

THE TAKEOVER PANEL  
REPORT AND ACCOUNTS FOR THE YEAR ENDED  
31 MARCH 2018



THE TAKEOVER PANEL  
2017-2018 REPORT

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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, including competition policy, which are the responsibility of government and other bodies.

The Panel was established as an independent 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 the UK in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC). Its statutory functions are set out in and under Chapter 1 of Part 28 of the Companies Act 2006 (the “Act”). The rules set out in the Code also have statutory effect in relation to the Isle of Man, Jersey and Guernsey by virtue of legislation enacted in those jurisdictions.

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 overly 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 imposition of conditions on 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 for a specified period.

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, 12 members are appointed by major financial and business institutions, thus ensuring a spread of expertise in takeovers, securities markets, industry and commerce.

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

Any party to a hearing before the Hearings Committee (or any person denied permission to be a party to a hearing) may appeal to the Takeover Appeal Board against any ruling of the Hearings Committee or of the chairman of the hearing. The Rules of the Takeover Appeal Board are available on its website at [www.thetakeoverappealboard.org.uk](http://www.thetakeoverappealboard.org.uk).

## 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 Code save for certain matters that are reserved to the Panel itself. The Code Committee is also responsible, in consultation with the Hearings Committee, for proposing, consulting on and adopting the Rules of Procedure of the Hearings Committee.

## THE EXECUTIVE

The Panel has delegated the day-to-day work of takeover supervision and regulation to the Panel Executive (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](http://www.thetakeoverpanel.org.uk).

PANEL MEMBERS

AS AT 18 JULY 2018

CHAIRMAN AND DEPUTY CHAIRMEN

	MICHAEL CRANE QC	CHAIRMAN Appointed by the Panel	
JUSTIN DOWLEY	DEPUTY CHAIRMAN Appointed by the Panel		PHILIP 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:

DAME ALISON CARNWATH NON-EXECUTIVE DIRECTOR BP	Appointed by the Panel	ANDY BRIGGS CHAIRMAN ASSOCIATION OF BRITISH INSURERS	Appointed by the Association of British Insurers
STUART CHAMBERS CHAIRMAN ANGLO AMERICAN	Appointed by the Panel	RACHEL BEAGLES CHAIRMAN ASSOCIATION OF INVESTMENT COMPANIES	Appointed by the Association of Investment Companies
LIV GARFIELD CEO SEVERN TRENT	Appointed by the Panel	ALAN PORTER GROUP GENERAL COUNSEL AND COMPANY SECRETARY PRUDENTIAL	Appointed by the Confederation of British Industry
BARONESS HOGG LEAD INDEPENDENT DIRECTOR HM TREASURY	Appointed by the Panel	PAUL APLIN PRESIDENT INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES	Appointed by the Institute of Chartered Accountants in England and Wales
LORD MONKS FORMER GENERAL SECRETARY THE TRADES UNION CONGRESS	Appointed by the Panel	PETER HARRISON CHAIRMAN THE INVESTMENT ASSOCIATION	Appointed by the Investment Association
CHRIS SAUL FORMER SENIOR PARTNER SLAUGHTER AND MAY	Appointed by the Panel	MARTIN MANNION HEAD OF TRUSTEE SERVICES JOHN LEWIS PARTNERSHIP PENSIONS TRUST	Appointed by the Pensions and Lifetime Savings Association
SIR SIMON ROBERTSON SIMON ROBERTSON ASSOCIATES	Appointed by the Association for Financial Markets in Europe	LORD DEBEN CHAIRMAN PERSONAL INVESTMENT MANAGEMENT AND FINANCIAL ADVICE ASSOCIATION	Appointed by the Personal Investment Management and Financial Advice Association
CHARLES WILKINSON CHAIRMAN, UK CORPORATE BROKING DEUTSCHE BANK	Appointed by the Corporate Finance Committee of the Association for Financial Markets in Europe	TIM WARD CEO QUOTED COMPANIES ALLIANCE	Appointed by the Quoted Companies Alliance
MARK ASTAIRE CHAIRMAN BARCLAYS CORPORATE BROKING	Appointed by the Securities Trading Committee of the Association for Financial Markets in Europe	ROBERT WIGLEY CHAIR UK FINANCE	Appointed by UK Finance

Sir Brian Stewart has been appointed by the Panel to serve as an alternate for Dame Alison Carnwath, Stuart Chambers, Liv Garfield and Baroness Hogg. Michael Hatchard has been appointed by the Panel to serve as an alternate for Chris Saul. Alternates for those members appointed by the major financial and business institutions are listed on the Panel's website.

