

THE TAKEOVER PANEL
REPORT AND ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2019

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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

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, typically on one or two year secondments.

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

PANEL MEMBERS

AS AT 17 JULY 2019

CHAIRMAN AND DEPUTY CHAIRMEN

MICHAEL CRANE QC	CHAIRMAN Appointed by the Panel	PHILIP REMNANT	DEPUTY CHAIRMAN Appointed by the Panel
JUSTIN DOWLEY	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	RACHEL BEAGLES CHAIRMAN ASSOCIATION OF INVESTMENT COMPANIES	Appointed by the Association of Investment Companies
STUART CHAMBERS CHAIRMAN ANGLO AMERICAN	Appointed by the Panel	ALAN PORTER GROUP GENERAL COUNSEL AND COMPANY SECRETARY PRUDENTIAL	Appointed by the Confederation of British Industry
LIV GARFIELD CEO SEVERN TRENT	Appointed by the Panel	FIONA WILKINSON PRESIDENT INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES	Appointed by the Institute of Chartered Accountants in England and Wales
SUSAN KILSBY FORMER CHAIRMAN SHIRE	Appointed by the Panel	PETER HARRISON CHAIRMAN THE INVESTMENT ASSOCIATION	Appointed by the Investment Association
LORD MONKS FORMER GENERAL SECRETARY THE TRADES UNION CONGRESS	Appointed by the Panel	LORD DEBEN CHAIRMAN PERSONAL INVESTMENT MANAGEMENT AND FINANCIAL ADVICE ASSOCIATION	Appointed by the Personal Investment Management and Financial Advice 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
MARK SORRELL HEAD OF M&A, EMEA GOLDMAN SACHS	Appointed by the Association for Financial Markets in Europe	TIM WARD CEO QUOTED COMPANIES ALLIANCE	Appointed by the Quoted Companies Alliance
CHARLES WILKINSON CHAIRMAN, UK CORPORATE BROKING DEUTSCHE BANK	Appointed by the Association for Financial Markets in Europe, Corporate Finance Committee	ROBERT WIGLEY CHAIR UK FINANCE	Appointed by UK Finance
MARK ASTAIRE CHAIRMAN BARCLAYS CORPORATE BROKING	Appointed by the Association for Financial Markets in Europe, Securities Trading Committee		

Sir Brian Stewart has been appointed by the Panel to serve as an alternate for Dame Alison Carnwath, Stuart Chambers, Liv Garfield and Susan Kilsby. Kay Carberry has been appointed by the Panel to serve as an alternate for Lord Monks. 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.

CODE COMMITTEE

The membership of the Code Committee is as follows:

	RICHARD MURLEY SENIOR ADVISER ROTHSCHILD & CO	CHAIRMAN Appointed By the Panel	
MARK ARMOUR NON-EXECUTIVE DIRECTOR TESCO	Appointed by the Panel	ROSEMARY MARTIN GROUP GENERAL COUNSEL AND COMPANY SECRETARY VODAFONE GROUP	Appointed by the Panel
RICHARD GODDEN PARTNER LINKLATERS	Appointed by the Panel	JOHN REIZENSTEIN NON-EXECUTIVE DIRECTOR BEAZLEY	Appointed by the Panel
MICHAEL HERZOG CO-CEO, PARTNER DAVIDSON KEMPNER EUROPEAN PARTNERS	Appointed by the Panel	TIM WADDELL VICE CHAIRMAN, CORPORATE & INVESTMENT BANKING BANK OF AMERICA MERRILL LYNCH	Appointed by the Panel
ROBERT HINGLEY FORMER PARTNER ONDRA PARTNERS	Appointed by the Panel	EMMA WATFORD PARTNER BRIDGEPOINT	Appointed by the Panel
JAMES LAING MANAGING DIRECTOR ROTHSCHILD & CO	Appointed by the Panel	TRELAWNY WILLIAMS SENIOR ADVISOR BRUNSWICK GROUP	Appointed by the Panel

CHAIRMAN'S STATEMENT

The level of public M&A activity at the end of last year, and in particular larger-sized bids, was as high as it has been in a number of years. The start of this year saw the continuation and, in many cases, the completion of those bids. We have not, however, seen this level of activity maintained during the course of the year and the current number of bids is back to the lower level witnessed over the last three to four years.

