

Presented to the House of Representatives pursuant to section 149L of the Crown Entities Act 2004

TAKEOVERS PANEL

**STATEMENT OF PERFORMANCE
EXPECTATIONS**

2015/2016

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FORECAST STATEMENT OF SERVICE PERFORMANCE for the year ending 30 June 2016

Statement of responsibility

The information on future operating intentions of the Takeovers Panel for the year ending 30 June 2016 contained in this Statement of Performance Expectations has been prepared in accordance with section 149C of the Crown Entities Act 2004.

We acknowledge responsibility for the preparation of these Forecast Financial Statements and Forecast Statement of Service Performance and for the judgements used in them.

We acknowledge responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Panel's financial reporting.

In our opinion the information contained in this Statement of Performance Expectations fairly reflects the Takeovers Panel's operating intentions for the reporting period. It should be read in conjunction with the Panel's latest Statement of Intent.

Signed on behalf of the Panel by:



Andy Coupe
Deputy Chairman
Takeovers Panel

Date:
14 April 2015



Murdo Beattie
Chairman of the Audit and Risk
Committee
Takeovers Panel

Date:
14 April 2015

Intended Achievements of Outputs

The class of output for which the Takeovers Panel is responsible is Administration of the Takeovers Code, for which the Panel receives an appropriation from the Government of \$1.49 million per annum.¹ The Panel has identified four measurable service-types within this output class, namely, services for transactions under the Takeovers Code, services under the Companies Act for Code company schemes, review of takeovers law and practice, and public understanding services.

The services provided under these outputs are intended to make three impacts in the takeovers market:

- Takeovers law being efficient, with improved information for shareholders, and the Panel being an efficient regulator;
- 100% compliance with the Code by Code companies and by those who acquire shares in them; and
- Shareholders, acquirers, and their advisers being well informed about the role of the Code and of the Panel.

The Panel's services are also intended to contribute to the outcome of an efficient takeovers market, reduced transaction costs for investors and increased confidence in the integrity of the takeovers market.

The Panel will, as part of its service delivery, work with other agencies with the aim of improving the confidence and participation of investors in New Zealand's capital markets (of which the takeovers market forms part). Together with NZX Limited, the Financial Markets Authority and the Commerce Commission, the Panel will utilise its statutory information sharing provisions in sections 15A to 15C of the Takeovers Act,² and the agencies' respective commitment to working together, to achieve better outcomes for investors.

In effect this will contribute to the Government's Business Growth Agenda initiatives for the creation of fairer, more efficient and more transparent markets in order to increase confidence and participation in New Zealand's capital markets.

¹ The Panel also has access to a Litigation Fund, for which a top up appropriation of up to \$200,000 is available, should the Fund reduce below \$675,000. The purpose of the Fund is to enable the Panel to enforce compliance with the Takeovers Code and to respond to litigation brought against it.

² These provisions enable sharing of information by the Panel with these agencies to assist them in the exercise of their powers and functions. The agencies have reciprocal powers in their respective statutes.

FORECAST PERFORMANCE STANDARDS AND MEASURES FOR THE OUTPUTS OF THE PANEL

OUTPUT 1: *Services for transactions under Takeovers Code:*

The consideration of applications for approval to act as an independent adviser or expert or for an exemption from compliance with the Code; the monitoring and enforcement of Code compliance in all Code-regulated transactions.

The Panel will use its approval resources to consider applications, including from firms seeking to be approved to act as independent advisers and experts for Code-regulated transactions or events.

The Panel will use its exemption resources to consider exemption applications as they arise, and to consider possible class exemptions (which may be developed on the Panel's own initiative or may be applied for by parties to Code-regulated transactions or events).

The Panel will use its enforcement resources to:

- Provide assistance to those who have Code obligations to understand their obligations and understand the Panel's likely approach to enforcing the Code;
- Maintain 'soft' enforcement of Panel staff reviewing draft documents so that they better comply with the Code, enabling most compliance issues to be easily resolved;
- Take 'hard' enforcement action, including holding hearings under section 32 of the Takeovers Act and, when necessary, taking Court proceedings for permanent or punitive orders, whenever it is warranted, recognising that 'hard' enforcement uses a high proportion of resources, due to procedural intensity.

