

TAKEOVERS PANEL

**STATEMENT OF PERFORMANCE
EXPECTATIONS**

2014/2015

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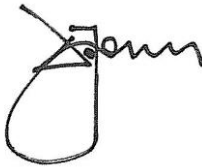
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FORECAST STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2015

Statement of responsibility

1. The information on future operating intentions of the Takeovers Panel for the year ending 30 June 2015 contained in this Statement of Performance Expectations has been prepared in accordance with section 149 of the Crown Entities Act 2004.
2. We acknowledge responsibility for the preparation of these forecast financial statements and Forecast Statement of Service Performance and for the judgements used in them.
3. 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.
4. 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:



David Jones
Chairman
Takeovers Panel

Date: 23 May 2014



Andy Coupe
Deputy Chairman
Takeovers Panel

Date: 23 May 2014

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 principles of 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 2014/2015, and Estimated outcome for 2013/2014, using actual data to December 2013 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2014/2015	Estimated 2013/2014	Actual 2012/2013	Actual 2011/2012
Quantity¹				
Adviser applications received	22-26	22-26	24	25
Draft documents reviewed for Code-regulated transactions, and percentage of enforcement resources spent on this 'soft' enforcement ²	24 taking 74% of resources	24 taking 90% of resources	21 taking 71% of resources	New measure for 2012/2013
Final documents reviewed for Code-regulated transactions, and percentage of enforcement resources spent on review of final documents	24 taking 3% of resources	24 taking 10% of resources	21 taking 3% of resources	New measure for 2012/2013
Section 32 meetings held, and percentage of enforcement resources spent on this 'hard' enforcement ³	1 taking 23% of resources	0 taking 0% of resources	1 taking 26% of resources	0 meetings held; percentage resources is new measure for 2012/2013

¹ The number of applications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information

² The level of the Panel's overall 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 (as is evidenced by the percentage figures)

³ As for footnote 2.

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<p>Quality</p> <p>All adviser applications are considered by the Panel for advisers' competence and independence</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>Parties are satisfied with the processes for 'soft' enforcement 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%</p> <p>At least 90%</p> <p>0 challenges</p>	<p>100%</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>90%</p> <p>90%</p> <p>0 challenges</p>	<p>100%</p> <p>0 failures, 0 withdrawals</p> <p>0 disallowed</p> <p>100%</p> <p>100%</p> <p>0 challenges</p>	<p>New measure for 2012/2013</p> <p>New measure for 2012/2013</p> <p>0 disallowed</p> <p>New measure for 2012/2013</p> <p>New measure for 2012/2013</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, 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>'Hard' enforcement work is completed within statutory timeframes</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>100% of the time</p>	<p>95% of the time</p> <p>95% of respondents</p> <p>95% of 8-12 applications</p> <p>100% of the time</p> <p>N/A</p>	<p>96% of the time</p> <p>New measure for 2013/2014</p> <p>92% of 16 applications</p> <p>100% of the time</p> <p>100% of the time</p>	<p>100% of the time</p> <p>New measure for 2013/2014</p> <p>100% of 14 applications</p> <p>New measure for 2012/2013</p> <p>N/A</p>
<p>Revenue:</p>	<p>\$736,000 40% of forecast revenue</p>	<p>\$676,400 40% of estimated revenue</p>	<p>\$903,310 50% of actual revenue</p>	<p>Not Fully Reported</p>
<p>Cost:</p>	<p>\$710,000 40% of forecast expenditure</p>	<p>\$667,000 40% of estimated expenditure</p>	<p>\$831,867 50% of actual expenditure</p>	<p>\$741,220 45% of actual expenditure</p>

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 2014/2015, and Estimated outcome for 2013/2014, using actual data to December 2013 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2014/2015	Estimated 2013/2014	Actual 2012/2013	Actual 2011/2012
Quantity ⁴ Number of Code company schemes notifications received	1-3	0	New Output for 2013/2014	New Output for 2013/2014
Quality Applicants are satisfied with process for No-objection Statements as indicated by an external survey	At least 90% of respondents	N/A ⁵	New Output for 2013/2014	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	N/A	New Output for 2013/2014	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	N/A	New Output for 2013/2014	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	N/A	New Output for 2013/2014	New Output for 2013/2014
Applicants are satisfied with timeliness of Panel's decision, as indicated by an external survey	At least 90% of respondents	N/A	New Output for 2013/2014	New Output for 2013/2014

⁴ The number of notifications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information

⁵ It had been anticipated that the Companies and Limited Partnerships Amendment Bill (which contains the provisions for Code company schemes) would have been passed some time ago. However, the Bill may not be passed until close to the end of 2013/2014 or early 2014/2015. Accordingly, it is extremely unlikely that there will be any applications for No-objection Statements in the 2013/2014 year.