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CODE COMMITTEE

The membership of the Code Committee is as follows:

	RICHARD MURLEY SENIOR ADVISER ROTHSCHILD	CHAIRMAN Appointed by the Panel		
MARK ARMOUR NON-EXECUTIVE DIRECTOR TESCO	Appointed by the Panel		JAMES LAING DEPUTY HEAD OF UK & EUROPEAN EQUITIES ABERDEEN ASSET MANAGEMENT	Appointed by the Panel
RICHARD GODDEN PARTNER LINKLATERS	Appointed by the Panel		JOHN REIZENSTEIN DIRECTOR DIRECT LINE GROUP	Appointed by the Panel
MICHAEL HERZOG CO-CEO, PARTNER DAVIDSON KEMPNER EUROPEAN PARTNERS	Appointed by the Panel		TIM WADDELL VICE CHAIRMAN, CORPORATE AND INVESTMENT BANKING BANK OF AMERICA MERRILL LYNCH	Appointed by the Panel
ROBERT HINGLEY FORMER PARTNER ONDRA PARTNERS	Appointed by the Panel		TRELAWNY WILLIAMS SENIOR GOVERNANCE ADVISOR FIDELITY INTERNATIONAL	Appointed by the Panel



## CHAIRMAN'S STATEMENT

The past year has seen high levels of 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 Melrose Industries plc's bid for GKN plc, the first hostile bid for a FTSE 100 company since 2010. Perhaps not surprisingly, this bid attracted considerable political and media attention. In the light of the controversy created by bids such as this, it may be worth restating that the purpose of the Code is neither to facilitate nor to impede takeovers but to provide an orderly and transparent framework within which they are conducted. Similarly, the Code does not address the wider advantages or disadvantages of takeovers, these being the responsibility of government and other bodies.

The year also saw amendments to the Code, described more fully in the report of the Chairman of the Code Committee, designed to achieve earlier and more detailed disclosure of a bidder's intentions with regard to the operation of the offeree company should its bid be successful.

In March, the Panel celebrated the 50<sup>th</sup> anniversary of its creation. During that period, the Panel has regulated over 8,600 takeover bids and the approach to the regulation of takeovers set out in the Code has been widely adopted in many different jurisdictions. Although much has changed in the last 50 years, the essence of how the Panel operates has remained surprisingly consistent. Writing in his statement in the Panel's second Annual Report in 1970, my distinguished predecessor Lord Shawcross said:

"As the Code is constantly improved by amendment and clarification so is the Panel steadily acquiring more experience in its administration. At the same time, I hope and believe, companies and their advisers are able to place ever greater confidence in the system of self-regulation represented by the Code and the Panel, and are taking increasing advantage of the possibility of the earliest consultation. To justify this confidence the Panel has to apply the rules of the Code in a manner which is easily intelligible, is manifestly fair and is, as far as ever-changing circumstances permit, consistent. I am firmly of the opinion that we are moving towards this ideal and that in a few years' time self-regulation in the take-over bid field will be taken for granted ..."

Whilst the Panel has, since 2006, had statutory backing, Lord Shawcross' hopes for the future of the Panel system have, I believe, been borne out and the principles he espoused of accessibility, intelligibility, fairness and consistency remain central to the operation of the Panel.

Despite it being 12 years since the Panel received statutory backing, this year saw the first application by the Panel to the court under section 955 of the Companies Act 2006 for an order to enforce a ruling – in the case of the requirement for Mr David King to make a mandatory offer under Rule 9 of the Code for Rangers International Football Club Plc. This ruling had been upheld on review by the Hearings Committee and on appeal by the Takeover Appeal Board. The Outer House of the Court of Session made an order enforcing the ruling, a decision which was upheld on appeal by the Inner House. Both judgments provided useful support for the Panel and helpful guidance on the circumstances in which the court might exercise the discretion provided to it under section 955 to "make any order it thinks fit" in order to secure compliance with a requirement imposed by or under the Code. At the time of writing, proceedings are continuing.

The past year has seen the retirement of a number of long-serving members of the Panel. David Challen, a Deputy Chairman of the Panel for the last 12 years, retired at the end

of April. Before becoming Deputy Chairman, David sat on the Panel from 1992 to 1994 and then again from 1999 to 2006. David brought to his role an incisive intelligence, rigour and clarity of thought that I will much miss. He has been a tower of strength to me and my two predecessors and we owe him a great debt of gratitude for his many years of unstinting service to the Panel. Justin Dowley has succeeded David as Deputy Chairman after a distinguished career in investment banking. He brings with him extensive board experience, having sat on the boards of a wide variety of public and private companies.

In October, Guy Elliott stepped down as Chairman of the Code Committee, which position he had held for four years. During that time, Guy was a highly able and effective Chairman of the Code Committee, overseeing the introduction of important changes to the Code, including the introduction of the post-offer undertakings and intention statements regime. Richard Murley has succeeded Guy Elliott as Chairman of the Code Committee.

The year also marked the retirement of three further members of the Panel. Lord Morris served as a Panel-appointed member of the Hearings Committee for 12 years, during which time he sat on six hearings. James Agnew sat on the Code Committee for 12 years and, since 2012, chaired the Remuneration Committee. Philip Broadley sat on the Code Committee for 10 years and on the Finance, Audit and Risk Committee since 2016. We are greatly indebted to Bill, James and Philip for their wise and considered input to the Panel's deliberations.

