINSON Appointed by
SENIOR INDEPENDENT DIRECTOR, the Panel
COMPASS GROUP

ALAN F PORTER Appointed by
GROUP COMPANY SECRETARY, the Confederation of British Industry
PRUDENTIAL

MARK WARHAM Appointed by
EXECUTIVE VICE CHAIRMAN, the Association for Financial Markets
ROTHSCHILD in Europe

ANDREW RATCLIFFE Appointed by
PRESIDENT, the Institute of Chartered Accountants
ICAEW in England and Wales

CHARLES G WILKINSON Appointed by
CO-HEAD OF UK CORPORATE the Association for Financial Markets
BROKING, in Europe representing its
DEUTSCHE BANK Corporate Finance Committee

HELENA MORRISSEY Appointed by
CHAIR, The Investment Association
THE INVESTMENT ASSOCIATION

JIM HAMILTON Appointed by
SENIOR ADVISER, the Association for Financial Markets
GLEACHER SHACKLOCK in Europe representing its
Securities Trading Committee

MARTIN MANNION Appointed by
HEAD OF TRUSTEE SERVICES, the National Association of Pension
JOHN LEWIS PARTNERSHIP Funds
PENSIONS TRUST

TIM INGRAM Appointed by
CHAIRMAN, the Wealth Management Association
WEALTH MANAGEMENT ASSOCIATION

Sir Brian Stewart has been appointed by the Panel to serve as an alternate for Baroness Hogg, Sir David Lees and Sir Ian Robinson. Lord Monks has been appointed by the Panel to serve as an alternate for Lord Morris. Alternates for those members appointed by the major financial and business institutions are listed on the Panel's website.

THE TAKEOVER PANEL
2014-2015 REPORT

CODE COMMITTEE

Membership of the Code Committee is as follows:

	GUY ELLIOTT Senior Independent Director, SABMiller	Chairman Appointed by the Panel	
JAMES D AGNEW Senior Director, KPMG	Appointed by the Panel	RICHARD A MURLEY Executive Vice Chairman, Rothschild	Appointed by the Panel
JONATHAN W BLOOMER Chairman, Arrow Global	Appointed by the Panel	ALAN D PAUL Former Partner, Allen & Overy	Appointed by the Panel
PHILIP A J BROADLEY	Appointed by the Panel	TRELAWNY WILLIAMS Head of Corporate Finance, Fidelity Worldwide Investment	Appointed by the Panel
ALISTAIR N C DEFRIEZ Former Managing Director, UBS	Appointed by the Panel		

FINANCE, AUDIT AND RISK COMMITTEE

Membership of the Finance, Audit and Risk Committee is as follows:

DAVID J CHALLEN	Chairman
JONATHAN W BLOOMER	
JIM HAMILTON	
PHILIP J REMNANT	

The Finance, Audit and Risk Committee reviews the financial statements of the Panel with a view to recommending them for adoption by the Panel; monitors internal controls and the external audit process; oversees and advises the Panel on its exposure to financial, operational and reputational risk and the strategy for mitigation; reviews income and expenditure, and recommends the annual budget for adoption by the Panel; and reports to the Panel on a regular basis on the Panel's financial position.

NOMINATION COMMITTEE

Membership of the Nomination Committee is as follows:

SIR GORDON LANGLEY Chairman

DAVID J CHALLEN

*SIR JON CUNLIFFE
DEPUTY GOVERNOR,
FINANCIAL STABILITY,
BANK OF ENGLAND

SIR DAVID LEES

ALAN D PAUL

PHILIP J REMNANT

MARK WARHAM

The Nomination Committee monitors the size, composition and balance of the Panel. In particular, it makes recommendations to the Panel in relation to the appointment (and any renewal of appointment) of the Chairman and Deputy Chairmen and of other Panel members (and their alternates) but not those members appointed by the major financial and business institutions. It also makes recommendations to the Panel in relation to the appointment of the Director General.

REMUNERATION COMMITTEE

Membership of the Remuneration Committee is as follows:

JAMES D AGNEW Chairman

DAVID J CHALLEN

JIM HAMILTON

PHILIP J REMNANT

The Remuneration Committee applies a formal and transparent procedure for determining the salary or fees payable to, and policy on reimbursement of expenses of, members of the Panel. In particular, it considers and determines the remuneration of the Chairman, Deputy Chairmen and the members of the Panel who are appointed by the Panel and designated as members of the Hearings Committee, and of the Director General and Deputy Directors General.

