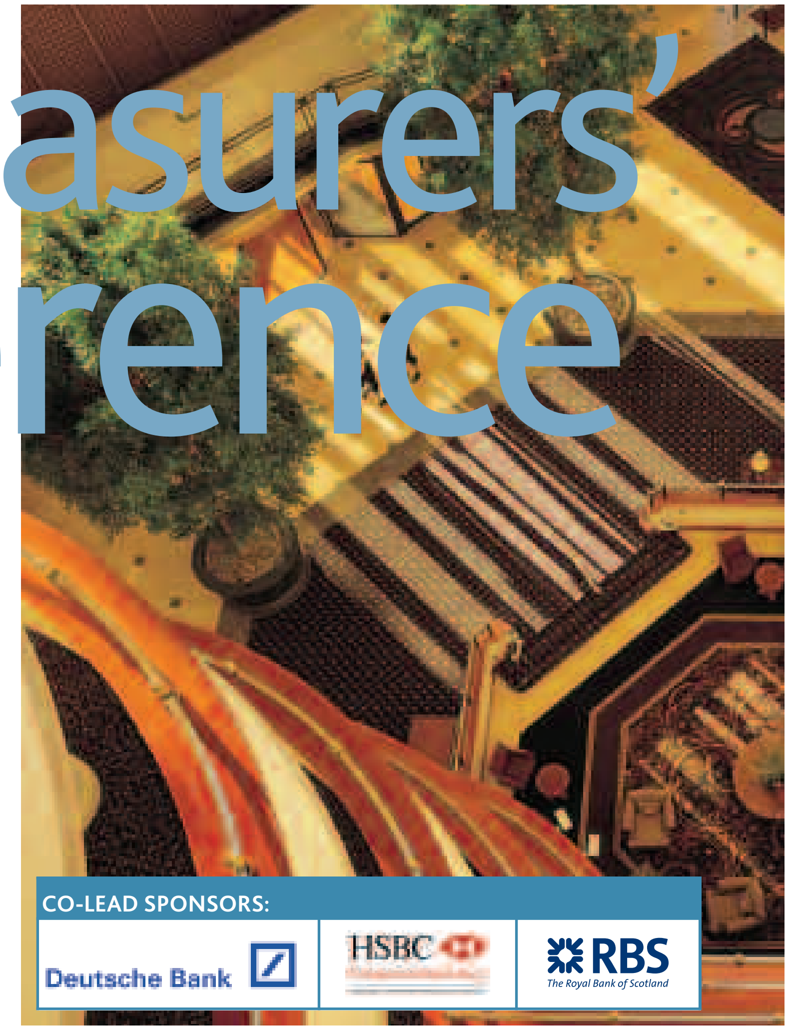
The Treasurers' Conference



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THE TREASURERS' CONFERENCE 2005 IS DESIGNED TO PROVIDE TREASURERS WITH A FORUM TO DISCUSS AND DEBATE THE KEY INTERNATIONAL TREASURY ISSUES AT THE FOREFRONT OF THE PRACTISING TREASURER'S MIND.

Topics of particular interest to the finance community will be discussed in a variety of formal and informal settings. The programme has been compiled by a panel of 17 leading treasurers, consultants and bankers – who have provided expert guidance and direction.

As a result, the programme reflects current and highly relevant issues.

The implications of changes in accounting standards, corporate governance and Basel II will be keenly felt throughout 2005, and this conference will give you the opportunity to hear from practising treasurers, European experts and leading standard setters on these and many other subjects in a mixture of formal speaker sessions, concurrent themed sessions and roundtable discussions. It will also enable you to discuss these issues with other treasurers to see how different companies are approaching the same problem. Speakers will:

- Cover the strategic issues faced by European treasurers.
- Provide 'real-life' case studies illustrating practical solutions to problems within the financial markets.
- Share how they see the future direction of treasury management within the global economy.

The Treasurers' Conference 2005 will invigorate your thinking and enable you to look critically at how your business is run. It is designed to add value to corporates of all sectors and sizes. It is equally applicable to those working in banks and consultancies as it will provide a good flavour of the current priorities in corporate treasury.

