



TAKEOVERS PANEL
TE PAE WHITIMANA

G.62

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

TAKEOVERS PANEL

**STATEMENT OF PERFORMANCE
EXPECTATIONS**

2018/2019

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STATEMENT OF RESPONSIBILITY

The information on future operating intentions of the Takeovers Panel for the year ending 30 June 2019 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
Chairman
Takeovers Panel

Date: 9 May 2018



Murdo Beattie
Chairman of the Audit and Risk Committee
Takeovers Panel

Date: 9 May 2018

INTENDED ACHIEVEMENTS OF OUTPUTS

The Takeovers Panel is responsible for the administration of the Takeovers Code, for which the Panel receives an appropriation from the Government of \$1.49 million per annum.¹ The scope of the appropriation is the performance by the Panel of its statutory obligations under the Takeovers Act 1993. The Panel has identified four output classes for measuring its service performance, namely:

- Services for transactions under the Takeovers Code;
- Services for transactions under the Companies Act 1993 (**Code company schemes**);
- Review of takeovers law and practice; and
- Public understanding services.

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

- **Efficiency:** Takeovers law is efficient, with improved information for shareholders;
- **Enforcement:** 100% compliance with the Code and 100% of applicants for Code company schemes seek a No-objection Statement from the Panel; and
- **Knowledge:** Shareholders, and all those who are subject to the Code, and their advisers, are well informed about the role of the Code, of the Panel and in relation to Code company schemes.

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 'takeovers market' is a term used to describe mergers and acquisitions activity such as takeovers and acquisitions of business assets. Much of this activity is not subject to the Takeovers Code because it does not relate to transactions in shares, and only a very small percentage of New Zealand's c. 500,000 companies (fewer than 1%) are subject to the Code. However, the Panel plays an important role in strengthening the integrity of the capital markets because it regulates changes of control in New Zealand's largest and most widely-held companies, some of which have tens of thousands of shareholders. Therefore, while the Panel's services have a measurable impact in relation to transactions that fall within the scope of the Panel's appropriation, the Panel's contribution to the outcomes for the broader takeovers market cannot be measured.

The Panel will, as part of its service delivery, work with other entities such as NZX Limited, the Commerce Commission and the Financial Markets Authority with the aim of contributing to improving the confidence and participation of investors in New Zealand's capital markets (of which the takeovers market forms part).

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 Code company schemes provisions in the Companies Act 1993, and to respond to litigation brought against it.

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:				
<ul style="list-style-type: none"> • 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 activity with Panel staff reviewing draft documents so that they better comply with the Code, enabling most compliance issues to be easily resolved; • Encourage drafters of Code-regulated documents to apply the Panel's guidance on clear, concise and effective drafting. 				
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.				
<i>Planned performance standards and performance measures for 2018/2019, and estimated outcome for 2017/2018, using actual data to December 2017 and as estimated for the remainder of the year:</i>				
Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
Quantity² Draft documents reviewed, including for clear, concise and effective drafting as set out in the guidance notes relating to Code documents, and percentage of enforcement resources spent on 'soft' enforcement ³	21-23 taking 80% of resources	18-21 taking 80% of resources	New measure for 2017/2018	New measure for 2017/2018

² The number of applications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information.

³ 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.

Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
<p>Quality</p> <p>The Regulations Review Committee does not recommend disallowance of any Panel exemptions⁴</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>	0 disallowed	0 disallowed	0 disallowed	0 disallowed
	At least 90% of respondents	90% of respondents	100% of respondents	100% of respondents
	At least 90% of respondents	90% of respondents	100% of respondents	100% of respondents
<p>Timeliness</p> <p>Applicants are satisfied with the timeliness of the Panel's decisions regarding approval and exemption applications, as indicated by an external survey</p>	At least 90% of respondents	90% of respondents	100% of respondents	100% of respondents
<p>Revenue</p>	\$831,000 49% ⁵ of forecast revenue	\$860,000 51% of estimated revenue	\$992,932 58% of actual revenue	\$981,761 54% of actual revenue
<p>Cost</p>	\$825,000 49% of forecast expenditure	\$885,000 51% of estimated expenditure	\$972,922 58% of actual expenditure	\$900,840 54% of actual expenditure

⁴ This measure shows that the Panel is exercising its delegated exemption power appropriately and in accordance with the Standing Orders of the House of Representatives.

