

# **Takeovers Panel**

## **HALF YEAR REPORT**

**for the period ended 31 December 2012**

# INDEX

Half Year Report for the period ended 31 December 2012

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## **STATUS**

The financial statements in this report have not been reviewed or audited by the Panel's auditors, Audit New Zealand.

## **STATEMENT OF RESPONSIBILITY**

These financial statements have been prepared for the special purpose of the 2012/2013 Half Year Report of the Takeovers Panel to the Minister of Commerce. They are not prepared for any other purpose and should not be relied upon for any other purpose. They should be read in conjunction with the 2012 Annual Report.

In the course of preparing these financial statements the Panel has complied with NZ IAS 34 "Interim Financial Reporting".

The budget of the Takeovers Panel for the year ending 30 June 2013 is included in these statements. The Panel has complied with FRS-42 / NZ IAS 1 on the basis that the budget constitutes prospective financial information for the purpose of that standard.

## SUMMARY OF PERFORMANCE TO DATE

In terms of the 2011/2012 Output Agreement between the Minister and the Panel,<sup>1</sup> and the Panel's 2012/2013 - 2015 Statement of Intent, the Panel is required, in the period up to 30 June 2013, to produce services related to the following outputs:

Output 1	Takeovers Code;
Output 2	Code approvals;
Output 3	Code exemptions;
Output 4	Enforcement of the Code;
Output 5	Promote public understanding about takeovers law;

### Overview of the Panel's outputs for the first six months of the year

Members and the executive staff committed 6,055 hours of time to Panel work in the six months, as compared with 5,934 in the equivalent period last year. The Panel's work related to the agreed outputs as follows:

- (a) Output 1: Members and staff committed 1,380 hours (950) of time to review of market practice and policy development. The Panel's main focus for policy work at this time relates to three main areas of law reform. First, the Panel has consulted on a Guidance Note containing details of the procedures it will follow for the giving of "no-objection statements" under the provisions for schemes and amalgamations contained in the Companies and Limited Partnerships Amendment Bill. Secondly, the Panel completed a thorough technical review of the Code in 2011 and has been liaising closely with officials in the Ministry of Business, Innovation and Employment and with Parliamentary Counsel on the regulations that will give effect to the Panel's proposals if Cabinet approves them. The purpose of the regulations is to improve disclosures to shareholders and to improve the efficiency of the Code, as well as to resolve minor drafting anomalies. Thirdly, the Panel consulted on, and then granted, a class exemption for changes of trustees of family trusts.
- (b) Outputs 2 and 3: The Panel processed 18 requests for approval of independent advisers during the six months (17). The Panel also processed 4 specific and 2 class exemption applications for the six months (6 and 0).
- (c) Output 4: The Panel received 3 takeover notices for the six months (7),<sup>2</sup> and staff reviewed documents for 5 shareholder meetings (8). The Panel undertook no new formal investigations into possible breaches of the Code during the six months (0), however 5 preliminary investigations were undertaken into possible breaches of the Code (4). There were no section 32 meetings held during the six months (0). There were no actions taken in relation to schemes of arrangement in the six months (0).
- (d) Output 5: The Panel published its periodic news bulletin, *Code Word*, in July 2012 and has a further edition of *Code Word* ready for publication about the regulations for the technical review of the Code. This edition will be held off until Cabinet has approved the regulations. (2). Another edition of *Code Word* may be ready for publication before then.

Of the outputs listed above, Output one involved the greatest resource commitment of 37% by cost (34.7%).

1. In June 2012 the Panel was advised by officials from the Ministry of Business, Innovation and Employment that the Minister no longer required an Output Agreement.

2. This figure relates to takeovers that have reached a mature step towards their completion, as calculated for reporting in the Panel's Statement of Intent. As at 31 December 2012, the number of takeovers notices in fact received was 10.