NETWORKING OPPORTUNITIES There are a number of excellent networking opportunities, enabling you to discuss current best practice with your fellow professionals. Previous attendees tell us that this interaction with colleagues has initiated new ideas and tangible benefits when back in the office. The networking opportunities include:

ACT GOLF TOURNAMENT The Celtic Manor boasts world class courses and will host the Ryder Cup in 2010. The ACT Golf Tournament is open to golfers of all abilities. This 9-hole fun scramble tournament will offer you an opportunity to meet fellow delegates before the conference begins. It starts at 13.30 on Wednesday 11 May and is free to enter. Refreshments are available and equipment can be hired. Register online at www.treasurersconference.com/golf.cfm
Sponsored by National Australia Bank. National Australia Bank

OPENING EVENING RECEPTION With Barry Riley as guest speaker, this informal buffet allows you to catch up with your peers, whilst at the same time enjoying the market insights of one of the UK's most well known and respected financial commentators. Sponsored by National Australia Bank.

OPENING EVENING RECEPTION SPONSOR National Australia Bank (NAB) is Australia's largest listed financial institution* and one of the world's top 40 financial services companies**. With total assets of more than AU$ 411 billion, NAB operates across 10 countries and serves 8 million banking clients and approximately 2 million wealth management clients. In the UK, NAB provides an extensive range of funding, risk management and investment solutions to its corporate, institutional and retail clients.

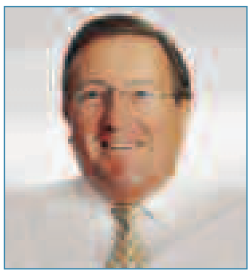
** by market capitalisation (source: ASX). ** by revenue (source: Fortune magazine, July 2004).*

SPEAKER BIOGRAPHIES

CONFERENCE CHAIRMAN

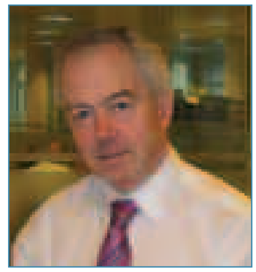
John Hawkins, ***Former Head of Finance and Risk, Invensys***
John has been Group Treasurer of several major companies including TI Group and LucasVarity. He has also undertaken assignments at companies such as Kuwait Petroleum, Equant, William Baird and Emap. His responsibilities have extended beyond conventional treasury into the areas of corporate finance, pensions, investment management, investor relations, insurance and risk management. John recently retired from his position as Head of Finance and Risk at Invensys to commence a Ph.D.

KEYNOTE SPEAKERS



David Reid, ***Chairman, Tesco***
David began his career as a Chartered Accountant and has worked in various roles for Peat Marwick Mitchell, Philips and BAT. He joined Tesco in April 1985 where he has worked as the Finance Director and Deputy Chairman. He was appointed Non Executive Chairman of Tesco in April 2004.

John Talbot, ***Chairman, European Restructuring, Kroll***
For many years John led the corporate restructuring and corporate finance business of Andersen where he worked on many large insolvencies including the Maxwell private companies and Leyland Daf. In May 2001 he co-founded Talbot Hughes McKillop, the specialist restructuring boutique, which was recently acquired by Kroll. He is now Chairman of the European restructuring practice.



Sir David Tweedie, ***Chairman, IASB***
Sir David has served as Technical Director, Institute of Chartered Accountants of Scotland (1978 - 1981), National Research Partner, KMG Thomson McLintock (1982 - 1987) and National Technical Partner, KPMG Peat Marwick McLintock (1987 - 1990). In 1990 he was appointed the first Chairman of the UK Accounting Standards Board (1990 - 2000) and the Chairman of the Urgent Issues Task Force. He has held his present role as Chairman of the IASB since January 2001.

David Varney, ***Chairman, Inland Revenue and HM Customs & Excise***
David was appointed Executive Chairman of the Inland Revenue and HM Customs & Excise in September 2004. He is responsible, along with the respective Boards, for creating a single integrated tax department incorporating the Inland Revenue and HM Customs & Excise.