⁵ Changes to percentages reflect a view that there will be more schemes and this is expected to reduce the work in exemption applications.

OUTPUT 2 : Services for transactions under Companies Act (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;
- Encourage drafters of scheme documents to apply the Panel's guidance on clear, concise and effective disclosure;
- 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 2018/2019, and estimated outcome for 2017/2018, using actual data to December 2017 and as estimated for the remainder of the year:

Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
Quantity⁶ Review of draft scheme documents includes checking for clear, concise and effective drafting as set out in the guidance note on schemes	100% of 3-5 scheme notifications	100% of 2-3 scheme notifications	New measure for 2017/2018	New measure for 2017/2018
Quality Applicants are satisfied with process for No-objection Statements as indicated by an external survey ⁷	At least 90% of respondents	90% of respondents ⁸	100% of respondents	100% of respondents
Timeliness Letters of Intention are issued to applicant by 1 working day after Panel decision to give the Letter of Intention Applicants are satisfied with timeliness of Panel's decision, as indicated by an external survey No-objection Statements are issued to applicant by 1 working day after Panel decision to give the No-objection Statement	100% of Letters of Intention At least 90% of respondents 100% of the time	100% of Letters of Intention 90% of respondents 100% of the time	100% of 4 Letters of Intention 50% of respondents 100% of the time	100% of 2 Letters of Intention 100% of respondents 100% of the time

⁶ The number of notifications received is entirely market-driven. The inclusion of estimated quantities is to provide contextual information.

⁷ 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.

⁸ The Panel always aims for a 100% success rate, but has estimated performance at 90% on the basis that some schemes can be complex and difficult to manage, and due to the small numbers of schemes estimated, just one application not processed within the agreed timeframe would significantly impact the percentage.

<i>Performance Measures</i>	<i>Performance Standards</i>			
	<i>Forecast 2018/2019</i>	<i>Estimated 2017/2018</i>	<i>Actual 2016/2017</i>	<i>Actual 2015/2016</i>
<u>Revenue</u>	\$237,000 14% of forecast revenue	\$186,000 11% of estimated revenue	\$188,315 11% of actual revenue	\$199,988 11% of actual revenue
<u>Cost</u>	\$236,000 14% of forecast expenditure	\$191,000 11% of estimated expenditure	\$184,520 11% of actual expenditure	\$183,504 11% of actual expenditure

OUTPUT 3: Review takeovers law and practice:				
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.				
<i>Planned performance standards and performance measures for 2018/2019, and estimated outcome for 2017/2018, using actual data to December 2017 and as estimated for the remainder of the year:</i>				
Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
Quantity 2 policy projects planned, noting that other policy projects may arise in response to market practice	2 project commenced 2 projects completed	2 project commenced 2 projects completed ⁹	3 projects completed	3 projects commenced 1 project completed
Quality Every material policy project meets the following quality assurance criteria (as demonstrated by performance checklists): ¹⁰ <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	N/A

⁹ The technical amendments were commenced 2014/2015. It is estimated that amendments to the Code will come into force in September 2018. Amendments to the Takeovers Act are more likely to come into force in 2019.

¹⁰ 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.

Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
<u>Timeliness</u> Recommendations to the Minister (if any) sent to Ministry within 10 working days of Panel approval of the recommendations ¹¹	100% of the time	100% of the time	100% of the time	N/A
<u>Revenue</u>	\$203,000 12% of forecast revenue	\$135,000 8% of estimated revenue ¹²	\$222,554 13% of actual revenue	\$381,796 21% of actual revenue
<u>Cost</u>	\$202,000 12% of forecast expenditure	\$139,000 8% of estimated expenditure	\$218,069 13% of actual expenditure	\$350,327 21% of actual expenditure

¹¹ Panel approval means the later of, being approved by the Panel at a Board meeting or by the Chairman (as authorised by the Panel at a Board meeting).

