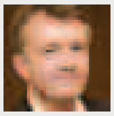
Ask the experts:

Ready for action?

What will be the key trends this year for corporate treasury departments?



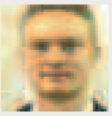
Richard James, Deputy Chief Executive at the Association of Corporate Treasurers

One of the main financial themes for 2007 will be the continuation of the private equity bandwagon. I think we will see a substantial increase in private equity deals in mainland Europe. The treasury profession needs to learn more from the private equity model and understand better the financial characteristics that make private equity so successful. Treasurers should look at private equity's use of imaginative and innovative funding structures and revisit some of the basics of cashflow and cash generation which private equity seems to understand so well.

At the same time the focus on risk management will continue to increase, partly because treasurers will look to use their risk management skills across a wider financial arena as they became more involved in areas such as insurance and pensions. We are likely to see more attention paid to the interplay between derivative markets and insurance markets.

In 2007, treasurers have to respond to the issue of globalisation within the financial services and corporate arena, ensuring that their skills and experience are applicable in a global context. The treasury profession itself needs to become more global – for instance, we at the ACT need to ensure that our treasury qualifications become more internationally recognised and that is something we will be working on in 2007.

Finally treasurers need to look more closely at the supply chain. The trend towards global procurement has major balance sheet implications, and as companies increasingly operate their supply chain on a global basis to compete, they have to work harder to ensure they are managing inventory and working capital effectively. Treasurers often find this dull and boring, but speeding up cash through means such as straight-through processing and the move towards global standards have enormous potential benefits and value for corporates which need to be captured.



Topi Jokiranta, Group Financial Risk Manager at Cadbury Schweppes

As the new year planning exercises take place in all corporate treasury departments, here are my thoughts on what is likely to be on the agendas.

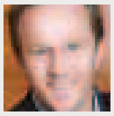
Treasury management systems (TMS) are actively reviewed to help departments leverage technology. Treasuries are again weighing up the two main models of TMS technology: whether to harmonise on wall-to-wall systems or move to a bespoke system tailored to a specific treasury's specific needs – anything from front-office to back-office and accounting, scalable connectivity and flexible straight-through processing to suit the particular corporate's treasury needs.

Risk management focus has seen a huge leap forward. Partly driven by technology, a holistic view to managing risk is gaining ground. The problem for corporate treasury, however, is that without robust tools the outputs and any risk management strategy get too complicated to explain and run. The typical corporate balance sheet and profit and loss account is not similar to a bank's. Although it has financial liabilities, the asset side is more complicated, which makes a straightforward portfolio approach harder to adopt.

Improved technology enhances connectivity to business units and should underpin more accurate forecasting. With better forecasting, the treasurer can implement more accurate foreign exchange, interest rate and liquidity forecasting.

The funding market seems robust, with ever larger deals being executed. We all need to remember that funding is all about timing – doing deals when finance is available rather when you need it.

My last thought for 2007 is one that often comes way down in the pecking order: good people retention is key in a tight market. A good treasury is half people and half systems, so getting the HR agenda right takes a lot of time and actual focus that should be measurable in the manager's objectives.



Matthew Hurn, Group Treasurer at DSG international

In essence, 2007 shouldn't be any different to previous years. The treasury department's job is about doing the basics well and aligning its skill sets with the company's strategic agenda to clearly demonstrate that treasury adds shareholder value.

But looking ahead, the key issues for this year look set to include:

- The dollar and its current weakness is inevitably going to have a global impact. A slowing US economy could affect the world.
- Rising interest rates in the euro zone are also going to have an impact. Against historically low rates, how proactive have treasurers been in protecting their profit and loss interest charge against rising rates?
- The transition of the former emerging markets into developing markets reinforces the question of how treasurers can effectively utilise the wide range of risk management tools in these territories. Equally important is how to access capital in developing market locations. Greater understanding and knowledge is required to mitigate the volatility and risks that typically come with the currencies of these territories.
- Finally, we are likely to see greater pension deficit volatility. Falling corporate bond yields and the increase in inflation expectations could start to have a greater impact on scheme deficits. These were mitigated last year by the stellar equity performance. But if you assume a more subdued equity market – maybe not buoyed by the same level of merger and acquisition activity – then the volatility of the unrewarded risks (inflation and interest rates) will push pensions up the strategic corporate agenda. Treasurers must work with trustees as well as the company to mitigate pension risk.