EVENING RECEPTION AND DINNER SPEAKERS

Gareth Chilcott, ***Former Bath, England and British Lions player***
Gareth's rugby anecdotes have been enjoyed at dinners all around the world. A natural entertainer, the former Bath, England and British Lions player has always been recognised as one of the game's true characters.

Barry Riley, ***Financial Journalist***
Barry is a former columnist, Financial Editor and Investment Editor for the Financial Times. Since 2001 he has been a regular columnist for publications including the Financial Times, Financial News and Money Observer.

FORTIS BANK

ACT COCKTAIL RECEPTION Providing an ideal opportunity to relax with colleagues over drinks and canapés after the first full day of the conference.
Sponsored by Fortis Bank.

COCKTAIL SPONSOR Fortis employs 52,000 staff worldwide and is ranked among the top 20 European financial institutions. For mid-market companies, Fortis Bank UK provides comprehensive pan-European banking solutions from a network of over 100 Business Centres throughout Europe. Seven of these are in the UK. For large Corporates, Corporate and Investment Banking offers tailored investment and financing solutions; through sector and product specialist teams including Commodity Finance, Shipping, Export and Project Finance. In the UK the bank also employs teams dedicated to satisfying companies' Treasury, Cash Management, Trade Finance, Receivables Finance, Acquisition Finance, Leasing and Property Finance requirements.

ACT GALA DINNER Continue to enjoy your evening with other delegates at the ACT Gala Dinner, whilst listening to our guest speaker Gareth Chilcott. Sponsored by Deutsche Bank, HSBC and The Royal Bank of Scotland.

EXHIBITION BREAKS During refreshment breaks visit the exhibition stands and meet with others from the treasury world.

ROUNDTABLE DISCUSSIONS Delegates are invited to break into small groups. With an expert introducing the topic and leading the debate, you will have the chance to compare experiences and opinions with both the expert and those in attendance.

SPONSORS AND EXHIBITORS

The exhibition provides a unique opportunity to examine the latest technological and service enhancements, and presents an ideal opportunity to discuss requirements and solutions with helpful and knowledgeable representatives from our wide range of exhibitors.

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DEUTSCHE BANK With roughly €849 billion in assets and approximately 65,700 employees, Deutsche Bank offers unparalleled financial services in 74 countries throughout the world. Deutsche Bank competes to be the leading global provider of financial solutions for demanding clients creating exceptional value for its shareholders and people.

This conference is being sponsored by Deutsche Bank's Corporate and Investment Bank comprising of Global Markets and Global Banking.

- Global Markets handles all origination, trading, sales and research in cash equities, derivatives, foreign exchange, bonds, structured products and securitisations.

- Global Banking is responsible for all aspects of corporate finance, advises corporates on M&A and divestments, and provides support with IPOs and capital market transactions. Global Banking also comprises of expertise in cash management, trade finance and securities services under the Global Transaction Banking business division. Global Banking covers global corporates, financial institutions and German mid-sized companies through relationship management teams. See www.deutsche-bank.com

THE ROYAL BANK OF SCOTLAND GROUP The Royal Bank of Scotland Group is one of the top three banking groups in Europe, and one of the top ten globally. The Group spans retail banking, corporate banking, financial services, investment management and insurance in the UK, Europe, Asia and the US.

Within the Group, Corporate Banking & Financial Markets is the largest provider of banking services to medium and large businesses in the UK. It provides an integrated capability including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring.

The Group's focus is clearly centred on its customers. It works together to achieve business success, no matter how simple or complex our customers' requirements. We have the balance sheet strength and product range to provide tailored solutions to meet customer needs both in the UK and internationally.

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HSBC HSBC's Global Payments and Cash Management team is committed to leadership in cash management. In addition to our continued investment in products and services, we develop long-term relationships with our clients and deliver the highest level of customer service at both the regional and local levels. The HSBC Group is one of the largest banking and financial services organisations in the world and has over 10,000 offices in 76 countries and territories. As 'the world's local bank', HSBC has the global coverage and local capabilities to provide innovative banking and cash management solutions tailored to corporates needs.

