

THE TAKEOVER PANEL
REPORT AND ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2016

THE TAKEOVER PANEL
2015-2016 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, such as competition policy, which are the responsibility of government and other bodies.

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

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

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

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

THE PANEL

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

THE HEARINGS COMMITTEE

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

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. 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 substantive provisions (in the Introduction, the General Principles and Rules) of the Code and the Rules of Procedure of the Hearings Committee.

THE EXECUTIVE

The day-to-day work of takeover supervision and regulation is carried out by the 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.

PANEL MEMBERS

AS AT 13 JULY 2016

CHAIRMAN AND DEPUTY CHAIRMEN

	SIR GORDON LANGLEY	CHAIRMAN Appointed by the Panel		
DAVID CHALLEN	DEPUTY CHAIRMAN Appointed by the Panel		MICHAEL CRANE	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 CHAIRMAN, LAND SECURITIES	Appointed by the Panel	PAUL EVANS GROUP CHIEF EXECUTIVE, AXA UK	Appointed by the Association of British Insurers
STUART CHAMBERS CHAIRMAN, ARM HOLDINGS	Appointed by the Panel	PETER ARTHUR CHAIRMAN, ASSOCIATION OF INVESTMENT COMPANIES	Appointed by the Association of Investment Companies
BARONESS HOGG LEAD INDEPENDENT DIRECTOR, HM TREASURY	Appointed by the Panel	NOREEN DOYLE CHAIR, BRITISH BANKERS' ASSOCIATION	Appointed by the British Bankers' Association
LORD MORRIS OF HANDSWORTH FORMER GENERAL SECRETARY, THE TRANSPORT AND GENERAL WORKERS' UNION	Appointed by the Panel	ALAN PORTER GROUP COMPANY SECRETARY, PRUDENTIAL	Appointed by the Confederation of British Industry
SIR IAN ROBINSON FORMER SENIOR INDEPENDENT DIRECTOR, COMPASS GROUP	Appointed by the Panel	HILARY LINDSAY PRESIDENT, ICAEW	Appointed by the Institute of Chartered Accountants in England and Wales
CHRIS SAUL FORMER SENIOR PARTNER, SLAUGHTER AND MAY	Appointed by the Panel	HELENA MORRISSEY CHAIR, THE INVESTMENT ASSOCIATION	Appointed by The Investment Association
MARK WARHAM EXECUTIVE VICE CHAIRMAN, ROTHSCHILD	Appointed by the Association for Financial Markets in Europe	MARTIN MANNION HEAD OF TRUSTEE SERVICES, JOHN LEWIS PARTNERSHIP PENSIONS TRUST	Appointed by the National Association of Pension Funds
CHARLES WILKINSON CO-HEAD OF CORPORATE BROKING, DEUTSCHE BANK	Appointed by the Association for Financial Markets in Europe representing its Corporate Finance Committee	MICHAEL HIGGINS CHAIRMAN, QUOTED COMPANIES ALLIANCE	Appointed by the Quoted Companies Alliance
JOHN CROMPTON FORMER HEAD OF CORPORATE FINANCE, HSBC	Appointed by the Association for Financial Markets in Europe representing its Securities Trading Committee	TIM INGRAM CHAIRMAN, WEALTH MANAGEMENT ASSOCIATION	Appointed by the Wealth Management Association

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

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CODE COMMITTEE

The Membership of the Code Committee is as follows:

	GUY ELLIOTT SENIOR INDEPENDENT DIRECTOR, SABMILLER	CHAIRMAN Appointed by the Panel	
JAMES AGNEW SENIOR DIRECTOR, KPMG	Appointed by the Panel	MICHAEL HERZOG CO-CEO, PARTNER, DAVIDSON KEMPNER EUROPEAN PARTNERS	Appointed by the Panel
JONATHAN BLOOMER CHAIRMAN, ARROW GLOBAL	Appointed by the Panel	JAMES LAING DEPUTY HEAD OF UK AND EUROPEAN EQUITES, ABERDEEN ASSET MANAGEMENT	Appointed by the Panel
PHILIP BROADLEY NON-EXECUTIVE DIRECTOR, LEGAL & GENERAL GROUP	Appointed by the Panel	RICHARD MURLEY EXECUTIVE VICE CHAIRMAN, ROTHSCHILD	Appointed by the Panel
ALISTAIR DEFRIEZ FORMER MANAGING DIRECTOR, UBS	Appointed by the Panel	TRELAWNY WILLIAMS HEAD OF CORPORATE FINANCE, FIDELITY WORLDWIDE INVESTMENT	Appointed by the Panel
RICHARD GODDEN PARTNER, LINKLATERS	Appointed by the Panel		

CHAIRMAN'S STATEMENT

The year to March 2016 maintained the momentum of recovery in public M&A, including a number of very sizeable bids, often attended by prolonged multiple anti-trust clearance requirements. More recently, the run-up to the Brexit referendum on 23 June 2016 had a dampening effect on public M&A volumes.