Planned performance standards and performance measures for 2015/2016, and Estimated outcome for 2014/2015, using actual data to December 2014 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2015/2016	Estimated 2014/2015	Actual 2013/2014	Actual 2012/2013
Quantity ³				
Adviser applications received	22-26	22-26	21	24
Draft documents reviewed for Code-regulated transactions, and percentage of enforcement resources spent on 'soft' enforcement ⁴	24 taking 80% of resources	24 taking 80% of resources	17 taking 80% of resources	21 taking 71% of resources
Final documents reviewed for Code-regulated transactions, and percentage of enforcement resources spent on review of final documents	24 taking 20% of resources	24 taking 20% of resources	17 taking 20% of resources	21 taking 3% of resources

³ The number of applications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information.

⁴ The level of the Panel's Output 1 resources spent on enforcement of the Code increases if the Panel holds a section 32 meeting (due to procedural intensity). This has a flow-on effect across all Outputs, and within Output 1 in terms of the percentage of resources spent on review of documents (as is evidenced by the percentage figures in 2012/2013 when a section 32 meeting was held).

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<p>Quality</p> <p>All adviser applications are considered by the Panel for advisers' competence and independence⁵</p> <p>No failures by the Panel to comply with its own approval standards; as a result no adviser approvals being withdrawn by the Panel</p> <p>The Regulations Review Committee does not recommend disallowance of any Panel exemptions</p> <p>Applicants (exemptions and advisers) are satisfied with the Panel's process, as indicated by an external survey</p> <p>Legal advisers (takeovers and shareholder meetings) are satisfied with the processes for the reviewing of draft meeting and takeovers documents as indicated by an external survey</p> <p>No successful Court challenges as a result of the Panel failing to comply with its statutory obligations or proper process</p>	<p>100%</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>At least 90% of respondents⁶</p> <p>At least 90% of respondents</p> <p>0 challenges</p>	<p>100%</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>95% of respondents</p> <p>95% of respondents</p> <p>0 challenges</p>	<p>100%</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>100% exemptions, new measure 2014/2015 for approvals</p> <p>100%</p> <p>0 challenges</p>	<p>New measure for 2013/2014</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>100% exemptions, new measure 2014/2015 for approvals</p> <p>100%</p> <p>0 challenges</p>
<p>Timeliness</p> <p>Decision made for adviser applications given by 3 working days after receipt of complete application</p> <p>Parties are satisfied with the timeliness of the Panel's decisions regarding approval and exemption applications, as indicated by an external survey</p> <p>All exemption applications (7-11 forecast) are processed within the timeframe agreed with the applicant</p> <p>Review of documents is completed within Code timeframes or as agreed by applicants</p>	<p>90% of the time</p> <p>At least 90% of respondents</p> <p>At least 90% of 7-11 applications</p> <p>100% of the time</p>	<p>95% of the time</p> <p>95% of respondents</p> <p>95% of 7-11 applications</p> <p>100% of the time</p>	<p>100% of the time</p> <p>New measure for 2014/2015</p> <p>100% of 12 applications</p> <p>100% of the time</p>	<p>100% of the time</p> <p>New measure for 2014/2015</p> <p>92% of 13 applications</p> <p>100% of the time</p>

⁵ The Panel's published policy for consideration of applications for approval to act as an independent adviser sets out the Panel's approval standards for competence and independence that an applicant must meet in order to be approved. The Panel considers each application against the criteria in the published policy. The purpose of the criteria is to ensure that advisers are competent for their role and can provide independent advice for shareholders.

⁶ The Panel forecasts at the 90% level for quality and timeliness measures (across Outputs) as the small number of applicants/transactions involved means that one application/respondent can swing the result significantly.

