ACT
LEADING TREASURY PROFESSIONALS

CASH MANAGEMENT CONFERENCE REPORT

AN UPDATE ON CASH MANAGEMENT / SPRING 2013

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BARCLAYS

PLACE: JCB, Rocester, Staffordshire

PEOPLE: David Miller, Chief Financial Officer, JC Bamford Excavators Limited
Keith Parry, Relationship Director, Barclays

With 22 plants worldwide and annual turnover approaching £3bn, JCB needs a financial partner with global reach – one they can rely on through the cycles in international construction. Over the course of our 67 year relationship, Barclays has helped JCB lay the foundations for international expansion, making and receiving payments globally and providing export funding and local banking services in Europe. Today, JCB produces a digger every three minutes and is one of the world's top three manufacturers of construction equipment. In the words of David Miller, their CFO, 'It's testimony to Barclays understanding of our business that, in a turbulent industry, our relationship has stretched over decades.' We hope to help JCB build their business for many years to come. **Call 0800 015 8642* or visit barclays.com/corporatebanking to find out how we can help your business succeed.**

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A word of welcome

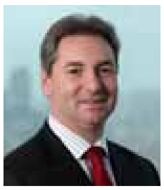
The ACT's annual cash management conference is regarded as one of corporate treasury's best knowledge-sharing events for a very good reason.

The 13th conference, which took place in London in February 2013, attracted more than 240 delegates from 15 countries across Europe and beyond. Treasurers came from far and wide to network and share best practice with peers and to learn from the expert speakers who took to the podium over the two-day event to deliver a series of insightful case studies, panel discussions and workshops.

I often describe treasury as the 'heart of a company' and companies themselves are increasingly coming round to this point of view. They rely on treasurers to ensure liquidity, manage cash as efficiently as possible and source diverse and cost-effective funding options. Given the macroeconomic challenges we face and the constraints of the low interest-rate environment, this can be a heavy burden. In addition, treasurers must navigate an ever-changing regulatory landscape and continually assess its impact on their businesses.

Fortunately, treasurers are resilient and they are largely undeterred by the pressures put upon them and the obstacles that lie in their paths. Instead, they are constantly looking to the future, trying to find ways to improve, invigorate and innovate. As their long-standing partner and service provider, we enjoy a privileged glimpse into their world. We learn from them and they learn from us.

At this year's conference, Jeremy Warner, assistant editor of *The Daily Telegraph*, made the opening keynote address on the topic of growth. "Pent-up demand is sitting there, waiting on corporate balance sheets to be put into action," he said. Indeed, companies have saved vast sums of money over the past few years. The US Federal Reserve put the figure sitting on US companies' balance sheets at $1.73 trillion as at 30 September 2012. EU corporate cash was €1.93 trillion at 30 June 2012, according to the European Central Bank, with UK companies sitting on some £690bn. There is growing expectation among politicians and the public that companies will soon start to spend, generating economic growth in the process. Whether this happens in practice remains to be seen, since economic uncertainty and concerns over access to credit mean that companies are using their cash as an insurance buffer. In the meantime, treasurers have a lot of money to manage.



It is my great pleasure to welcome you to this review of the ACT's 2013 cash management conference. I hope that the stories of best practice that you read will help and inspire you in your work.

Maurice Cleaves,
Global co-head of product, corporate banking, Barclays

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The cost of carry

Companies use pooling to manage their cash more efficiently, get it back to the centre, reduce their debt and drive down interest costs

At an informative panel discussion hosted by Maurice Cleaves, Barclays' global co-head of product, corporate banking, panellists discussed how cash pooling had benefited their businesses.

Paul Outridge, head of treasury at banknote printer De La Rue, explained that the company operates both cash sweeping and pooling. It has a zero-balancing cash concentration system in the US and notional pooling in the UK, with six different currency pools. Since its operations outside Europe and the US are smaller, cash pooling arrangements are only put in place when there is an overall benefit. He noted that with notional pooling, the interest may either be "allocated to each pool member or to a nominated account, which is, for us, a very useful feature".

Outridge revealed that De La Rue uses full interest offset cash pooling, rather than partial interest offset. "If you have to go through the pain of completing all the documentation, you may as well do it in full first time," he said.

Angela Clarke, assistant treasurer at software provider Misys, told delegates that the company was highly leveraged following its takeover by Vista Equity Partners in June 2012. As a result, the company uses cash pooling to "drive down interest costs".

Misys has some cash pooling in place for Europe and the US, and plans to introduce more pooling for the UK and Europe over the next year. Clarke described the decision between notional and physical pooling as "a trade-off" that requires examination "on a case-by-case basis to see what works best".

"From a systems perspective, notional is easier to manage," she advised. "But there is lots of complex documentation to go with it, including cross-guarantees for the company. And if you have any other finance facilities in place, they may conflict, so it needs careful management."

Ian Armstrong, business treasury adviser at AMEC, said the FTSE 100 engineering and project management company had previously held a large cash surplus, but was now trying to create a more efficient balance sheet – for example, through a share buy-back programme. "Cash forecasting and pooling has helped us to achieve that," said Armstrong.

AMEC operates four pooling structures in the countries that it operates in – a mixture of notional and zero balancing – and it also has an overlay global pooling structure on top of that.

Clarke said Misys was similar to most corporates in that it wanted to get its cash back to the UK where its head office is located, convert it to dollars and pay down its debt, which is dollar-denominated.

Outridge revealed that De La Rue keeps small amounts of cash with its subsidiaries, but works to release trapped cash wherever it can to bring it back to the centre. "The key emphasis is to reduce the surplus cash as much as possible so that we can pay down debt. Obviously, you're suffering a margin, which is the cost of carry."

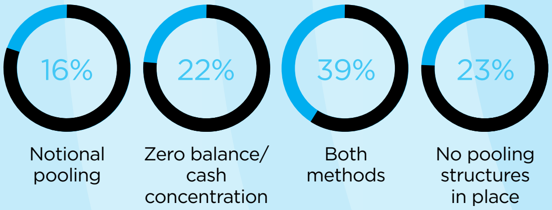
AMEC relied on advice from its banks when choosing the best structure for its pooling arrangements, Armstrong said. He added it was important that treasurers fully understood their company's needs before going to the bank.

Outridge said that even if De La Rue had as few as two accounts in a single currency, it had set up a pool for those two accounts where there was proven benefit. The business collects large receipts from its customers, which are mostly central banks and governments. So it wants to get immediate benefit from payments. "Being able to pool cash, convert it back into sterling and manage positions is key for us," he said.

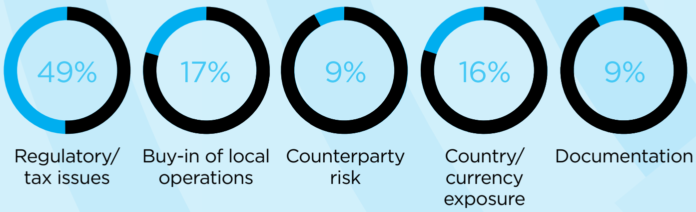
Pooling saves manpower, he explained. "Our cash management is done in an hour each morning. Without pooling, I'm sure it would take us half a day. Then you have the additional benefit that you don't have

DELEGATE POLL

WHICH CASH POOLING METHODS DOES YOUR ORGANISATION USE?



WHICH ARE THE MAJOR FACTORS TO CONSIDER WHEN ESTABLISHING A CASH POOLING ARRANGEMENT?



to manage the gross balances on some of the accounts. That's an estimated £10m average saving to us in additional borrowings, which in interest terms is probably worth about £250,000 per annum."

Clarke said the savings that Misys made from its pooling arrangements more than offset the interest costs. "We've currently got someone who spends about two-thirds of his day funding and de-funding businesses in our group because we don't have that many cash pools set up at the moment."

