

Revised Practice Note 14 (PN14) – Meaning of “reporting on in accordance with Rule 10 of the Takeovers Code”

Where a document to shareholders includes information that constitutes a profit forecast under Rule 10.6 of the Takeovers Code, then the information must be reported on in accordance with Rule 10 of the Takeovers Code. To clarify what is meant by “reporting on”, we draw your attention to Rule 10.1 and Note 1(c) to Rules 10.1 and 10.2 and Rule 10.4 of the Takeovers Code.

Reporting on a profit forecast involves (i) the financial advisers reviewing and discussing the assumptions with their client in order to satisfy themselves that the forecast has been made with due care and consideration; and (ii) the auditors or accountants satisfying themselves that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made. Financial advisers and the auditors/accountants are not normally required to provide written confirmations to the Executive in relation to the above matters. In both cases it is normally sufficient for the relevant written confirmations, which form part of the report referred to in Rule 10.4 of the Takeovers Code, to be published in the document addressed to shareholders containing the profit forecast. If the profit forecast is made in an announcement, then the report must be lodged with the Executive before the announcement is published and such report must be published in the next document issued by the company to shareholders.

There may be occasions, particularly when an estimate relates to a period already ended, when no assumptions are required as provided under Note 2(c) to Rule 10.1 and 10.2 of the Takeovers Code. For the avoidance of doubt, an estimate of profit for a period which has already expired should be treated as a profit forecast under Rule 10.6 (b). In these circumstances, instead of reviewing the assumptions, the financial advisers and auditors/accountants should review and report on the bases of the profit estimates.

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