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Revenue:	\$875,140 49% of forecast revenue	\$887,880 49% of estimated revenue	\$697,590 41% of actual revenue	\$903,310 51% of actual revenue
Cost:	\$845,250 49% of forecast expenditure	\$814,870 49% of estimated expenditure	\$666,055 41% of actual expenditure	\$831,867 51% of actual expenditure

OUTPUT 2 : Services under Companies Act for Code company schemes:

The Panel responds to notifications of schemes of arrangement being undertaken under the Companies Act that involve Code companies (**Code company schemes**), and considers applications for No-objection Statements. The Panel issues Letters of Intention and No-objection Statements in accordance with the Panel's published guidance and procedures.

The Panel will use its Code company schemes resources to:

- Engage with practitioners on their draft proposals for undertaking a Code company scheme;
- Assess the quality of the scheme documents for shareholders and the proposed voting procedures, as against its published policy for the giving of a No-objection Statement;
- Decide whether to give a No-objection Statement or whether to appear in the High Court to object to a Code company scheme;
- Approve independent advisers for Code company schemes.

Planned performance standards and performance measures for 2015/2016, and Estimated outcome for 2014/2015, using actual data to December 2014 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2015/2016	Estimated 2014/2015	Actual 2013/2014	Actual 2012/2013
Quantity ⁷ Number of Code company schemes notifications received	1-3	2	0	New Output for 2013/2014
Quality Applicants are satisfied with process for No-objection Statements as indicated by an external survey ⁸	At least 90% of respondents	100% of 1 respondent ⁹	N/A	New Output for 2013/2014
Applicants are satisfied with the professionalism of the executive as indicated by an external survey	At least 90% of respondents	100% of 1 respondent	N/A	New Output for 2013/2014
Timeliness No-objection Statement applications are considered within timeframe agreed with the applicant	At least 90% of 1-3 applications	100% of 1 application	N/A	New Output for 2013/2014
Letters of Intention are issued to applicant by 1 working day after Panel decision to give the Letter of Intention	At least 90% of 1-3 Letters of Intention	100% of 1 letter of intention	New Output for 2014/2015	New Output for 2014/2015
Applicants are satisfied with timeliness of Panel's decision, as indicated by an external survey	At least 90% of respondents	100% of 1 respondent	New Output for 2014/2015	New Output for 2014/2015

⁷ The number of notifications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information.

⁸ The process for applying for a No-objection Statement is set out in a published Guidance Note which details the steps that applicants must take (including the information that must be provided to the Panel) in order to receive a No-objection Statement from the Panel.

⁹ Although the Panel was notified of a Code company scheme in December 2014, there was no application made to the Panel for a No-objection Statement. Accordingly, although the Panel had some involvement in reviewing the scheme documents in order to decide whether to appear in Court to object to the scheme (and the Panel decided not to object), the scheme promoters were not surveyed by the Panel. The Panel estimates one No-objection statement application to be made by 30 June 2015.

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No-objection Statements are issued to applicant by 1 working day after Panel decision to give the No-objection Statement	At least 90% of the time	100%	New Output for 2014/2015	New Output for 2014/2015
Revenue:	\$71,440 4% of forecast revenue	\$72,480 4% of estimated revenue	\$0 0% of actual revenue	New Output for 2014/2015
Cost:	\$69,000 4% of forecast expenditure	\$66,520 4% of estimated expenditure	\$0 0% of actual expenditure	New Output for 2014/2015

OUTPUT 3: Review takeovers law and practice; Recommend any necessary law changes:

Ensuring that the provisions of the Takeovers Code and other takeovers law are effective and relevant, as assessed by review of law and practice, undertaking policy development (“policy projects”), and recommending amendments to takeovers law as necessary.

Daily monitoring of market practice and undertaking any policy activities that may arise in response to market practices. If resources are available, the Panel intends to commence the policy development process for a number of technical amendments to the Code. The Panel also intends to give consideration as to whether to extend a class exemption estimated to be granted during the 2014/2015 year, in relation to compliance costs for small Code companies.