In November, Liv Garfield and, in May, Lord Monks joined the Panel as members of the Hearings Committee. Liv is CEO of Severn Trent. Lord Monks was General Secretary of the Trades Union Congress until 2003. In May, Mark Armour, John Reizenstein and Tim Waddell joined the Panel as members of the Code Committee. Mark is a non-executive director of Tesco and the Financial Reporting Council and was previously CFO of Reed Elsevier, a non-executive director of SABMiller and a partner at Price Waterhouse. John was until recently Finance Director of Direct Line and was previously an alternate member of the Panel appointed by the Association of British Insurers. Tim is Vice Chairman, Corporate and Investment Banking at Bank of America Merrill Lynch. The Panel is fortunate to have acquired their experience and expertise.

At the end of June, Crispin Wright stepped down as Director General after completing an extended term of three years. Crispin has been an outstandingly capable Director General whose diligence, formidable ability and wisdom have proved invaluable both to me as Chairman and to the Panel generally. We wish Crispin well in his future career.

Simon Lindsay succeeded Crispin as Director General on 1 July. Simon has a broad range of experience across a wide range of industries in public M&A and other transactions and has spent over 27 years in investment banking, first at Credit Suisse First Boston and, since 1997, at Schrodgers/Citigroup.

Finally, on a sad note, 2018 saw the untimely death of Mark Warham. Mark was a highly effective Director General from 2005 to 2007 and then served on the Panel as a member of the Hearings Committee appointed by the Association for Financial Markets in Europe from 2010 until a month before he died. The year also saw the sad deaths of Lord Steyn and Sir Martin Nourse, who served respectively as Chairman and Deputy Chairman of the Takeover Appeal Board from 2006 to 2014 and from 2002 to 2013 respectively.

MICHAEL CRANE QC  
18 July 2018

## CODE COMMITTEE CHAIRMAN'S REPORT

During the year ended 18 July 2018, the Code Committee met five times and published one Public Consultation Paper ("PCP"), two Response Statements ("RSs") and three rule-making Instruments.

In September 2017, the Committee published PCP 2017/2 ("Statements of intention and related matters"). In summary, the PCP proposed amendments to the Code to provide that:

- an offeror should be required to make specific statements of intention with regard to: the offeree company's research and development functions; the balance of the skills and functions of the offeree company's employees and management; and the location of the offeree company's headquarters and headquarters functions;
- an offeror should be required to make its statements of intention with regard to the business, employees and pension schemes of the offeree company at the time of the announcement of its firm intention to make an offer, and not only at the time of the publication of the offer document;
- an offeror must not publish an offer document for 14 days from the announcement of its firm intention to make an offer without the consent of the board of the offeree company; and
- offerors and offeree companies should be required to publish reports on post-offer undertakings and intention statements given during the course of an offer.

In December, the Committee published RS 2017/1 ("Asset sales and other matters"), which set out the final amendments to the Code adopted following the consultation on PCP 2017/1 ("Asset sales in competition with an offer and other matters"), as referred to in last year's report. At the same time, the Committee published RS 2017/2 ("Statements of intention and related matters"), which set out the final amendments to the Code adopted following the consultation on PCP 2017/2.

In each case, the Committee substantially adopted the amendments proposed in the relevant PCP, although the Committee made certain modifications to the proposals following consideration of the responses to the consultations. The Committee remains grateful to respondents for their valuable contributions to the consultation process.

The amendments referred to above were formally made by Instruments 2017/4 and 2017/5 and came into effect on 8 January 2018. At the same time, Instrument 2017/6, which amended the definitions of "multilateral trading facility" and "regulated market" in the Definitions Section of the Code so as to reflect MiFID II, came into effect. Since the latter amendments were made as a consequence of changes to legislation, they were made without formal consultation.

During the year, the Committee continued to work with the Executive on the implications for the Panel and the Code of the UK's withdrawal from the EU. The Committee expects to publish, later in the year, a PCP in relation to the amendments which will need to be made to the Code as a consequence of Brexit.

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Guy Elliott resigned as Chairman of the Committee in October 2017 and James Agnew and Philip Broadley retired from the Committee in April 2018. The Committee is very grateful to them for their services to the Committee. The Committee welcomed Mark Armour, John Reizenstein and Tim Waddell as new members in May 2018.

RICHARD MURLEY  
18 July 2018

## HEARINGS COMMITTEE CHAIRMAN'S REPORT

On 21 June 2018, the Chairman of the Hearings Committee refused a request from Mr David King, in the matter of Rangers International Football Club plc, that the Committee be convened to review the refusal by the Executive to agree to Mr King's request for an extension of time to publish an offer document to Rangers shareholders pursuant to Rule 24.1 of the Code.