The most high profile case for the Panel involved the competing offers for Sky plc which, in 2018/19, saw a review by the Hearings Committee and an appeal to the Takeover Appeal Board on the application of the "chain principle". This is covered in more detail in my report on the activities of the Hearings Committee. The outcome of this process was ultimately settled through a successful auction procedure orchestrated by the Panel between the two bidders, Comcast Corporation and Twenty-First Century Fox Inc.

Although activity has fallen during the year, we have seen a couple of trends emerging to which I would draw attention.

First, following on from the offer by Melrose Industries plc for GKN plc last year, to which I referred in the last annual report, we have seen a greater number of hostile offers being launched than in previous years. By their nature, hostile bids place greater stresses on the Code and the Panel's system of regulation and it is pleasing to note that those that have occurred have concluded without major incident.

Secondly, there has been an increase in the number of cases involving an interplay between the Code and the insolvency regime. In particular, in the Flybe Group plc case, the Executive was confronted with a choice between the strict application of the Code and allowing a transaction which would avert the company imminently entering administration. The ability of the Executive to make such a decision out of hours over the course of a night and to allow the company to be saved is a testament to the pragmatic and responsive regulatory system that the Panel espouses.

Finally, as regards activity, in January the mandatory offer for Rangers International Football Club plc was made by Laird Investments (Pty) Limited on behalf of Mr David King, thus bringing to an end a case which saw the Panel for the first time applying to the court under section 955 of the Companies Act 2006 for an order enforcing a ruling of the Panel.

During the year, we have made a number of amendments to the Code, described more fully in the report of the Chairman of the Code Committee, which have updated the Code to reflect current practice on asset valuations and made those amendments that would be required as a result of the United Kingdom leaving the European Union. In addition, the Executive has worked closely with officials from the Department for Business, Energy & Industrial Strategy on the making of The Takeovers (Amendment) (EU Exit) Regulations 2019. These regulations will amend the Act on "exit day" so as to require the Panel to make rules in accordance with a new Schedule 1C to the Act, which will replicate the provisions of the Directive to which the Panel is currently required to give effect (apart from the requirement to implement the "shared jurisdiction" regime).

Away from day-to-day business, this year saw the Panel moving from its offices above the London Stock Exchange on Paternoster Square to new accommodation at One Angel Court.

This year has seen the retirement of two distinguished members of the Panel. Baroness Hogg served on the Hearings Committee for the last nine years, during which time she sat on two hearings and regularly contributed to the Panel's quarterly meetings. Sir Simon Robertson served for 12 years as an alternate member of the Panel appointed by the Association for Financial Markets in Europe and last year was appointed by AFME as a Panel member to replace Mark Warham after his untimely death. Over the course of his service, Sir Simon attended a number of hearings including the lengthy hearing regarding the PCIT case in 2010. We are grateful to both for their valuable contributions.

I am very pleased to welcome a number of new members to the Panel. In February, Rosemary Martin, the Group General Counsel and Company Secretary at Vodafone Group plc, and Emma Watford, a partner at Bridgepoint, joined the Panel as members of the Code Committee. In May, Susan Kilsby, the former Chairman of Shire plc, joined the Panel as a member of the Hearings Committee. May also saw the appointment of Kay Carberry, the former Assistant General Secretary of the Trades Union Congress, as an alternate member for Lord Monks, and Mark Sorrell, who is head of EMEA M&A for Goldman Sachs, appointed by the Association for Financial Markets in Europe.