* NOT A PANEL MEMBER

PANEL EXECUTIVE

AS AT 15 JULY 2015

*CRISPIN W V WRIGHT ROTHSCHILD	DIRECTOR GENERAL
CHARLES M CRAWSHAY	DEPUTY DIRECTOR GENERAL
CHRISTOPHER H JILLINGS	DEPUTY DIRECTOR GENERAL
ANTHONY G B PULLINGER	DEPUTY DIRECTOR GENERAL
JEREMY D EVANS	ASSISTANT DIRECTOR GENERAL

SECRETARIES

JOHN A DOVEY SECRETARY

*SETH W JONES SECRETARY
ALLEN & OVERY

ASSISTANT SECRETARIES

DIPIKA SHAH SENIOR ASSISTANT SECRETARY

*MATTHEW HAMILTON-FOYN ASSISTANT SECRETARY
CLEARY GOTTLIEB STEEN & HAMILTON

MARK C HUTT ASSISTANT SECRETARY

*WILLIAM E H McDONALD ASSISTANT SECRETARY
JONES DAY

*MICHAEL NICHOLSON ASSISTANT SECRETARY
MAKINSON COWELL

*HENRICK PERSSON ASSISTANT SECRETARY
FINNCAP

MARKET SURVEILLANCE

ROSALIND M GRAY HEAD OF MARKET SURVEILLANCE

CRAIG G ANDREWS DEPUTY HEAD

BEN S V BRAY

CLIVE W DAVIDSON

MATTHEW C PLASTINA

EXEMPT GROUPS

SUSAN POWELL HEAD OF EXEMPT GROUPS

KEITH OFFORD

ADMINISTRATION AND SUPPORT

BEN S MCGUIRE CHIEF OPERATING OFFICER

JANE M TAYLOR HEAD OF SUPPORT GROUP

* SECONDED

CHAIRMAN'S STATEMENT

The past year has seen a recovery in public M&A activity and, in particular, an increase in the number of larger-sized bids. The most high profile transaction overseen by the Panel during the year was the possible offer by Pfizer Inc. for AstraZeneca plc. Although this did not lead to the announcement of a firm offer, it represented the highest value transaction ever regulated by the Panel and, not surprisingly, it attracted considerable political and media attention. Much of this attention was focussed on whether the powers for the Secretary of State under the Enterprise Act 2002 to intervene in takeovers where they give rise to specified public interest concerns should be extended so as to apply also to the scientific research and development sector. Such concerns are matters for Government, not the Panel.

The transaction also raised a number of complicated issues for the Panel, most notably the wide-ranging commitments made by Pfizer in relation to AstraZeneca's operations in the event of its offer succeeding, including that it would base key scientific leadership in the UK and would retain substantial manufacturing facilities at Macclesfield. It was unprecedented for an offeror to seek to make binding commitments of this kind, particularly since they were stated to apply for a period of five years following completion of the offer. Given this development, and in view of the potential significance of such commitments in the consideration of the merits of an offer, the Code Committee moved swiftly to introduce a new framework in relation to "post-offer undertakings and intention statements", as described in the Code Committee Chairman's report. These changes to the Code have been widely welcomed. I am also pleased that, as was announced in October in the Government's Progress Report on the Implementation of the Kay Review, the Secretary of State accepted the Panel's advice that there was no need for additional sanctions to be introduced, beyond those already available to the Panel, in relation to a breach of a post-offer undertaking.

The Executive has liaised with officials from the Department for Business, Innovation and Skills in relation to these and other matters, including amendments relating to takeovers that were tabled to the Small Business, Enterprise and Employment Bill in the House of Lords. Most recently, the Director General has written to the Parliamentary Under Secretary of State, at her request, setting out the views of the Executive on an amendment that was tabled by the Opposition to require directors of companies involved in takeover bids to set out clearly in a public statement, when making recommendations to shareholders, how they have discharged their duty to promote the success of the company under section 172 of the Act.

In relation to Europe, the Panel has continued to be an active participant at meetings of the Takeover Bids Network. The Network continues to be a useful forum for the Panel and its counterparts in other Member States to exchange views and experiences. The Panel has also continued to liaise with the European Commission in its review of national derogations from the mandatory bid rule.

