



MEMORANDUM

To: The Secretary to the Code Committee
From: Strand Hanson Limited's M&A Team
Date: 22 October 2018
Subject: PCP 2018/1 regarding Asset Valuations

Please find set out below our response to the Code Committee of the Takeover Panel's Public Consultation Paper regarding asset valuations. Whilst we trust that our limited comments are self-explanatory, please do not hesitate to call Stuart Faulkner, Head of M&A or Matthew Chandler, Director of Corporate Finance on 0207 409 3494 should you have any questions or wish to discuss any element of our response.

Q1 Is a period of 12 months prior to the commencement of the offer period an appropriate "look back" period in order for Rule 29 to apply to a valuation under the proposed Rule 29.1(a)(ii)?

Yes.

Q2 Do you have any comments on the application of Rule 29 to a valuation published in the circumstances described in the proposed Rule 29.1(a)(i), (ii) or (iii)?

No. We would, however, note that we disagree with the assertion in 2.28(b) that an asset valuation, even if given in the ordinary course, is more dependent on subjective judgements by the directors of the relevant company than a profit forecast, as we believe that the subjectivity is broadly similar in both cases.

Q3 Do you have any comments on the proposed wording "unless the Panel considers that the valuation is not material to offeree company shareholders in making a properly informed decision as to the merits or demerits of the offer"?

No.

Q4 Do you have any other comments on the proposed new NB at the beginning of Rule 29, the proposed Rule 29.1(a) or the proposed new Note on Rule 29.1?

No.

Q5 Should the specific types of asset valuations to which Rule 29 applies be those referred to in the proposed Rule 29.1(b)?

Yes.

Q6 Should the Panel have the ability to apply Rule 29 to a valuation of other assets or liabilities, as referred to in the proposed Rule 29.1(c)?

Yes.

Q7 Do you have any comments on the proposed Rules 29.1(b) and (c)?

No.

Q8 Do you have any comments on the proposed Rule 29.1(d) in relation to the publication of a net asset value or adjusted net asset value?

No.

Q9 Should the Code require that a valuation published during the offer period must be in the form of, or accompanied by, a valuation report?

Yes.

Q10 Should the Code require that a valuation report in respect of a valuation falling within the proposed Rule 29.1(a)(ii) or (iii) should be included in the offer document or the offeree board circular (as appropriate) or, if earlier, in the first announcement or document published during the offer period by the offeree company or the securities exchange offeror (as the case may be) which refers to that valuation?

Yes.

Q11 Do you have any other comments on the proposed Rule 29.2, regarding the requirement for a valuation report, or on the proposed new Note on Rule 29.2, in relation to the circumstances where it is not possible to obtain a valuation report within the required timeframe?

No.

Q12 Do you have any comments on the proposed Rule 29.3 in relation to the requirements applying to valuers?

No.

Q13 Do you have any comments on the proposed Rule 29.4 in relation to a valuation report?

No.

Q14 Do you have any comments on the proposed Rule 29.5 in relation to “no material difference” statements?

Yes. We believe that it is appropriate to publish the Valuer’s “no material difference” confirmation to the directors, as referred to in 8.6, in full, both in the relevant RNS and any documents being sent to shareholders in connection with the Offer.

Q15 Do you have any comments on the proposed Rule 29.6 in relation to the requirement to give an estimate of the amount of the potential tax liability which would arise upon a sale of the assets?

No.

Q16 Do you have any comments on the proposed Rule 29.7 in relation to information in valuation reports which could constitute a profit forecast?

No.

Q17 Do you have any comments on the proposed Rule 29.8 in relation to the valuation by one party to an offer of another party's assets?

No.

Q18 Do you have any comments on the consequential amendments to the Code proposed in Section 9(d) of the PCP?

No.