## The Panel's financial position and outlook

- (a) The Panel's operating expenditure for the six months, at \$788,025, was \$74,198, or 9%, lower than budget while operating income, at \$819,247, was \$42,250 or 5%, lower than budget. The Panel also earned interest income of \$16,694 on litigation fund deposits and incurred no litigation fund expense. The overall result for the Panel was made up of an operating surplus of \$31,222 for the six months and a surplus on the litigation fund of \$16,694. The Panel has budgeted for the six months an operating deficit of \$726 and a surplus of \$7,000 in the litigation fund. A summary of the figures to date is as follows:

	<i>Year to date</i>	<i>Budget to date</i>
	\$	\$
Operating income	819,247	861,497
Operating expenditure	788,025	862,223
	<hr/>	<hr/>
Operating surplus/ (deficit)	31,222	(726)
Litigation fund surplus / (deficit)	16,694	7,000
	<hr/>	<hr/>
Net surplus / (deficit)	47,916	6,274
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(ii) Cost Allocation

	<i>Actual</i> <i>6 months to</i> <i>31 Dec 2012</i>		<i>Actual</i> <i>6 months to</i> <i>31 Dec 2011</i>		<i>Actual</i> <i>12 months to</i> <i>30 Jun 2012</i>		<i>Budget</i> <i>12 months to</i> <i>30 Jun 2013</i>	
	\$	%	\$	%	\$	%	\$	%
Takeovers Code	291,569	37.0%	233,938	29.0%	504,538	31.0%	583,000	33.0%
Code Approvals	23,641	3.0%	39,134	4.8%	65,102	4.0%	87,000	5.0%
Code Exemptions	94,563	12.0%	91,143	11.3%	227,856	14.0%	194,000	11.0%
Enforcement of the Code	197,006	25.0%	279,724	34.7%	488,262	30.0%	618,000	35.0%
Public Understanding	181,246	23.0%	121,273	15.0%	292,957	18.0%	283,000	16.0%
International Liaison	-	-	41,718	5.2%	48,826	3.0%	-	0.0%
Cost Allocation	788,025	100%	806,930	100%	1,627,541	100%	1,765,000	100%

(d) The following are summaries of the Panel's completed actions and the allocation of resources for the year to date:

(i) **Quantity of Work**

	<i>Actual 6 months to 31 Dec 2012</i>	<i>Actual 6 months to 31 Dec 2011</i>	<i>Actual 12 months to 30 Jun 2012</i>	<i>Budget 12 months to 30 Jun 2013</i>
<b><u>Takeovers Code</u></b>				
Percentage of total resources spent on reviewing market activity	37%		new measure in 2012	33%
Specific projects completed	2 out of 8	0	0	3 out of 8
<b><u>Approvals - applications considered</u></b>				
Independent advisers and independent experts	14	17	25	22
Consent to withdraw offers and defensive tactics	0	0	0	1
<b><u>Exemptions - applications considered</u></b>				
Individual exemptions	4	6	10	16
Class exemptions	2	0	1	2
<b><u>Enforcement - actions completed</u></b>				
Takeover notices received	3	7	7	14
Review of meeting documents	5	8	15	12
Section 32 meetings	0	0	0	3
Section 35 actions	0	0	0	1
Other investigations of possible breaches of the Code	5	4	5	8
Action for Schemes of Arrangement	0	0	0	1
<b><u>Public Understanding - communication</u></b>				
Publication of Code Word	1	1	3	3
Feedback meetings	8 <sup>3</sup>	new measure in 2012	new measure in 2012	2

This reporting is generated so as to be consistent with the Statement of Intent. Numbers generally refer to completed tasks. There is a considerable amount of work in progress in some tasks which is not reflected in the table. For example, as at 31 December 2012, 10 takeovers notices had been received, most of these since October 2012.

3. The Panel budgeted for two feedback meetings for the year on the assumption that they would be large seminar style meetings. However the format was changed to small group/one to one informal engagements.

## STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 December 2012

<i>Budget</i> 12 months to 30 Jun 2013 \$	<i>Budget</i> 6 months to 31 Dec 2012 \$		<i>Actual</i> 6 months to 31 Dec 2012 \$	<i>Actual</i> 6 months to 31 Dec 2011 \$
			<b>Note</b>	
		<b>Revenue - operating</b>		
1,494,000	747,000	Government grant – baseline funding	747,000	747,000
24,000	12,000	Interest	13,597	12,591
205,000	102,497	Application fees and costs recoverable	58,634	45,516
-	-	Other income	16	6,228
<u>1,723,000</u>	<u>861,497</u>	Total operating income	<u>819,247</u>	<u>811,335</u>
		<b>Revenue - litigation fund</b>		
34,000	17,000	Interest	16,694	15,973
<u>34,000</u>	<u>17,000</u>	Total litigation fund income	<u>16,694</u>	<u>15,973</u>
<u>\$1,757,000</u>	<u>\$878,497</u>	Total income	<u>\$835,941</u>	<u>\$827,308</u>
		<b>Operating expenditure</b>		
19,000	-	Audit fees	-	-
80,000	39,999	Communication charges	41,367	15,100
31,000	6,998	Depreciation	10,490	29,734
25,000	9,241	Training and memberships	5,640	7,164
199,000	99,499	Members' fees	90,043	85,808
91,000	45,498	Printing and stationery	25,531	48,560
87,000	43,500	Consultants and legal	13,872	26,482
136,000	75,492	Services and supplies	65,936	93,297
132,000	66,000	Rent	66,152	65,805
50,000	26,998	Travel and accommodation	9,019	30,162
895,000	448,998	Personnel costs	459,975	404,818
<u>1,745,000</u>	<u>862,223</u>	Total operating expenditure	<u>788,025</u>	<u>806,930</u>
20,000	10,000	Expenditure - litigation fund	-	-
<u>1,765,000</u>	<u>872,223</u>	Total expenditure	<u>788,025</u>	<u>806,930</u>
<u>\$(8,000)</u>	<u>\$6,274</u>	Net surplus/(deficit)	<u>\$47,916</u>	<u>\$20,378</u>
-	-	Other comprehensive income	-	-
<u>\$(8,000)</u>	<u>\$6,274</u>	Total comprehensive income	<u>\$47,916</u>	<u>\$20,378</u>
		<b>This is comprised of:</b>		
(22,000)	(726)	Comprehensive income -Operating/(deficit)	31,222	4,405
14,000	7,000	Comprehensive income -Litigation fund/(deficit)	16,694	15,973



## STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

<i>Budget as at 30 Jun 2013</i>		<i>Actual as at 31 Dec 2012</i>	<i>Actual as at 31 Dec 2011</i>	<i>Actual as at 30 Jun 2012</i>
\$	Note	\$	\$	\$
<b>Current assets</b>				
520,000	Cash and cash equivalents - operations	142,027	296,024	162,802
91,000	Cash and cash equivalents - litigation fund	158,479	153,776	156,090
195,000	Term deposits – operations	410,762	290,744	498,790
700,000	Term deposit – litigation fund	651,351	616,391	637,884
-	Interest receivable - operating	2,450	3,786	4,595
1,000	Interest receivable - litigation fund	4,789	11,550	3,951
59,000	Trade and other receivables	27,353	16,442	21,420
-	Prepayments	52,213	46,288	37,118
-	GST receivable	7,111	6,692	17,921
1,566,000	Total current assets	1,456,535	1,441,693	1,540,571
<b>Non current assets</b>				
44,000	Computer software	23,968	23,968	23,968
(29,000)	Less Accumulated Depreciation	(23,968)	(22,520)	(23,968)
139,000	Office equipment	151,489	141,106	141,106
(126,000)	Less Accumulated Depreciation	(129,031)	(113,440)	(126,373)
44,000	Office furniture	46,148	43,460	43,460
(11,000)	Less Accumulated Depreciation	(13,804)	(9,504)	(11,619)
	Work in Progress	43,138		
61,000	Total non current assets	97,940	63,070	46,574
\$1,627,000	Total assets	\$1,554,475	\$1,504,763	\$1,587,145
<b>Current liabilities</b>				
113,000	Trade and other payables	38,156	69,827	79,564
	Employee entitlements	28,678	19,619	67,856
6,000	GST payable	-	-	-
119,000	Total current liabilities	66,834	89,446	147,420
<b>Equity</b>				
716,000	Operating funds	673,022	633,600	641,800
792,000	Litigation fund	3 814,619	781,717	797,925
1,508,000	Total equity	1,487,641	1,415,317	1,439,725
\$1,627,000	Total equity and liabilities	\$1,554,475	\$1,504,763	\$1,587,145