Although the Hearings Committee did not meet during the year, in my capacity as Chairman of the Hearings Committee I considered a challenge by certain individual shareholders to a decision of the Executive not to provide them with information regarding the nature and outcome of a number of complaints which they had made in relation to a

company which had been the subject of an offer period some years previously (Meldex International plc). I rejected the request that the Hearings Committee be convened to review the Executive's decision on the basis that, among other things, the complainants' challenge had no reasonable prospect of success since the complainants had no right to the information sought, and there was therefore no basis for challenging the Executive's refusal to give such information. This matter was also considered, and upheld, by the Chairman of the Takeover Appeal Board and is the subject of the Takeover Appeal Board Statement 2015/1, which was published on 25 February.

During the year, each of the Nomination, Remuneration and Finance, Audit and Risk Committees reviewed its terms of reference, and revised terms of reference for each committee were adopted by the Panel in January.

At the end of June, Philip Robert-Tissot stepped down as Director General. Philip managed the Executive with excellent judgement and a thorough grip on the detail, whether in respect of transactions or the other aspects of the day-to-day functioning of the Panel, such as its governance framework and finances. I am indebted to Philip for the smooth and effective management of Panel matters during the past two and a quarter years.

Crispin Wright succeeded Philip as Director General on 1 July. Crispin has a broad range of experience across a wide range of industries in public M&A and in other transactions and has spent over 30 years in investment banking at Morgan Grenfell/Deutsche Bank and, since 1998, at Rothschild.

Nigel Rich, Chairman of SEGRO, has retired from the Panel after five years as an alternate and then a full member of the Hearings Committee, and I thank him for his contribution in that time. The Code Committee bids farewell to Joy Seppala, who joined the Panel in 2009, and David Graham, who joined in 2012. I am very grateful to both for the thoughtful contributions they have made to the Panel.

I would also like to pay tribute to Huw Jones who has retired after having provided 23 years' unstinting service to the Panel. Huw was first the ABI's representative on the Panel from 1992 to 2009, was a co-opted member of the Finance and Audit Committee from 1999 to 2015, and a member of the Remuneration Committee from its inception in 2006 to 2015. We are very grateful for the wisdom that Huw has brought to the Panel, and to these committees in particular, over the years.

Finally, on a sad note, the year saw the death of Sir Jasper Hollom, Chairman of the Panel from 1980 to 1987. Sir Jasper was perhaps best known for his distinguished career at the Bank of England, serving as Deputy Governor from 1970 to 1980 and presiding over the 'Lifeboat' resolution of the secondary banking crisis of 1973-74. As Chairman of the Panel at a challenging time, Sir Jasper handled the numerous issues before it with calm reserve.



SIR GORDON LANGLEY
15 July 2015

CODE COMMITTEE CHAIRMAN'S REPORT

In the year since the last Annual Report, the Code Committee has met five times and has published four Public Consultation Papers ("PCPs"), two Response Statements ("RSs") and four rule-making Instruments.

As noted in my last report, PCP 2014/1 was published in July 2014. In that PCP, the Committee proposed a wide range of miscellaneous amendments to the Code, including in relation to:

- the deadline by which a competing potential offeror must clarify its position;
- acquisitions of interests in shares by a former potential competing offeror after stating its intention not to make an offer;
- the restrictions which apply to a former potential offeror to whom a dispensation is granted from having to make an announcement of a possible offer under Rule 2.2;
- the resolution of competitive situations which continue to exist on "Day 46" of the second offeror's offer timetable; and
- the distinction between the role of an independent adviser in providing financial advice on the offer and the role of the offeree company board in giving its opinion on the offer to offeree company shareholders.

Following consideration of the consultation responses, RS 2014/1 and Instrument 2014/2 were published in November and the related amendments to the Code came into effect on 1 January 2015. On the same date, the amendments set out in Instrument 2014/3 also came into effect, reflecting in the Code the change of name of the Investment Management Association to The Investment Association.

PCP 2014/2, published in September 2014, proposed the introduction of a new framework for the regulation of statements made by offerors and offeree companies relating to action they intend or commit to take, or not take, after the end of the offer period. These proposals followed the possible offer for AstraZeneca plc by Pfizer Inc. in May 2014, during which Pfizer had stated that it would make certain commitments in relation to the operation of the combined group for a minimum of five years. Following consideration of the consultation responses, RS 2014/2 and Instrument 2014/4 were published in December 2014 and the related amendments to the Code came into effect on 12 January 2015. In summary, the new framework distinguishes between:

- "post-offer intention statements", i.e. statements relating to any particular course of action that an offeror or offeree company intends to take, or not take, after the end of the offer period. These are required to be accurate statements of the party's intentions at the time that they are made and based on reasonable grounds; and

- “post-offer undertakings”, i.e. statements relating to any particular course of action that an offeror or offeree company commits to take, or not take, after the end of the offer period. The relevant party is required to comply with a post-offer undertaking for the period of time specified in the undertaking, unless a qualification or condition set out in the undertaking applies. Under the new framework, an offeror or offeree company which makes a post-offer undertaking is required to provide periodic written reports to the Panel and, in addition, the Panel has the ability to require the appointment of an independent supervisor to monitor compliance with a post-offer undertaking.

