



> e-TREASURER

Irish Association of Corporate Treasurers

Welcome...

Welcome to the second addition of E-treasurer for 2008. The last number of months has been very busy for the Association, perhaps not surprisingly in the context of ongoing financial market turmoil.

Firstly, our events to date have been a tremendous success. Both Dublin presentations, by J.Rothschild and Dublin Airport Authority respectively, were sold out. In fact the latter event was the first time that we received over 100 confirmations for such an event. By the time you receive this copy of E-treasurer we will also have hosted our first event of the year in Cork presented by Musgrave Group plc and we will round off the Spring events with Tullow Oil plc in Dublin in late May.

Plans are ongoing for the annual dinner to be held in the Shelbourne Hotel again this year on October 17th. We are delighted to report that An Taoiseach Brian Cowen has been confirmed as our guest of honour this year. Again, we expect this event to be sold out so book early to avoid disappointment.

I extend a warm welcome to those new members of the Association, listed inside the newsletter, and am heartened by the continued growth in our numbers. We commence a marketing programme aimed at the plc community this month and will focus on the mid-corporate market in the second half of the year.

I also wish to welcome our two new patrons, National Irish Bank and HSBC Bank.

On a lighter note the committee has entered two relay teams for the Cork City Marathon with GOAL being the charity that we have elected to support. Whether we choose to publish photos from this event in the next E-treasurer remains to be seen as they may not be very appealing! However the training is in full tilt under the watchful eye of Chef D'Equipe Jimmy Doyle.

Events for the second half of the year are already in train and the Autumn/Winter schedule promises to be the busiest yet for the Association. We have also chosen to endorse the Treasury conference run by EMI again this year. It will be held in early November.

One final (new) initiative is that we plan to make a pre-Budget submission for the first time. Therefore any items that merit inclusion should be forwarded to us as soon as possible. Otherwise, please feel free to contribute to E-treasurer or in any other constructive way to the Association's efforts. Your feedback and comments are always welcomed.

John Finn

President



The Credit Crunch – A borrower's perspective

19th February 2008 • AIB International Centre, IFSC, Dublin 1

At this very well supported and received meeting, current conditions in the credit markets tracking back from the crisis in the US sub prime housing market last summer were discussed. An insight was given into the impact that this has had on bank and institutional appetite for corporate credit, and how Irish treasurers could tailor their approach to the credit markets in 2008 to take account of the new market paradigm.

Presented by Ranjit Munro of Rothschild Debt Advisory and Fidelma Griffin of AIB Corporate Banking, the issue was addressed from two perspectives. Rothschilds provided an insight from the City and further afield into the implications of the credit crunch. AIB then addressed the same issue from an Irish borrower's perspective. This presentation from our expert speakers, provided treasurers with an insight into potential outcomes and how corporate treasurers should seek to minimise the downside, and capitalise on potential upsides, for their business.



Brian Colgan AIB Corporate Banking, Ranjit Munro, Rothschilds, John Finn, IACT President, Fidelma Griffin, AIB Corporate Banking, Pat King, Jurys Doyle Group

[CLICK HERE TO VIEW THIS PRESENTATION](#)



Finance Act 2008

The 2008 Finance Act was passed in March 2008 and a number of new provisions were introduced that may be relevant to Irish treasurers and corporate treasury operations.

Corporation tax

- The Finance Act introduced new provisions allowing certain foreign dividends paid out of "trading profits" of companies resident in an EU or tax treaty country, to be taxed at 12.5% in Ireland, as opposed to 25%. These changes make Ireland more attractive as a holding company location. This will effect Irish treasury operations in a number of ways: - for example, the payment of dividends to Ireland is easier and may result in additional cash management requirements in Ireland, holding company activities may be tacked onto Irish treasury companies and so on.
- The definition of a "small" company for preliminary corporation tax purposes has been changed to a company with a prior year tax liability of €200k (increased from €150k). "Small" companies can base their preliminary tax payment on 100% of their prior year tax liability rather than 90% of the estimated tax liability for the current year. In addition, start-up companies with a corporation tax liability of €200k or less in their first year are not obliged to pay preliminary corporation tax. This should provide some small assistance in forecasting cash tax requirements.
- Companies which apply IFRS or Irish GAAP which embodies IFRS can now disregard unrealised gains and losses on financial instruments arising in the last two months of the accounting period for preliminary corporation tax purposes. A top-up payment must be paid on these unrealised gains and losses in the month following the accounting period end. This provides some additional certainty for treasury companies.