## STATEMENT OF MOVEMENTS IN EQUITY

*for the period ended 31 December 2012*

<i>Budget</i> <i>6 months to</i> <i>31 Dec 2012</i> \$		<i>Actual</i> <i>6 months to</i> <i>31 Dec 2012</i> \$	<i>Actual</i> <i>6 months to</i> <i>31 Dec 2011</i> \$	<i>Actual</i> <i>year ended</i> <i>30 Jun 2012</i> \$
	<b>Equity at start of year</b>			
671,000	Operating funds	641,800	629,195	629,195
773,000	Litigation fund	797,925	765,744	765,744
<u>1,444,000</u>	Equity at start of year	<u>1,439,725</u>	<u>1,394,939</u>	<u>1,394,939</u>
(726)	Operating surplus (deficit)	31,222	4,405	12,605
7,000	Litigation fund surplus (deficit)	16,694	15,973	32,181
<u>6,274</u>	Total recognised revenues and expenses	<u>47,916</u>	<u>20,378</u>	<u>44,786</u>
-	Equity Capital			
6,274	Increase / (reduction) in equity	47,916	20,378	44,786
<u>\$1,450,274</u>	<b>Equity at end of period</b>	<u>\$1,487,641</u>	<u>\$1,415,317</u>	<u>\$1,439,725</u>
	<b>Comprising:</b>			
670,274	Operating funds	673,022	633,600	641,800
780,000	Litigation fund	814,619	781,717	797,925
<u>\$1,450,274</u>	Equity at end of period	<u>\$1,487,641</u>	<u>\$1,415,317</u>	<u>\$1,439,725</u>

**STATEMENT OF CASH FLOWS**  
for the period ended 31 December 2012

<i>Budget</i> 12 months to 30 Jun 2013 \$	Note	<i>Actual</i> 6 months to 31 Dec 2012 \$	<i>Actual</i> 6 months to 31 Dec 2011 \$	<i>Actual</i> year ended 30 Jun 2012 \$
<b>Cash flows from operating activities</b>				
Cash was provided from:				
1,494,000		747,000	747,000	1,494,000
259,000		52,701	78,498	132,229
61,000		31,598	25,318	63,796
17,000		16	6,228	13,849
-		10,810	9,135	-
Cash was disbursed to:				
(637,000)		(284,020)	(335,412)	(612,470)
(1,078,000)		(589,196)	(502,912)	(962,825)
-				(2,094)
116,000	4	(31,091)	27,855	126,485
<b>Cash flows from investing activities</b>				
Cash was provided from:				
-		74,561	-	-
Cash was applied to:				
(18,000)		-	(296,671)	(526,210)
(20,000)		-	-	-
-		(16,030)	(1,566)	(1,566)
(1,000)		(2,688)	-	-
		(43,138)		
(39,000)		12,705	(298,237)	(527,776)
77,000		(18,386)	(270,382)	(401,291)
534,000		318,892	720,182	720,182
\$611,000		\$300,506	\$449,800	\$318,892
<b>Comprising</b>				
520,000		142,027	296,024	162,802
91,000		158,479	153,776	156,090
\$611,000		\$300,506	\$449,800	\$318,892

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2012

### NOTE 1 Statement of Accounting Policies

#### REPORTING ENTITY

The Takeovers Panel is a body corporate established by the Takeovers Act 1993. The interim financial statements presented here are prepared in accordance with the 2011/2012 Output Agreement between the Minister of Commerce and the Takeovers Panel for the year ending 30 June 2013.

#### BASIS OF PREPARATION

##### Statement of compliance

These condensed interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting.

##### Basis of measurement

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 presentational currency

These financial statements are presented in New Zealand dollars (\$) which is the entity's functional currency.

##### Use of estimates and judgements

The preparation of interim financial statements in conformity with NZ IAS 34 Interim Financial Reporting requires the Panel to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These interim financial statements have been prepared on the basis of NZ IFRS.

The accounting policies have been applied consistently to all periods presented in the half yearly financial statements. The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements which were for 30 June 2012.

##### Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

- a Cash and cash equivalents  
Cash and cash equivalents comprise cash balances on hand, held in bank accounts and short term deposits that form part of the Panel's day-to-day cash management. They are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values. They are held for the purpose of meeting short term cash commitments and have short maturities of three months or less.
- b Term Deposits  
This category only includes term deposits with maturities greater than three months. These deposits are loans and receivables under NZ IFRS. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.
- c Trade and other receivables  
Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