In January 2015, the Committee published Statement 2015/2, explaining that a new Note 19 on Rule 9.1 would be introduced by Instrument 2015/1 in order to disapply the mandatory offer requirement in Rule 9.1 following “the use of resolution tools, powers and mechanisms” in relation to the recovery and resolution of banks and investment firms. The new Note, which was introduced in order to implement amendments made to the Takeovers Directive by the Bank Recovery and Resolution Directive, came into effect on 10 January.

In May 2015, the Committee published PCP 2015/1 in relation to the treatment of dividends paid by an offeree company to its shareholders. The proposed amendments covered reservations by an offeror of the right to reduce the offer consideration if a dividend is paid, the effect of a dividend where the offeror has made a “no increase statement” and the impact of dividends on a minimum offer price established by share purchases. The consultation period in relation to PCP 2015/1 ended on 12 June. The Committee is considering the consultation responses and will publish its Response Statement in due course.

The Committee published two PCPs in July 2015. PCP 2015/2 relates to restrictions and suspensions of voting rights. In summary, the Committee proposes to introduce a new definition of “voting rights” into the Code to make clear that shares which are subject to voting restrictions or suspensions will nonetheless be regarded as “shares carrying voting rights”. In PCP 2015/3, the Committee has proposed the introduction of three new presumptions to the definition of “acting in concert” in the Code in order to codify existing practices of the Executive. The consultation periods in relation to PCP 2015/2 and PCP 2015/3 will end on 11 September.

As noted in the Chairman’s statement, two members of the Code Committee, Joy Seppala and David Graham, retired from the Panel this year. I would like to thank both of them for their service to the Committee and, indeed, to thank all members of the Committee for their contributions to the work of the Committee over the last year. I am also grateful to the Executive for the support which it continues to provide for the Committee’s work, including its assistance in drafting the papers which the Committee publishes.



GUY ELLIOTT
15 July 2015

DIRECTOR GENERAL'S REPORT

OVERVIEW OF ACTIVITY

2014-15 was a year of significantly increased public M&A activity. This upturn followed seven years of year-on-year declines (except for a small increase in 2011) in transaction numbers.

The number of firm takeover offers which were announced during the year was 64 (43 in 2013-14), and the number of such offers which became unconditional as to acceptances, were withdrawn or lapsed during the year was 57 (43 in 2013-14). The striking feature of the year was a resurgence in larger transactions – there were 11 transactions of over £1 billion in value announced in 2014-15 versus only three such deals announced in the previous year.

As well as regulating firm offers, the Executive undertakes a substantial volume of work in respect of possible offers (including, for example, Pfizer's possible offer for AstraZeneca), whitewashes, concert party queries, re-registrations and other general enquiries relating to the application of the Code, much of which does not become public. In addition, a significant amount of resource is focused on investigating potential breaches of the Code and, in particular, the alleged existence of undisclosed concert parties. Such investigatory work, and any subsequent action, is forensic in nature and time-consuming. Accordingly, since headcount remains at a low level, the Executive continues to be busy and I am grateful to all its members for their hard work and professionalism during the year.

During the year, the Executive issued one statement of public censure, which related to the conduct of Mr Bob Morton. In addition, the Executive issued six letters of private censure and 36 educational/warning letters.

INTENTIONS OF THE OFFEROR WITH REGARD TO THE BUSINESS, EMPLOYEES AND PENSION SCHEME(S) OF THE OFFEREE COMPANY

Under Rule 24.2(a), an offeror is required to explain in the offer document the long-term commercial justification for the offer and must state its intentions in relation to certain matters, including its intentions with regard to the continued employment of the employees and management of the offeree company and of its subsidiaries (including any material change in the conditions of employment) and also its strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business. Under Rule 25.2(a), the board of the offeree company must explain in its circular its opinion on the offer and must include its views on the effects of implementation of the offer on all the company's interests (including, specifically, employment) and on the offeror's strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business, as set out in the offer document.