- Section 110 of the Irish tax code allows qualifying securitisation transactions to be carried out in Ireland through an Irish company in a tax efficient way. The list of "qualifying assets" that may be securitised under Section 110 was extended to include insurance and re-insurance policies and carbon credits. The holding of qualifying assets by a securitisation company via partnerships will now itself constitute a qualifying asset.
- Costs incurred by a company in buying back its own shares are now specifically not allowed as a deduction for tax purposes.
- In response to an OECD recommendation, a new provision has been introduced that specifically prohibits a tax deduction for illegal payments, including payments made outside Ireland that would be considered illegal if paid in Ireland.

Income Tax

- Anti-avoidance legislation has been introduced to prevent employers using share schemes by offering employees and directors tax efficient shares of one class, which are convertible into more valuable securities, i.e. so called "convertible share" schemes. Income tax will now be chargeable on any "gain" arising on the conversion, disposal, or release of such convertible securities.
- On the upside, the Finance Act extends the favourable remittance basis of assessment to UK source

investment income and UK employment income (except for income attributable to duties performed in Ireland). The remittance basis was not extended to UK source capital gains.

Stamp Duty

- Stamp duty legislation provides that the transfer of "loan capital" of a corporate body is exempt from stamp duty when certain conditions are met. It is now no longer a criteria that the loan capital needs to be redeemable within 30 years. This should allow Irish treasury companies more flexibility in raising finance.

Miscellaneous

- The Finance Bill introduces a new section in relation to tax avoidance transactions to encourage protective notification to Revenue.

Aidan Walsh, *Ernst & Young*





NEW MEMBERS 2008

Dervilla Kenny Ulster Bank

Fiona Kingston Ulster Bank Capital Markets

Adrian Farrell McCann Fitzgerald

Marguerite McMackin ESB

Brian Daly KPMG

Brian Marks Genesis Lease Ltd

Declan Ferguson Bank of Scotland (Ireland) Ltd

Alan Leonard Clarendon Properties Ltd

Colm Moriarty ESB

Tom Clifford Finalysis Ltd

Michael Gannon United Drug plc

Mary Sheahan Elan Corporation plc

Neil Fleming AIB International Financial Services

Richard Morrissey National Irish Bank

Daragh Kirby IBM

Brendan O'Donnell Danske Bank

Alan Duffy HSBC

Ken Dobson Danske Bank

Declan Lynch Elavon Financial Services

Brendan Lenihan O'Flynn Group

Karl Young Sunbelt Business Brokers

Jackie Patterson Keelings

Alan O'Neill Bank of America

Enda McNicholas Keelings

Julie Harrison BNP Paribas

Paul Ferris Precision Castparts Corporation

Sarah Keegan Xerox XF Holdings (Ire) Limited

Antony Barnes Experian Group Ltd

Noel Browne Global Betting Exchange

Marcia Ryder Elavon Financial Services Ltd

John O'Reilly Primary Insurance Company

Lucy Kenefick Bank of Ireland Global Markets

Killian Croke KPMG

Colin Keenan Bank of Ireland Global Markets

Frank Gannon KPMG

Emily Lyons Anglo Irish Bank

Declan Keane KPMG

Eoin O'Mahony Elavon Financial Services Ltd

Anne Fitzgerald Securitas

Malcolm Towlson Elavon Financial Services Ltd

Padraig Brosnan ESB

Dara Rothwell Elavon Financial Services Ltd

Guidance note on the standard LMA loan documents available



Corporate treasurers about to enter into tough negotiations to refinance bank facilities will probably allow themselves a wry smile when reading recent reports of the plight of certain banks that have provided acquisition finance to vehicles sponsored by private equity funds.