The impact of Brexit on the framework of takeover regulation will depend upon the form of exit that the UK negotiates. If the UK becomes a member of the European Economic Area, the Takeovers Directive would continue to apply. If it does not, the Panel will seek to discuss with Government the extent to which Chapter 1 of Part 28 of the Companies Act 2006, which implemented the Directive in the UK, should be amended. Other than in certain limited respects, for example in the provisions for regulating “shared jurisdiction” cases with takeover regulators in other EEA member states, there are likely to be relatively few direct consequences for the Rules of the Code. The Executive has continued to be an active participant in the Takeover Bids Network of the supervisory authorities in the EEA member states, a useful forum to exchange views and experiences in takeover regulation, and in May 2016 participated in a conference hosted in Dublin reflecting on the tenth anniversary of the implementation of the Takeovers Directive.

We have also seen more evolution in the composition of the Panel than usual, including the forthcoming change in the chairmanship, two other retirements and seven new members.

In February, we announced that I would retire on 31 October 2016 and that Michael Crane had been appointed to be Chairman from that date and would join the Panel as a Deputy Chairman with effect from 22 February. Michael is an outstandingly well-regarded QC and, since 2002, has been authorised to sit as a deputy judge of the High Court of Justice, Commercial Court. I am confident that I will be passing chairmanship of the Panel to very capable hands.

Sir David Lees has retired after 15 years as a Panel member. During that time he sat on six hearings, including significant cases such as *Tempus/WPP* and in relation to *Canary Wharf Group*, served on the Nomination Committee for ten years, and was an assiduous contributor to Panel Quarterly meetings. I am most grateful for David's judgment, tenacity and attention to detail and we wish him all the very best in retirement.

This year the Code Committee also bids farewell to a most long-serving member in Alan Paul. Alan has had a distinguished career as an M&A lawyer and was first seconded from Allen & Overy as a Secretary to the Executive in 1985 for two and a half years, an exceptionally busy period that embraced the “Big Bang” reconfiguration of merchant banks and stockbrokers in London. Alan sat as a member of the Code Committee from its inception in May 2001 and was appointed a member of the Panel in 2006. He also sat on the Nomination Committee for ten years. We are indebted to Alan for his wise and considered input to the deliberations of the Code Committee and for his contribution to the 43 Public Consultation Papers issued during his tenure.

In November 2015, the Panel announced that it had appointed the Quoted Companies Alliance (the “QCA”) as a body which may appoint an individual member, and one or more designated alternates, to the Panel. The QCA represents the smaller quoted company constituency. Recognising that, historically, the majority of offers regulated by the Panel have been for companies with a market capitalisation of below £50 million, and indeed that such companies have accounted for an even greater proportion of “whitewashes” overseen by the Panel, it is entirely appropriate that the QCA should be represented alongside the CBI and the individual members appointed by the Panel who tend to be drawn from larger quoted companies. I am delighted to welcome Michael Higgins, Chairman of the QCA, as a member of the Panel designated to sit on the Hearings Committee and Tim Ward, Chief Executive of the QCA, as his alternate.

The Hearings Committee has been further augmented by Dame Alison Carnwath, Chairman of Land Securities plc, with effect from November 2015, and by Stuart Chambers, Chairman of ARM Holdings plc, and Chris Saul, recently Senior Partner of Slaughter and May, with effect from April 2016. They have all had distinguished careers and substantial experience of public M&A and I am delighted that they have agreed to serve on the Panel.

Three new members have been appointed to the Panel and designated to sit on the Code Committee and I am delighted to welcome James Laing of Aberdeen Asset Management, with effect from November 2015, and Richard Godden of Linklaters and Michael Herzog of Davidson Kempner with effect from April 2016. Richard will have the challenging task of taking over from Alan Paul as the resident lawyer on the Committee, while James and Michael provide welcome breadth and perspective from different parts of the asset management industry.

SIR GORDON LANGLEY
13 July 2016

CODE COMMITTEE CHAIRMAN'S REPORT

The Code Committee met four times during the year ended 13 July 2016 and published one Public Consultation Paper (“PCP”), three Response Statements (“RSs”) and one rule-making Instrument.

