

Paris, Online Update

Issue 4, February 2008



Welcome to our latest legal update intended to benefit the international practitioner. Below we highlight various developments in the UK company/commercial sphere.

UK Capital Gains Tax Reforms

The Chancellor confirmed on 24 January 2008 that the CGT reforms announced in last October's Pre-Budget Report will continue largely as expected – that is, a single CGT rate of 18% will apply to disposals on or after 6 April 2008 at which point taper relief and indexation will disappear.

However, there will now be an "entrepreneur's relief" providing for the first £1 million of capital gains to be taxed at 10%. This is a lifetime limit and the relief will apply to sales of trading businesses and shareholdings for employees, directors or officers of a company where they own at least 5% of the shares or can exercise at least 5% of the voting rights. Once the £1 million has been exceeded, the 18% flat rate will apply on all future gains.

UK Buyouts fall 80% in Q4

The value of UK buyouts fell 80% in the last quarter of 2007 to the lowest level for five years. According to the Centre for Management Buyout Research just £2.9 billion (€3.9 billion) of deals were completed, compared with £15.4 billion in the third quarter. Since around £35 billion has been raised by UK private equity funds in the past two years, it is likely to take several years to invest the current generation of funds, in comparison to the two or three years that had become normal in recent years. Exits have also been affected, with very few secondary buyouts in the fourth quarter. According to Thomson Financial, Europe has seen the slowest M&A start to a year since the first quarter of 2005 with only 803 new transactions emerging to 7 February (worth a total of €38.6bn).

In contrast, by 7 February last year European targets had received 1,613 offers worth a total of €54.6bn. During the first six weeks of the fourth quarter of 2007, 1,385 transactions were announced valued at €75.7bn.

Travers Smith was named UK Law Firm of the Year at the British Legal Awards 2007

Warranty and Indemnity Cover – UK Market Update

The UK W&I market continues to evolve:

- Average premium rates are 50% down on 2002/03 at 1.25 - 2% of the sum insured: good news for purchasers of cover, provided there are deals to do!
- Policy wording can now replace a tax deed, meaning the policy replicates what one would expect to see in a tax deed but the risk lies with the insurer rather than the seller.
- Environmental insurance policies are now broader in their coverage and it is possible to insure against environmental clean-up for a 10 year period with a £10 million cap at a single cost of £70,000.
- Minimum price for W&I insurance is £20,000-30,000. Policies can be put in place in three to four days depending on the status of a transaction.

UK Private Equity – New Global Buyout Committee

The heads of London's leading private equity houses have united to form the Global Buyout Committee with the aim of developing a "common hymn sheet" for the industry. Robert Easton – managing partner of Carlyle in Europe – is chairing the committee which includes the heads of buyout firms in London such as Blackstone, KKR, Apax and CVC. The new committee will meet monthly under the auspices of the BVCA and is the first attempt by the heads of Europe's largest private equity firms to unite since the attacks from trade unions and politicians last summer.

Financial Assistance – Repeal

The long-awaited repeal of the financial assistance prohibition for private companies (including the whitewash procedure) will come into effect on 1 October 2008. The repeal will be subject to a saving provision, the effect of which is to preserve any common law prohibition on financial assistance. UK Corporate lawyers are fervently hoping that banks and their advisers do not interpret this as requiring something akin to a whitewash...

Walker Guidelines

Sir David Walker published his final Guidelines on disclosure and transparency in the UK private equity industry in November 2007. The Guidelines – which are a voluntary set of rules intended to be implemented on a "comply or explain" basis – require greater disclosure by large private equity firms and their portfolio companies, as well as industry-wide data collection and dissemination.

“a single CGT rate of 18% will apply to disposals on or after 6 April 2008”

How we can help

If you are weighing up options, we are always happy to talk informally about projects generally and to act as a “sounding board”, even before being formally instructed. Travers Smith has recently advised on:

- **the acquisition of Derby County Football Club Limited**
- **the IPO of Juridica Investments Limited**
- **the proposed acquisition of the set-top box and connectivity solutions businesses of Royal Philips Electronics by Pace Micro Technology plc**
- **the recommended offer for Burren Energy plc by Eni UK Holding plc**
- **the buyout of Agent Provocateur by 3i**
- **the secondary buyout of Cadum S.A. by Milestone Capital Partners**
- **the bringing together of Saga and the AA**
- **Fimalac’s acquisition at Canary Wharf**
- **3i’s investment in Foster + Partners**
- **the acquisition of Fat Face Group by Bridgepoint Capital**
- **the acquisition of Jupiter Asset Management by TA Associates**

“UK Law Firm of the Year.”

British Legal Awards 2007

“Law Firm of the Year 2007.”

M&A Magazine Awards

“Legal Adviser of the Year.”

BVCA Real Deals Private Equity Awards 2007

“Law Firm of the Year 2007.”

RollOnFriday

“European Private Equity Lawyer of the Year.”

EVCA Real Deals Awards 2007

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