There were challenges to cash pooling, the panellists agreed. These included regulatory and tax issues, and a lack of operational buy-in. "We're involved in a few African countries where it's more difficult," said Armstrong. He also pointed out that AMEC often buys entrepreneurial companies where cash pooling might not necessarily suit their culture. "One size doesn't fit all," he said.

Outridge emphasised that it was important to stress the benefits of cash pooling to local operations to ensure a smoother roll-out. "It's treasury's role to sell it," agreed Armstrong.

Delegates from the floor joined in the debate, with some saying that they did not use cash pooling because their company was in a strong cash position or because the balances in question were small, which would make pooling and sweeping an expensive option.

Overall, the panellists agreed that the benefits of cash pooling outweighed the disadvantages.

"With notional pooling, you don't have to move money around all the time and it's not creating accounting entries and having a systems impact," said Clarke. "If you have your systems streamlined and integrated, you can have physical pooling, move your cash to the centre, create intracompany loans and have those entries automated."

"Managing cash takes a lot of time and effort if you don't have pooling in place," Armstrong concluded.

THE ACT CASH MANAGEMENT CONFERENCE IN NUMBERS

240+
THE NUMBER OF CONFERENCE DELEGATES

1.1 billion
THE SIZE OF AFRICA'S MIDDLE CLASS BY 2060

£250,000
THE ESTIMATED ANNUAL INTEREST COST THAT DE LA RUE SAVES THROUGH USE OF CASH POOLING

35%
THE PERCENTAGE OF LEGO®'S CONSUMER SALES THAT TAKE PLACE IN THE LAST THREE TO FOUR WEEKS OF THE YEAR

£73bn
HOW MUCH FRAUD COSTS THE UK ANNUALLY, ACCORDING TO THE NATIONAL FRAUD AUTHORITY

SPEAKERS

- **Sean Anderson**
Group treasurer, Alliance Medical
- **Ian Armstrong**
Business treasury adviser, AMEC
- **Jesper Broskov**
Liquidity director, LEGO® Group
- **Andrew Burgess**
FX manager, Alstom
- **Angela Clarke**
Assistant treasurer, Misys
- **Maurice Cleaves**
Global co-head of product, corporate banking, Barclays
- **Greg Croydon**
Director, treasury and group pensions, IMI
- **Mary Finn**
Treasurer, Burton's Foods
- **Michal Kawski**
Head of treasury, Gazprom Marketing & Trading
- **Bob Lyddon**
Managing director, Lyddon Consulting
- **Andrew Marshall**
Director, treasury solutions, AstraZeneca
- **Peter Matza**
Engagement director, ACT
- **Paul Outridge**
Head of treasury, De La Rue
- **Vinod Parmar**
Group treasurer, Ladbrokes
- **Matthew Rose**
Group treasury and taxation director, Royal Mail
- **Marco Schuchmann**
Head of treasury back office and operations, AkzoNobel
- **Latha Visvendran**
Group treasurer, Chemring
- **Mike Walters**
Head of UK corporate payments, Barclays
- **Jeremy Warner**
Assistant editor, *The Daily Telegraph*
- **Brian Welch**
Director, UserCare Treasury Consultancy

Land of opportunity

Liquidity management, funding, currency risk and corruption are among the challenges that await you in Africa, but so does the potential of long-term growth

A lively and thought-provoking film with a soundtrack by Colombian singer Shakira launched the interactive workshop on cash management in Africa. Hosted by Phil Boyall, head of global corporates cash origination for Africa at Barclays, the workshop focused on the prospects and pitfalls associated with doing business on the world's second-largest continent.

"Africa is one of the great, un-mined continents of the world," Boyall told delegates. "It's a land of untold opportunity." He pointed out that by 2015, seven out of the 10 fastest-growing economies in the world are expected to be African. These are Ethiopia, Mozambique, Angola, Zambia, Tanzania, Congo and Ghana. But although excellent growth prospects exist for companies that are prepared to invest in Africa, they should not underestimate the obstacles that await them there.

"If you go into Africa and you haven't tapped into the resources available to you, you're going to be in trouble," said Boyall. "It's a complex place to do business in." He pointed out that Africa is a highly fragmented market, which consists of more than 50 different countries, currencies and governing bodies. Each country has its own exchange controls, taxes and regulatory frameworks. There is also considerable uncertainty surrounding the political environment in many nations, with volatility increasing in the run-up to general elections. Boyall added that the intricacies of African culture created barriers to entry for companies from developed markets, which is why many initially choose to invest in an existing African business and gradually expand their presence.

"One size simply does not fit all," concurred Chris Tattersall, partner in Grant Thornton's financial services advisory practice. He emphasised that different industries have had to take very different approaches to investing in Africa as they have each encountered issues that are particular to their own sector – whether that is paying remotely based workers (for example, miners), putting the right infrastructure in place or moving cash across borders.

For Andrew Derry, treasurer with charity Save the Children, the main issue is getting money into Africa, rather than taking it out. "We often have to operate in countries where there is no functioning bank system – Somalia, for example," he told delegates. "Even where the situation is more stable and Western banks have moved in, there is no single Western bank that has a presence in all the countries we need to operate in."

A further issue is that those global banks that are present in African countries are often just based in the capital and have few – or no – local branches further afield. "A blend of international banks and local banks is the way we're forced to go," said Derry.

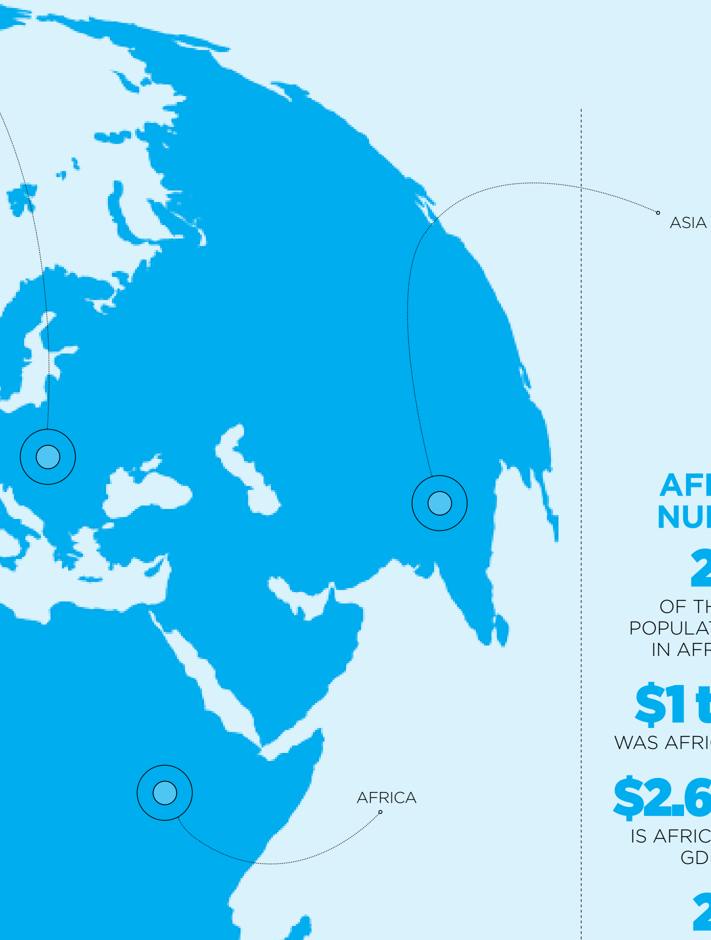
As Save the Children believes in empowering its local offices, staff on the ground manages cash activities. "It is always a challenge to balance the needs of our programmes, for which only local banks offer viable solutions in many cases, with the benefits that global banks might bring to the wider organisation," Derry explained. This can be especially challenging in Africa. "Many people have never travelled outside the country in which they were born," observed Boyall.