The RSs referred to above set out the final amendments to the Code adopted by the Committee following the consultations on the three PCPs published in the year ended 15 July 2015, as referred to in my last report, namely:

- PCP 2015/1, which proposed amendments to the Code in relation to the treatment of dividends paid by an offeree company to its shareholders;
- PCP 2015/2, which proposed the introduction of a new definition of “voting rights” into the Code to make clear that shares which are subject to voting restrictions or suspensions will nonetheless be regarded as “shares carrying voting rights”; and
- PCP 2015/3, which proposed the introduction of three new presumptions to the definition of “acting in concert” in the Code in order to codify existing practices of the Executive.

In each case, the Committee adopted the substance of the amendments proposed in the 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. RS 2015/1, RS 2015/2 and RS 2015/3 were published on 23 October 2015, as was Instrument 2015/3 by which the consolidated amendments to the Code were formally made. The changes to the Code came into effect a month later on 23 November.

On 15 February 2016, the Committee published PCP 2016/1 in relation to the communication and distribution of information during an offer, which set out various proposed amendments to the Code under the following headings:

- equality of information to shareholders;
- meetings and telephone calls with shareholders and others;
- videos, social media and websites;
- advertisements and telephone campaigns; and
- minor and consequential amendments.

The consultation period in relation to PCP 2016/1 ended on 15 April 2016 and the Committee expects to publish shortly the RS setting out the final amendments to the Code.

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During the year, as well as reviewing its future work plan, the Committee reviewed both its Terms of Reference and the “Procedures for Amending the Takeover Code” which are published on the Panel’s website. In July 2016, revised Terms of Reference for the Committee were adopted by the Panel and a revised version of the Procedures for Amending the Takeover Code was adopted by the Committee. In addition, in consultation with the Hearings Committee, the Committee undertook a review of the Rules of Procedure of the Hearings Committee. The Committee expects to publish shortly any amendments to the Rules of Procedure of the Hearings Committee resulting from that review.

GUY ELLIOTT
13 July 2016

HEARINGS COMMITTEE CHAIRMAN'S REPORT

The Hearings Committee met three times since the previous report and accounts, in December 2015 in relation to Xchanging plc, and in November 2015 and April 2016 in relation to Ladbrokes plc. In each case the rulings of the Hearings Committee were appealed to the Takeover Appeal Board and in each case the rulings were subsequently upheld. The statements published by the Takeover Appeal Board following these appeals are available on its website at www.thetakeoverappealboard.org.uk.

In the *Xchanging* case, the Hearings Committee upheld the Executive's ruling that, where there were multiple competing potential offerors to an offeror that had made a firm offer announcement, and one of the competing potential offerors announced a firm offer, then a second competing potential offeror, in accordance with Rule 2.6(d) of the Code, would have until "Day 53" of that most recent firm offeror's timetable to clarify whether it would either announce a firm offer or state that it was not making an offer and was bound by the restrictions set out in Rule 2.8.

In the *Ladbrokes* case, the Hearings Committee upheld the Executive's rulings, made in relation to agreements entered into between Ladbrokes and the Playtech group of companies which were amended at the time of Ladbrokes' proposed merger with businesses of the Gala Coral Group Limited, that (i) there was no basis for requiring Ladbrokes to publish on a website the original agreements with Playtech or to require a further general meeting to be convened to allow shareholders a further vote on the relevant resolutions; and (ii) information which was made available on a confidential basis to the appellant, in the context of the hearing must remain confidential.

During the year, the Hearings Committee instigated a review of its Terms of Reference and its revised, updated Terms of Reference were approved by the Panel in July 2016.

SIR GORDON LANGLEY
13 July 2016

FINANCE, AUDIT AND RISK COMMITTEE

DAVID CHALLEN CHAIRMAN

JONATHAN BLOOMER

PHILIP BROADLEY

PHILIP REMNANT

CHARLES WILKINSON

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

The Finance, Audit and Risk Committee met three times. It considered reforecasts of the Panel's expected results for the 2015-16 year, the full year results and audit for 2015-16 and the budget for 2016-17. It also reviewed the Panel's risk register and the Panel's deposit profile.

During the year Jim Hamilton retired from the Committee. The Committee is very grateful to him for his services to the Committee. Philip Broadley and Charles Wilkinson were appointed to the Committee during the year.