MICHAEL CRANE QC
17 July 2019

CODE COMMITTEE CHAIRMAN'S REPORT

During the year ended 17 July 2019, the Code Committee met three times and published two Public Consultation Papers ("PCPs"), two Response Statements ("RSs") and three rule-making Instruments.

In October 2018, the Committee published PCP 2018/1 ("Asset valuations"). Principally, PCP 2018/1 proposed to amend Rule 29 of the Code in order to reflect current practice. In addition, the proposed amendments were intended to provide a more logical framework for Rule 29 and to provide clarity in certain areas. In March 2019, the Committee published RS 2018/1, which set out the final amendments to the Code adopted following the consultation on PCP 2018/1. The Committee substantially adopted the amendments proposed in PCP 2018/1, although certain modifications were made to the proposals following consideration of the responses to the consultation. The amendments were formally made by Instrument 2019/1 and came into effect on 1 April 2019.

In November 2018, the Committee published PCP 2018/2 ("The United Kingdom's withdrawal from the European Union"). PCP 2018/2 proposed amendments to the Code in relation to the UK's withdrawal from the EU. In particular, PCP 2018/2 proposed the deletion of the rules which relate to an offer for a "shared jurisdiction" company to which the Code applies, i.e. a company which has its registered office in one member state of the European Economic Area and its securities admitted to trading on a regulated market in another member state of the EEA. In March 2019, the Committee published RS 2018/2, which set out the final amendments to the Code intended to be adopted following the consultation on PCP 2018/2. The amendments set out in RS 2018/2 were formally made by Instrument 2019/3, which was published in April 2019. Instrument 2019/3 was made jointly by the Committee and the Panel as certain of the amendments to the Introduction to the Code set out in the Instrument fall within the remit of the Panel itself. The amendments will take effect on "exit day" within the meaning of section 20 of the European Union (Withdrawal) Act 2018.

In March 2019, the Committee also made Instrument 2019/2 ("Amendments to references to the UKLA and other matters"). In summary, Instrument 2019/2 amended the references in the Code to the "UKLA" and the "UKLA Rules" so as to refer to, respectively, the "FCA" and the "FCA Handbook" following the announcement by the Financial Conduct Authority that it would no longer be using the UKLA name. In addition, minor amendments were made to Note 2 on Rule 9.1 (Collective shareholder action). The amendments set out in Instrument 2019/2 came into effect on 1 April 2019. As the amendments were either made as a consequence of changes to legislation or did not materially alter the effect of the provisions in question, they were made without formal consultation.

The Committee welcomed Rosemary Martin and Emma Watford as new members in February 2019.

RICHARD MURLEY
17 July 2019

HEARINGS COMMITTEE CHAIRMAN'S REPORT

On 27 July 2018, the Hearings Committee met to consider the price at which The Walt Disney Company should be required to make an offer to the holders of ordinary shares in Sky plc in the event of the completion of the acquisition by Disney of Twenty-First Century Fox Inc.

The Executive had ruled on 12 April that, in view of Fox's shareholding of approximately 39% in Sky, the acquisition by Disney of Fox would trigger an obligation for Disney to make a "chain principle" offer for the remaining shares in Sky under Note 8 on Rule 9.1 of the Code. The Executive also ruled that the price at which that offer was required to be made was £10.75 per share, that being the price at which Fox was itself making an offer for Sky and which Disney had attributed to Fox's stake in Sky in the consideration payable by Disney for Fox.

On 20 June, Disney announced that it had increased the terms on which it had agreed to acquire Fox. This called into question whether and, if so, to what extent that increase should have an impact on the price of Disney's "chain principle" offer. At the hearing, representations were made to the Committee on this subject not only by the Executive, Disney, Fox and Sky, but also on behalf of a number of investors in Sky shares.

On 3 August, the Committee published its decision upholding the ruling of the Executive that Disney should be required to increase the price of its "chain principle" offer for Sky to £14.00 per share. This was the price to which Disney authorised Fox to increase its offer for Sky on 11 July and, in the opinion of the Committee, represented the value attributed by Disney to Fox's stake in Sky when Disney increased the terms on which it agreed to acquire Fox.

