Lenders to get better information for takeovers

Revisions to the information made available to lenders in takeovers has been agreed. The UK Takeover Panel's new guidelines follow discussions with the Loan Market Association (LMA) and the London Investment Banking Association (LIBA) on the disclosure of information to potential lenders to a company or other persons involved in a takeover offer subject to the UK's City Code on Takeovers and Mergers.

Following the discussions the Takeover Panel has issued Practice Statement No. 25, 'Debt Syndication During Offer Periods'. The LMA has revised its 'Recommended Form of Confidentiality and Front Running Letter for Primary Syndication', which includes language for use in the situations envisaged by the Practice Statement.

Richard Basham, LMA director and co-head of European loans and leveraged finance at Citi, said: "We have welcomed the constructive dialogue with the Takeover Panel and LIBA which has resulted in a new practice statement from the panel. Any measures to facilitate loan syndication of acquisition financings are to be welcomed, especially at a time of reduced market liquidity."

Stuart Upcraft, chairman of the LIBA Corporate Finance Committee and managing director of Credit Suisse, added: "We trust that Practice Statement No. 25 will provide clarity and enable an effective approach to loan syndication in the takeover context."

Working capital still tied up

Up to $1 trillion of liquidity could still be tied up in working capital among the leading corporations in the Europe and the US, according to a report by Ernst & Young.

The study on the working capital performance of the 2,000 largest companies by sales, headquartered in the US and Europe, found that the proportion of companies reporting improved working capital performance fell to only 43% for each region when the last quarters of 2008 and 2007 were compared. By contrast, 63% of the companies in the US and 50% of those in Europe reported lower levels of working capital in 2008 compared with 2007.

Rights issue rush continues

Giles Thorley: shaving down Punch Taverns' debt

Appeals to corporate investors for fresh injections of capital, both in the UK and continental Europe, which marked the first months of 2009 (*see feature, page18-19*) extended into the month of June.

Two more stalwarts of the brewing sector are joining the queue; Punch Taverns launched a £375m share placing on June 15, priced at 100p against a previous closing price of 148p. Proceeds will be used to meet a £215m bond repayment due in 2010 and Punch's chief executive Giles Thorley said the group has already shaved £404m off its net debt since the start of the financial year, although it is still a hefty £4.46bn.

Marston's followed three days later, with a fully underwritten 11-for-10 rights issue priced at 59p per share, a discount of nearly 40%. The issue will raise £176m, of which around 80% will be used to accelerate the group's programme of opening new pubs. Marston's has been able to report modest sales growth despite the recession.

Car parts maker GKN, which has felt the impact of a sales slump in the motor market and cut thousands of jobs, also announced a rights issue to raise £423m. The group said this would enable it to avoid the "onerous covenants" involved in refinancing its debt facilities.

The GKN issue allocates six new shares for every five shares held by existing investors at 50p a share, creating 846m new ordinary shares. The pricing represents a 39% discount. GKN's debt has risen to £928m over the past 18 months, with the group's acquisition last September of the former Airbus plant at Filton, near Bristol, adding to the figure. ■

ACT Middle East launches deals awards

The ACT Middle East has inaugurated a deals award programme, for the corporate treasury deal of the year and the treasury team of the year. The two awards will celebrate the achievement of corporate treasurers in the region in successfully managing the financial markets on behalf of their company. All types of deal will be considered and judged on the basis of meeting the criteria, rather than on the size of the deal.

The deal must involve a corporate with a Middle East domicile in which the corporate treasury team played a significant role. Deals have to be completed between 1 October 2008 and 31 July 2009.

Winners will be announced at a gala dinner on 28 October to mark the first year of ACT Middle East. ■

For details go to http://tinyurl.com/klysz2

ACT Middle East
TREASURY, RISK AND FINANCE PROFESSIONALS
ACT

Liquidity outlook remains uncertain

Liquidity is still fragile for European corporate issuers according to research by Moody's. Around 84% of the issuers should have internal and external sources of liquidity to cover the next 12 months' debt maturities and other cash outflows, but Moody's says the trend is deteriorating, particularly in the speculative-rating range.

The number of issuers exposed to possible breaches of financial covenants has risen over the last six months: for around 46% of all speculative-grade issuers and 17% of investment-grade issuers, the headroom under covenants is expected to be 20% or below.