HSBC delivers award-winning cash management solutions including:

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- Liquidity services.
- Corporate Continuous-Linked Settlement (CLS) solutions.
- Cash Flow Forecasting.
- Foreign Exchange.
- Delivery Channels.
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THEMED SESSION SPONSORS:

EXHIBITORS INCLUDE:

Mr Restructuring

CONFERENCE KEYNOTE SPEAKER JOHN TALBOT TALKS TO PETER WILLIAMS ABOUT CORPORATE RESTRUCTURING.

John Talbot may have the title of Chairman at Kroll, the risk consulting company – but he is in essence a restructuring professional. So the somewhat unpleasant truth is that if you meet John Talbot in a business context you know that someone, somewhere is in trouble. If he is working for a company, he will invariably be acting as a chief restructuring officer (CRO). That means working with the management team to help them through some major financial crisis. Part of the CRO role is to ensure that the company emerges with a viable future and that usually means brokering a deal.

Acting as a CRO may not be long-term employment within the same organisation, but when the role is required, it is certainly full time. Unlike the traditional financial professional it is impossible to be working on more than one client at once. If Talbot isn't working as an interim, he will be engaged by a creditor group such as the holders of fixed interest securities and bond holders who have reason, or believe they have reason, to be nervous about the value of their holding. And that, as well, in the end means brokering a deal.

TALKING TO ALL PARTIES When asked what he does when first asked to help on an assignment, Talbot's answer is down to earth. First of all he has to decide whether to accept. He does that by spending time talking to all the parties involved, trying to understand the issues and the possible solutions. He said: "Talking to the senior executives is a useful device. Often people talk to you in a way that they would not talk to the board. In those initial conversations you receive a lot of different angles and perspectives on the problems. It really helps to starting to understand the dynamics of what is happening." One of the key issues that Talbot has to clarify is the exact nature of the problem. Is there is a solution? By which Talbot means an exit. He said: "If there is a loss making business, there is no point in restructuring it, if the restructuring does not solve the loss making. If there is earning before interest then at least you have a starting point. If you knock out the interest, then you will have positive cashflow." For Talbot the situation to be avoided is one where a restructuring has been achieved, then it does not go as well as it should have, it hit covenants and there will be a pound of flesh negotiated by the creditors.

Talbot says that the problem which most often breaks – or at least holds up – the deal, is the idea that one group feel that they haven't got as much out of the transaction as others. If people feel that they have been skimmed in some way, they will say that they would rather bring down the whole edifice, even if that means they too get nothing. He said: "Often you hear banks saying bank X is doing better than bank Y or X creditor is doing better than Y creditor and that isn't justified by their ranking." So Talbot needs to have the skill of the diplomat in order to juggle between the various interested – and often sensitive – parties to bring about a deal all the stakeholders can live with. Though as he said: "Sometimes you are very happy with the deal you get and sometimes less so."

INCREASE IN DEBT PLAYERS One of the changes that Talbot has seen in the financial markets over the last 20 years has been an significant increase in the number of players that appear in a restructuring holding debt. A treasurer may have issued a bond, which were originally placed in the hands of a small number of insurance companies. By the time Talbot becomes involved he will find himself dealing with very different types of players who have emerged on the scene, such as hedge funds and distressed debt traders. Talbot says that the same transformation is starting to happen with bank debt. These different players are not a homogeneous group and they will often have markedly different expectations from one another, for instance whether they want the conversion of debt to equity, and if so at what rate.