The Committee's ruling was upheld on appeal to the Takeover Appeal Board.

On 26 November, as the Chairman of the Committee, I refused a request from Mr David King for the Committee to be convened to review a ruling of the Executive that the obligation incurred by Mr King in January 2015 to make a mandatory offer for Rangers International Football Club plc under Rule 9 of the Code should extend to the holders of new shares issued with the consent of shareholders given at a general meeting of Rangers held on 31 August. I refused the request under the powers conferred on the Chairman by rule 2 of the Committee's Rules of Procedure for the reasons set out in the Panel Statement of 29 November 2018.

The statements published by the Committee in these cases are available on the Panel's website at www.thetakeoverpanel.org.uk. In addition, the statement published by the Takeover Appeal Board in the Sky case is available on the Takeover Appeal Board website at www.thetakeoverappealboard.org.uk.

MICHAEL CRANE QC
17 July 2019

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 mitigation; reviews income and expenditure and the 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 Committee met three times during the course of the year. It considered reforecasts of the Panel's expected results for the 2018-19 year, the full year results and audit for 2018-19 and the budget for 2019-20. It also reviewed the Panel's risk register and the Panel's deposits profile.

PHILIP REMNANT
17 July 2019

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 twice and considered and recommended to the Panel the appointment of four new members and one new alternate member of the Panel. It also recommended the renewal of the appointments of a further five members of the Panel whose terms of appointment were due to expire.

MICHAEL CRANE QC
17 July 2019

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.

TRELAWNY WILLIAMS
17 July 2019

PANEL EXECUTIVE

AS AT 17 JULY 2019

*SIMON LINDSAY DIRECTOR GENERAL
CITIGROUP

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

*JONATHAN GRIFFIN ASSISTANT SECRETARY
GIBSON DUNN & CRUTCHER (INVESTIGATIONS/ENFORCEMENT)

MARK HUTT ASSISTANT SECRETARY

*KIT MCCARTHY ASSISTANT SECRETARY
NORTON ROSE FULBRIGHT

*ANTONIA SMITH ASSISTANT SECRETARY
HERBERT SMITH FREEHILLS (INVESTIGATIONS/ENFORCEMENT)

*CALLUM WEST ASSISTANT SECRETARY
BARCLAYS

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

HARRY REES

JACK SANDERSON

ADMINISTRATION AND SUPPORT

ALEX TETLEY CHIEF OPERATING OFFICER

SASHA HILL HEAD OF SUPPORT GROUP

EXEMPT GROUPS

SUSAN POWELL HEAD OF EXEMPT GROUPS

KEITH OFFORD

* SECONDED

DIRECTOR GENERAL'S REPORT

OVERVIEW OF ACTIVITY

A busy start to the year was followed by a tailing off in the number of cases during the second half of the year back towards historical levels of activity. The number of firm takeovers which were announced during the year was 51 (57 in 2017-18) 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 (51 in 2017-18). There were 14 firm offers announced of over £1 billion in value during the year (13 in 2017-18), of which nine were announced in the first half of the year.

The number of large, and in many cases cross-border, offers together with the hostile offers referred to by the Chairman in his report has involved complex issues for the Executive. As well as regulating firm offers, the Executive undertakes a substantial volume of work in respect of possible offers, whitewashes (of which there were 46 in 2018-19 (64 in 2017-18)), concert party queries, re-registrations and other general enquiries relating to the application of the Code, much of which does not become public. The Executive also expends a considerable amount of resource supporting the work of the Code Committee, details of which are set out in the report of the Chairman of the Code Committee. Finally, over the last few years, the Executive has been required to devote a greater amount of time on investigating potential breaches of the Code, in particular, the alleged existence of undisclosed concert parties, and on enforcement matters. Such work, and any subsequent disciplinary action, is often forensic in nature and very time-consuming. For this reason, and in the light of the different nature of that work, the Executive has decided to create a more focused investigations and enforcement team and has added dedicated seconded resource to support that work. Overall, the Executive continues to be busy and I am grateful to all of its members for their hard work and professionalism during the year.