DAVID CHALLEN
13 July 2016

NOMINATION COMMITTEE

SIR GORDON LANGLEY CHAIRMAN

DAVID CHALLEN

STUART CHAMBERS

GUY ELLIOTT

*CHARLOTTE HOGG
CHIEF OPERATING OFFICER,
BANK OF ENGLAND

PHILIP REMNANT

MARK WARHAM

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

During the course of the year, the Committee met twice and considered and recommended to the Panel the process for selecting and the selection of the new Chairman of the Panel and the process for selecting future Directors General of the Panel. In addition it considered and recommended to the Panel the appointment of six new members of the Panel, two new members of the Remuneration Committee, two new members of the Finance, Audit and Risk Committee and the renewal of the appointments of a further two members of the Panel whose terms of appointment were due to expire.

It also recommended that the Panel agree to the inclusion of the QCA as a nominating body.

At the end of the year, Sir John Cunliffe, Sir David Lees and Alan Paul retired from the Committee. The Committee is very grateful to all of them for their services to the Committee. Charlotte Hogg has replaced Sir John Cunliffe as the Bank of England's representative on the Committee. Guy Elliott and Stuart Chambers were appointed to the Committee during the year.

SIR GORDON LANGLEY
13 July 2016

* NOT A PANEL MEMBER

REMUNERATION COMMITTEE

JAMES AGNEW CHAIRMAN

DAME ALISON CARNWATH

DAVID CHALLEN

PHILIP REMNANT

TRELAWNY WILLIAMS

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

The Committee met once during the year and discussed the remuneration of the Chairman elect, the remuneration of eligible Panel members, the circumstances in which expenses will be paid to them and the remuneration of the Deputy Directors General.

Jim Hamilton retired from the Committee. The Committee is very grateful to him for all of his services to the Committee.

Dame Alison Carnwath and Trelawny Williams were appointed to the Committee during the year.

JAMES AGNEW
13 July 2016

PANEL EXECUTIVE

AS AT 13 JULY 2016

*CRISPIN WRIGHT ROTHSCHILD	DIRECTOR GENERAL
CHARLES CRAWSHAY	DEPUTY DIRECTOR GENERAL
CHRISTOPHER JILLINGS	DEPUTY DIRECTOR GENERAL
ANTHONY PULLINGER	DEPUTY DIRECTOR GENERAL
JEREMY EVANS	ASSISTANT DIRECTOR GENERAL

SECRETARIES

JOHN DOVEY SECRETARY

*SIMON WOOD SECRETARY
ADDLESHAW GODDARD

ASSISTANT SECRETARIES

DIPIKA SHAH SENIOR ASSISTANT SECRETARY

*AMY GRAMMER ASSISTANT SECRETARY
KING AND WOOD MALLESONS

MARK HUTT ASSISTANT SECRETARY

*CRAIG KELLY ASSISTANT SECRETARY
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM

*MICHAEL NICHOLSON ASSISTANT SECRETARY
MAKINSON COWELL

*HENRIK PERSSON ASSISTANT SECRETARY
FINNCAP

MARKET SURVEILLANCE

ROSALIND GRAY HEAD OF MARKET
SURVEILLANCE

CRAIG ANDREWS DEPUTY HEAD

CLIVE DAVIDSON

REBECCA MEESON-FRIZELLE

MATTHEW PLASTINA

EXEMPT GROUPS

SUSAN POWELL HEAD OF EXEMPT GROUPS

KEITH OFFORD

ADMINISTRATION AND SUPPORT

ALEX TETLEY CHIEF OPERATING OFFICER

JANE TAYLOR HEAD OF SUPPORT GROUP

* SECONDED

DIRECTOR GENERAL'S REPORT

OVERVIEW OF ACTIVITY

2015-16 saw similar levels of public M&A activity to those seen in the previous year.

The number of firm takeover offers which were announced during the year was 61 (64 in 2014-15), and the number of such offers which became unconditional as to acceptances, were withdrawn or lapsed during the year was 47 (57 in 2014-15). There were 12 offers of over £1 billion in value announced in 2015-16, continuing the trend seen in 2014-15 (11).

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

During 2015-16, the Executive issued a statement of public censure (2015/15) relating to the conduct of Credit Suisse, Freshfields Bruckhaus Deringer and Holman Fenwick Willan in connection with their involvement in the acquisition by Vallar plc (the predecessor entity of Asia Resource Minerals plc, formerly Bumi plc) of interests in two Indonesian coal mining companies. This marked the culmination of an investigation initiated by the Executive in late 2012 and raised important conclusions for practitioners and other persons to whom the Code applies.