Total debt maturities over the next 12 months are estimated to be around $615bn. As the bank market continues to contract, an unintended consequence of the current financial crisis will be a move towards greater disintermediation, assuming that the bond market proves to be a solid funding alternative. ■

Route to better treasury management in public services

A new qualification, which will provide invaluable skills in treasury management for the public services, is being launched by the ACT and the Chartered Institute of Public Finance and Accountancy (CIPFA).

ACT and CIPFA have developed the qualification to help ensure staff managing funds in the public services are trained in all aspects of treasury management. The recent Icelandic bank failures have highlighted this point on a very large scale. Significantly, one of the key recommendations of the Audit Commission's study into the Icelandic failures was that "CIPFA should continue to work with the ACT to develop appropriate training and a qualification."

Stuart Siddall: important step

Further backing for the development of specialist skills within local authorities came from the select committee report on local authority investments.

Stuart Siddall, ACT chief executive, said: "The launch of CertITM-PF is a further important step in the recognition of the need for formal qualifications for staff involved in treasury management activities. The ACT has been delighted to work with CIPFA to adapt one of our broadest treasury qualifications to the specific needs of the public finance sector. If recent events have taught us anything it is that management must ensure they have the right skill and experience base to manage financial risk."

The Certificate in International Treasury Management – Public Finance (CertITM-PF) is for all professionals who work in treasury management within the public services or who are considering moving into this expert field. It will quickly result in more highly skilled specialists within the sector and become the standard qualification for public service treasury management roles.

The course will lead to a certified professional qualification, CertITM-PF from the ACT and CIPFA.

Steve Freer, CIPFA chief executive, said: "While this new treasury management qualification was in development before the collapse of the Icelandic banks, it is perhaps this event above all others that confirms our belief in the need to provide the public services with a new era of specialist expertise." ■

Details at www.treasurers.org/ certitmpf.

On the move...

■ **Tom Bindloss**, AMCT, has been appointed deputy treasury controller at SAB Miller. He was previously treasury accounting manager at ICI.

■ **Ailsa Bruce**, AMCT, has left her position as an associate director for HBOS plc, and has been appointed asset and liability manager for Tesco Personal Finance.

■ **James Clifton**, AMCT, has been appointed group financial controller at The Jockey Club. He was previously director at VXR.

■ **Andrew Pinto**, FCT, has left his position as assistant treasurer of Goodman International and has been appointed group treasurer for the Terrace Hill Group.

■ **Alick Stevenson**, FCT, previously director of investments at MNOPF Trustees, has joined AllenbridgeEpic Investment Advisers as senior investment adviser.

■ **Paul Wilkinson**, FCT, has been appointed director of international treasury at Eaton Industries. He was previously chief financial officer at Maus Freres.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Matthew Trickey:* **mtrickey@treasurers.org**, *or phone +44 (0)20 7847 2557.*

CAREERS

For up-to-date treasury vacancies and careers articles, log onto:
www.treasurers.org/careers/index.cfm

Banks told to cut out rogue account numbers

All financial institutions will have to follow revised guidelines in a bid to cut down problems for users of non-standardised bank numbers. The new regime, instituted by the Payments Council, follows the publication of the National Payments Plan published in May 2008 which revealed that some users experience difficulty when making payments with non-standard account numbers. Problems included delayed payment and difficulties in setting up direct debits.

The key recommendations for banks using non-standard account number formats include:

- Adopting the standard format when they upgrade their systems
- Masking non-standard numbers so customers can use new account numbers while the system can still recognise and process via its non-standard format.

In cases where the first two recommendations cannot be applied, other suggestions include:

- Creating a standard format account number from a customer's internal reference number. This would involve using the reference number to form a six digit sort code and eight digit account number. Ensuring non-standard account numbers can be checked using a modulus checker.
- In cases where a financial institution uses a collection account, the institution would have to give the customer a reference number and the collection account's sort code and account number. The reference number is required because a collection account would not otherwise link the customer to their payment.