Liquidity management is a massive issue in Africa. Companies may have a proliferation of different bank accounts in different countries, and they won't necessarily have internet banking. Even if they do, it is virtually impossible to aggregate all their account information into one place so that they know their liquidity position. "How do you pump money in and pump money out? How do you make payments and collect receipts? It's a major challenge," said Boyall. "Access to the local payments and collections network is absolutely vital."

Other obstacles also exist. Many corporates operating in Africa have very long supply chains with tiny suppliers and tiny distributors. Cash management, trade and working capital management are more intrinsically linked here than anywhere else in the world. "In order to have proper working capital management, you need to be able to look at, and manage, the whole supply chain," said Boyall. "It has to be a very hands-on process. That's where you need your banks to support you." Then there is the question of local funding, which can be extremely difficult to secure. And if companies do succeed in borrowing money, exchange controls mean that it can be hard to use it and it could stay trapped in one country.

Solutions are presenting themselves for some of Africa's banking problems, however. Already, mobile phone penetration is higher than bank account penetration, which is paving the way for mobile money transfer services such as M-PESA in Kenya. Companies are increasingly setting up regional treasury centres, for example in South Africa, Kenya, Ghana or Bahrain, and making greater use of SWIFT and host-to-host connectivity to manage their money.

Boyall emphasised that when companies looked to expand in Africa, they should work



with a good partner. "You need advice on where you invest, how you invest, how you get the capital out again and how you expand," he said. "And you need a bank that understands the regulatory framework, can work with the central bank and has knowledge of exchange control restrictions and foreign investments."

Turning to currency risk, Richard Childs, director – FX at Barclays, advised delegates that it was important to look at each currency in isolation rather than treat Africa as a bloc. "Each country has its unique risks and currency markets can move extremely quickly," he said. "But banks are increasingly opening up the currency market. You can trade very comfortably in most instruments out to two years in 15 countries." He said liquidity was increasing and it was "an opportunity to deal in local currency". He added that elections, such as the March 2013 Kenyan general election, substantially increase volatility. "Elections anywhere have a massive impact on the currency of the country going through the election process. That risk is magnified when you look at Africa."

Corruption is still pervasive on the continent. "To some extent it's part of doing business in Africa and you need to be conscious of it," observed Tattersall. But he pointed out that legislation in the US and Europe, such as the UK's Bribery Act, meant companies were probably more at risk in their own jurisdictions than they were in Africa. "It is a problem, but it's one that you're going to have to live with," he concluded.

The panellists agreed that, despite the challenges that Africa presents, the outlook for corporates that invest in the continent is bright. Already the Chinese have clearly seen the potential in Africa. "They realise that being on the ground floor is a massive advantage," observed Tattersall. "The big opportunities at the moment are in Asia and Latin America, but it is also fiercely competitive there. The opportunity for growth in the long term is in Africa." ◆

AFRICA IN NUMBERS*

20%
OF THE WORLD'S POPULATION WILL LIVE IN AFRICA BY 2050

$1 trillion
WAS AFRICA'S GDP IN 2010

$2.6 trillion
IS AFRICA'S PREDICTED GDP BY 2020

28%
OF AFRICANS LIVE IN CITIES TODAY

50%
OF AFRICANS WILL LIVE IN CITIES BY 2030

313 million
IS THE SIZE OF AFRICA'S MIDDLE CLASS TODAY

1.1 billion
WILL BE THE SIZE OF AFRICA'S MIDDLE CLASS BY 2060

128 million
AFRICAN HOUSEHOLDS WILL HAVE DISCRETIONARY INCOME BY 2020

24.1%
OF AFRICANS LIVING IN SUB-SAHARAN AFRICA HAVE A BANK ACCOUNT

54%
WAS THE MOBILE PHONE PENETRATION IN SUB-SAHARAN AFRICA IN 2012

ASIA

Delegates to this workshop were told that they needed to watch out for tax and regulatory issues in Asia. They were also advised to bear in mind the Pareto principle (also known as the 80-20 rule) in order to focus on the issues that would make the most difference. ACT fellow Richard Bottomley said there were ways to avoid trapped cash such as re-invoicing and/or changing cash flow structure. It is also important for treasurers to look carefully at their Asian supply chains to see if they can use trapped cash creatively for the benefit of the business.

CENTRAL AND EASTERN EUROPE

Charles Barlow, group treasurer of sewing thread supplier Coats, told delegates at this workshop that the market in Central and Eastern Europe bears some resemblance to Western Europe 20 years ago. The region has a range of jurisdictions, currencies and taxes, with some countries having the euro and others being members of the EU, but not the eurozone. As a result of countries having the euro, some solutions to cash management problems do exist, for example, actual and notional pooling in euros or in domestic currencies.

EXPORTING

"We need to look overseas for growth," Sue Bishop, director, service industries at UK Trade & Investment, told the conference. She said that the government was committed to supporting exporters and outlined some of the services available to companies that wanted to grow abroad, including the Passport to Export programme, the Overseas Market Introduction Service and the Export Market Research Scheme. She also highlighted that UK Export Finance can assist with working capital.

*Sources: *Africa Risk Conference*, 2012, Deloitte; African Economic Outlook; *Lions on the move: The progress and potential of African countries*, June 2010, McKinsey Global Institute; World Bank; *Sub-Saharan Africa Mobile Observatory 2012*, Deloitte

A clear vision

Treasurers need to have a grip on banking relationships, forecasting and working capital optimisation

The loss of visibility during the financial crisis of 2008 has heightened the importance of cash forecasting, said Latha Visvendran, group treasurer of Chemring, a manufacturer of high-quality aerospace and military pyrotechnics. She told delegates that globalisation and the rise of emerging markets had also resulted in cash flows becoming more uncertain, making forecasting even more important.

"Cash is the lifeblood of an organisation," she said. "You don't want any clots in the system, ie trapped cash around the organisation."

Visvendran managed cash forecasting at her previous employer, defence group BAE Systems, and she has improved the process at Chemring. She advised delegates that forecasting was "one of the trickiest things to put in place in an organisation", saying: "It's more about human behaviour than it is about the numbers on a spreadsheet." She went on to highlight a number of behavioural hurdles that treasurers must overcome to implement cash forecasting in their organisations. These included: apathy; the attitude that 'cash forecasting isn't perfect, so there's no point doing it'; a belief that earnings per share matter more than cash; and insistence that cash flow is already forecast in the management accounts.

Forecasting is a more immediate cash management tool than month-end results and its objectives will vary according to the company's business model, said Visvendran. For example, manufacturing and retail companies can make more use of upfront cash than utility companies. Owner-managed local businesses may not need forecasting, whereas a multinational with operations spanning the globe will want to ensure that its cash is flowing freely.

Treasurers ultimately want to maximise interest returns and minimise interest costs. Forecasting gives them time to influence cash outflows and more proactively manage cash inflows, negotiate better terms with suppliers and ensure that surplus cash is swept back to the centre in a timely manner where cross-border restrictions do not allow for automatic sweeping. The result is that the business enjoys better operating cash flow, improved cash conversion and reduced leverage, enabling it to better plan its funding.

Three main types of forecasting tool exist: treasury systems, finance systems and spreadsheets. "You need to find the right tool for you, but it takes a long time to embed a tool into an organisation," said Visvendran. "And once you've embedded the tool, it's harder to change it." She also pointed out that flexibility is important in companies where frequent management reorganisations take place.