As noted in Statement 2015/15, the Panel system of regulation relies on parties and their advisers consulting the Panel whenever they are in any doubt whatsoever as to the application of the Code. The need to consult with the Panel in cases of doubt is particularly acute where there are doubts as to whether parties may be acting in concert. To take legal or other professional advice as to whether parties are acting in concert, or to rely on warranties or representations from those parties to the effect that they are not acting in concert, can never be an alternative to such consultation. Whenever the Panel is consulted, it is paramount that all relevant facts are disclosed and no relevant facts are withheld.

In addition, the Executive issued two letters of private censure and 26 educational/warning letters.

PRACTICE STATEMENTS NOS 29 AND 30

In October 2015, the Executive published Practice Statements Nos 29 and 30. Practice Statement No 29 provides guidance on the Executive's interpretation and application of Rule 21.2 in relation to (a) certain of the exclusions to the prohibition on offer-related arrangements provided in paragraphs (i) to (vii) of Rule 21.2(b); (b) bid conduct agreements; and (c) agreements under which an offeree company may agree to pay an inducement fee to an offeror in the limited circumstances set out in Notes 1 and 2 on Rule 21.2.

Practice Statement No 30 explains the Executive's practice with regard to allowing parties to establish "clean room procedures". The purpose of these procedures is to enable, in certain circumstances, offeree companies to provide a limited amount of commercially sensitive information to an offeror's lawyers and/or economists on an "outside counsel only" basis to enable them to consider the need for and, where necessary, obtain the consent of a competition authority or other regulatory body. Provided that these "clean room procedures" are adhered to, the Executive's practice is normally to agree that the requirements of Rule 20.2 (relating to the provision, upon request, of information given to one potential offeror to another offeror or bona fide potential offeror) will be satisfied if, upon request, the information provided to the first offeror's advisers subject to the clean room procedures is supplied to the second offeror/bona fide potential offeror's lawyers and/or economists on the same restricted, outside counsel only, basis. If an offeree company wishes the Executive to agree such a clean room procedure, the consent of the Executive must be obtained before any information is provided to any adviser to the first offeror.

PRE-CONDITIONAL OFFERS

In conjunction with the increasing size and cross border nature of many of the transactions announced in 2015-16, the Executive has noted the rise both in the number of competition and regulatory clearances that offerors require and the considerable time many of them take to be received. Frequently these clearance periods extend significantly beyond those envisaged by the timetable for normal Code offers. In such circumstances, the Executive considers that, in the majority of cases, it is preferable for offerors to proceed either by way of a pre-conditional offer or scheme of arrangement. The Executive should be consulted in advance if offerors wish to proceed by way of a pre-conditional offer.

ACCOUNTS

The 2014/15 accounts have been restated as a result of adopting the new FRS 102 accounting framework, which has caused a slight change in the previous year's figures. This is explained in Note 8 of the accounts.

The Panel's income in 2015-16 was £13,723,111 compared with £12,193,804 in 2014-15, an increase of 13%. This increase was largely driven by higher document charge income, which was £5,929,000 in 2015-16 compared with £4,418,500 in the previous year. This increase reflected the increase in larger takeovers seen in the year together with the increase in charges introduced in May 2015 which accounted for an increase in revenue of £860,000. The PTM levy was £7,005,190 in 2015-16, a slight decrease on £7,110,755 in the previous year.

Expenditure in 2015-16 was £11,780,069 compared with £12,117,327 in 2014-15, a reduction of 3%. This was largely driven by lower personnel costs partially offset by a further

increase in legal and professional costs, which may vary considerably from year to year and which, in 2015-16, were increased by the cost of legal advice in relation to a high level of investigatory work. Excluding legal and professional costs, all other expenditure decreased by 5% in aggregate.

Before interest receivable and taxation, the Panel generated a surplus of £1,943,042 in 2015-16 compared with a surplus of £76,477 in 2014-15. Interest receivable increased to £299,455 compared with £277,038 in the previous year.

After interest receivable and taxation, the surplus for the year was £2,182,606 compared with a surplus of £298,108 in the previous year.

The accumulated surplus as at 31 March 2016 was £27,614,282. When considering the Panel's level of charges and costs, the Finance, Audit and Risk Committee's objective is to maintain reserves, across the cycle, broadly of the order of two years' expenditure. The Committee will keep this under review.

CRISPIN WRIGHT
13 July 2016

STATISTICS

The following sets out some of the key statistics relating to transactions regulated by the Panel in the year ended 31 March 2016. In each case, the equivalent statistics are provided for the year ended 31 March 2015 for comparative purposes.