One of the quirks of the credit crunch is that some private equity sponsors have discovered that their loan documentation appears to allow them to buy-back the borrowing vehicle's acquisition debt in the secondary market at below par. The most widely reported example of a buy-back is the case of the private equity sponsor behind the leveraged buy-out of TDC, the Danish telecommunications company, who bought back some of the bank debt at a discount of between 90 to 95 cent in the euro.

Understandably any remaining bank which discovers that the equity owner of a borrower is, in effect, redeeming debt below par is going to be a bit miffed, to say the least. What compounds matters is that, depending on the wording of the underlying loan documentation, the repurchased debt can remain outstanding and the private equity sponsor, as holder of the debt, can have voting rights in the event of a default or restructuring. This means that, in theory, a private equity sponsor could buy up enough debt in the secondary market to build up a blocking minority stake and frustrate the plans of the remaining bank lenders in any workout.

The equity sponsor buy-back phenomenon is just one of the consequences of the pre-credit crunch movement towards treating bank debt as just another form of tradeable financial instrument. The excesses of the corporate credit markets were observed most acutely in the leveraged finance sector where the much reported "covenant-lite" loans were originated. The idea behind the relaxation or removal of typical bank covenants was that there were so many hedge funds and other non-bank entities competing to provide acquisition finance that the usual covenant protection package was no longer needed. The supposed depth of liquidity in the secondary markets meant that if a lender had credit concerns about the borrower, it didn't need the protection

of strong covenants as it could easily sell-on the debt at the hint of trouble. Once the credit crunch took hold, liquidity in the secondary market disappeared and without the discipline of strong covenants some lenders were left with fewer means of bringing a borrower/sponsor back to the negotiation table as market conditions deteriorated.

Outside the leveraged finance sector, corporate borrowers would have always been cautious about agreeing to terms in their loan documents which allow the original lenders to freely sell down their bank debt to third parties. An obvious concern would have been that if the borrower got into difficulties and covenant waivers or consents were being sought, the borrower might end of sitting across the table with what might be perceived as a 'vulture' fund, rather than their original, and hopefully more sympathetic, bank lenders. Depending on their negotiating strength, borrowers may have previously agreed provisions in their loan documents ranging from a prohibition on the transfer of loans without consent (consent to be not unreasonably withheld), restrictions the transfer of the loans to competitors or entities other than banks, or simply a requirement that the bank to simply consult with the borrower prior to transfer.

More recently, given that the securitisation and other secondary market channels are effectively frozen, much has been made of the idea that 'originate and hold' relationship banking model is back. This is not to say that a relationship bank will not insist on transferability provisions to allow them to syndicate or sell-on when market conditions change – the degree to which the debt can be freely assigned, and to whom it can be assigned, like many other provisions of loan agreements, may be up for negotiation.

It is only natural that lenders will look to apply any lessons learned from the credit crunch to the terms of new loan documents and this means that it is likely that detail of the agreements will be subject to much more scrutiny. As always, the degree to which terms can be negotiated will depend on the strength of the borrower. Some borrowers may be just relieved to know that they have a relationship bank for whom they are a valued customer and which is willing and able to lend to them, however restrictive the terms.

As many IACT members will be aware, The Association of Corporate Treasurers in the U.K. has published "A Guide to the Loan Market Association Loan Documentation for Investment-Grade Borrowers". The Loan Market Association (LMA) documentation have been prepared for use as a suggested initial reference point for negotiations in the investment grade corporate borrowing market. While many of the provisions analysed in the ACT guide are appropriate to investment grade borrowers only, other borrowers may find the guide useful reference point prior to sitting down to review new loan documents, if only as a refresher on boilerplate terms, or to get an insight or perspectives on negotiation positions which are common for the more commercially sensitive terms. Just don't ask for, or expect to get, a "cov-lite package"...