The Chairman refused the request on the grounds that:

- (a) the request for the Committee to be convened was not validly notified within the meaning of paragraphs 1.2 and 2.1(c) of the Rules of Procedure of the Hearings Committee as it was not made within one month of the event giving rise to the request for the review; and
- (b) in his opinion, the request would stand no reasonable prospect of success.

MICHAEL CRANE QC  
18 July 2018

## FINANCE, AUDIT AND RISK COMMITTEE

PHILIP REMNANT CHAIRMAN

MARK ARMOUR

JUSTIN DOWLEY

JOHN REIZENSTEIN

CHARLES WILKINSON

The Finance, Audit and Risk Committee reviews the financial statements of the Panel and recommends them for adoption by the Panel; monitors internal controls and the external audit process; reviews the Panel's exposure to financial, operational and reputational risks and the strategy for their mitigation; reviews income and expenditure and the policy in relation to our management of the Panel's reserves; and reviews and recommends the annual budget for adoption by the Panel. The Committee gives regular reports to the Panel.

The Finance, Audit and Risk Committee met three times during the course of the year. It considered reforecasts of the Panel's expected results for the 2017-18 year, the full year results and audit for 2017-18 and the budget for 2018-19. It also reviewed the Panel's risk register and the Panel's deposits profile.

In April 2018, David Challen retired as Chairman of the Committee and Philip Broadley retired as a member of the Committee. The Committee is very grateful to them for their services to the Committee. Mark Armour, Justin Dowley and John Reizenstein have joined the committee.

PHILIP REMNANT  
18 July 2018

## NOMINATION COMMITTEE

MICHAEL CRANE QC CHAIRMAN

STUART CHAMBERS

JUSTIN DOWLEY

RICHARD MURLEY

PHILIP REMNANT

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.

During the course of the year, the Committee met five times and considered and recommended to the Panel the appointment of a new Deputy Chairman, a new Director General, four new members and one new alternate member of the Panel, and the renewal of the appointments of a further three members of the Panel whose terms of appointment were due to expire.

During the year, David Challen and Joanna Place retired from the Committee and, as previously mentioned, Mark Warham sadly died during the course of the year. The Committee is very grateful for their services to the Committee.

Justin Dowley and Richard Murley have joined the Committee.

MICHAEL CRANE QC  
18 July 2018

## REMUNERATION COMMITTEE

TRELAWNY WILLIAMS CHAIRMAN

DAME ALISON CARNWATH

JUSTIN DOWLEY

PHILIP REMNANT

CHARLES WILKINSON

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

The Committee met once during the year and discussed increases to the remuneration of eligible Panel members, the remuneration of the Director General in the context of his appointment and the remuneration of the Deputy Directors General.

During the year, James Agnew retired as Chairman of the Committee and David Challen retired as a member of the Committee. The Committee is very grateful for their services to the Committee.

Justin Dowley and Charles Wilkinson have joined the Committee.

TRELAWNY WILLIAMS  
18 July 2018



PANEL EXECUTIVE

AS AT 18 JULY 2018

*SIMON LINDSAY CITIGROUP	DIRECTOR GENERAL
CHARLES CRAWSHAY	DEPUTY DIRECTOR GENERAL
CHRISTOPHER JILLINGS	DEPUTY DIRECTOR GENERAL
ANTHONY PULLINGER	DEPUTY DIRECTOR GENERAL
JEREMY EVANS	ASSISTANT DIRECTOR GENERAL

CASE OFFICERS

\*JAMES BOLE SECRETARY  
CLIFFORD CHANCE

DIPIKA SHAH SENIOR ASSISTANT SECRETARY

\*DOUGLAS ABERNETHY ASSISTANT SECRETARY  
LATHAM & WATKINS

\*GEORGE FRY ASSISTANT SECRETARY  
NUMIS

\*TOM HANSON ASSISTANT SECRETARY  
DENTONS

\*CONOR HOURICAN ASSISTANT SECRETARY  
MORGAN STANLEY

MARK HUTT ASSISTANT SECRETARY

\*KIT MCCARTHY ASSISTANT SECRETARY  
NORTON ROSE FULBRIGHT

ADMINISTRATION AND SUPPORT

ALEX TETLEY CHIEF OPERATING OFFICER

SASHA HILL HEAD OF SUPPORT GROUP

POLICY AND REVISION

JOHN DOVEY SECRETARY,  
HEAD OF POLICY AND REVISION

JUSTINE USHER

MARKET SURVEILLANCE

ROSALIND GRAY HEAD OF MARKET SURVEILLANCE

CRAIG ANDREWS DEPUTY HEAD

CLIVE DAVIDSON

LAURA DEARMAN

REBECCA MEESON-FRIZELLE

MATTHEW PLASTINA

EXEMPT GROUPS

SUSAN POWELL HEAD OF EXEMPT GROUPS

KEITH OFFORD

\* SECONDED

## DIRECTOR GENERAL'S REPORT

### OVERVIEW OF ACTIVITY

2017-18 saw a higher level of public M&A activity than the previous year. The number of firm takeover offers which were announced during the year was 57 (52 in 2016-17) and the number of offers which became unconditional in all respects, or the scheme became effective, or lapsed or were withdrawn, during the year was 51 (58 in 2016-17). There were 13 firm offers announced of over £1 billion in value in 2017-18, compared with five in 2016-17.