OFFER PERIODS COMMENCING DURING THE YEAR

During the year ended 31 March 2016, an offer period commenced in respect of 74 offeree companies (year ended 31 March 2015 – 89). Of these offer periods:

- 28 (41) commenced with the announcement of a firm offer by an offeror;
- 35 (31) commenced with the announcement of a possible offer, of which 33 (29) identified one potential offeror, 1 (2) identified more than one potential offeror and 1(0) did not identify a potential offeror; and
- 11 (14) commenced with the announcement of a formal sale process (as described in Note 2 on Rule 2.6).

In the year ended 31 March 2015, two offers commenced with the announcement of a strategic review in which the offeree company referred to an offer, a merger or a search for a buyer for the company as being one of the options under review and one commenced by virtue of a major shareholder announcing that its stake was for sale. No offers commenced in these ways in the year ended 31 March 2016.

As at 31 March 2016, there were 23 offeree companies in an offer period (24).

FIRM OFFERS ANNOUNCED DURING THE YEAR

During the year, 61 (64) firm offers were announced, of which 24 (26) were structured as a contractual offer and 37 (38) as a scheme of arrangement at the time of the firm offer announcement.

There were no (1) offers where the Panel shared jurisdiction with a supervisory authority of another EEA Member State.

OFFERS RESOLVED DURING THE YEAR

During the year, 61 (57) offers in respect of 59 (56) offeree companies became unconditional as to acceptances, otherwise completed, lapsed or were withdrawn. Of these 61 (57) offers:

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

- 5 (6) remained not recommended at the time that the offer document was published; and
- 2 (4) remained not recommended at the end of the offer period. Both (4) of these offers became unconditional as to acceptances and neither (0) lapsed.

An offer document or a scheme circular was published in respect of 61 (55) offers which were resolved during the year.

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

A further 15 (14) offers remained unresolved as at 31 March 2016, and are not included in these figures.

	2015-2016	2014-2015
OUTCOME OF OFFERS		
Offers involving the acquisition of control which became unconditional as to acceptances	53	41
Offers involving the acquisition of control which lapsed	2	1
Offers involving the acquisition of control which were withdrawn before an offer document or scheme circular was published	0	2
Offers to minority shareholders, etc.	6	13
	<u>61</u>	<u>57</u>

During the year, the Executive granted 59 (63) “whitewash” dispensations (i.e. dispensations from the obligation to make a mandatory offer under Rule 9 following an issue of new shares) and 16 (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 2016

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

	NOTE	2016 £	2015 £
INCOME			
PTM levy		7,005,190	7,110,755
Document charges		5,929,000	4,418,500
Code sales		108,921	104,529
Exempt charges		454,000	360,000
Recognised Intermediary charges		226,000	200,000
Other income		0	20
		<u>13,723,111</u>	<u>12,193,804</u>
EXPENDITURE			
Personnel costs		7,752,796	8,227,791
Legal and professional costs		1,856,277	1,653,435
Accommodation costs		1,294,237	1,274,274
Other expenditure		876,759	961,827
		<u>11,780,069</u>	<u>12,117,327</u>
SURPLUS BEFORE INTEREST AND TAXATION		1,943,042	76,477
Interest receivable		299,455	277,038
Taxation	2	(59,891)	(55,407)
SURPLUS FOR THE YEAR		<u>2,182,606</u>	<u>298,108</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR		<u>25,431,676</u>	<u>25,133,568</u>
ACCUMULATED SURPLUS AT END OF YEAR		<u><u>27,614,282</u></u>	<u><u>25,431,676</u></u>

All activities are regarded as being continuing.

BALANCE SHEET
AT 31 MARCH 2016

	NOTE	2016 £	2015 £
FIXED ASSETS	3	<u>15,521</u>	<u>37,790</u>
CURRENT ASSETS			
Debtors and prepayments	4	4,276,895	2,901,899
Debtors — Amounts due after one year:			
Rent deposit		<u>564,049</u>	<u>564,049</u>
		4,840,944	3,465,948
Cash and term deposits		<u>23,589,675</u>	<u>23,234,407</u>
		<u>28,430,619</u>	<u>26,700,355</u>
CURRENT LIABILITIES			
Creditors and accruals	5	771,967	1,251,062
Corporation Tax		<u>59,891</u>	<u>55,407</u>
		<u>831,858</u>	<u>1,306,469</u>
NET ASSETS		<u>27,614,282</u>	<u>25,431,676</u>
Representing			
ACCUMULATED SURPLUS		<u>27,614,282</u>	<u>25,431,676</u>

The accounts on pages 23-29 were approved by the Finance, Audit and Risk Committee on 13 July 2016 and signed on behalf of the Panel members by:

SIR GORDON LANGLEY

Chairman, Panel on Takeovers and Mergers

DAVID CHALLEN

Chairman, Finance, Audit and Risk Committee

The notes form part of these accounts.