Visvendran outlined the basics of cash flow forecasting as follows:

- Subsidiaries should reconcile their bank account starting positions to their bank accounts and the last month's financial reports.
- Monitor movements in trade debtors and trade creditors.
- Teach finance colleagues what direct cash flow means if necessary.
- Identify capital expenditure and company-funded costs.
- Remember, the central departments often have the biggest movements, due to dividends and interest payments, insurance and legal fees, tax and M&A activity, for example.
- Monitor the cash movements and actively review the forecasts.
- Compare each week to the previous week and month to month.
- Feed back movements to the subsidiaries and ask for their opinion on what has moved.
- Identify the key cash flow items and watch out for early warning signs that subsidiaries need funding.

"Cash needs to be a bonus objective or it's difficult to focus on," said Visvendran. She also emphasised the importance of getting senior backing from the group FD

and board when implementing forecasting. "If you have top-down support, it's easier to do it. If you don't, your communication plan will be more significant."

Communication is essential to implementing cash forecasting. Visvendran recommended doing presentations for senior finance teams and local finance members, using key subsidiaries to help develop the forecasting model and provide feedback, and allowing for public holidays and worldwide submission time delays.

"Develop the culture that cash is an important indicator for the group and borrowing is not the only answer," she concluded. ◆

CASE STUDY: OPTIMISING WORKING CAPITAL AT BURTON'S FOODS

Daily cash flow forecasting is an extremely useful tool, Burton's Foods treasurer Mary Finn told delegates. As daily forecasting tends to be short term and very detailed, it can be more accurate than 13-week or 12-month forecasts. She emphasised that forecasting helps to ensure that the appropriate funding lines are in place for the business and there is sufficient headroom to manage any blips efficiently.

Finn recommended forecasting by currency as "a great way to manage long and short positions". Also, short-dated currency swaps are a really effective method for concentrating all of the company's cash into one position.

"Within our daily cash forecasting, we do look at both the euro and US dollar forecasts, which are all then summarised into the sterling forecast," said Finn. Forecasting by currency also helps with hedging positions over the longer period since companies can ensure they have sufficient currency in place to meet their obligations as they fall due.

"Cash forecasts are a great indicator of how the business is doing," said Finn. She told delegates that they could be used to help lower the cost of working capital facilities since, if funding was just needed on a very short-term basis, the company might be able to use an overdraft instead of a revolving credit facility.

Finn had a number of recommendations for improving working capital. These included:

- Review the company's creditor and debtor terms. Are the current facilities still appropriate and would the creditors and debtors be open to negotiating more appropriate terms?
- Think about introducing standardised payment terms – suppliers are less likely to request early repayment and cash flows will be less erratic.
- Investigate using credit insurance.
- Look for customers that are also suppliers. Is there an opportunity to pay net instead of gross?
- Consider supplier finance products such as invoice discounting and supplier finance.
- Monitor the 'intra-month peak' – when is cash tightest, which drivers are behind the peak and how can they be managed?
- Try to stay ahead of the credit cycle when looking at your stockholding – you can work with other parts of the business to reduce the amount of cash that is tied up in stock.

Cash as an asset class

It's hard to strike the right balance between earning a return and minimising risk, but treasurers can make use of a range of investment options

"It's a challenge to strike the right balance between earning a return and avoiding undue risk," was Sean Anderson's verdict on investing cash in the current climate.

Anderson, the group treasurer of diagnostic imaging provider Alliance Medical, advised delegates to use cash flow forecasts to make judgements on when cash is likely to be needed by the business. "The less cash you have, the more important it is to know what your forecast is," said Anderson.

"By splitting cash into buckets, we can take slightly more risk on cash that is not required for a time," said Anderson. "We should expect to be paid a higher return on cash that is available for longer-term investments because we're sacrificing liquidity and also potentially taking other risks."

Security, liquidity and yield are the key considerations when investing cash, so securing capital is more important than generating high investment returns. "Cash is not a speculative asset class," said Anderson. "The return of principal is a prerequisite."

Anderson advised delegates to choose strong credits as counterparties and spread risk across different counterparties and types of investment. When choosing where to invest cash, he suggested using a matrix of counterparties with higher-rated counterparties awarded higher investment limits and longer durations.

"The matrix should be used as a boundary to be operated within," said Anderson. "But we should be sensible about how we use it. Credit ratings are an opinion, not a guarantee. We can use other market data sources to inform and modify our risk appetite." For example, he recommended looking at credit default swaps and share prices as lead indicators.

"It's better to compromise on returns and have access to more liquidity than we think we actually need," said Anderson. But he said there were ways to access some higher returns without sacrificing too much liquidity. These included laddering deposits to create a stream of ongoing maturities; selecting strong counterparties that are capable of repaying early, using pooled funds; and taking advantage of secondary market liquidity.

"If we've identified core surplus cash, then paying down our own debt is probably the safest and highest return available," Anderson concluded. ◆

CASE STUDY: GAZPROM MARKETING & TRADING

Michal Kawski, head of treasury at energy company Gazprom Marketing & Trading, shared with delegates his experiences of re-engineering cash management. He explained that the treasury team of eight now acted as a centralised in-house bank for the company. This development had been well received by the commodity trading team as it enjoyed access to information that it did not previously have. The benefits of an in-house bank include reduced costs of funding and improved yield on investments, Kawski explained. He also said that centralisation of FX exposures was a sensible strategy.

MANAGING YOUR BANK RELATIONSHIPS

Banks are partners, stakeholders and providers of valuable business services, said Greg Croydon, director of treasury and group pensions at FTSE 100 engineering group IMI. For this reason, he said that the relationship that exists between a company and its bank is a "two-way process". "It's not just a matter of trying to get as much as you can out of the bank. A lot can work in both directions," he explained.

Croydon said that in reality there were very few true global banks, so IMI aims to have a strong house bank in each region. IMI's relationship with one of its banking partners stretches back to 1862. It has a 'tier one' group of seven core banks and a 'tier two' group of back-up banks that Croydon keeps in regular touch with so that he can promote them to the top group if necessary. He highlighted that a relationship manager moving to a different organisation can be a good way to be introduced to a new bank.

For funding, IMI prefers bilateral credits rather than syndicated deals. "It's easier to have a one-to-one relationship with each funder," said Croydon. "We have standard documents, covenants and boilerplate wording. And we negotiate with the banks on maturity, pricing and structure. We can work to the strengths of each bank's credit processes."

Croydon observed that it could be frustrating when banks rotate their relationship managers to enhance their skill sets. His message to the banks was: "You have to make sure that the corporate has very good relationships with the head of the team and the deputy of the person they are going to rotate." He told delegates that he tries to ensure that his own boss gets in front of the senior personnel at the banks from time to time.

Treasurers should build a good reputation by being open and honest, Croydon advised. He added: "Both banks and treasurers have long memories. It's worth being a human rather than an automaton."

In the mainstream

Asset-based lending is an effective liquidity management tool and is generally regarded as one of the fastest-growing financial products in Western Europe

Asset-based lending (ABL) was the focus of an interactive workshop facilitated by Andrew Charnley, global head of open account product at Barclays.

Various forms of ABL exist, including receivables finance, sales finance and lending against inventory or fixed assets. These products base liquidity availability on asset values, as opposed to a traditional analysis of a company's financial statements. This often gives bankers greater comfort, resulting in higher funding levels.

ABL originated in the US and was adopted in the UK in the late 1990s. It is also widely used in Germany, France, Italy and Spain. Today, just over £16bn* is lent through asset-based approaches in the UK alone. "This is now an established product area," said Charnley. "We've seen an increase in both the volume of transactions and the corresponding value of those transactions."

There are a range of reasons why ABL is now a popular choice across the corporate market place. At a macro level, drivers for change have included the European sovereign debt crisis, increased economic uncertainty across the global marketplace and the resultant tightening in banks' lending criteria for traditional financing solutions.