Another change Talbot has witnessed has been the emergence of the title CRO, one he now often owns. It was, perhaps predictably, a US invention starting first as a title for insolvency practitioners who were involved in court led insolvency proceedings. In its journey over the Atlantic, the meaning changed and CROs will initially become involved dealing with restructurings that take place outside court procedures. Talbot suggests that restructurings today does not have the stigma that receivership once did. He said: "Restructuring is an inevitable cycle that happens when things haven't gone to plan." There are many reasons why plans go awry but one of the factors that Talbot specifically cites is acquisitions which don't map out as was intended. Whatever the cause, there is a need for a solution. Talbot will help out on the operational side and will work on detailed cash management issues, but it is really for his strategic restructuring skills often in complex situations that he is hired. In a financial restructuring situation, Talbot's skills are most commonly used where there is complexity, where there are different tranches and types of debt and different financial instruments involved.

Complexity mostly arises where there is a group structure and there is inter-company equity and borrowing. This is made more difficult where the organisation has international operations and Talbot will often find that as well as central financing facilities, subsidiary groups – with, of course, the knowledge of the centre – have negotiated local financing for particular purposes.

It is hard to imagine a problem case Talbot hasn't seen in his working life. He led the corporate business restructuring and corporate finance business at Andersen, where he dealt with some familiar insolvencies including Maxwell private companies and Leyland Daf. In 2001, he co-founded Talbot Hughes McKillop, the specialist restructuring boutique. For a small outfit, Talbot Hughes McKillop certainly landed some major engagements include Marconi, KWELM, Le Meridien, Cordiant and Energis. It was that impressive track record which led to the firm being acquired by Kroll at the beginning of 2005.

Talbot's perception of the market at the moment is that "there is a lot of money out there with players such as hedge funds and they want to put that money into situations". If Talbot is hinting that the markets are becoming over exuberant in any way, then it probably means that people like him will inevitably receive the phone call asking to sort out the resulting over optimism.

CONFERENCE PROGRAMME AT A GLANCE

Wednesday 11 May 2005

13:30	**Golf Tournament**
17:30	**Conference opening** *Chairman's welcome* John Hawkins, Former Head of Finance and Risk, Invensys
17:40	**Keynote speaker** *Strategy for growth at Tesco* David Reid, Chairman, Tesco
18:30	**Opening evening reception**
19:30	**Evening reception speaker** *The money game updated* Barry Riley, Financial Journalist

Thursday 12 May 2005

08:30	**Registration and exhibition opening**
09:00	**President's speech of welcome** Stephen Crompton
09:10	**Chairman's opening address** John Hawkins, Former Head of Finance and Risk, Invensys
09:20	**International economic overview** Professor Norbert Walter, Managing Director, Deutsche Bank Research and Chief Economist, Deutsche Bank Group
10:00	**Keynote speaker** *The Chief Restructuring Officer's role and how treasurers could avoid some common problems* John Talbot, Chairman, European Restructuring, Kroll
10:45	**Refreshment and exhibition break**
11:30	**Concurrent sessions** *1. Corporate governance* *2. Tax update* *3. Practicalities of IAS 39 implementation*
12:30	**Lunch and exhibition break**
14:00	**Concurrent session** *4. Pensions from a business perspective* *5. The state of the ratings industry* *6. Managing your capital structure from a debt perspective*
15:00	**Refreshment and exhibition break**
15:30	**Keynote speaker** *IFRS - The future* Sir David Tweedie, Chairman, IASB
16:15	**Key factors in the cash environment**
17:20	**Roundtable discussions** *Bank credit availability* (includes Basel II) *Careers*: Including developments in executive remuneration *Online FX dealing:* what are the benefits and likely developments? *Pensions and corporate-wide risk management* *Performance measurement and internal treasury reporting* *Tax* *The use of credit derivatives* *Treasury and the smaller company*
18:30	**Cocktail reception**
20:00	**Gala Dinner**

Friday 13 May 2005

08:30	**Registration**
08:45	**Chairman's opening remarks**
09:00	**Technical and education: what's going on?**
09:45	**Keynote speaker** *The future of tax administration* David Varney, Chairman, Inland Revenue and HM Customs & Excise
10:30	**Global liquidity and investment strategies in a changing interest rate environment**
11:15	**Mid-morning brunch and exhibition**
12:15	**Concurrent sessions 7, 8 or 9** *7. Risk and the treasurer* *8. Doing business in emerging markets* *9. IT and treasury strategy*
13:15	**Closing plenary** *Financing for the future.* A panel of leading practitioners on topical issues in corporate finance
14:15	**Chairman's closing remarks** Followed by a buffet lunch or lunch boxes.