- d **GST**  
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 comprehensive income 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.
- e **Trade and other payables**  
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.
- f **Financial instruments**  
A financial instrument is recognised when the Panel becomes party to a financial contract. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income.  
Financial instruments comprise trade and other receivables, cash and cash equivalents, term deposits and trade and other payables.
- g **Income Tax**  
The Panel is exempt from income tax under the Income Tax Act 2004.
- h **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 or when the Panel has made the relevant determination under section 32 of the Takeovers Act 1993.
- 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.
- i **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. Reimbursements from the Crown to top-up the fund are reported as income in the period to 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.
- j **Property, plant and equipment**  
Property, plant and equipment are shown at cost or deemed cost less depreciation, and less any impairment losses. The following classes of property, plant and equipment have been depreciated over their economic lives on the following basis:
- |                  |            |               |
|------------------|------------|---------------|
| office furniture | 8.5%-10.5% | straight line |
| office equipment | 17.5%-40%  | straight line |
- k **Intangible assets**  
Computer software that is not integral to the operation of the hardware is recorded as an intangible asset and amortised on a straight line basis over a period of three years
- l **Changes in accounting policy**  
There have been no changes in accounting policies since the date of the last audited financial statements.

## **NOTE 2 BUDGET FIGURES**

The budget figures are those approved by the Panel on 24 April 2012 and published in the Panel's 2012/2013-2015 Statement of Intent. The budget figures are prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Panel for the preparation of the interim financial statements.

**NOTE 3 LITIGATION FUND**

The Panel operates a litigation fund which started with an appropriation of \$675,000 (GST not applicable) made by Parliament several years ago. The fund is to be used for litigation costs that are incurred by the Panel as it enforces compliance with the Takeovers Code or responds to litigation brought against it. It is being held on short term deposit and term deposit.

The Panel has not used the fund to pay for litigation expenses in the current year. The fund remains above the set level of \$675,000.

While Parliament made a further appropriation of \$200,000 (GST inclusive) for the year ended 30 June 2013 to "top-up" the litigation fund if required, the Panel has not had to draw from this appropriation during the year.

A summary of the movements in the fund during the period is as follows:

	6 months to 31 Dec 2012	6 months to 31 Dec 2011	12 months to 30 Jun 2012
	\$	\$	
Government grant received	-	-	-
Recovery of costs	-	-	-
Interest received	11,905	10,129	28,230
Interest accrued	4,789	6,931	3,951
Expenditure on approved litigation	-	(77,671)	-
	<hr/>	<hr/>	<hr/>
Surplus (deficit) for the year	16,694	(60,611)	32,181
Opening balance	797,925	824,378	765,744
	<hr/>	<hr/>	<hr/>
Closing balance	\$814,619	\$763,767	\$797,925
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>This is comprised of:</b>			
Cash and cash equivalents			
- Call account	158,479	166,709	156,090
- Short Term Deposits	190,214	178,142	-
Term Deposits	461,137	415,148	637,884
Interest Receivable	4,789	6,931	3,951
Trade payables	-	(3,163)	-
	<hr/>	<hr/>	<hr/>
	\$814,619	\$763,767	\$797,925
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTE 4 RECONCILIATION OF STATEMENT OF COMPREHENSIVE INCOME WITH STATEMENT OF CASH FLOWS**

	6 months to 31 Dec 2012	6 months to 31 Dec 2011	12 months to 30 Jun 2012
	\$	\$	\$
<b>Net surplus (deficit)</b>	47,916	20,378	44,786
<b>Movement in non-cash items:</b>			
Depreciation / amortisation	10,490	29,734	46,229
<b>Movement in working capital:</b>			
Increase (decrease) in creditors	(80,586)	(58,191)	(217)
(Increase) decrease in receivables and prepayments	(8,911)	35,934	35,687
	<hr/>	<hr/>	<hr/>
Net movements in working capital	(79,007)	7,477	81,699
	<hr/>	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	(\$31,091)	\$27,855	\$126,485
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **NOTE 5      BUDGET VARIANCES**

Significant variances from budget were:

### **Income**

Total operating income was \$42,250 lower than budgeted, primarily because of the lower than budgeted level of fees and cost recoveries from enforcement and exemption work.

### **Expenditure**

Total operating expenditure for the period to date was \$74,198 lower than budgeted, primarily because of lower than expected expenditure on members' fees, salaries and experts' fees as a result of the lower enforcement and exemption work.