Despite the challenging economic environment, cross-border trade continues to grow, and we see corporate clients prioritising liquidity management and better leverage of balance sheet assets.

Panellist Jitesh Sodha, CFO for petrol and diesel supplier Greenergy, told delegates that the company primarily funds its working capital needs through ABL facilities, secured against its receivables and inventory.

A major advantage for corporate treasurers in using ABL, particularly receivables financing, is that it effectively allows them to more accurately predict cash receipts. As a result, this gives the company a greater ability to schedule current and future expenditure, aiding budget planning.

Delegates heard that ABL is now used by a diverse range of companies from a broad spectrum of industries. Charnley observed that over the past 15 years, ABL had gone on a journey in terms of how it is viewed and used in the marketplace. Some misconceptions still linger, however. The suggestion that ABL is a last resort is one of these. "It is now a genuinely mainstream liquidity management tool and one of the fastest-growing banking products in Western Europe," said Charnley.

Asset-based techniques are used right across the spectrum of corporates, from SMEs through to large international companies. If there was a stigma associated with the use of this product area previously, it has long since disappeared.

"Neither is it now the exclusive domain of poorly capitalised businesses," said Charnley. He observed that Barclays increasingly sees funding raised through ABL used for restructuring, growth, turnaround, management buy-ins, management buy-outs and other M&A activity. ◆

*ABFA

SWIFT FOR CORPORATES AND OPTIMISING PAYMENTS

◆ Separate interactive workshops at the conference focused on realising the financial benefits of SWIFT for corporates, and optimising payments and streamlining intercompany processes.

◆ At the SWIFT workshop, facilitated by Mark van Ommen, associate director of treasury consultancy Zanders, delegates discovered the benefits of the service. These include standardised channels and formats, a reduced cost of building and maintaining interfaces, better visibility of cash and having a single multi-bank portal.

◆ Netting was discussed in the optimising payments workshop, facilitated by Adrian Rodgers, director of technology company ARC Solutions. Delegates learned about the obstacles to implementing new processes, including workload concerns, resistance to change and trying to enforce standardisation across a diverse organisation.

Question your counterparties

Treasurers need to stay vigilant about risk, whether it relates to their banking partners, their customers or their suppliers

Counterparty risk management was the topic of a lively panel discussion chaired by ACT engagement director Peter Matza. The panellists comprised Greg Croydon, director of treasury and group pensions at engineering group IMI, Vinod Parmar, group treasurer of bookmaker Ladbrokes, and Matthew Rose, group treasury and taxation director at Royal Mail.

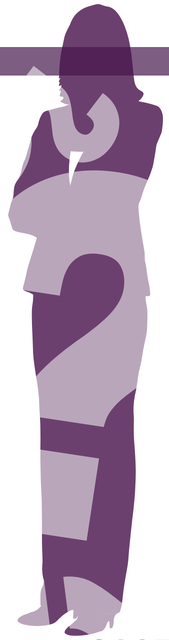
It may have gained greater prominence following the credit crunch, but counterparty risk does not just relate to banks. Companies need to consider a wider range of counterparties, for example, customers and suppliers. Among customers, retailers in particular can be high-risk counterparties in the current economic climate.

Parmar told delegates that Ladbrokes has to work with digital wallet providers, many of which are not credit-rated and can be slow to pay. "It's difficult to get the financials on them," he said.

Croydon pointed out that the business trend towards reducing the number of suppliers to cut costs creates an increased counterparty risk that organisations need to monitor. "The benefit of not having one global bank is that it does reduce risk through diversification," he said. He also highlighted the issue of country risk, particularly in emerging markets.

Turning to the banks, Croydon said that he believed bank failure remained a pertinent risk. "The eurozone crisis has gone quiet, but it's still there and it could resurface," he said. "And there are huge risks in emerging markets, where people don't know enough about the banks out there. We need to stay vigilant." He predicted that a further banking failure could manifest itself in a freezing of liquidity between banks that would cause some banks to "suffer terminally".

Parmar said Ladbrokes tried to minimise the risks of individual banks failing by banking with the top one or two banks with a high street presence in a country.



"If something does happen, you would expect a bailout," he explained.

Another issue is whether there will be a 'levelling of some of the sovereigns' – for example, Canada and Australia, which have high credit status. Will these drop down to join the US and others?

Ladbrokes' treasury policy has become "much tighter" as a result of the financial crisis, Parmar revealed. Croydon said IMI hadn't had to change its treasury policy because it could operate within the existing limits for its banks. "But we don't really look at the ratings now," he told delegates. "We monitor credit default swap spreads."

The panellists thought that regulation of the banking sector such as Basel III should have a positive impact on counterparty risk.

But Croydon pointed out that for companies, this risk mitigation would come at a price. "It is going to add cost and it probably will reduce risk," he said. "But we're going to have to pay for it." He thought this could lead to corporates making more use of peer-to-peer (P2P) transactions in terms of lending, depositing and managing FX exposures. "But if that starts growing, will there be regulations that control capital requirements for peer-to-peer relationships?" he questioned.

Speaking from the floor, one delegate pointed out that companies that use P2P instruments need treasury policies that incorporate non-bank organisations to take account of the different risks involved.

Croydon said he had already seen P2P lending used by companies in China "where you have businesses that need funding and other businesses that have surplus cash and there's a tax cost of getting it out". "They're going through back-to-back arrangements with banks," he explained. "That does create further counterparty risk."

He added: "I think there will come a time when there is a growing train of transactions that had historically gone to banks going to other parties." ◆

CASE STUDY: MANAGING FX RISK

Andrew Burgess, FX manager at French conglomerate Alstom, shared his experiences of managing FX risk with delegates in a lively conference session.

Alstom is involved in power plant construction. The bidding process in this industry is long and competitive while building a plant can take many years. As for the contract, that can be "the size of a small detective novel", Burgess explained.

Payment is normally made in milestones, which means that the business has a low volume of high-value cash flow, and Alstom has a zero-tolerance attitude to risk. "The engineers are there to earn the money. My job is to secure it," said Burgess.

Because Alstom has a lot of internal suppliers, one of its key policies is an internal invoicing rule. The larger Alstom counterparty will pay the smaller internal counterparty in its functional currency. This rule concentrates FX handling with the larger and more sophisticated business unit. Burgess works in Alstom's Swiss operation, which covers about 60% of FX within the group. Burgess explained that when Alstom is tendering for a project, he does a hedging impact estimate for the bid. "Currency is another cost to be factored in and the cost is predictable at least to an extent," he said. "We do hedging on a gross basis – all the cash in and all the cash out." The key assumptions are made available to Alstom's tender control committee, which will sign off on the bid before it is submitted.

Once the bid has been submitted, spot risk becomes a major issue for Alstom as the project will be priced and out in the market while currencies fluctuate. "The first thing we always look to do is natural hedging with cash in and cash out currencies," said Burgess. "It reduces the net FX spot risk."

If the customer has concerns about FX risk, Alstom can cater for it by including an FX clause in the bid. Options are another possibility depending on the likelihood of Alstom winning the project. "We monitor the bid portfolio and we take a realistic assessment as to the possibility of winning," Burgess revealed. "If the decision time comes close and we're the favoured bidder, we might decide to put something on the market."

Once Alstom has won a bid, its treasury units confirm the business cash flows. "It's amazing how much things will change in six months. That's perfectly normal," said Burgess. Treasury puts together a cash list covering which countries and units will be involved in the project and who will be hedging for them. Once the data has been confirmed, it puts a hedging plan together for approval by the business.

"Hedging contracts are fixed," Burgess told delegates. "We hedge gross and use forwards or non-deliverable swaps. Once we've traded, we report the rate back to the project. What I tell the financial controllers is: 'I will guarantee them the forward points if they will guarantee me the cash flow.'"