These are important provisions of the Code and the Executive will be concerned to ensure that offerors and offeree companies give careful consideration to the disclosures made in accordance with these requirements. The rationale for these provisions is not new – indeed, it was succinctly explained in the Panel’s 1973 Annual Report in relation to an earlier version of Rule 24.2(a), as follows:

“Not only is it essential that offerors fulfil their obligations in this respect but it is the duty of the directors of offeree companies, in the case of agreed takeovers or mergers, to insist that they do so. The intentions of the offeror as to the future conduct of the offeree’s business, and the likely effect of any such intentions on the future livelihood of the offeree company’s employees, may be a significant factor for shareholders in deciding whether or not to accept an offer”.

Statements made by an offeror in compliance with Rule 24.2 will be “post-offer intention statements” to which Rule 19.8 will apply, unless they are framed as commitments made in accordance with Rule 19.7, in which case they will be “post-offer undertakings”.

PRACTICE STATEMENT NO 28

In November 2014, the Executive published Practice Statement No 28. This explains the Executive’s practice with regard to consenting to a person who is subject to the restrictions set out in Rule 2.8 or Rule 35.1 making a single confidential approach to the board of the offeree company during the restricted periods of six and 12 months respectively in order to ascertain whether the board of the offeree company would be interested in entering into talks with regard to a possible offer.

ABOLITION OF CANCELLATION SCHEMES

In recent years, a significant proportion of UK public takeovers have been executed by way of court-approved schemes of arrangement. Most such schemes of arrangement had historically been cancellation schemes, which did not attract stamp duty (which is payable at 0.5% of the offer value for transactions effected by way of either a transfer scheme or a contractual offer). However, in March 2015, the Government amended the Act to prohibit takeovers from being effected by way of cancellation schemes. In future, therefore, offers which would otherwise have been effected by way of a cancellation scheme will have to be effected by way of either a transfer scheme or a contractual offer.

DOCUMENT CHARGES

In April 2015, the Panel announced revised document charges. These were the first such changes since 2001. The primary driver of these changes was to address certain anomalies to enhance the overall fairness of the charging regime, although the changes are expected to result in a modest increase in Panel revenues in future years. The changes, which came into effect on 1 May 2015, included (i) the addition of higher value bands for document charges on offers and on whitewashes, (ii) a requirement that half of the document charge should still be payable if a firm offer is announced but an offer document is not published and (iii) an increased charge for exempt principal trader, exempt fund manager and recognised intermediary status.

ACCOUNTS

The Panel's income in 2014-15 was £12,193,804 compared with £9,735,158 in 2013-14, an increase of 25%. This increase was largely driven by higher document charge income, which was £4,418,500 in 2014-15 compared with £1,932,000 in the previous year. The PTM levy was £7,110,755 in 2014-15, a slight increase on £7,097,323 in the previous year as UK equity markets generally remained buoyant.

Expenditure in 2014-15 was £12,123,055 compared with £11,369,738 in 2013-14, an increase of 7%. This was largely driven by higher legal and professional costs, which may vary considerably from year to year and which, in 2014-15, were increased by the cost of legal advice in relation to a high level of investigatory work. Excluding legal and professional costs, all other expenditure increased by less than 1% in aggregate.

Before interest receivable and taxation, the Panel generated a surplus of £70,749 in 2014-15 compared with a deficit of £1,634,580 in 2013-14. Interest receivable decreased to £277,038 from £432,014 in the previous year.

After interest receivable and taxation, the surplus for the year was £292,380 compared with a deficit of £1,293,919 in the previous year.

The accumulated surplus as at 31 March 2015 was £25,470,044. When considering the Panel's levels of charges and costs, the Finance, Audit and Risk Committee's objective is to maintain reserves, across the cycle, broadly of the order of two years' expenditure.



CRISPIN W V WRIGHT

15 July 2015

STATISTICS

OFFER PERIODS COMMENCING DURING THE YEAR

During the year ended 31 March 2015, an offer period commenced in respect of 89 offeree companies (year ended 31 March 2014 – 61). Of these offer periods:

- 41 (18) commenced with the announcement of a firm offer by an offeror;
- 31 (36) commenced with the announcement of a possible offer, of which 30 (33) identified one potential offeror and 2 (3) identified more than one potential offeror;
- 14 (4) commenced with the announcement of a formal sale process (as described in Note 2 on Rule 2.6);
- 2 (3) commenced with the announcement of a strategic review in which the offeree company referred to an offer, a merger or a search for a buyer for the company as being one of the options under review; and
- 1 (0) commenced by virtue of a major shareholder announcing that its stake was for sale.