**Printing and Stationery:** There is a \$19,967 reduction in printing and stationery to what was budgeted. This can largely be related to cost cutting measures. A reduction of c. \$9,000 in printing costs of the Annual Report has been made by not having it professionally designed and printed. Further cost cutting was made in the Panel's subscriptions, creating a further saving of c.\$10,000.

**Consultants and Legal:** There is a \$29,628 reduction in consultants and legal to what was budgeted largely due to the lower than budgeted enforcement work.

**Travel:** The \$17,979 reduction in travel costs to budget relates in part to \$4,000 of international travel budgeted for that was not required and in part relates to cheaper flights being acquired in 2012 and less travel for enforcement work.

### **Net operating surplus**

The Panel recorded an operating surplus of \$31,222 when a deficit of \$726 had been expected.

## PROJECTED LEVEL OF OPERATION FOR THE REST OF THE FINANCIAL YEAR

Over the remainder of the financial year the Panel will continue to carry out its responsibilities for administration of the Code. The level of corporate takeover activity significantly picked up from late October 2012, from the relatively low levels of the recent past. The Panel anticipates further takeover transactions and other corporate activity continuing over the remainder of this year. This is expected to require ongoing activity in enforcement as well as approvals and exemptions.

The Panel intends to maintain its current establishment of eight staff. Currently all positions are filled.

The Panel completed its work on the technical review of the Code and published its recommendations to the Minister in August 2012, having provided them to officials in draft in December 2011. The executive has been assisting officials and Parliamentary Counsel with the drafting of the regulations to give effect to the recommendations. Targeted consultation on the draft regulations is currently underway and is due to complete on 1 March 2013. The Panel hopes the regulations can be brought into effect very soon after that.

The Panel is looking forward to assisting the Ministry with a review of the Takeovers (Fees) Regulations 2001 which stipulate the fees that can be charged to third parties for various actions undertaken by the Panel. It had been hoped that the fees review would be concluded in calendar year 2011. However, this did not eventuate. It is now hoped that the conclusion of the fees review will coincide with the passage of the Companies and Limited Partnerships Amendment Bill.

Under the current fees regulations the Panel can only charge for its activities in relation to matters under the Takeovers Act and Code. However, under the Bill the Panel will have a role in relation to schemes of arrangement under the Companies Act that involve Code companies. The fees regulations need to be amended in order to allow the Panel to charge third parties for its work on schemes of arrangement and also in order to achieve the Government's policy, as stated in 2010, of full cost recovery for the Panel's chargeable activities. Currently, the Panel under-recovers for its chargeable activities by approximately 40%. The Panel anticipates that, once the new schemes of arrangement regime comes into effect and beds in, a significant proportion of takeovers will be likely to be undertaken under that regime. The reason for this expectation is that the proposals under the Bill are closely aligned with the regime that has operated in Australia for several decades, and around half of takeovers are undertaken as schemes of arrangement in that jurisdiction.

The Panel published its periodic news bulletin, Code Word, in July 2012 and has a further edition of Code Word ready for publication about the regulations for the technical review of the Code. This edition will be held off until Cabinet has approved the regulations. Another edition of Code Word may be ready for publication before then. As soon as the Companies and Limited Partnerships Amendment Bill is passed the Panel will also publish its Guidance Note on the procedures for applying to the Panel for an "no objection statement" under the new Companies Act regime for schemes that involve Code companies.

The Panel maintains an on-line feedback survey to obtain verifiable data on its performance from its 'client' base of market practitioners. Requests to participate are sent to each party's advisory firm, including to independent advisers approved under the Code, for every Code transaction (other than for enforcement actions considered or taken by the Panel). Although the survey is into its second year, the Panel continues to receive a high response rate of greater than 70%, with very positive feedback. The survey has had the added benefit of providing a forum for practitioners to raise minor concerns that might not otherwise be brought to the Panel's attention (such as suggestions for improving the website or delivery of other services). The Panel is therefore able to act on this feedback virtually immediately. The survey will remain in place for the rest of the financial year.



The Panel is currently working on an upgrade of its IT system. The upgrade has been costed at approximately \$110,000 and is being self-funded from the Panel's operating surplus. Care is being taken to ensure that the upgrade is aligned with the Government ICT goals.

The Panel has also undertake an upgrade of its website. This was also self-funded, and is expected to pay for itself over time. It is anticipated that its annual operating costs will be approximately half of those of the former website.