TWITTER CHATTER

Perfect. First time I've ever heard the litmus test being used as an analogy on FX management. @ColinTyl

Use CDS spreads to support counterparty risk management, but beware – some markets can be illiquid. @davidpeach72

Parmar, Ladbrokes – We pick top 1-2 banks with high street presence and hope that they'll be bailed out if they fail @CFOinsightmag

High security

Fraud rarely happens in treasury, but it can be devastating when it does. Hence the need for policies, procedures and controls

Fraud costs the UK around £73bn a year, according to the National Fraud Authority. Of this, some £45.5bn takes place in the private sector. Hence treasury controls are a vital deterrent to fraudulent behaviour.

Treasury is one of the most sensitive areas of a company for a number of reasons, Brian Welch, director with UserCare Treasury Consultancy, told delegates. Treasurers are involved in payments and receipts where there is potential for fraud. "On any day, treasury might handle transactions equal to the net profits or even the net asset value of the company," said Welch.

Transactions passing through treasury can indicate current trading performance information, which may be market sensitive. And confidential corporate activities such as M&As and disposals require treasury input. The risks are also heightened by the fact that few outside the treasury team will understand what goes on within it. "We're a bit of a black box to everyone," Welch observed.

When setting policies around treasury security and controls, Welch emphasised it was important they came from the top, with genuine buy-in from the chairman, the board, the CEO, the CFO and senior management. "No board or chairman has ever publicly said that strong policies are unimportant, but they don't always back up words with actions… until there is a major controls failure."

Policies and procedures exist for treasurers' protection, Welch said. He explained that policies, which tend to be set by the board, are statements of the way in which treasury risks will be managed and they determine the level of risk acceptable to the company. Procedures are statements of how treasury risks and transactions will be managed on a day-to-day basis, while delegated authorities are statements of who may manage which, and what level, of treasury risks and transactions.

There are a number of reasons why it is important to have procedures. These include:

- Clarification of responsibilities;
- Evidence of compliance;
- Protection of staff;
- Assistance in covering for absent staff;
- Guidance and training; and
- To act as a reference guide.

Turning to electronic banking, Welch said losses were rarely a result of systems failure. They were more likely to come from unauthorised payments, diversion of payments, incorrect payments, failure of transmission and receipt, and not using the security controls in the correct manner. "The systems are very robust," said Welch. "Nearly every time there is some fraud involving electronic banking, it usually occurs before input or at receipt at the end."

Welch highlighted some wider risks that could affect treasury security. For example, unauthorised people might be able to access systems and use them for unauthorised activities. Sometimes, complacency can arise around trusted staff members who are monitored less because they have worked for the company for so many years. But this does not take into account the fact that their circumstances may have changed.

People who have worked in their treasury role for around two years pose the greatest risk to security, according to Welch. "They've got their feet under the desk. They understand how the systems work."

Other threats to security come from policies that fail to recognise inherent risks; insufficient or infrequent monitoring; disaffected staff being able to tamper with spreadsheets and systems; staff colluding with third parties; highly skilled contractors having access to systems; and contractors with access and unknown skills being on the premises – for example, cleaners and overnight security. Treasurers should take care not to leave their computers on overnight or leave procedures manuals lying around.

Welch said that highly skilled contractors were a risk he particularly worried about since interims are usually given access to the company's electronic banking system.

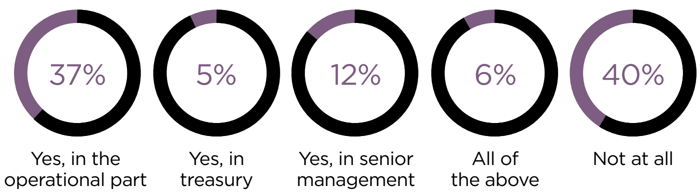
Accountability, transparency and compliance are treasurers' strongest weapons for defending

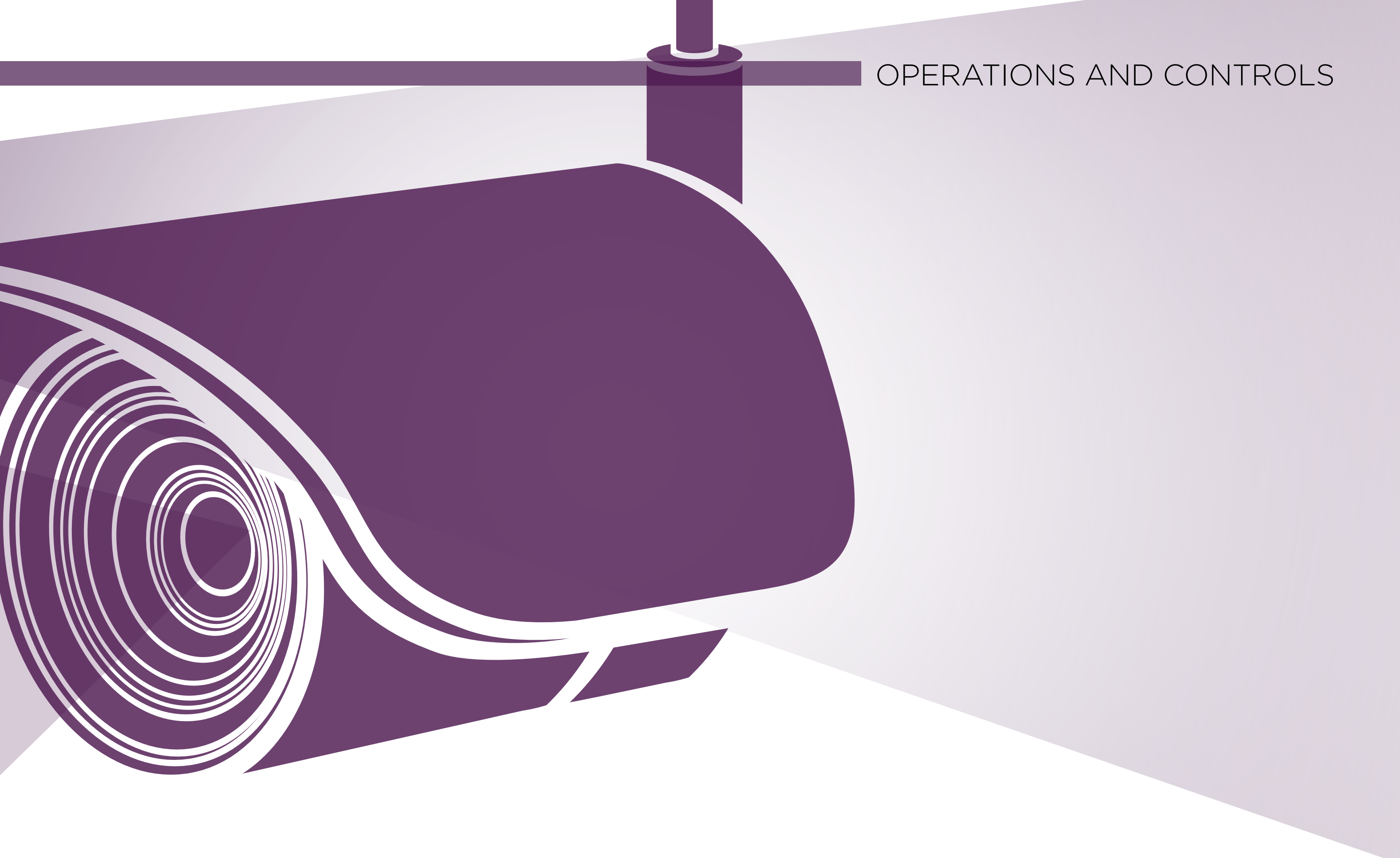
HOW CAN TECHNOLOGY ENHANCE SECURITY?