During the year, the Executive issued no letters of private censure and 6 educational/warning letters.

ACCOUNTS

The Panel's income in 2018-19 was £13,909,313, compared with £14,202,310 in 2017-18, a decrease of 2.1%. The variance was largely driven by a reduction in income from the PTM levy, following the trend of the previous year, with document fee income largely flat against the previous year. Expenditure in 2018-19 was £13,989,452, compared with £12,237,256 in 2017-18, an increase of 14.3%. This was driven by an increase in personnel costs, largely reflecting a greater number and cost of secondees, and an increase in legal and professional fees resulting from hearings and investigatory activities.

Before interest receivable and taxation, the Panel incurred a deficit for the year of £(80,139) in 2018-19 compared with a surplus of £1,965,054 in 2017-18. Interest receivable increased to £301,651 compared with £222,489 in the previous year.

After interest receivable and taxation, the surplus for the year was £164,199 compared with a surplus of £2,145,270 in the previous year.

The Panel's cash position and term deposits decreased by £1,183,364 to £27,139,687, principally reflecting the additions to fixed assets arising from the move to new premises at One Angel Court.

The accumulated surplus at 31 March 2019 was £30,818,676. When considering the Panel's levels of charges and costs, the Panel's objective is to maintain reserves, across the cycle, of broadly two years' expenditure. The Finance, Audit and Risk Committee will keep this under review.

SIMON LINDSAY
17 July 2019

STATISTICS

The following sets out some of the key statistics relating to transactions regulated by the Panel in the year ended 31 March 2019. In each case, the equivalent statistics are provided for the year ended 31 March 2018 for comparative purposes.

OFFER PERIODS COMMENCING DURING THE YEAR

During the year ended 31 March 2019, an offer period commenced in respect of 67 offeree companies (year ended 31 March 2018 – 69). Of these offer periods:

- 27 (31) commenced with the announcement of a firm offer by an offeror;
- 28 (29) commenced with the announcement of a possible offer, of which 26 (28) identified one potential offeror and 2 (1) identified more than one potential offeror;
- 10 (9) commenced with the announcement of a formal sale process (as described in Note 2 on Rule 2.6);
- 2 (0) 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 one of the options under its strategic review.

As at 31 March 2019, there were 21 offeree companies in an offer period (22).

FIRM OFFERS ANNOUNCED DURING THE YEAR

During the year, 51 (57) firm offers were announced, of which 18 (21) were structured as a contractual offer and 33 (36) as a scheme of arrangement at the time of the firm offer announcement.

There was 1 (0) offer where the Panel shared jurisdiction with a supervisory authority of another EEA member state.

OFFERS RESOLVED DURING THE YEAR

During the year, 51 (51) offers in respect of 49 (50) offeree companies became unconditional in all respects or the scheme became effective, lapsed or were withdrawn. Of these 51 (51) offers:

- 7 (8) were not recommended by the board of the offeree company at the time of the firm offer announcement;
- 7 (8) remained not recommended at the time that the offer document was published; and
- 5 (8) remained not recommended at the end of the offer period. 4 (8) of these offers became unconditional in all respects and 1 (0) lapsed.

At the time of the firm offer announcement, 2 (3) offers were mandatory offers under Rule 9.

A further 16 (16) offers remained unresolved as at 31 March 2019, and are not included in these figures.