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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	N/A	New Output for 2013/2014	New Output for 2013/2014
Revenue:	\$276,000 15% of forecast revenue	\$0 0% of estimated revenue	New Output for 2013/2014	New Output for 2013/2014
Cost:	\$266,000 15% of forecast expenditure	\$0 0% of estimated expenditure	New Output for 2013/2014	New Output for 2013/2014

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. There are no major policy projects planned the 2014/2015 year. However an outstanding policy project from 2013/2014 is expected to be completed (review of the use of limited partnerships as shareholding vehicles in Code companies).

Planned performance standards and performance measures for 2014/2015, and Estimated outcome for 2013/2014, using actual data to December 2013 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2014/2015	Estimated 2013/2014	Actual 2012/2013	Actual 2011/2012
<p>Quantity⁶ 1 policy project planned for completion, noting that other policy projects may arise in response to market practice</p>	1 project completed	3 of 4 projects completed	3 of 8 projects completed	New measure for 2012/2013
<p>Quality Every material policy project meets the following criteria (as demonstrated by performance checklists):</p> <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 at least 6 weeks long; • 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	New measure for 2012/2013
<p>Timeliness Recommendations to the Minister (if any) sent to Ministry within 10 working days of Panel approval of the recommendations</p>	100% of the time	100% of the time	100% of the time	New measure for 2012/2013

⁶ The Panel decided in its 2013/2014 Business Plan to start reducing its focus from policy work to public understanding work, and it reinforced that decision in its 2014/2015 Business Plan. This is evident by the reduction in major policy projects planned, and the changes to forecasts of resources to be used for Outputs 3 and 4. However, the daily monitoring of market practice may result in unplanned policy projects being undertaken.

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Revenue: (Funded by Government grant and other income, except fees)	\$184,000 10% of forecast revenue	\$338,000 20% of estimated revenue	\$478,223 27% of actual revenue	Not Reported
Cost:	\$178,000 10% of forecast expenditure	\$333,000 20% of estimated expenditure	\$440,401 27% of actual expenditure	\$504,538

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 informal 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 2014/2015, and Estimated outcome for 2013/2014, using actual data to December 2013 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2014/2015	Estimated 2013/2014	Actual 2012/2013	Actual 2011/2012
Quantity				
Number of: <i>Code Words</i> published	3	2	3	3
Public enquiries responded to	130-150	140	137	129
Engagements with stakeholders undertaken	25	25	10	New measure for 2012/2013
High quality website is indicated by number of hits on the website	10,000 - 12,000	10,000 - 12,000	8,932	New measure for 2012/2013
Quality				
Market participants found documents published were useful, as indicated by an external survey	At least 90% of respondents	95%	98%	New measure for 2012/2013
Market participants found the website useful to a considerable or high degree, as indicated by an external survey	At least 90% of respondents	New measure for 2014/2015	New measure for 2014/2015	New measure for 2014/2015
A Stakeholder Engagement Plan was approved by the Panel	Will be achieved	Achieved	New measure for 2013/2014	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	100% 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
Revenue: (Funded by Government grant and other income except fees)	\$644,000 35% of forecast revenue	\$676,000 40% of estimated revenue	\$389,663 22% of actual revenue	Not reported

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Cost:	\$621,000 35% of forecast expenditure	\$667,000 40% of estimated expenditure	\$358,845 22% of actual expenditure	\$292,957
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**FORECAST FINANCIAL STATEMENTS OF THE TAKEOVERS PANEL
for the year ending 30 June 2015**

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 2014/2015 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 10 April 2014.

**Forecast Statement of Financial Performance
for the year ending 30 June 2015**

	<i>Forecast 12 months to 30 June 2015 \$</i>	<i>Notes</i>	<i>Estimated 12 months to 30 June 2014 \$</i>
Revenue - Operating			
Government grant-baseline funding	1,494,000	2	1,494,000
Interest	28,000		27,000
Application fees and costs recoverable	285,000	3	138,000
Total operating income	<u>1,807,000</u>		<u>1,659,000</u>
Revenue - Litigation fund			
Interest	33,000		32,000
Total litigation fund income	<u>33,000</u>		<u>32,000</u>
Total revenue	<u><u>1,840,000</u></u>		<u><u>1,691,000</u></u>
Operating expenses			
Services and supplies	807,000	4	737,000
Personnel costs	948,000	5	910,000
Total operating expenditure	<u>1,755,000</u>		<u>1,647,000</u>
Expenditure - Litigation fund	20,000		20,000
Total expenditure	<u>1,775,000</u>		<u>1,667,000</u>
Net Surplus/Deficit	<u>\$65,000</u>		<u>\$24,000</u>
This is comprised of:			
Income-operating/(deficit)	52,000		12,000
Income-litigation/(deficit)	13,000		12,000
	<u>\$65,000</u>		<u>\$24,000</u>