- Use the electronic controls supplied with the electronic banking, treasury and accounting systems.
- Have strict rules to prevent systems updates without checking with the IT department.
- Employ controls about exchanging documents except from trusted sources, which should be on an approved list.
- Don't permit management over-rule – but have a procedure that records any such practice.

DELEGATE POLL

HAVE YOU WORKED SOMEWHERE WHERE A SIGNIFICANT FRAUD HAS TAKEN PLACE?





the company. Segregation of duties is particularly important. It ensures that one person handles one important function, identifies errors that can be expensive to correct and helps to prevent fraud.

"You need to have separation between the front office and back office – between dealing and recording and processing the settlement transactions," Welch explained. He told delegates he had come across situations where there was "the appearance of segregation of duties, but when you looked underneath it, there wasn't any". All payments made by electronic banking should be authorised by two key people and changes to static data should be subject to dual key access.

"There isn't a huge amount of fraud in treasury, but when it does happen, it can be fairly large," said Welch. ◆

SEPA UPDATE

Recent developments relating to the Single Euro Payments Area (SEPA) were summarised by Bob Lyddon of Lyddon Consulting. He highlighted some of the key areas of confusion surrounding SEPA and advised delegates on where their banks ought to be able to add value – for example, with direct debit mandates and statements. (For more on SEPA, please see page 16.)

CASE STUDY: DRIVING CHANGE IN TREASURY AT ASTRAZENECA

Andrew Marshall, director of treasury solutions at pharmaceutical giant AstraZeneca, shared with delegates his experiences of transforming the treasury function and implementing a treasury management system.

He said it was important to have a clear idea at the outset of what needed to change in order to develop an appropriate 'end vision'. Changes could include optimised operating methodology; enhanced efficiency through automation; better controls and compliance; reduced risk; more accurate and reliable cash management; improved forecasting and hedging; and the implementation of a complete treasury solution.

Once the vision has been developed, it is necessary to build a business case, gain mandate for change and get the budget approved, Marshall told delegates. He pointed out that treasury's higher profile means that there is more demand for it to produce information and analysis than ever before. When putting the business case together, treasurers should identify key waste and efficiencies and provide hard figures on the likely rate of return on the investment. It is also a good idea to include alternative scenarios in the business case, such as 'do nothing' and give costs for those.

Relationships with software vendors are critical to the success of treasury change projects, Marshall advised. When selecting a vendor, it is important to look at the vendor's entire offering including additional solutions and services. He pointed out that there would inevitably be ups and downs in the relationship with the vendor and off-the-shelf software was not going to fit perfectly into an organisation. How treasurers work round issues with their vendor is critical to the success of the project and the ongoing association, he said.

Change projects in treasury are massive undertakings and require dedicated, full-time resources to be successful, according to Marshall. Using internal staff and giving them additional project management responsibilities may save some money in the short term, but could cost dearly in the long term.

Following the project, it is important to benchmark it for success. Marshall suggested returning to the initial requirements to see what has been achieved against the original objectives.

Help is at hand

SEPA migration may seem a daunting prospect if your company hasn't yet embarked on it, but working with knowledgeable partners can ease the burden

An interactive workshop led by Stephen Pigney, director international propositions at Barclays, covered the practicalities of the Single Euro Payments Area (SEPA). It also explored the help available to corporates looking to meet the SEPA end-date deadlines of 1 February 2014 (for those operating in eurozone countries) and 31 October 2016 (for those outside).

Pigney gave delegates an overview of SEPA. The objective of SEPA is to make payments and collections in euros across 32 countries in Europe as easy as making a domestic transaction, he said. He explained that for UK corporates, SEPA credit transfer (SCT) was likely to be the easiest aspect of the scheme to implement – provided companies can give their bank the relevant BIC and IBAN of the beneficiary to make the payment. He recommended that companies obtain the BICs and IBANs of their suppliers and employees if they have not already done so.

With SEPA direct debit (SDD), companies also need to get BICs and IBANs from their debtors. In addition, they should think about mandate management since mandate details must accompany every SDD collection. Pigney advised delegates that they needed to weigh up whether to use an in-house platform or an external service provider to manage mandates. "Corporates have enough to do with migration to SEPA, so a third-party mandate provider is a good solution," he said.

Huw Davies, international business development director at Barclaycard, shared the credit card provider's experience of using SDD for corporate customers. It went live with the scheme in August 2012. "As we expanded our business internationally, we wanted to offer a clean and simple way to collect money from end cardholders," Davies told delegates. "Historically, that would have meant linking into every one of the clearing networks across Europe. It would have been hugely expensive and massively complicated. So for us, SEPA was an opportunity."

Barclaycard found that the main challenges with SEPA included interpreting the complex rules, deciding how to approach mandate management (it opted for an external provider) and creating a payment file in the right format to feed into the SEPA system. "We realised we needed some help so we worked with Barclays and Sentenial," said Davies. "We had to get this right straightaway or we would have lost some important business."

"The recommendation is to conduct an impact assessment as soon as possible because this will be a significant project for most corporates, particularly if you have direct debits in the eurozone," speaker Brian Hanrahan, executive vice president of Sentenial, told delegates.

He added that there was a lot more to SEPA than 'moving to XML'. "We have different timing and different clearing cycles," he explained. "We have reason codes and exception processes. There is a lot of activity around mandates, which is very new for most countries. That's not just back office; it will also affect front office systems. Providers such as Sentenial can manage all of this for you to make the switch to SEPA direct debits much easier to implement."

Hanrahan continued that collecting the necessary data and migrating it to SEPA standards could also be difficult while country-specific migration plans varied in their level of detail according to the jurisdiction. "Every country starts in a different place," he said. "At Sentenial, we have teams dedicated to the analysis of this information so we have the knowledge and tools to help you complete this essential process."

Focusing on the practicalities of a SEPA migration project, Davies emphasised the importance of 'old-fashioned project management' to ensure that deadlines are met. Pigney suggested talking to software and information service providers, which can assist corporates with data cleansing, sourcing BICs and IBANs in readiness for the switch to SCT, and SDD services. "There are a number of tools in the market that help with BBAN to IBAN conversion, with varying degrees of accuracy," Hanrahan pointed out. "The IBAN conversion process is quite challenging and different from country to country."

But despite the initial obstacles that SEPA presents, there are long-term positives in terms of convenience and efficiency savings.

Summing up, Pigney told delegates that there was plenty of help on hand. "Talk to your advisers early and get a plan in place," he said. "Use the help that's out there. You're not on your own."

INVESTING IN REPOS AND TREASURY CAREERS

Separate interactive workshops at the conference debated investing in repos and treasury careers.

At the repo workshop, facilitated by ACT associate policy and technical director Michelle Price, delegates considered whether repos made sense for corporate treasury. Michal Kawski, head of treasury at energy company Gazprom Marketing & Trading, said repos were not risk-free, but were nevertheless a useful tool to have.

Development was a key theme of the treasury careers workshop, particularly for treasurers working within a small function. ACT development director James Lockyer facilitated the workshop, which was about staying put versus moving on. Lockyer advised delegates to "get stuck in, take responsibility for your career and get involved with business problems".

The changing face

Mobile payments are already transforming the way in which we do business and companies need to get up to speed with them

The world of cash is dynamic and rapidly evolving, so companies must embrace changing consumer behaviours and use them to their advantage. That was the message from Mike Walters, head of UK corporate payments at Barclays, who entertained delegates with an engaging session on innovation in mobile payments.

The ability to make a mobile payment is about 12-18 months old. But according to research from analyst Gartner, some 2.4 billion people globally (more than a third of the world's population) will own at least one smartphone by 2015 and they will make mobile payments in excess of $5bn. Walters highlighted that the rate of mobile internet adoption by consumers was increasing rapidly, taking off at an even faster rate than the internet itself when it was first launched. As such, he advised treasurers that their companies would need to respond rapidly to consumers' changing expectations.