Planned performance standards and performance measures for 2015/2016, and Estimated outcome for 2014/2015, using actual data to December 2014 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2015/2016	Estimated 2014/2015	Actual 2013/2014	Actual 2012/2013
Quantity 2 policy projects planned to be commenced, noting that other policy projects may arise in response to market practice	2 projects commenced	3 projects completed ¹⁰	4 of 4 projects completed	3 projects completed
Quality Every material policy project meets the following criteria (as demonstrated by performance checklists) ¹¹ : <ul style="list-style-type: none"> • Discussion papers followed the Regulatory Impact Analysis framework; • Panel approved content of discussion papers before their publication; • Consultation period was appropriate to the significance of the project (i.e., at least 6 weeks long for initial consultation on significant proposals); • Submissions from public were considered by the Panel; • Any non-regulatory outcomes were approved by Panel before implementing them; • Any recommendations for law change were approved by Panel before being sent to the Minister; • Officials from MBIE were consulted before recommendations were sent to Minister 	100% of the time	100% of the time	100% of the time	100% of the time

¹⁰ The Panel had no major policy projects planned for the 2014/2015 year, but expected to complete an outstanding project from the 2013/2014 year (review the use of limited partnerships as shareholding vehicles in Code companies). As it transpired, two other policy projects arose in response to the Panel’s function of reviewing takeovers law and practice, namely completion of a project to amend the substantial holder regime under the Financial Markets Conduct Act 2013 to require disclosure of equity derivative positions, and to consider whether to grant a class exemption to reduce compliance costs for small Code companies undertaking capital raisings.

¹¹ These quality control measures are intended to ensure that the case for change is robust for any regulatory or policy proposals implemented, or recommended, by the Panel.

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<u>Timeliness</u> Recommendations to the Minister (if any) sent to Ministry within 10 working days of Panel approval of the recommendations	100% of the time	100% of the time	100% of the time	100% of the time
<u>Revenue:</u>	\$464,360 26% of forecast revenue	\$471,120 26% of estimated revenue	\$391,330 23% of actual revenue	\$478,223 27% of actual revenue
<u>Cost:</u>	\$448,500 26% of forecast expenditure	\$432,380 26% of estimated expenditure	\$373,640 23% of actual expenditure	\$440,401 27% of actual expenditure

OUTPUT 4 : Public Understanding:

Inform and educate shareholders, directors and other key stakeholders about the Code and relevant law, and respond to public enquiries.

The Panel will use its public understanding resources to:

- Undertake engagements with market practitioners, company directors, market commentators, and other key stakeholders;
- Disseminate educative information about itself and the Code;
- Maintain the Panel's website to inform stakeholders and the market;
- Deal with public enquiries about Code matters.

Planned performance standards and performance measures for 2015/2016, and Estimated outcome for 2014/2015, using actual data to December 2014 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2015/2016	Estimated 2014/2015	Actual 2013/2014	Actual 2012/2013
Quantity				
Number of: <i>Code Words</i> published	3	3	2	3
Public enquiries responded to	120-150	120	163	137
Engagements with stakeholders as per Stakeholder Engagement Plan	70-80	New measure for 2015/2016	New measure for 2015/2016	New measure for 2015/2016
Quality				
Market participants found documents published were useful, as indicated by an external survey	At least 90% of respondents	95%	100%	98%
Market participants found the website useful to a considerable or high degree, as indicated by an external survey	At least 90% of respondents	90% of respondents	New measure for 2014/2015	New measure for 2014/2015
A Stakeholder Engagement Plan was approved by the Panel ¹²	Will be achieved	Achieved	Achieved	New measure for 2013/2014
Timeliness				
Information is published on the website within 10 working days of final Panel sign-off	100% of the time	100% of the time	92% of the time	100% of the time
Public enquiries are responded to within 3 working days of receiving them	100% of the time	100% of the time	100% of the time	100% of the time

¹² The Panel has identified in its Stakeholder Engagement Plan, the key stakeholders with whom it should engage over the 12-month period, including the planned frequency of these engagements. The Plan helps to ensure that the Panel's Public Understanding resources are used efficiently and coherently and that they contribute to the impacts identified on page 3, above. The Panel reconsiders the Plan each year, to ensure that it remains relevant and appropriately focused for the achievement of the Panel's impacts.