THE TAKEOVER PANEL
2018-2019 REPORT

	2018-2019	2017-2018
OUTCOME OF OFFERS		
Offers involving the acquisition of control which became unconditional in all respects or the scheme became effective	42	44
Offers involving the acquisition of control which lapsed	4	2
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	4
	<u>51</u>	<u>51</u>

During the year, the Executive granted 46 (64) “whitewash” dispensations (i.e. dispensations from the obligation to make a mandatory offer under Rule 9 following an issue of new shares or a repurchase of existing shares) and 12 (14) “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 2019

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2019 £	2018 £
INCOME			
PTM levy		7,248,357	7,495,685
Document charges		5,924,000	5,927,500
Code sales		88,956	94,875
Exempt charges		426,000	462,000
Recognised Intermediary charges		222,000	222,000
Other income		-	250
		<u>13,909,313</u>	<u>14,202,310</u>
EXPENDITURE			
Personnel costs		8,914,340	8,061,300
Legal and professional costs		2,228,928	1,433,296
Accommodation costs		1,791,889	1,702,579
Other expenditure		1,054,295	1,040,081
		<u>13,989,452</u>	<u>12,237,256</u>
(DEFICIT)/SURPLUS BEFORE INTEREST AND TAXATION		(80,139)	1,965,054
Interest receivable		301,651	222,489
Taxation	2	<u>(57,313)</u>	<u>(42,273)</u>
SURPLUS FOR THE YEAR		<u>164,199</u>	<u>2,145,270</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>30,654,477</u>	<u>28,509,207</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>30,818,676</u></u>	<u><u>30,654,477</u></u>

BALANCE SHEET
AT 31 MARCH 2019

	NOTE	2019 £	Restated 2018 £
FIXED ASSETS	3	<u>1,892,453</u>	<u>7,782</u>
CURRENT ASSETS			
Debtors and prepayments	4	3,726,877	3,724,854
Rent deposit		-	564,049
Term deposits		<u>25,900,000</u>	<u>26,900,000</u>
		<u>29,626,877</u>	<u>31,188,903</u>
Cash		<u>1,239,687</u>	<u>1,423,051</u>
		<u>30,866,564</u>	<u>32,611,954</u>
CURRENT LIABILITIES			
Creditors and accruals	5	1,883,028	1,922,986
Corporation tax		<u>57,313</u>	<u>42,273</u>
		<u>1,940,341</u>	<u>1,965,259</u>
NET ASSETS		<u>30,818,676</u>	<u>30,654,477</u>
Representing		<u>30,818,676</u>	<u>30,654,477</u>
ACCUMULATED SURPLUS		<u>30,818,676</u>	<u>30,654,477</u>

The accounts on pages 21 to 27 were approved by the Finance, Audit and Risk Committee on 17 July 2019 and signed on behalf of the Panel members by:

MICHAEL CRANE QC
Chairman
The Panel on Takeovers and Mergers

PHILIP REMNANT
Chairman
Finance, Audit and Risk Committee

The notes form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	NOTE	2019 £	2018 £
Surplus for the year		164,199	2,145,271
Interest		(301,651)	(222,489)
Taxation		57,313	42,273
Depreciation		24,894	4,195
Loss on disposal of fixed assets		3,832	-
Decrease in debtors and prepayments		558,202	225,484
(Decrease)/increase in creditors and accruals		(39,958)	820,251
UK Corporation tax paid		(42,273)	(66,462)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>424,558</u>	<u>2,948,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		305,475	240,589
Capital expenditure		(1,913,397)	(8,881)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		<u>(1,607,922)</u>	<u>231,708</u>
(DECREASE)/INCREASE IN CASH AND TERM DEPOSITS	6	<u>(1,183,364)</u>	<u>3,180,231</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 One Angel Court, London EC2R 7HJ.