The greater number of large and in many cases cross-border offers has involved more complex issues for the Executive to address. As well as regulating firm offers, the Executive undertakes a substantial volume of work in respect of possible offers, whitewashes (of which there were 64 in 2017-18 (58 in 2016-17)), 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 has been devoted to supporting the work of the Code Committee, details of which are set out in the report of the Chairman of the Code Committee. Headcount remains at a low level and the Executive has therefore continued to be busy. I am grateful to the members of the Executive for their hard work and professionalism during the year.

During the year, the Executive issued four letters of private censure and seven educational/warning letters.

### INTENTION STATEMENTS

In January 2018, amendments were made to the Code extending the range of subjects on which offerors are required to make specific statements with regard to their intentions, so as to include: the offeree company's research and development functions; the balance of the skills and functions of the offeree company's employees and management; and the locations of the offeree company's headquarters and headquarters functions. In addition, offerors are now required to include details of their intentions for offeree companies not only in their offer document (as required by Rule 24.2) but also in their firm offer announcement under Rule 2.7. The requirements for offerors to provide such statements are important provisions of the Code. The Executive will continue to be concerned to ensure that offerors and offeree companies give careful consideration to the completeness and meaningfulness of the disclosures made in accordance with these requirements. Advisers to offerors are strongly encouraged to consult the Executive about the form of these disclosures ahead of the proposed publication of a firm offer announcement and will need to build sufficient time into their timetables to ensure that such disclosures are sufficiently specific and bespoke, reflecting the offeror's unique business rationale and intentions for its offer.

## PRACTICE STATEMENT NO 32

In January 2018, the Executive published Practice Statement No 32 (Rule 21.1 – Application following the unequivocal rejection of an approach). The Practice Statement confirms that the Executive normally considers that the board of an offeree company will have reason to believe that a bona fide offer might be imminent, and that Rule 21.1 will therefore apply, following the board having received an approach regarding an offer by or on behalf of a potential offeror. The Practice Statement also provides guidance on the way in which the Executive applies Rule 21.1 where the board of an offeree company has received, and subsequently unequivocally rejected, an approach and does not know whether the potential offeror intends to pursue its interest in the possible offer.

## ACCOUNTS

The Panel's income in 2017-18 was £14,202,310, compared with £12,874,432 in 2016-17, an increase of 10.3%. The increase was largely driven by higher document charge income, which was £5,927,500 in 2017-18 compared with £4,437,000 in the previous year. This increase reflected an increase in the number and size of the offers announced in the year. Income from the PTM levy was £7,495,685 in 2017-18, a 2.5% decrease on £7,683,404 in the previous year. Expenditure in 2017-18 was £12,237,256 compared with £12,245,358 in 2016-17. A decrease in legal and professional costs, which may vary considerably from year to year, was offset by an accrual for the cost of dilapidations the Panel will incur on the move to new premises. Other expenditures increased by 4.6%, in aggregate, reflecting mainly increases in staff headcount, staff costs and IT spend.

Before interest receivable and taxation, the Panel generated a surplus of £1,965,054 in 2017-18 compared with a surplus of £629,074 in 2016-17. Interest receivable reduced to £222,489 compared with £332,313 in the previous year.

After interest receivable and taxation, the surplus for the year was £2,145,270, compared with a surplus of £894,925 in the previous year.

The Panel's cash position increased by £3,180,231 to £28,323,051.

The accumulated surplus at 31 March 2018 was £30,654,477. When considering the Panel's levels of charges and costs, the Panel's objective is to maintain reserves, across the cycle, broadly of the order of two years' expenditure. The Finance, Audit and Risk Committee will keep this under review.

SIMON LINDSAY  
18 July 2018

## STATISTICS

The following sets out some of the key statistics relating to transactions regulated by the Panel in the year ended 31 March 2018. In each case, the equivalent statistics are provided for the year ended 31 March 2017 for comparative purposes.

### OFFER PERIODS COMMENCING DURING THE YEAR

During the year ended 31 March 2018, an offer period commenced in respect of 69 offeree companies (year ended 31 March 2017 – 69). Of these offer periods:

- 31 (30) commenced with the announcement of a firm offer by an offeror;
- 29 (24) commenced with the announcement of a possible offer, of which 28 (20) identified one potential offeror, 1 (4) identified more than one potential offeror, and 0 (0) did not identify a potential offeror;
- 9 (13) commenced with the announcement of a formal sale process (as described in Note 2 on Rule 2.6);
- 0 (1) commenced because a person or group of persons acting in concert announced an offer to acquire shares that would result in them holding over 50% of the voting rights of a company that is interested in a controlling block of shares in a company to which the Code applies (an offer required under the “chain principle”); and
- 0 (1) commenced because the Takeover Appeal Board affirmed the ruling of the Hearings Committee that an offer was required to be announced pursuant to Rule 9 of the Code.