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Revenue:	\$375,060 21% of forecast revenue	\$380,520 21% of estimated revenue	\$612,518 36% of actual revenue	\$389,663 22% of actual revenue
Cost:	\$362,250 21% of forecast expenditure	\$349,230 21% of estimated expenditure	\$584,827 36% of actual expenditure	\$358,845 22% of actual expenditure

**FORECAST FINANCIAL STATEMENTS OF THE TAKEOVERS PANEL
for the year ending 30 June 2016**

Introduction

The forecast financial statements presented here for the reporting entity, the Takeovers Panel, are prepared pursuant to section 149 of the Crown Entities Act 2004. The Panel is a Crown entity for legislative purposes and a public benefit entity for financial reporting purposes.

The Panel is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

The preparation of forecast financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

These forecast financial statements have been prepared for the purpose of the 2015/2016 Statement of Performance Expectations of the Takeovers Panel. They are not prepared for any other purpose and should not be relied upon for any other purpose.

The forecast financial statements were authorised for issue by the Takeovers Panel on 14 April 2015.

**FORECAST STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2016**

	<i>Forecast 12 months to 30 June 2016 \$</i>	<i>Notes</i>	<i>Estimated 12 months to 30 June 2015 \$</i>
Revenue - Operating			
Government grant-baseline funding	1,494,000	2	1,494,000
Interest	31,000		32,000
Application fees and costs recoverable	210,000	3	205,000
Other income	15,000		46,000
Total operating income	<u>1,750,000</u>		<u>1,775,000</u>
Revenue - Litigation fund			
Interest	<u>36,000</u>		<u>37,000</u>
Total litigation fund income	<u>36,000</u>		<u>37,000</u>
Total revenue	<u><u>1,786,000</u></u>		<u><u>1,812,000</u></u>
Operating expenses			
Services and supplies	727,000		718,000
Personnel costs	<u>998,000</u>	4	<u>945,000</u>
Total operating expenditure	<u>1,725,000</u>		<u>1,663,000</u>
Expenditure - Litigation fund	<u>0</u>		<u>0</u>
Total expenditure	<u>1,725,000</u>		<u>1,663,000</u>
Net Surplus/Deficit	<u><u>\$61,000</u></u>		<u><u>\$149,000</u></u>
This is comprised of:			
Income-operating/(deficit)	25,000		112,000
Income-litigation/(deficit)	<u>36,000</u>		<u>37,000</u>
	<u><u>\$61,000</u></u>		<u><u>\$149,000</u></u>

FORECAST STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	<i>Forecast as at 30 June 2016 \$</i>	<i>Estimated as at 30 June 2015 \$</i>
Current assets		
Bank accounts and cash - operations	419,000	462,000
Bank accounts and cash – litigation fund	153,000	141,000
Short term deposits – operations	539,000	449,000
Short term deposit – litigation fund	743,000	715,000
Interest receivable – operations	5,000	7,000
Interest receivable – litigation fund	10,000	14,000
Debtors and prepayments	87,000	74,000
Total current assets	<u>1,956,000</u>	<u>1,862,000</u>
Non current assets		
Property, plant and equipment	<u>27,000</u>	<u>61,000</u>
Total non current assets	<u>27,000</u>	<u>61,000</u>
Total assets	<u>\$1,983,000</u>	<u>\$1,923,000</u>
Current liabilities		
Creditors and accrued expenses	49,000	47,000
Employee costs payable	<u>68,000</u>	<u>71,000</u>
Total current liabilities	<u>117,000</u>	<u>118,000</u>
Accumulated Funds		
Capital contribution	150,000	150,000
Operating funds	810,000	785,000
Litigation fund	<u>906,000</u>	<u>870,000</u>
Total equity	<u>1,866,000</u>	<u>1,805,000</u>
Total equity and liabilities	<u>\$1,983,000</u>	<u>\$1,923,000</u>