THE TAKEOVER PANEL
2015-2016 REPORT

STATEMENT OF CHANGES IN EQUITY
AT 31 MARCH 2016

	NOTE	Accumulated Surplus £
AT 1 APRIL 2014 AS PREVIOUSLY STATED		25,177,664
Changes on transition to FRS 102	8	<u>(44,096)</u>
		<u>25,133,568</u>
Surplus for the year as originally stated		292,380
Changes on transition to FRS 102	8	<u>5,728</u>
Surplus for the year		<u>298,108</u>
31 MARCH 2015		<u>25,431,676</u>
Surplus for the year		2,182,606
31 MARCH 2016		<u>27,614,282</u>

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	NOTE	2016	2015
		£	£
Surplus for the year		2,182,606	298,108
Interest		(299,455)	(277,038)
Taxation		59,891	55,407
Depreciation		23,850	46,663
(Increase) in debtors and prepayments		(1,260,074)	(81,486)
(Decrease)/Increase in creditors		(479,095)	307,433
UK corporation tax paid		(55,407)	(91,353)
NET CASH INFLOW FROM OPERATING ACTIVITIES		172,316	257,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		184,533	314,971
Capital expenditure		(1,581)	(4,866)
NET CASH INFLOW FROM INVESTING ACTIVITIES		182,952	310,105
INCREASE IN CASH	6	<u>355,268</u>	<u>567,839</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 Financial Reporting Standard FRS 102 – ‘The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland’ (FRS 102). This is the first year in which the financial statements have been prepared under FRS 102. Please refer to note 8 for an explanation of the transition.

- (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.

- (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.

	2016	2015
	£	£
2. TAXATION		
UK Corporation Tax payable:		
Current tax payable	59,891	55,407
Tax charge for the year	<u>59,891</u>	<u>55,407</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 2016, Corporation Tax was charged at the main rate of 20%.

THE TAKEOVER PANEL
2015-2016 REPORT

NOTES TO THE ACCOUNTS *continued*

	2016	2015
	£	£
3. TANGIBLE FIXED ASSETS		Fixtures & Fittings
		£
Cost		
At 1 April 2015		529,287
Additions		1,581
Disposals		(89,940)
At 31 March 2016		<u>440,928</u>
Depreciation		
At 1 April 2015		491,497
Provided during the year		23,850
Depreciation on disposals		(89,940)
At 31 March 2016		<u>425,407</u>
Net book value		
At 31 March 2016		<u>15,521</u>
At 31 March 2015		<u>37,790</u>
	2016	2015
4. DEBTORS AND PREPAYMENTS	£	£
PTM levy accrued	1,840,845	1,950,862
Document charges accrued	1,412,000	401,500
Code sales accrued	2,750	1,075
Exempt charges accrued	264,000	65,000
Recognised Intermediary charges accrued	96,000	65,000
Other debtors and prepayments	661,300	418,462
	<u>4,276,895</u>	<u>2,901,899</u>
	2016	2015
5. CREDITORS AND ACCRUALS	£	£
Personnel costs	373,068	487,771
Legal and professional fees	73,249	130,692
Other creditors and accruals	325,650	632,599
	<u>771,967</u>	<u>1,251,062</u>
	2016	2015
6. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS	£	£
Increase in cash in period	355,268	567,839
Change in net funds	355,268	567,839
Net funds as at 1 April 2015	23,234,407	22,666,568
Net funds as at 31 March 2016	<u>23,589,675</u>	<u>23,234,407</u>

THE TAKEOVER PANEL
2015-2016 REPORT

NOTES TO THE ACCOUNTS *continued*

	2016	2015
7. FINANCIAL INSTRUMENTS	£	£
Financial assets measured at amortised cost	24,153,724	23,798,456
Financial liabilities measured at amortised cost	446,317	618,463
Total interest income for financial assets measured at amortised cost	299,455	277,038
		At 31 March
		2015
8. EXPLANATION OF TRANSITION FOR FRS 102		£
Reconciliation of surplus for 2015		
Surplus under previous GAAP		292,380
Holiday pay accrual decrease		5,728
Restated surplus for the year		298,108
Reconciliation of equity		
Accumulated surplus under previous GAAP		25,470,044
Holiday pay accrual		(38,368)
Restated accumulated surplus		25,431,676

These financial statements have been prepared in accordance with FRS 102, with a transition date of 1 April 2014. The only adjustment required to the prior year figures in respect of this change was for the accrual of holiday pay, being £44,096 as at 1 April 2014 and £38,368 as at 31 March 2015. The opening accumulated reserves as at 1 April 2014 were therefore restated to £25,133,568.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TAKEOVER PANEL

We have audited the accounts of the Takeover Panel for the year ended 31 March 2016 which comprise the income and expenditure account, the balance sheet, statement of changes in equity, the statement of cash flows and the related notes 1 to 8. These accounts have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF PANEL MEMBERS AND AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

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

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

MILTON KEYNES
13 July 2016

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 2016. 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 detect fraud and other irregularities.