As at 31 March 2018, there were 22 offeree companies in an offer period (22).

### FIRM OFFERS ANNOUNCED DURING THE YEAR

During the year, 57 (52) firm offers were announced, of which 21 (22) were structured as a contractual offer and 36 (30) as a scheme of arrangement at the time of the firm offer announcement.

There were 0 (0) offers where the Panel shared jurisdiction with a supervisory authority of another EEA Member State.

### OFFERS RESOLVED DURING THE YEAR

During the year, 51 (58) offers in respect of 50 (51) offeree companies became unconditional in all respects, or the scheme became effective, or lapsed or were withdrawn. Of these 51 (58) offers:

- 8 (5) were not recommended by the board of the offeree company at the time of the firm offer announcement;
- 8 (4) remained not recommended at the time that the offer document was published; and

- 8 (4) remained not recommended at the end of the offer period. 8 (2) of these offers became unconditional as to acceptances and 0 (0) lapsed.

At the time of the firm offer announcement, 3 (1) offers were mandatory offers under Rule 9.

A further 16 (10) offers remained unresolved as at 31 March 2018, and are not included in these figures.

	2017-2018	2016-2017
OUTCOME OF OFFERS		
Offers involving the acquisition of control which became unconditional in all respects or the scheme became effective	44	45
Offers involving the acquisition of control which lapsed	2	11
Offers involving the acquisition of control which were withdrawn before an offer document or scheme circular was published	1	1
Offers to minority shareholders etc.	4	1
	<u>51</u>	<u>58</u>

During the year, the Executive granted 64 (58) “whitewash” dispensations (i.e. dispensations from the obligation to make a mandatory offer under Rule 9 following an issue of new shares) and 14 (21) “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 2018

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2018

	NOTE	2018	2017
		£	£
<b>INCOME</b>			
PTM levy		7,495,685	7,683,404
Document charges		5,927,500	4,437,000
Code sales		94,875	100,028
Exempt charges		462,000	432,000
Recognised Intermediary charges		222,000	222,000
Other Income		250	0
		<u>14,202,310</u>	<u>12,874,432</u>
<b>EXPENDITURE</b>			
Personnel costs		8,061,300	7,759,866
Legal and professional costs		1,433,296	2,297,317
Accommodation costs		1,702,579	1,284,236
Other expenditure		1,040,081	903,939
		<u>12,237,256</u>	<u>12,245,358</u>
SURPLUS BEFORE INTEREST AND TAXATION		1,965,054	629,074
Interest receivable		222,489	332,313
Taxation	2	(42,273)	(66,462)
		<u>2,145,270</u>	<u>894,925</u>
SURPLUS FOR THE YEAR		<u>2,145,270</u>	<u>894,925</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>28,509,207</u>	<u>27,614,282</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>30,654,477</u></u>	<u><u>28,509,207</u></u>

All activities are regarded as being continuing.

BALANCE SHEET  
AT 31 MARCH 2018

	NOTE	2018 £	2017 £
FIXED ASSETS	3	<u>7,782</u>	<u>3,096</u>
CURRENT ASSETS			
Debtors and prepayments	4	3,724,854	3,968,439
Debtors – Amounts due after one year:			
Rent deposit		<u>564,049</u>	<u>564,049</u>
		4,288,903	4,532,488
Cash and term deposits		<u>28,323,051</u>	<u>25,142,820</u>
		<u>32,611,954</u>	<u>29,675,308</u>
CURRENT LIABILITIES			
Creditors and accruals	5	1,922,986	1,102,735
Corporation tax		<u>42,273</u>	<u>66,462</u>
		<u>1,965,259</u>	<u>1,169,197</u>
NET ASSETS		<u><u>30,654,477</u></u>	<u><u>28,509,207</u></u>
Representing ACCUMULATED SURPLUS		<u><u>30,654,477</u></u>	<u><u>28,509,207</u></u>

The accounts on pages 22-27 were approved by the Finance, Audit and Risk Committee on 18 July 2018 and signed on behalf of the Panel members by:

MICHAEL CRANE QC

Chairman, Panel on Takeovers and Mergers

PHILIP REMNANT

Chairman, Finance, Audit and Risk Committee

The notes form part of these accounts.