Young gunslingers

BARRY RILEY LOOKS BACK AT THE MARKETS IN THE US FIFTY YEARS AGO AND REVEALS SOME STRIKING SIMILARITIES WITH THE UK IN 2005.

Markets are made by people, and financial behaviour is strongly influenced by the culture of the day. Once, huge portfolios of investments were run by stuffy actuaries who followed peer group conventions and therefore lost huge sums on gilts in the 1950s and 1960s, especially when measured in real terms. For many years money market interest rates were largely set by City of London discount brokers coming from the best public schools but now the action has shifted to dealing rooms manned by young, multinational traders.

One of these fundamental cultural shifts was documented by George Goodman, a New York financial journalist. In 1967, under the *nom-de-plume* Adam Smith, he published the best-selling *The Money Game**. It lifted the lid on the weird happenings on Wall Street at the height of the 1960s bull market.

This was the period of the hot mutual fund managers, when for them everything depended on short-term performance in a highly volatile market place. Until the end of the 1950s the securities markets had been stodgy, being dominated by traditional institutions – including banks and insurance companies. Then there arrived the young 'gunslingers' who personalised the investment process.

They seized on the concept of growth, at a time when the global economy was beginning to expand strongly, but senior portfolio managers were still stuck in the mindset of the 1930s, with expectations of depression and deflation. The performance mania led to the phenomenon of the 'Nifty Fifty' technology-led growth stocks.

Age and experience counted for nothing in this environment: in fact, they were negative factors. Only young fund managers unencumbered by any knowledge of history could thrive in what Goodman described as a 'garbage market'. But history struck back through the terrible bear market of 1973-74 which left the US mutual fund industry reeling for years.

Executive summary

- Alternative managers feed off mainstream markets and institutions. These alternative operators say they succeed because they are clever. Or it could be that they refuse to obey the rules followed by more traditional operators.

- In the US market of the 1950s and 1960s age and experience counted for nothing in the 'garbage market'. But history struck back though the terrible bear market of 1973-74. Does history hold any lessons for us today?

UPDATING THE MONEY GAME In 2005 it seems a good time to update The Money Game and apply it in a British context. Again, as in the 1950s, we have seen the discrediting of the traditional financial institutions. In the 1990s British pension funds and life companies chased equity growth at the expense of risk control and rational analysis. Eventually the stock market dived by more than 50 per cent, leaving the investment industry in disarray.

Once again the aggressive youngsters have been looking elsewhere. Two 'alternative' asset classes have been growing rapidly as a consequence of the mainstream institutions' failure to deliver adequate returns. Hedge funds are estimated to account for more than half the turnover of the London stock market; private equity firms are beginning to dominate the merger and acquisition business.

Neither of these groups of financial operators is new, but they have become much bigger in the past few years. Their important characteristics include the following: they are mainly composed of small firms; their executives are fairly young; they operate outside the normal conventions of reporting or corporate governance; and their staff are highly incentivised over quite short periods of a few months to a few years.

Hedge funds have aptly been described as not so much an asset class as a remuneration system. Income can be vast, thanks to typical 20 per cent shares of profits in excess of modest benchmarks. Last year Crispin Odey, a top London hedge fund managers, earned over £8 million. Some of the big hedge fund operators in New York earn far more – sometimes $200 million in a year. Recently there has been a notable exodus of high quality fund managers from conventional long-only investment businesses to hedge funds.

Originally these alternative asset classes were focused on niche opportunities: hedge funds, for instance, traded yield curve anomalies, and venture capital firms nursed start-up companies and groomed them for flotation. The enormous expansion in size, however, with global hedge funds estimated to have passed the $1,000 billion mark, has forced them much more into the limelight.