¹² The Panel decided in 2014/2015 to start reducing its focus from policy work to public understanding work. This is evident by the reduction in major policy projects planned, and the changes to resources used for Outputs 3 and 4. However, the gradual increase of transaction levels in recent times has focused the Panel's resources more on Outputs 1 and 2.

OUTPUT 4 : Public Understanding Services:				
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: <ul style="list-style-type: none"> • 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. 				
<i>Planned performance standards and performance measures for 2018/2019, and estimated outcome for 2017/2018, using actual data to December 2017 and as estimated for the remainder of the year:</i>				
Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
Quantity				
Number of: <i>Code Words</i> published	3	2	3	2
Public enquiries responded to	120-150	80	109	128
Engagements with stakeholders as per Stakeholder Engagement Plan	60-70 individual 3 seminars	60 individual	62 individual 4 seminars	22 individual 3 seminars
Quality				
Market participants found Panel's published documents were useful, as indicated by an external survey ¹³	At least 90% of respondents	90% of respondents	100% of respondents	100% of respondents
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	86.6% of respondents	100% of respondents
A Stakeholder Engagement Plan was approved by the Panel ¹⁴	Will be achieved	Achieved	Achieved	Achieved
Timeliness				
Information is published on the website within 10 working days of final Panel sign-off ¹⁵	100% of the time	100% of the time	100% of the time	55% 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	99.22% of the time

¹³ The Panel's website includes not only the Panel's own publications but also tools for reducing compliance costs, such as template application forms and a digital calculator for aiding practitioners with compliance with the Code's timing rules. It also contains a database of all Code-regulated transactions documents and Code company scheme documents and links to relevant legislation.

¹⁴ 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 4, 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.

¹⁵ Panel sign-off means the later of being approved by the Panel at a Board meeting or by the Chairman (as authorised by the Panel at a Board meeting).

Performance Measures	Performance Standards			
	Forecast 2018/2019	Estimated 2017/2018	Actual 2016/2017	Actual 2015/2016
Revenue	\$424,000 25% of forecast revenue	\$506,000 30% of estimated revenue	\$308,151 18% of actual revenue	\$254,531 14% of actual revenue
Cost	\$420,000 25% of forecast expenditure	\$520,000 30% of estimated expenditure	\$301,941 18% of actual expenditure	\$233,551 14% of actual expenditure

**FORECAST FINANCIAL STATEMENTS OF THE TAKEOVERS PANEL
for the year ending 30 June 2019**

Introduction

The forecast financial statements presented here for the reporting entity, the Takeovers Panel, are prepared pursuant to section 149C 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 2018/2019 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 24 April 2018.

FORECAST STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2019

	<i>Forecast 12 months to 30 June 2019</i>	<i>Notes</i>	<i>Estimated 12 months to 30 June 2018</i>
	\$		\$
Revenue - Operating			
Government grant-baseline funding	1,494,000	2	1,494,000
Interest	26,000		27,000
Application fees and costs recoverable	156,000	3	145,000
Other revenue	0		0
Total operating revenue	<u>1,676,000</u>		<u>1,666,000</u>
Revenue - Litigation fund			
Interest	<u>19,000</u>		<u>21,000</u>
Total litigation fund revenue	<u>19,000</u>		<u>21,000</u>
Total revenue	<u>1,695,000</u>		<u>1,687,000</u>
Operating expenditure			
Services and supplies	729,000	4	832,000
Personnel costs	954,000	5	903,000
Total operating expenditure	<u>1,683,000</u>		<u>1,735,000</u>
Expenditure - Litigation fund	<u>0</u>		<u>0</u>
Total expenditure	<u>1,683,000</u>		<u>1,735,000</u>
Net Surplus/Deficit	<u>12,000</u>		<u>(48,000)</u>
This is comprised of:			
Revenue-operating/(deficit)	(7,000)		(69,000)
Revenue-litigation/(deficit)	<u>19,000</u>		<u>21,000</u>
	<u>12,000</u>		<u>(48,000)</u>