STATEMENTS ISSUED BY THE PANEL

2015

16 April	2015/4	NEW DIRECTOR GENERAL FOR THE TAKEOVER PANEL <i>Panel Executive appointment</i>
21 April	2015/5	FEES AND CHARGES <i>Revision of document charges and charges for exempt and recognised intermediary status</i>
11 May	2015/6	CODE COMMITTEE – PUBLIC CONSULTATION PAPER: DIVIDENDS <i>Issue of Public Consultation Paper 2015/1</i>
11 May	2015/7	NEW WORLD OIL AND GAS PLC <i>Ruling in respect of Mrs Judith Williams</i>
14 July	2015/8	CODE COMMITTEE – PUBLIC CONSULTATION PAPERS <i>Issue of Public Consultation Papers 2015/2 and 2015/3</i>
22 July	2015/9	2015 ANNUAL REPORT <i>Publication of the Panel's Annual Report</i>
5 August	2015/10	NEW SECRETARY FOR THE TAKEOVER PANEL <i>Panel Executive appointment</i>
2 September	2015/11	AGA RANGEMASTER GROUP PLC <i>Requirement for potential offeror to make a Rule 2.7 announcement or announce no intention to bid by 14 September 2015</i>
8 October	2015/12	PUBLICATION OF PRACTICE STATEMENTS NOS 29 AND 30 AND WITHDRAWAL OF PRACTICE STATEMENTS NOS 23 AND 27 <i>Publication of Practice Statement No 29 (“Rule 21.2 – Offer-related arrangements”) and Practice Statement No 30 (“Rule 20.2 – Information required for the purpose of obtaining regulatory consents”)</i>
23 October	2015/13	CODE COMMITTEE – PUBLICATION OF RS 2015/1, RS 2015/2 AND RS 2015/3 <i>Response Statements to consultations on “Dividends”, “Restrictions and suspensions of voting rights” and “Additional presumptions to the definition of acting in concert”</i>
26 October	2015/14	AL NOOR HOSPITALS GROUP PLC <i>Ruling in relation to new deadline for potential offerors to either make a Rule 2.7 announcement or announce no intention to bid</i>
5 November	2015/15	ASIA RESOURCE MINERALS PLC (FORMERLY BUMI PLC) <i>Statement of public criticism of Credit Suisse, Freshfields Bruckhaus Deringer and Holman Fenwick Willan</i>
9 November	2015/16	PANEL MEMBERSHIP <i>Appointment of the Quoted Companies Alliance as a member body and new Panel members</i>
19 November	2015/17	AL NOOR HOSPITALS GROUP PLC <i>Requirement for potential offeror to make a Rule 2.7 announcement or announce no intention to bid by 8 December 2015</i>

THE TAKEOVER PANEL
2015-2016 REPORT

23 November	2015/18	LADBROKES PLC <i>Review of the Panel Executive's ruling by the Hearings Committee</i>
9 December	2015/19	XCHANGING PLC <i>Requirement for potential offeror to make a Rule 2.7 announcement or announce no intention to bid by Day 53</i>
18 December	2015/20	XCHANGING PLC <i>Ruling of the Hearings Committee in relation to the deadline for Ebix, Inc. to make a Rule 2.7 announcement or announce no intention to bid</i>
2016		
14 January	2016/1	PANEL MEMBERSHIP <i>Appointment of new Panel members</i>
15 February	2016/2	CODE COMMITTEE – PUBLIC CONSULTATION PAPER: THE COMMUNICATION AND DISTRIBUTION OF INFORMATION DURING AN OFFER <i>Issue of Public Consultation Paper 2016/1</i>
18 February	2016/3	NEW CHAIRMAN FOR THE TAKEOVER PANEL <i>Appointment of Michael Crane as Chairman</i>
17 March	2016/4	HOME RETAIL GROUP PLC <i>Ruling in relation to the deadline for potential offerors to either make a Rule 2.7 announcement or announce no intention to bid</i>