Essentially the alternative managers can be seen as feeding off the mainstream markets and institutions. We observe this most dramatically when companies such as Debenhams are taken private and then only a year or two later prepared for reflotation at much higher prices.

If such alternative operators succeed it may be because they are very clever: that is the claim they make, anyway. But it may also be because they refuse to obey the rules followed by more traditional operators. Hedge funds take risks through short positions, leverage and other strategies. Private equity firms provide only limited financial reporting, and they can incentivise managements in the trading companies they temporarily own in ways not permitted under the corporate governance codes for listed companies.

Market theory suggests that speculation has some positive effects in improving market liquidity and unwinding anomalies. But the powerful short-term incentives for such aggressive operators have the potential to create distortions. Many hedge fund managers, for instance, appear to rely on momentum trades, which amount to the pumping up of a series of localised bubbles, which are destabilising.

Last year, when for a while they ran out of suitable trends to exploit, many hedge funds had a very difficult time. The Standard & Poor's Hedge Fund Index showed a zero return in the first eight months of 2004, but rallied with 4.1 per cent in the remainder of the year.

There is concern about 'crowded trades' in which too much capital is chasing minor anomalies. The unusual degree of credit spread compression in the corporate bond market has in recent months been a feature which has attracted the comment of top central bankers, though it may have as much to do with other market participants, such as the proprietary trading desks of investment banks, as with hedge funds as such. Among the effects of the alternative operators the following are important and generally a cause for concern:

- Investors who back the alternatives pay very high costs, because of the quantum leap in manager remuneration and also the expenses of hyperactive dealing through the specialist prime brokerage units of investment banks.

- Leverage is often high, and there has been a decline in average credit ratings (somewhat masked recently because of a temporarily favourable credit cycle).

- Bond investors regard buy-outs as representing serious event risk and pension fund trustees, who also can also in many cases be regarded as major creditors, may feel that pension security is threatened.

- Long-term efforts by regulators and institutions to improve transparency and governance are being undermined.

HEDGE FUND FAILURES The notorious collapse in 1998 of Long Term Capital Management, a US hedge fund which took vast positions in government bond markets, fortunately did not establish a trend. Although hedge fund failures are common, they are usually small.

There are reasons to believe, however, that the headlong expansion of the alternative asset classes in recent years has had a lot to do with the unusually plentiful availability of cheap credit, and the consequent profitability of 'carry trades', it being less than a year since the US Federal Reserve began raising dollar interest rates from the emergency level of just 1 per cent.

Banks were largely squeezed out of the corporate loan market through securitisation during the 1990s. The private equity sector gives them a way back into the corporate lending business. In fact, quite apart from private equity as such, it has been possible in the UK for operators such as Philip Green and the Barclay brothers to finance huge acquisitions without going near the stockmarket.

The question is what might happen if a financial squeeze were to be imposed, which might happen if the current commodities price boom were to push up inflation in the US and Europe. There are also worries that distortions in the derivatives markets may cause problems, given that chief executives at giant US financial companies such as American International Group and Fannie Mae have recently been forced out of office because of accounting scandals.

'Adam Smith' parodied the Wall Street excesses of the 1960s by describing the tactics of his super-speculator friend the Great Winfield who played the mad market by hiring youngsters: they were Billy the Kid, Johnny the Kid and Sheldon the Kid. He took them on, but only for the duration of the kids' market.

Wall Street peaked in 1968 and although there was another bullish phase in 1972 the game was really over. The Nifty Fifty crumbled and the kids faded from the scene. The year 1974 was especially brutal. It was 1982 before the Dow Jones Average began to move consistently higher again.

We can now muse on the position of a modern equivalent investor, the Great Underfield, a pension scheme trustee chairman who is frustrated by the poor returns available from traditional investments. Long bonds yield much less than 5 per cent; equities should do better than that, consultants say, but during the past five-year period total returns have been negative.

There is a strong temptation to give the modern kids some money for their new games – but only for the duration of the alternatives' market.

**The Money Game is published by Random House $10 (paperback)*

Barry Riley, financial journalist, is the evening reception speaker at The Treasurers' Conference.