As at 31 March 2015, there were 24 offeree companies in an offer period (as at 31 March 2014 – 13).

FIRM OFFERS ANNOUNCED DURING THE YEAR

During the year, 64 (43) firm offers were announced, of which 26 (22) were structured as a contractual offer and 38 (21) as a scheme of arrangement at the time of the firm offer announcement.

In 1 (2) of those offers, the Panel shared jurisdiction with a supervisory authority of another EEA Member State. In that case, the offeree company was a company with its registered office in the UK whose securities were admitted to trading on a regulated market in another Member State (in the 2 shared jurisdiction cases in the year ended 31 March 2014, the offeree company was a company with its registered office in another Member State whose securities were admitted to trading on a regulated market in the UK).

OFFERS RESOLVED DURING THE YEAR

During the year, 57 (43) offers in respect of 56 (42) offeree companies became unconditional as to acceptances, lapsed, or were withdrawn. An offer document or scheme circular was published in respect of 55 (43) of the offers. Of these 57 (43) offers:

- 9 (9) were not recommended by the board of the offeree company at the time of the firm offer announcement;

- 6 (8) remained not recommended at the time that the offer document was published; and
- 4 (5) remained not recommended at the end of the offer period. All 4 (4) of these offers became unconditional as to acceptances and none (1) lapsed.

At the time of the firm offer announcement, 9 (5) offers were mandatory offers under Rule 9.

A further 14 (8) offers remained unresolved as at 31 March 2015, and are not included in these figures.

	2014-2015	2013-2014
O U T C O M E O F O F F E R S		
Offers involving the acquisition of control which became unconditional as to acceptances	41	33
Offers involving the acquisition of control which lapsed	1	2
Offers involving the acquisition of control which were withdrawn before an offer document or scheme circular was published	2	0
Offers to minority shareholders, etc.	13	8
	<u>57</u>	<u>43</u>

During the year, the Executive granted 63 (56) “whitewash” dispensations (i.e. dispensations from the obligation to make a mandatory offer under Rule 9 following an issue of new shares) and 21 (17) “Code waivers” (i.e. dispensations from the application of the Code to offers or proposals in relation to companies with a very limited number of shareholders).

ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2015

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

	NOTE	2015 £	2014 £
INCOME			
PTM levy		7,110,755	7,097,323
Document charges		4,418,500	1,932,000
Code sales		104,529	115,815
Exempt charges		360,000	390,000
Recognised Intermediary charges		200,000	200,000
Other income		20	20
		<u>12,193,804</u>	<u>9,735,158</u>
EXPENDITURE			
Personnel costs		8,233,519	8,119,335
Legal and professional costs		1,653,435	993,409
Accommodation costs		1,274,274	1,161,821
Other expenditure		961,827	1,095,173
		<u>12,123,055</u>	<u>11,369,738</u>
SURPLUS/(DEFICIT) BEFORE INTEREST AND TAXATION		70,749	(1,634,580)
Interest receivable		277,038	432,014
Taxation	2	(55,407)	(91,353)
SURPLUS/(DEFICIT) FOR THE YEAR		<u>292,380</u>	<u>(1,293,919)</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>25,177,664</u>	<u>26,471,583</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>25,470,044</u></u>	<u><u>25,177,664</u></u>

All activities are regarded as being continuing.

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

BALANCE SHEET
AT 31 MARCH 2015

	NOTE	2015 £	2014 £
FIXED ASSETS	3	<u>37,790</u>	<u>79,587</u>
CURRENT ASSETS			
Debtors and prepayments	4	2,901,899	2,952,481
Debtors — Amounts due after one year:			
Rent deposit		<u>564,049</u>	<u>469,914</u>
		3,465,948	3,422,395
Cash and term deposits		<u>23,234,407</u>	<u>22,666,568</u>
		<u>26,700,355</u>	<u>26,088,963</u>
CURRENT LIABILITIES			
Creditors and accruals	5	1,212,694	899,533
Corporation Tax		<u>55,407</u>	<u>91,353</u>
		<u>1,268,101</u>	<u>990,886</u>
NET ASSETS		<u>25,470,044</u>	<u>25,177,664</u>
Representing			
ACCUMULATED SURPLUS		<u>25,470,044</u>	<u>25,177,664</u>