In 2013, we can expect to see a host of mobile payment methods launched by a wide variety of new and established players. Last year, Barclays introduced its successful Pingit money transfer service, which was downloaded by 1.4 million people in the UK over 10 months, and PayPal, already a familiar brand to internet shoppers, unveiled its popular digital wallet. This year, Apple, Google, Tesco and Vodafone are among the names looking to get a slice of the mobile payment action. But Walters said the question was: "How many will consumers let live? Do they trust the brand to make money move?"

Pingit has already processed over £70m of payments and the average amount that consumers send to each other is a substantial £65. "People are materially using this infrastructure to move money," Walters observed. He added that the logical progression from people sending money to one another was customers sending it to companies, too.

"Mobile payments have the capability to transform the way consumers remit money to corporates. But that only really works if companies also buy into using them," Walters warned. "If you enable a consumer to pay you from a mobile phone, it takes less than two seconds. When they want their money back and you say: 'Hold the line, I'm going to send a cheque file, then have it printed and posted and delivered so you can walk into your branch and pay it 15 days later', the chances are that their expectations aren't going to be well met. You are going to have to get involved with how you initiate to mobile phone devices and consumers."

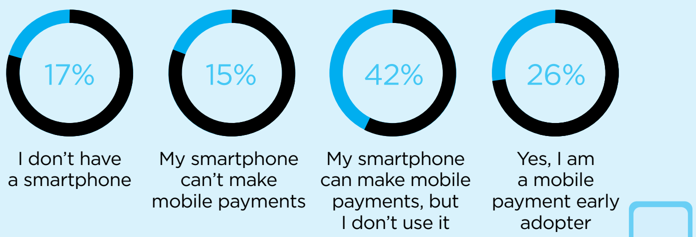
He added: "The successful wallet providers are going to cotton on to the fact that just being able to receive is great, but it's 50% of what happens in the world."

Treasurers also need to think about the implications of virtual currencies, Walters said. Virtual currencies are still a relatively new concept, with roots in online games. But internet giant Amazon has announced that in May it is launching its own coins that US consumers can use to purchase games and apps on Kindle Fire. How long will it be before central banks lose their monopoly on issuing money? What if companies find their customers want to pay them in virtual currency? Will they accept it? Will they accept virtual currencies cross-border? Are virtual currencies a way to expand into new markets? As Walters put it: "It opens more questions than anyone's got answers for."

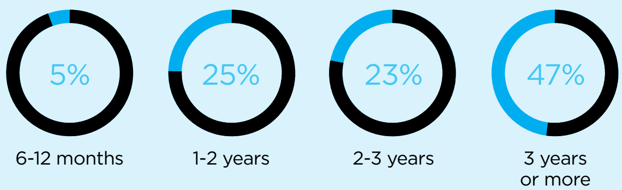
What is undeniable is that the payment landscape is changing for good and corporates need to act swiftly or risk being left behind. "This is happening really quickly and it's going to get faster," Walters said. "It is not something that will not impact on your business. If you have anything to do with consumers at the front end or in your business flow, those consumers are now already wanting to interact differently with you." ◆

DELEGATE POLL

DO YOU USE A SMARTPHONE TO MAKE MOBILE PAYMENTS?



WHEN WILL MOBILE PAYMENTS ACCOUNT FOR MORE THAN 10% OF YOUR TOTAL TRANSACTION VOLUMES?



Leading the way

Treasury at its very best can be an important business partner and enabler

Marco Schuchmann, head of treasury back office and operations at chemical giant AkzoNobel, discussed the process of centralising the company's treasury.

He explained that AkzoNobel used to be a decentralised organisation, but this is now changing, with treasury at the front of the group's centralisation strategy. It is cooperating with the financial controllers to breach differences between the various business units. It is also working with them to get forecasts and statements, so that it can undertake scenario planning for the whole organisation.

A major priority for AkzoNobel at present is liquidity headroom. There is clear internal guidance on how much cash needs to be available to the organisation. It has issued a revolving credit facility and established individual bank lines to ensure that at all times the group has €1bn available and within its immediate control.

AkzoNobel's treasury has rebuilt its cash management infrastructure and selected new relationship banks in all regions, which are among the core banks that provided its revolving credit facility. It has a payment factory roll-out under way, it is working on shared service centre activities and it has launched a collection factory. It has also implemented a SAP treasury management system and is a key driver in AkzoNobel's OneFinance change management programme to simplify systems and processes. Treasury provides statements to the business units and the units use treasury for hedging and to arrange internal funding.

AkzoNobel has an overlay structure with its relationship bank and it runs a cross-currency notional pool. It likes the flexibility of notional pooling and enjoys enhanced yield on all of its accounts. Because the accounts are notionally pooled on a daily basis, AkzoNobel is not exposed to FX spreads.

Schuchmann said that with both a payment and a collection factory in place, AkzoNobel should not need to have numerous bank accounts in future. The collection accounts it is running could disappear over time as it can operate from one bank account. AkzoNobel is already compliant with the SEPA credit transfer scheme and, since January this year, euro disbursements have come out of a single bank account. From July, payroll transactions will be undertaken by AkzoNobel's payment factory. ◆

CASE STUDY: LIQUIDITY AT LEGO®

Jesper Broskov, liquidity director at LEGO® Group, took delegates back to their childhoods with his overview of adapting the treasury function to the needs of a high-growth organisation. He outlined LEGO®'s 'play promise', which is 'joy of building, pride of creation', and explained that treasury aims to be a combined steward and enabler for the group. Its responsibilities include FX and cash management, and managing contract and credit risk. As a business partner, it aims to advise and enable the business, and to make the financial flow run as efficiently as possible, he said.

Broskov said that some 35% of all LEGO® consumer sales are in the last three to four weeks of the year, which is a challenge for the business and its treasury. Under its operating model, all of LEGO®'s goods are sold out of the Danish legal entity and 85% of all group cheques are paid in Denmark. So, very little cash is trapped in other countries. LEGO® uses global cash pools for each country, including one cross-border cash pool in Europe.

LEGO® has four main relationship banks and believes in exchanging knowledge with them. But it also wants to be able to change any of its banks at three months' notice.

THE CONFERENCE IN WORDS

"'It's always darkest just before it's completely black.' That sums up the mood at the moment."
Jeremy Warner, assistant editor, *The Daily Telegraph*; *The Treasurer* columnist

"The longer you stay in a treasury role, the more you pick up things other people don't want to do."
Greg Croydon, director, treasury and group pensions, IMI

"I started out as a chemical engineer, then found out what my boss earned and moved across into finance."
Sean Anderson, group treasurer, Alliance Medical

"Unfortunately, a good sales guy will tell you it's a done deal even if he's being escorted out of the door by the customer's security."
Andrew Burgess, FX manager, Alstom

PLACE: Essence's project room, Poland Street, London

PEOPLE: Matt Isaacs, CEO, Essence
Sue Pettican, Relationship Director, Barclays

Essence is at the cutting edge of a dynamic industry, providing international digital marketing solutions to some of the world's leading companies. Having increased turnover from £7.9m in 2008 to £117.5m in 2012, they were looking for a bank with in-depth knowledge of working with fast-growing companies. At a crucial time in Essence's development, the transition to the new bank had to be seamless. Barclays, with a wealth of relevant experience, was the natural choice. Essence CEO Matt Isaacs says, 'Barclays made it really easy for us to move our business to them, and their understanding of our industry has helped us through this period of growth.' For a stronger future, come and talk to us. **Call 0800 015 8642* or visit barclays.com/corporatebanking to find out how we can help your business succeed.**

BARCLAYS