**Forecast Statement of Financial Position
as at 30 June 2015**

	<i>Forecast as at 30 June 2015 \$</i>	<i>Estimated as at 30 June 2014 \$</i>
Current assets		
Bank accounts and cash - operations	251,000	278,000
Bank accounts and cash – litigation fund	120,000	117,000
Short term deposits – operations	565,000	437,000
Short term deposit – litigation fund	705,000	695,000
Interest receivable – operations	6,000	6,000
Interest receivable – litigation fund	2,000	2,000
Debtors and prepayments	70,000	83,000
Total current assets	1,719,000	1,618,000
Non current assets		
Property, plant and equipment	58,000	90,000
Total non current assets	58,000	90,000
Total assets	\$1,777,000	\$1,708,000
Current liabilities		
Creditors and accrued expenses	60,000	104,000
Employee costs payable	48,000	44,000
Total current liabilities	108,000	104,000
Accumulated Funds		
Capital contribution	150,000	150,000
Operating funds	692,000	640,000
Litigation fund	827,000	814,000
Total equity	1,669,000	1,604,000
Total equity and liabilities	\$1,777,000	\$1,708,000

**Forecast Statement of Cash Flows
for the year ending 30 June 2015**

	Forecast 12 months to 30 June 2015 \$	Estimated 12 months to 30 June 2014 \$
Cash flows from operating activities		
Cash was provided from:		
Government grant - operations	1,494,000	1,494,000
Application fees & costs recoverable	300,000	211,000
Interest	61,000	68,000
Cash was disbursed to:		
Suppliers	(525,000)	(487,000)
Employees and Members	(1,194,000)	(1,172,000)
Good and Services Tax (net)	(2,000)	(7,000)
Net cash inflow (outflow) from operating activities	134,000	107,000
Cash flows from investing and financing activities		
Cash was provided from:		
Sale of investments	0	(195,000)
Cash was applied to:		
Acquisition of property and equipment	(20,000)	0
Purchase of investments	(138,000)	0
Net cash inflow (outflow) from investing and financing activities	(158,000)	(195,000)
Net increase (decrease) in cash balance	(24,000)	(88,000)
Add opening bank accounts and cash	395,000	483,000
Closing bank accounts and cash	\$371,000	\$395,000

Notes to the Forecast Financial Statements for the year ending 30 June 2015

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 2013/2014

The 2013/2014 forecast financial statements include actual results up to the end of December 2013 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 2013/2014 in the Panel's 2013 forecast financial statements.

2 Government appropriation

The Government appropriation is as per the amount allocated to the Output Class "*Administration of the Takeovers Code*" for the year 2014/2015.

3 Application fees and costs recoverable

The Panel forecasts third party income of \$285,000 in 2014/2015. This assumes section 32 revenue of \$100,000. In addition the Companies and Limited Partnerships Amendment Bill is expected to pass in late 2013/2014 or in early 2014/2015, providing income from the Panel's No-objections Statement activities for schemes of arrangement. Revenue of \$70,000 is forecast from this activity. 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. More revenue is anticipated to be earned from processing applications for Code company schemes than is foregone for the exemption and adviser approvals that would otherwise have occurred under the Code.

4 Services and Supplies

The Panel forecasts an increase in services and supplies of some \$70,000 or 18% in 2014/2015 compared with 2013/2014. Of this \$21,000, or 70% relates to training in 2014/2015 compared with 2013/2014. This is on the basis of the Panel's leadership development goals for the Chief Executive, and to better support the continuing legal/accounting education of the Panel's six other professional staff.

The Panel forecasts spending \$8,000 more on experts fees in 2014/2015 than is estimated for 2013/2014. This is largely because the Panel is forecasting for a section 32 meeting in 2014/2015 but not in 2013/2014.

The Panel forecasts spending \$13,000 more on other operating expenditure in 2014/2015 than is estimated for 2013/2014. This is because the Panel has agreed to lease photocopiers and printers from the 2014/2015 financial year. The cost of this is expected to be c.\$4,000 per annum. The Panel has also set aside an additional \$6,000 for possible recruitment.

5 Personnel costs

The Panel forecasts to spend \$948,000 on personnel costs in 2014/2015, an increase of around 4% over the expected personnel costs in 2013/2014. This is on the basis of several current staff moving through Post Qualification Experience bands and most or all staff receiving a pay increase.

6 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.

The level of the Panel's takeover activity and schemes of arrangement activity is dependent on the level and nature of takeover market activity. If takeovers are hostile or competitive, the likelihood of Panel involvement, and possibly enforcement meetings, increases. The Panel cannot always recover its costs from the enforcement meetings it holds.

If there is a lower level of exemptions and approvals than expected and takeovers are "friendly", third party revenue would be affected.

If the Panel's third party revenue was \$185,000 rather than the predicted \$285,000, some reduction in members' fees and external legal costs would be correspondingly likely, and the Panel's forecast operating profit of \$52,000 could decrease by around \$30,000 to \$22,000.

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 2015. 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 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.

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 2014/2015.

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.