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 the United Kingdom Accounting Standards, including the measurement principles of Financial Reporting Standard FRS 102 - ‘The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland’ (FRS 102). The full disclosure requirements of FRS 102 do not apply to the Panel. However, the disclosures included fairly represent the position and performance of the Panel.
- (c) These accounts have been prepared under the historical cost basis of accounting.
- (d) 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. Income from Document charges is recognised in full on a firm offer announcement unless, at a period end, it is probable that no offer document will be published (in which case only 50% of the Document charge is payable).
- (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 is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- (h) Term deposits are amounts held with financial institutions which are not repayable without penalty on notice of withdrawal before maturity date. Term deposits accrue interest which is recognised over the course of the term deposit.
- (i) In agreement with HM Revenue & Customs, current tax is the amount of income tax payable in respect of the bank deposit interest received and any profit made on Code sales for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.
- (j) 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.

Depreciation is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is charged in full during the month of purchase.

Depreciation is provided on the following basis:

Computer equipment	- 4 years straight line
Leasehold improvements	- 10 years straight line
Fixtures and fittings	- 10 years straight line

- (k) Operating leases: the Panel as lessee

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

During the year the Panel signed a new lease from 5 September 2018 to 28 September 2028, which included a rent incentive which has been spread over the lease term.

- (l) 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 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.

NOTES TO THE ACCOUNTS *continued*

(m) Critical accounting judgements and key sources of estimation uncertainty

Whilst the Panel estimates accrued income at each period end, these estimates are normally based upon actual post year end 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 charge being payable.

In relation to Document charges income where a firm offer has been announced but an offer document has not been issued at the point of approving the financial statements, the Panel considers the likelihood of the document being published. Only 50% of the charge arising is recognised where the Panel considers it probable that the offer document will not be published.

All legal fees incurred in the year are either paid or accrued. No provision is made in respect of future legal costs in association with 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. In addition, these costs are not committed at the year end and so the requirements to record a provision are not met.

A new property lease was entered into on 5 September 2018 for a period of 10 years. As part of the lease agreement, at the end of the lease the property is required to be returned to its original condition and as such a dilapidations provision is required. The Panel assesses annually the level of provision required and this amount is provided in full to the extent that the events creating the obligation have occurred at the balance sheet date.

2. TAXATION

	2019 £	2018 £
UK Corporation tax payable:		
Current tax payable	57,313	42,273
Tax charge for the year	<u>57,313</u>	<u>42,273</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 2019, Corporation tax was charged at the main rate of 19%.

NOTES TO THE ACCOUNTS *continued*

3. TANGIBLE FIXED ASSETS

	Computer Equipment £	Leasehold Improvements £	Fixtures & Fittings £	2019 Total £
Cost				
At 1 April 2018	451,260	-	-	451,260
Additions	255,258	1,385,601	272,538	1,913,397
Disposals	(210,042)	-	-	(210,042)
At 31 March 2019	496,476	1,385,601	272,538	2,154,615
Depreciation				
At 1 April 2018	443,478	-	-	443,478
Provided during the year	11,076	11,547	2,271	24,894
Depreciation on disposals	(206,210)	-	-	(206,210)
At 31 March 2019	248,345	11,547	2,271	262,162
Net book value				
At 31 March 2019	248,132	1,374,054	270,267	1,892,453
At 31 March 2018	7,782	-	-	7,782

4. DEBTORS AND PREPAYMENTS

	2019 £	2018 £
PTM levy accrued	1,761,068	1,933,175
Document charges accrued	607,500	1,060,000
Code sales accrued	750	7,425
Exempt charges accrued	192,000	252,000
Recognised Intermediary charges accrued	90,000	60,000
Other debtors and prepayments	1,075,559	412,254
	<u>3,726,877</u>	<u>3,724,854</u>

5. CREDITORS AND ACCRUALS

	2019 £	2018 £
Personnel costs	475,002	383,971
Legal and professional fees	163,266	775,530
Trade creditors	365,017	276,820
Other creditors and accruals	879,743	486,665
	<u>1,883,028</u>	<u>1,922,986</u>

NOTES TO THE ACCOUNTS *continued*

6. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	2019 £	2018 £
(Decrease)/increase in cash and term deposits in period	(1,183,364)	3,180,231
Change in net funds	(1,183,364)	3,180,231
Net funds as at 1 April 2018	28,323,651	25,142,820
Net funds as at 31 March 2019	<u>27,139,687</u>	<u>28,323,051</u>

7. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At 31 March 2019 the Panel had future minimum lease payments under non-cancellable operating leases as follows:		
Property lease		
Not later than 1 year	-	812,064
Later than 1 year and not later than 5 years	2,953,007	-
Later than 5 years	3,841,482	-
	<u>6,794,489</u>	<u>812,064</u>
Other leases		
Not later than 1 year	58,093	37,463
Later than 1 year and not later than 5 years	224,097	38,310
	<u>282,190</u>	<u>75,770</u>

8. RESTATEMENT

The balance sheet comparative figures have been restated to reflect the requirement under FRS 102 to separate Term Deposits (balances deposited for more than 3 months) from Cash (balances available on demand).

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 2019, 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.

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. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS

MILTON KEYNES
19 July 2019

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 2019. 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

2018

10 April	2018/3	FIDESSA GROUP PLC <i>Requirement for potential offerors to make Rule 2.7 announcement or announce no intention to bid</i>
12 April	2018/4	SKY PLC <i>Requirement for a chain principle offer</i>
23 April	2018/5	FIDESSA GROUP PLC <i>Requirement for potential offeror to make Rule 2.7 announcement or announce no intention to bid</i>
26 April	2018/6	NEW DIRECTOR GENERAL FOR THE PANEL <i>Panel Executive appointment</i>
28 June	2018/7	SKY PLC <i>Requirement for a chain principle offer</i>
4 July	2018/8	RANGERS INTERNATIONAL FOOTBALL CLUB PLC <i>Rejection by the Chairman of the Hearings Committee of request to convene the Committee</i>
13 July	2018/9	SKY PLC <i>Requirement for a chain principle offer</i>
18 July	2018/10	SKY PLC <i>Notification of hearing date</i>
23 July	2018/11	2018 ANNUAL REPORT <i>Publication of the Panel's Annual Report</i>
27 July	2018/12	SKY PLC <i>Holding announcement of the Hearings Committee</i>
3 August	2018/13	SKY PLC <i>Chain principle offer price</i>
29 August	2018/14	SKY PLC <i>Disney chain principle offer price</i>
20 September	2018/15	SKY PLC <i>Auction procedure under Rule 32.5</i>
22 September	2018/16	SKY PLC <i>Result of auction</i>
17 October	2018/17	PUBLIC CONSULTATION PAPER: ASSET VALUATIONS <i>Issue of Public Consultation Paper 2018/1</i>
5 November	2018/18	PUBLIC CONSULTATION PAPER: THE UNITED KINGDOM'S WITHDRAWAL FROM THE EUROPEAN UNION <i>Issue of Public Consultation Paper 2018/2</i>
29 November	2018/19	RANGERS INTERNATIONAL FOOTBALL CLUB PLC <i>Ruling of the Chairman of the Hearings Committee</i>

THE TAKEOVER PANEL
2018-2019 REPORT

2019

24 January	2019/1	NEW PANEL MEMBERS <i>Panel appointments</i>
19 February	2019/2	RPC GROUP PLC <i>Berry Global Group, Inc. – deadline for clarification under section 4 of Appendix 7 of the Code</i>
27 February	2019/3	CHANGE OF ADDRESS <i>New address with effect from 11 March 2019</i>
6 March	2019/4	PUBLICATION OF RESPONSE STATEMENTS AND AMENDMENTS TO THE TAKEOVER CODE <i>Publication of RS 2018/1 (Asset Valuations) and RS 2018/2 (The United Kingdom's withdrawal from the European Union) and amendments to the Takeover Code</i>
11 March	2019/5	EARTHPORT PLC <i>Offer timetable extended</i>
25 March	2019/6	AMENDMENTS TO THE TAKEOVER CODE <i>Amendments to references to the UKLA and other matters</i>