THE TAKEOVER PANEL  
2017-2018 REPORT

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018

	NOTE	2018	2017
Surplus for the year		2,145,271	894,925
Interest		(222,489)	(332,313)
Taxation		42,273	66,462
Depreciation		4,195	13,876
Decrease in debtors and prepayments		225,484	247,462
Increase in creditors and accruals		820,251	330,768
UK corporation tax paid		(66,462)	(59,891)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>2,948,523</u>	<u>1,161,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		240,589	393,307
Capital expenditure		(8,881)	(1,451)
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>231,708</u>	<u>391,856</u>
INCREASE IN CASH	6	<u><u>3,180,231</u></u>	<u><u>1,553,145</u></u>



## NOTES TO THE ACCOUNTS

### 1. BASIS OF PREPARATION OF ACCOUNTS AND ACCOUNTING POLICIES

- (a) The Panel on Takeovers and Mergers (the “Panel”) is an independent body, established in 1968, 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. The address of the Panel is 10 Paternoster Square, London, EC4M 7DY.

The functional currency of the Panel is considered to be pounds sterling because that is the currency of the primary economic environment in which the Panel operates.

- (b) The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards, including the measurement and recognition principles of Financial Reporting Standard FRS 102 – ‘The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland’ (FRS 102).
- (c) These accounts have been prepared under the historical cost basis of accounting.
- (d) Income comprises the PTM levy, Document fees, Code sales, Exempt fees, Recognised Intermediary fees and Other income and is accounted for on an accruals basis. The PTM levy is accrued based on quarterly returns from member firms. Document fees are charged at 50% of the relevant fee on an announcement of a firm offer and 50% on publication of an offer document and become payable at that point or on the lapse of the offer before publication. Income from Document fees is recognised in full on an announcement unless, at a period end, it is probable that no offer document will be published.
- (e) Expenditure is accounted for on an accruals basis.
- (f) Interest receivable arises wholly in the UK and relates to interest receivable on deposits held and is recognised on an accruals basis.
- (g) Cash at bank and term deposits comprises cash and deposit amounts up to 24 months maturity. This is considered to represent cash and cash equivalents.
- (h) 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.

- (i) Financial risk management

The main financial risk to the Panel is that its income is not sufficient to meet its expenditure. The principal sources of income are inherently uncertain and market dependent and the Panel mitigates this risk by ensuring it has sufficient accumulated funds to meet broadly of the order of two years’ expenditure.

The Panel holds significant bank deposits and so there is a counterparty default risk in respect of these deposits. The Panel manages this counterparty risk by spreading the deposits between a number of banks it considers to be low risk based on rating agency ratings.

- (j) Critical accounting judgments and key sources of estimation uncertainty

Whilst the Panel does have to estimate accrued income at each period end, these estimates are normally based upon actual cash flows which are received well ahead of finalisation of the financial statements. Where cash has not been received at that time the Panel considers the likelihood of the fee being payable.

Where an offer has been made but an offer document not issued at the point of approving the financial statements the Panel considers the likelihood of the document being published. The 50% fee arising on publication is only recognised where the Panel considers it probable that the offer document will be published.

All legal fees incurred in the year are accrued. No provision is made in respect of cases already commenced before the year end as, in the judgement of the Panel, the level of uncertainty involved in many of these cases means that no reliable estimate can be made of future costs.

THE TAKEOVER PANEL  
2017-2018 REPORT

NOTES TO THE ACCOUNTS *continued*

The property lease expires on 31 March 2019. The Panel has not received a formal demand for dilapidations from the landlord and has therefore accrued an estimated amount based on available information on dilapidation costs for similar London offices.

	2018	2017
	£	£
2. TAXATION		
UK Corporation tax payable:		
Current tax payable	42,273	66,462
	<u>42,273</u>	<u>66,462</u>
Tax charge for the year	<u>42,273</u>	<u>66,462</u>

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 31 March 2018, Corporation tax was charged at the main rate of 19%.

	2018	2017
	Fixtures & Fittings	£
3. TANGIBLE FIXED ASSETS		
Cost		
At 1 April 2017	442,379	
Additions	8,881	
Disposals	-	
	<u>451,260</u>	
At 31 March 2018	451,260	
Depreciation		
At 1 April 2017	439,283	
Provided during the year	4,195	
Depreciation on disposals	-	
	<u>443,478</u>	
At 31 March 2018	443,478	
Net book value		
At 31 March 2018	<u>7,782</u>	
	<u>3,096</u>	
At 31 March 2017	<u>3,096</u>	

	2018	2017
	£	£
4. DEBTORS AND PREPAYMENTS		
PTM levy accrued	1,933,175	2,186,583
Document fees accrued	1,060,000	1,201,000
Code sales accrued	7,425	2,950
Exempt fees accrued	252,000	126,000
Recognised Intermediary fees accrued	60,000	84,000
Other debtors and prepayments	412,254	367,906
	<u>3,724,854</u>	<u>3,968,439</u>