The accounts on pages 20-24 were approved by the Finance, Audit and Risk Committee on 15 July 2015 and signed on behalf of the Panel members by:

SIR GORDON LANGLEY

Chairman, Panel on Takeovers and Mergers

DAVID CHALLEN

Chairman, Finance, Audit and Risk Committee

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	NOTE	2015 £	2014 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	6	349,087	(2,060,779)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		314,971	608,758
TAXATION			
UK Corporation Tax paid		(91,353)	(147,493)
CAPITAL EXPENDITURE		(4,866)	(47,605)
		<u> </u>	<u> </u>
INCREASE/(DECREASE) IN CASH	7	<u>567,839</u>	<u>(1,647,119)</u>

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- (a) These accounts have been prepared under the historical cost basis of accounting.
- (b) Income comprises the PTM levy, Document charges, Code sales, Exempt charges, Recognised Intermediary charges and Other income and is accounted for on an accruals basis.
- (c) Expenditure is accounted for on an accruals basis.
- (d) Interest receivable arises wholly in the UK and relates to interest receivable on deposits held and is recognised on an accruals basis.
- (e) Cash at bank and term deposits comprises cash and deposits up to 24 months maturity.
- (f) Fixed assets are shown at historical cost net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Repairs and maintenance are charged to the income and expenditure account during the financial periods in which they are incurred.

A full year of depreciation is provided on fixed assets in the year of acquisition whilst no depreciation is provided in the year of disposal.

Depreciation is calculated to write down the cost of all tangible fixed assets on a straight-line basis over 4 years being their estimated useful economic lives.

	2015 £	2014 £
2. TAXATION		
UK Corporation Tax payable:		
Current tax payable	55,407	91,353
	<u> </u>	<u> </u>
Tax charge for the year	<u>55,407</u>	<u>91,353</u>

THE TAKEOVER PANEL
2014-2015 REPORT

NOTES TO THE ACCOUNTS *continued*

In agreement with HM Revenue & Customs, the Panel pays Corporation Tax on the bank deposit interest it receives and on any profit it makes on Code sales. For the year to 2015, Corporation Tax was charged at the main rate of 20%.

	Fixtures & Fittings	
	£	
3. TANGIBLE FIXED ASSETS		£
Cost		
At 1 April 2014		524,421
Additions		4,866
Disposals		0
At 31 March 2015		<u>529,287</u>
Depreciation		
At 1 April 2014		444,834
Provided during the year		46,663
Depreciation on disposals		0
At 31 March 2015		<u>491,497</u>
Net book value		
At 31 March 2015		<u><u>37,790</u></u>
At 31 March 2014		<u><u>79,587</u></u>
	2015	2014
4. DEBTORS AND PREPAYMENTS	£	£
PTM levy accrued	1,950,862	2,211,068
Document charges accrued	401,500	116,500
Code sales accrued	1,075	100
Exempt charges accrued	65,000	180,000
Recognised Intermediary charges accrued	65,000	40,000
Other debtors and prepayments	418,462	404,813
	<u>2,901,899</u>	<u>2,952,481</u>
	2015	2014
5. CREDITORS AND ACCRUALS	£	£
Personnel costs	449,403	521,920
Legal and professional fees	130,692	230,150
Other creditors and accruals	632,599	147,463
	<u>1,212,694</u>	<u>899,533</u>

THE TAKEOVER PANEL
2014-2015 REPORT

NOTES TO THE ACCOUNTS *continued*

	2015	2014
6. NET CASH FLOW FROM OPERATING ACTIVITIES	£	£
Surplus/(Deficit) before interest and taxation	70,749	(1,634,580)
Depreciation	46,663	88,602
(Increase)/Decrease in debtors and prepayments	(81,486)	(361,643)
Increase/(Decrease) in creditors	313,161	(153,158)
	<u>349,087</u>	<u>(2,060,779)</u>
Net cash inflow/(outflow) from operating activities	<u><u>349,087</u></u>	<u><u>(2,060,779)</u></u>
	2015	2014
7. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS	£	£
Increase/(Decrease) in cash in period	567,839	(1,647,119)
	<u>567,839</u>	<u>(1,647,119)</u>
Change in net funds	567,839	(1,647,119)
Net funds as at 1 April 2014	22,666,568	24,313,687
	<u>22,666,568</u>	<u>24,313,687</u>
Net funds as at 31 March 2015	<u><u>23,234,407</u></u>	<u><u>22,666,568</u></u>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TAKEOVER PANEL