**FORECAST STATEMENT OF CASH FLOWS
for the year ending 30 June 2016**

	<i>Forecast 12 months to 30 June 2016 \$</i>	<i>Estimated 12 months to 30 June 2015 \$</i>
Cash flows from operating activities		
Cash was provided from:		
Government grant - operations	1,494,000	1,494,000
Application fees & costs recoverable	201,000	185,000
Interest	73,000	58,000
Other	15,000	46,000
Cash was disbursed to:		
Suppliers	(481,000)	(477,000)
Employees and Members	(1,202,000)	(1,151,000)
Good and Services Tax (net)	(3,000)	
Net cash inflow (outflow) from operating activities	97,000	155,000
Cash flows from investing and financing activities		
Cash was provided from:		
Sale of investments	0	0
Cash was applied to:		
Acquisition of property and equipment	(10,000)	(23,000)
Purchase of investments	(118,000)	(32,000)
Net cash inflow (outflow) from investing and financing activities	(128,000)	(55,000)
Net increase (decrease) in cash balance	(21,000)	100,000
Add opening bank accounts and cash	603,000	503,000
Closing bank accounts and cash	\$572,000	\$603,000

**NOTES TO THE FORECAST FINANCIAL STATEMENTS
for the year ending 30 June 2016**

Statement of Significant Assumptions

The Panel is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures. The preparation of these forecast financial statements requires the Panel to make judgements, estimates and assumptions that affect the application of accounting policies and the forecast amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and the variation may be material.

Estimates and assumptions used in these forecast financial statements are based on the best information available to the Panel at the time of their preparation. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the forecast financial statements are described in the following significant assumptions. It is not intended to update the forecast financial statements subsequent to publication of these statements.

1 Estimated financial statements for 2014/2015

The 2014/2015 estimated financial statements include actual results up to the end of December 2014 and an estimate of the outcome for the remaining six months of the year taking account of work on hand and expected developments in the final months of the financial year. These figures are therefore not the same as those included for 2014/2015 in the Panel's 2015 SPE.

2 Government appropriation

The Government appropriation is as per the amount allocated to the Output Class "*Administration of the Takeovers Code*" for the year 2015/2016.

3 Application fees and costs recoverable

The Panel forecasts third party income of \$201,000 in 2015/2016. This assumes no revenue from meetings under section 32 of the Takeovers Act 1993 (under which section the Panel may make orders, in certain circumstances, for the recovery of its costs in holding the meeting), on the assumption that no such meetings will be held. In addition income from the Panel's No-objections Statement activities for schemes of arrangement is forecast to be \$40,000. It is expected that the number of approvals and exemptions for Code transactions will fall slightly as the schemes of arrangement regime beds in because transactions that would have been undertaken under the Code (and may have needed an exemption) will instead be able to be undertaken as a Code company scheme. The scheme provisions are more flexible than the Code's rules, which may be one (of potentially many) reasons why a transaction may be done as a Code company scheme instead of as a takeover under the Code.

4 Personnel costs

The Panel forecasts spending \$998,000 on personnel costs in 2015/2016, an increase of \$53,000 over the expected personnel costs in 2014/2015. This is on the basis of several legal staff moving through Post Qualification Experience bands and most or all staff receiving a pay increase of between 2% and 3%.

5 Overall risk of forecast revenue expectations not being met

These forecast financial statements are presented on the basis that, other than matters stated above under the statement of significant assumptions, there will be no other significant change to the nature of the Panel's operations or its principal activities in the period covered by the forecast financial statements.

The level of Panel income from exemptions, approvals, enforcement and schemes work is difficult to predict. In a related vein, the level of the Panel's takeover activity and schemes of arrangement activity is dependent on the level and nature of takeover market activity.