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

FORECAST STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	<i>Forecast as at 30 June 2019 \$</i>	<i>Estimated as at 30 June 2018 \$</i>
Current assets		
Bank accounts and cash - operations	130,000	146,000
Bank accounts and cash – litigation fund	122,000	122,000
Short term deposits – operations	816,000	795,000
Short term deposits – litigation fund	584,000	568,000
Interest receivable – operations	4,000	7,000
Interest receivable – litigation fund	9,000	6,000
Debtors and prepayments	72,000	81,000
Total current assets	1,737,000	1,725,000
Non current assets		
Property, plant and equipment	53,000	28,000
Total non current assets	53,000	28,000
Total assets	1,790,000	1,753,000
Current liabilities		
Creditors and accrued expenses	62,000	52,000
Employee costs payable	60,000	45,000
Total current liabilities	122,000	97,000
Accumulated Funds		
Capital contribution	150,000	150,000
Operating funds	803,000	810,000
Litigation fund	715,000	696,000
Total equity	1,668,000	1,656,000
Total equity and liabilities	1,790,000	1,753,000

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

FORECAST STATEMENT OF CASH FLOWS
for the year ending 30 June 2019

	<i>Forecast</i> <i>12 months to</i> <i>30 June 2019</i> \$	<i>Estimated</i> <i>12 months to</i> <i>30 June 2018</i> \$
Cash flows from operating activities		
Cash was provided from:		
Government grant - operations	1,494,000	1,494,000
Application fees & costs recoverable	160,000	123,000
Interest	45,000	52,000
Good and Services Tax (net)	2,000	3,000
Cash was disbursed to:		
Suppliers	(479,000)	(604,000)
Employees and Members	(1,141,000)	(1,122,000)
Net cash inflow (outflow) from operating activities	81,000	(54,000)
Cash flows from investing and financing activities		
Cash was provided from:		
Sale of investments	0	25,000
Cash was applied to:		
Acquisition of property and equipment	(60,000)	(5,000)
Purchase of investments	(37,000)	0
Net cash inflow (outflow) from investing and financing activities	(97,000)	20,000
Net increase (decrease) in cash balance	(16,000)	(34,000)
Add opening bank accounts and cash	268,000	302,000
Closing bank accounts and cash	252,000	268,000

The Statement of Accounting Policies and Notes form an integral part of, and should be read in conjunction with, these financial statements.

**NOTES TO THE FORECAST FINANCIAL STATEMENTS
for the year ending 30 June 2019**

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 2017/2018

The 2017/2018 estimated financial statements include actual results up to the end of December 2017 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 2017/2018 in the Panel's 2017/2018 SPE.

2 Government appropriation

The Government appropriation is as per the amount allocated for "*Administration of the Takeovers Code*" for the year 2018/2019.

3 Application fees and costs recoverable

The Panel forecasts third party income of \$156,000 in 2018/2019. 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.

4 Services and supplies

The Panel forecasts spending \$832,000 on services and supplies in 2018/2019, a decrease of \$103,000 under the expected services and supplies cost in 2017/2018. This is on the basis that the costs of recruitment of senior executives expended in 2017/2018 will not be incurred in 2018/2019.

5 Personnel costs

The Panel forecasts spending \$954,000 on personnel costs in 2018/2019, an increase of \$51,000 over the expected personnel costs in 2017/2018. This is on the basis of a number of legal staff moving through Post Qualification Experience bands.

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. 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

Statement of compliance

The separate forecast financial statements presented here are for the reporting entity, the Takeovers Panel, for the year ending 30 June 2019. The Panel has elected to apply Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) and is eligible to do so with total operating expenses below \$2million. These forecast financial statements have been prepared in compliance with NZ Generally Accepted Accounting Practice. All transactions are reported using the accrual basis of accounting and on the assumption that the Panel is a going concern.

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 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.

Significant 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. As a result of interest received over a number of years, the fund had achieved a significant surplus.

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, held in cheque or savings accounts and deposits held at call with bank accounts that form part of the Panel's day-to-day cash management.

9 Term deposits

This category includes all term deposits.

10 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 percent straight line,
- office equipment 17.5 – 40 percent straight line,
- computer software 33 percent straight line.

11 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.

12 Contingent liabilities

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. There are no contingent liabilities forecast in 2018/2019.

13 Changes in accounting policies

There have been no changes in accounting policy.