THE TAKEOVER PANEL  
2017-2018 REPORT

NOTES TO THE ACCOUNTS *continued*

	2018	2017
5. CREDITORS AND ACCRUALS	£	£
Personnel costs	383,971	439,399
Legal and professional fees	775,530	277,923
Other creditors and accruals	763,485	385,413
	<u>1,922,986</u>	<u>1,102,735</u>
	2018	2017
6. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS	£	£
Increase in cash in period	3,180,231	1,553,145
Change in net funds	3,180,231	1,553,145
Net funds as at 31 March 2017	<u>25,142,820</u>	<u>23,589,675</u>
Net funds as at 31 March 2018	<u>28,323,051</u>	<u>25,142,820</u>
	2018	2017
7. FINANCIAL INSTRUMENTS	£	£
Financial assets measured at amortised cost	28,887,100	25,706,869
Financial liabilities measured at amortised cost	1,159,501	717,322
Total interest income for financial assets measured at amortised cost	222,489	332,313

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TAKEOVER PANEL

OPINION

We have audited the accounts of The Takeover Panel (the 'Panel') for the year ended 31 March 2018, which comprise the Income and expenditure account, the Balance sheet, the Cash flow Statement and the related notes to the accounts, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' section of our report. We are independent of the Panel in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO

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 auditor's 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.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Panel members' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the Panel members have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the Panel's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

OTHER INFORMATION

The Panel members are responsible for the other information. The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to

be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### RESPONSIBILITIES OF PANEL MEMBERS FOR THE ACCOUNTS

As explained more fully in the Statement of Panel Members' Responsibilities set out on page 30, the Panel members are responsible for preparing the accounts in accordance with the basis of preparation and accounting policies set out in note 1 to the accounts.

In preparing the accounts, the Panel members are responsible for assessing the Panel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Panel members either intend to liquidate the Panel or to cease operations, or have no realistic alternative but to do so.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

GRANT THORNTON UK LLP  
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS

MILTON KEYNES  
18 July 2018

THE TAKEOVER PANEL  
2017-2018 REPORT

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 its 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 2018. 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

<b>2017</b>		
13 April	2017/5	DIRECTOR GENERAL <i>Secondment of Director General extended</i>
13 April	2017/6	PRACTICE STATEMENT NO 20 <i>Amendment of Practice Statement No 20</i>
13 April	2017/7	AMENDMENTS TO THE TAKEOVER CODE AS OF 2 MAY 2017 <i>Summary of amendments to the Code</i>
13 April	2017/8	RANGERS INTERNATIONAL FOOTBALL CLUB PLC
15 May	2017/9	EXOVA GROUP PLC <i>Requirement for potential offerors to make Rule 2.7 announcement or announce no intention to bid by 2 June 2017</i>
15 June	2017/10	PETROPAVLOVSK PLC <i>Ruling of the Executive in relation to the application of Note 2 on Rule 9.1</i>
4 July	2017/11	NEW SECRETARY FOR THE TAKEOVER PANEL <i>Panel Executive appointment</i>
7 July	2017/12	NEW PRACTICE STATEMENT AND AMENDMENTS TO PRACTICE STATEMENTS <i>Publication of new Practice Statement No 31, withdrawal of Practice Statements Nos 3 and 6 and amendment of Practice Statement No 20</i>
12 July	2017/13	PUBLIC CONSULTATION PAPER: ASSET SALES IN COMPETITION WITH AN OFFER AND OTHER MATTERS <i>Issue of Public Consultation Paper 2017/1</i>
13 July	2017/14	PANEL NOMINATING BODIES <i>Replacement of the WMA by PIMFA and the BBA by UK Finance</i>
19 July	2017/15	2017 ANNUAL REPORT <i>Publication of the Panel's Annual Report</i>
25 August	2017/16	TOUCHSTONE INNOVATIONS PLC <i>Offer timetable extended</i>
19 September	2017/17	PUBLIC CONSULTATION PAPER: STATEMENTS OF INTENTION AND RELATED MATTERS <i>Issue of Public Consultation Paper 2017/2</i>
21 September	2017/18	REVOLUTION BARS GROUP PLC <i>Requirement for potential offeror to make Rule 2.7 announcement or announce no intention to bid by 10 October 2017</i>
29 September	2017/19	ADDITIONAL CHECKLISTS <i>New checklists for use where certain announcements are made and distributed</i>
20 October	2017/20	GUY ELLIOTT
2 November	2017/21	NEW PANEL MEMBER AND CHAIRMAN OF THE CODE COMMITTEE <i>Panel appointments</i>
11 December	2017/22	PUBLICATION OF RESPONSE STATEMENTS AND AMENDMENTS TO THE TAKEOVER CODE <i>Publication of RS 2017/1 (Asset sales and other matters) and RS 2017/2 (Statements of intention and related matters) and amendments to the Takeover Code</i>
14 December	2017/23	SKY PLC <i>Panel Statement regarding determination of application of a chain principle offer</i>
<b>2018</b>		
8 January	2018/1	REVISED TAKEOVER CODE, PRACTICE STATEMENT NO 32 AND NEW CHECKLISTS <i>Revised Takeover Code, Practice Statement No 32, amended Practice Statement No 28 and new checklists</i>
18 January	2018/2	NEW DEPUTY CHAIRMAN AND PANEL MEMBERS <i>Panel appointments</i>