We have audited the accounts of the Takeover Panel for the year ended 31 March 2015 which comprise the income and expenditure account, the balance sheet, the statement of cash flows and the related notes 1 to 7. These accounts have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Panel members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Panel's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

THE TAKEOVER PANEL
2014-2015 REPORT

OPINION

In our opinion, the accounts have been properly prepared in accordance with the basis of preparation and accounting policies in note 1 of the accounts.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

MILTON KEYNES
15 July 2015

STATEMENT OF PANEL MEMBERS' RESPONSIBILITIES

Pursuant to section 963 of the Companies Act 2006, the Panel has a duty to include accounts in its Annual Report. The Panel members have determined that these accounts should present fairly the state of affairs of the Panel as at the end of the financial year and of its surplus or deficit for that period.

The Panel members confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the accounts for the year ended 31 March 2015. The Panel members also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The Panel members are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the Panel and to prevent and to detect fraud and other irregularities.

STATEMENTS ISSUED BY THE PANEL

2014

16 July	2014/4	PUBLIC CONSULTATION PAPER: MISCELLANEOUS AMENDMENTS TO THE TAKEOVER CODE <i>Publication of PCP 2014/1</i>
23 July	2014/5	2014 ANNUAL REPORT <i>Publication of Panel's Annual Report</i>
15 September	2014/6	PUBLIC CONSULTATION PAPER: POST-OFFER UNDERTAKINGS AND INTENTION STATEMENTS <i>Publication of PCP 2014/2</i>
14 November	2014/7	MISCELLANEOUS AMENDMENTS TO THE TAKEOVER CODE <i>Publication of RS 2014/1 and Instrument 2014/2</i>
14 November	2014/8	PRACTICE STATEMENT NO 28 <i>Publication of Practice Statement No 28 (Rules 2.8 and 35.1 – Entering into talks during a restricted period)</i>
22 December	2014/9	SPIRIT PUB COMPANY PLC <i>Requirement for potential offeror to make a Rule 2.7 announcement or announce no intention to bid by 6 January 2015</i>
23 December	2014/10	POST-OFFER UNDERTAKINGS AND INTENTION STATEMENTS: PUBLICATION OF RS 2014/2 <i>Publication of RS 2014/2 and Instrument 2014/4</i>

2015

2 January	2015/1	AMENDMENTS TO THE TAKEOVER CODE AS OF 1 JANUARY 2015 <i>Implementation of amendments to the Code</i>
5 January	2015/2	THE BANK RECOVERY AND RESOLUTION DIRECTIVE <i>Publication of Instrument 2015/1</i>
23 February	2015/3	ARMOUR GROUP PLC <i>Public censure of Mr Bob Morton</i>

THE TAKEOVER APPEAL BOARD
AS AT 15 JULY 2015

LORD COLLINS OF MAPESBURY	CHAIRMAN
SIR JOHN MUMMERY	DEPUTY CHAIRMAN
ERIC E ANSTEE	CHARTERED ACCOUNTANT, FORMER CEO OF ICAEW
KAREN R COOK	CHAIRMAN, INVESTMENT BANKING DIVISION, GOLDMAN SACHS EUROPE
JOHN K GRIEVES	FORMER SENIOR PARTNER, FRESHFIELDS BRUCKHAUS DERINGER
DAVID L MAYHEW	VICE CHAIRMAN, JP MORGAN
JOHN F NELSON	CHAIRMAN, LLOYD'S OF LONDON
SIMON C T ROBEY	PARTNER, ROBEY WARSHAW
ROBERT W A SWANNELL	CHAIRMAN, MARKS & SPENCER
EDWARD WALKER-ARNOTT	FORMER SENIOR PARTNER, HERBERT SMITH
DAVID WEBSTER	FORMER CHAIRMAN, INTERCONTINENTAL HOTELS GROUP

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

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

The procedures of the Board are set out in its Rules which can be viewed on its website at www.thetakeoverappealboard.org.uk.

STATEMENTS ISSUED BY
THE TAKEOVER APPEAL BOARD

2015

25 February

2015/1

MELDEX INTERNATIONAL PLC

Reasons for dismissing the appeal by Messrs Collier, Powell, Martin and Bray