Statement of Significant Accounting Policies

Basis of preparation

The separate forecast financial statements presented here are for the reporting entity, the Takeovers Panel, for the year ending 30 June 2016. The Takeovers Panel elects to report in accordance with Tier 3 PBE Accounting Standards. The Takeovers Panel is eligible to apply Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)(PBE SFR-A(PS)) under criteria specified in XRB A1 (For-Profit Entities plus Public Sector Public Benefit Entities Update) (XRB A1(FP Entities + PS PBEs Update)) paragraph 75. The forecast financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and PBE SFR-A (PS) and are consistent with the accounting policies to be adopted by the Panel for the preparation of financial statements. All transactions are reported on the basis of accrual accounting.

The performance report has been prepared on the assumption that the Takeovers Panel is a going concern.

Measurement System

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been applied.

Functional and presentation currency

These forecast financial statements are presented in New Zealand dollars (\$), which is the Panel's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

Specific Accounting Policies

1 Revenue Recognition

Government grant is recognised as revenue when earned and is reported in the financial period to which it relates. Revenue from application fees and costs recoverable is recognised when the relevant services are provided.

Interest income is recognised as it accrues, based on the effective interest rate inherent in the respective financial instrument. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

2 Litigation Fund

Interest income and expenditure on approved litigation fund matters are reported as income and expenditure of the Panel in the financial period in which they were derived or incurred.

Costs awarded by the Court are recognised in the financial period during which the Court gives its judgment or the parties agree. Reimbursements from the Crown to top-up the fund are reported as income in the period in which the Panel's claim for reimbursement relates.

The balance of the fund is disclosed as a component of equity in the statement of financial position.

3 GST

The Takeovers Panel is GST registered. All items in financial statements are exclusive of GST with the exception of trade and other receivables and trade and other payables which are stated with GST included.

The statement of cash flows has been prepared on a net GST basis. That is, cash receipts and payments are presented exclusive of GST. A net GST presentation has been chosen to be consistent with the presentation of the statement of financial performance and statement of financial position. The net GST component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST component has been presented on a net basis as the gross amounts would not provide meaningful information for financial statement purposes.

4 Cost Allocation Policy

For the purposes of the statement of service performance direct costs are charged directly to outputs. Indirect costs are allocated on the basis of direct labour hours spent on each output.

5 Income Tax

The Panel is exempt from income tax under the Income Tax Act 2007.

6 Trade and other receivables

Debtors and other receivables are initially measured when the good or service is sold giving the Takeovers Panel the right to collect cash in the future. They are measured at the amount owed.

7 Trade and other payables

Creditors and other payables are initially measured at the amount owing. If the Takeovers Panel has not received a supplier invoice an accrual for the estimated amount to be paid is recorded.

8 Bank accounts and cash

Bank accounts and cash comprise cash balances on hand and held in on call bank accounts that form part of the Panel's day-to-day cash management.

9 Short term deposits

Short term deposits are deposits with a bank that have a term of one year or less. They are recorded when the deposit is purchased with revenue earned from interest recorded as it is earned during the period.

10 Impairment

At each balance date financial assets such as receivables are assessed for impairment. Trade and other receivables are individually assessed for impairment. This assessment is also made with reference to previous experience with debtors. An impairment loss is recognised in the statement of financial performance whenever the carrying amount of an asset exceeds its recoverable amount. Any reversal of impairment losses is also recognised in the statement of financial performance.

11 Depreciation

The following classes of property, plant and equipment have been depreciated over their economic lives on the following bases:

- office furniture 8.5 – 10.5 percent straight line,
- office equipment 17.5 – 40 percent straight line,
- computer software 36 percent straight line.

12 Short term employee benefits

Employee entitlements represent the Panel's liability for employee annual leave entitlements and salaries accrued up to balance date. This has been calculated on an accrued entitlement basis which involves recognising the undiscounted amount of short term employee benefits expected to be paid in exchange for service that an employee has already rendered. This is calculated at current remuneration rates.

13 Contingent liabilities

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. There are no contingent liabilities forecast in 2015/2016.

14 Changes in accounting policies

The Takeovers Panel has adopted Public Benefit Entity simple format reporting – Accrual (public sector) for tier 3. This has been adopted from 1 July 2014.