The latest version of the guide is dated June 2007 and is available on the ACT website at the link set out below.

[CLICK HERE TO VIEW THE LATEST EDITION OF THE GUIDE](#)



Dublin Airport Authority Presentation – 30 April 2008



Funding the Capital Programme at Dublin Airport, presented by Andrew Glover, Treasury Manager, DAA

Andrew treated the excellent attendance of over 80 people to a fascinating insight into infrastructural developments at Dublin Airport and how they are being financed. Passenger numbers at Dublin Airport have grown dramatically in recent years and last year jumped to over 23 million. Dublin is now among the 10 busiest airports in Europe for international traffic, managing an average of 60,000 passengers and more than 600 aircraft movements every day.

DAA reported a profit after tax excluding exceptionals of €109 million last year and sold its stake in Birmingham Airport for £210 million. So it is in a strong liquidity position but nonetheless requires a capital funding programme to finance the €2 billion in new facilities over the next decade to radically improve the passenger experience at Dublin Airport. More than €1 billion will be spent between now and the end of 2009, and passengers are already beginning to see the benefits of the plan to Transform Dublin Airport.

Andrew explained the criteria and policies adopted by the DAA Board and how these are applied in structuring the funding programme between short and long term requirements; and managing interest rate exposures while at all times ensuring a solid credit rating.

All in all, it was an excellent presentation, both at a technical treasury level and also from a general interest point of view to see the amount of development currently underway at the Airport that we all use so frequently.

[CLICK HERE TO VIEW FURTHER DETAILS OF THE EVENT](#)



Pictured at the DAA presentation are Denise Abey, *The IFSC Panel*, and Suzanne Doyle, *Accenture*

UPCOMING EVENTS 2008

May

20th May – Breakfast Meeting: Treasury Presentation by Tullow Oil, Venue: **Clarion Hotel, IFSC, Dublin 1**

Tullow Oil plc is one of the largest independent oil and gas exploration companies in Europe. The Group has over 100 licences in 23 countries, with operations in Africa, Europe, South Asia and South America. Tullow currently produces over 70,000 barrels of oil equivalent per day. In 2007 the Group drilled over 100 exploration, appraisal and development wells, which included multi-well campaigns in Ghana and Uganda.

This presentation will outline the role that the Group Treasury function of Tullow Oil has played in the development of the Group's significant operations in multiple jurisdictions over the past number of years, with a particular focus on how this growth has been funded.

June

2nd June – Cork Marathon

The IACT are hosting two charity relay teams for the Cork City Marathon on Bank Holiday Monday, 2nd June. Our ambition is to raise funds for GOAL charity. If you would like make a donation, or would be interested in joining us as part of a relay team, please contact Michele at 01 6108574.

26th June - AGM

July

11th July - Golf Outing

The Association has arranged for its Annual Golf Outing to be held this year in the new premises of the Dun Laoghaire Golf Club on Friday 11th July 2008. The tee will be reserved from 1:30pm to 4.00pm. Dinner will be in the Club House at 8.00pm. In addition to our usual 18 hole Stableford Competition for our Perpetual Trophy, a Three Ball Team event will also be held.



October

17th October – Annual Gala Dinner

The social highlight of the IACT calendar is the Annual Gala Dinner which will take place on Friday, 17th October, 2008.



Further to last year's success, we are delighted to announce that the Dinner will take place in the Shelbourne Hotel, and will include an address by Mr Brian Cowen, an Taoiseach.

We would advise you to book early as this event was sold out last year and is limited to 300 guests.

If you are interested in attending any of these events, please contact Michele at webmaster@treasurers.ie



PATRONS 2008

The Association has invited selected treasury service providers IACT Patrons - to support our services to, and communication efforts with, our members. We are pleased that the following IACT Patrons have provided financial support to help us in our activities. Please show your reciprocal support to them by visiting their websites:



CLICK ON ICON TO VIEW PATRONS WEBSITE 