Mike Alexander, chairman of the Payment Council Large Corporate User Forum and an independent director on the Payment Council board, said:

"It's a bugbear of all businesses, large and small, when they come across non-standard account numbers. Best practice, if followed by as many parties as possible, could make a considerable improvement to the processing difficulties those businesses have and the amount of time spent on manually repairing data when it doesn't work as it should."

The Payments Council will evaluate the effectiveness of these guidelines as part of the triennial review of the National Payments Plan in 2011.

G20 tackles tax havens

As The Treasurer went to press the Organisation for Economic Co-operation and Development (OECD) ministerial council meeting was taking place. The meeting was set to provide an update on the agreement reached by the G20 to tackle tax havens. Traditionally, each country has dealt with its own tax affairs, leaving international transactions available for tax avoidance. The international community is moving fast to agree a co-ordinated approach.

Measures announced in the last six months have focussed on information sharing and on the behaviour of the banking sector.

The G20 has agreed to include information exchange provisions in their double tax treaties and discuss various measures (such as imposing withholding tax on payments made to non-cooperative jurisdictions) to deal with non-conforming countries. The G8 confirmed they will swiftly implement decisions taken at the G20 summit in London regarding exchange of information between tax authorities, and have announced objectives for a strategy to build on existing initiatives to identify and fill regulatory gaps.

British prime minister Gordon Brown demanded British overseas tax havens sign up to tax information sharing agreements by September 2009. The Cayman Islands recently signed up to a double tax agreement with the UK. This is the first tax treaty the Cayman Islands have entered into and includes substantial information sharing provisions.

The spotlight has also fallen on the banks, with an OECD paper proposing strategies to make it more difficult for banks to avoid tax. The UK is due to publish a banking code of conduct which requires banks to comply with the spirit of the UK's tax rules.

Gordon Brown: Pressure on tax havens

A dozen ways to tax the 21st century

Modifications to tax policy must be more open and transparent, says the Association of Chartered Certified Accountants (ACCA) in a policy paper Tax principles: from Adam Smith to Barack Obama.

The paper offers 12 new tenets of taxation in a clear explanation of what makes an efficient and just system. It builds on Adam Smith's canon in the "Wealth of Nations" which said that tax should be equal, certain, convenient and efficient.

Roy-Chowdhury: Taxing questions

Chas Roy-Chowdhury, head of taxation at ACCA, said: "It is a challenge to apply the rules of even the greatest thinkers to contemporary tax systems. Central to our policy paper is the need for governments around the world to ensure their tax systems are truly accountable – that people understand why they pay taxes (see page 20).

"Legislation also needs to be clear – no more stealth taxes or unexplained tax hikes. Regimes must be user friendly for business and individuals. The volume of legislation needs to be kept to a minimum too, especially to help over-burdened small businesses and entrepreneurs. Behaviours can be managed through taxation – in our paper we talk about the need for governments to use tax policy as an instrument of change for sustainability."

Five highlights of the tenets are:

- **Tax simplification and stability**: Legislation should be as simple and straightforward to understand and to comply with as possible.
- **Avoidance/evasion**: Tax law must be clear and certain to ensure actions which may generate short-term financial advantage at the cost of long term value are not supported.
- **Efficiency**: Tax systems should be efficient for governments so they can secure revenues and prevent tax leakage and a black economy.
- **Tax competitiveness**: Globalisation of business means countries need to ensure tax rates are competitive and regimes user-friendly.
- **Green taxes – Tax to change behaviour**: The concept of 'tax shifting' by increasing taxes on fossil fuels, but reducing them for payroll, income or corporate taxes should be promoted.

Roy-Chowdhury said: "Taxation is a dynamic economic and social tool and inevitably changes in nature as national economies and business sectors develop. Green taxes for example were unheard of 20 years ago. Yet some maxims from Smith's day endure and remain relevant." ■

IASB tightens up IFRS 2

International standard setters have clarified the accounting for group cash-settled share-based payment transactions, with the International Accounting Standards Board (IASB) issuing amendments to IFRS 2 *Share-based payment*.

The amendments respond to requests the IASB received to clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers.

The IASB revised its initial proposals in the light of comments received. The amendments clarify:

The scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

The interaction of IFRS 2 and other standards. The board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

As the amendments to IFRS 2 incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 Group and Treasury Share Transactions*, the IASB has withdrawn IFRIC 8 and 11.