

9.5.90

# End listing anachronism

From Mr Alan Diamond

Sir, Is it not time for the Stock Exchange to amend its listing requirements so that quoted companies can no longer retain a listing for their "A" ordinary non-voting shares? This class of equity should now be enfranchised.

There are some 60 quoted companies that still have this unfair two-tier capital structure. Following the Government relinquishing its "Golden Shares" in Britoil and Jaguar, surely the time has come when this anachronism should be laid to rest. Also, by 1992 EC legislation will require London to comply with European listing requirements when "A" shares will not be permitted.

If London is deemed to be Europe's financial capital then quoted companies should be seen to have a level playing field. This would be particularly true since some Aquascutum ordinary shareholders recently complained about Renown's cash offer.

Alan Diamond,  
20 York Terrace West,  
Regent's Park, NW1

# Quarterly payouts hit charitable trusts

From Mr Alan Diamond

Sir, The introduction of quarterly dividend payments is adding to the expenses of properly constituted charitable trusts. It would be cost effective if all equity investments held by charitable trusts could receive dividend income gross rather than net, saving the trustees the problem of reclaiming the appropriate tax credit. This would save expenses to all parties including the Revenue.

This need is now more apparent since a small number of prominent UK companies such as British Petroleum and SmithKline Beecham, who recently reported their results, have decided recently to pay quarterly rather than half-yearly dividends.

This exacerbates the problem, for it affects the trusts' cash flow, especially if tax credits are not claimed upon receipt. However in so doing, once a trustee instructs their accountant or lawyer to claim the deducted tax credit, the trust incurs its professional advisers' fees. On the other hand, a charitable trust can invest in "gilts" and apply to have the stock registered so that the trust receives payment of a gross rather than a

net dividend at source. Why should equities be treated differently?

What I believe is required, is an amendment to the Finance Bill so that registered charities, who return annual audited accounts, would receive all future dividend payments gross. This is possible in the United States where charities can so "file".

Members of Parliament should be instrumental in seeking to overcome any possible opposition from the Inland Revenue. For if charities receive all dividend payments gross they can hasten their charitable distributions without incurring additional financial penalties whilst keeping their costs to a minimum. To leave the reclaiming of tax credit in abeyance until the end of the financial year would not be acting with due diligence.

Yours faithfully,  
ALAN DIAMOND,  
29 York Terrace West,  
Regent's Park,  
London NW1.  
May 9.

Readers' letters for publication are welcome but *The Times* regrets it cannot give individual replies or advice.

19th May 1990

# Charities eye dividend tax reform

THE TREND towards paying quarterly dividends in the UK, pioneered by British Petroleum and now being copied by SmithKline Beecham, helps shareholders who like to receive their cash as quickly as possible.

But for Alan Diamond, who runs a licensed charitable trust, the change to more frequent payments does not go far enough. He would like to see it linked with a shift towards payment of gross dividends to qualifying organisations.

Diamond says that the present system of paying dividends works against charities.

Charities are already allowed to enjoy their income gross from some investments. Interest from government gilts and cash deposits is paid directly without any tax deduction. But like all other shareholders, charities receive their equity dividends net of basic rate tax with a tax credit attached.

"Receiving money quarterly helps our cash flow and means that we can distribute funds more expeditiously to deserving causes," says Diamond. "But quarterly dividends

accentuate the dilemma posed by the tax credit system. Either we claim the credit each quarter, increasing our expenses because these have to be organised by our accountants, or else we make half-yearly or annual claims and therefore miss for a period a substantial amount of cash owed us."

Diamond is trying to put pressure on the Government to alter the present system. But the Inland Revenue says that it would be impossible to make the proposed change because of administrative reasons. Furthermore, the Chancellor of the Exchequer's response has not been encouraging. Although he appreciates that charities could benefit from this change when it comes to administration and cash-flow, he believes there would be practical problems in identifying which organisations should be included as charities and allowed to take part in the scheme.

According to the Inland Revenue, under the current rules, companies pay tax on dividends directly to the Inland Revenue in the form of

Advance Corporation Tax (ACT). Later in the year, they pay their mainstream Corporation Tax, from which they subtract the ACT already paid.

Altering the process for charities, therefore, would demand quite extensive adjustments for the entire system of taxing dividends. The Inland Revenue would lose some advance cash, while companies, or their registrars, would have to put in more elaborate systems to differentiate between those shareholders receiving tax net and those being paid gross.

If Diamond manages to achieve some momentum for a campaign, it could have important implications elsewhere in the investment industry.

For example, personal equity plans, which now allow taxpayers to put away up to £6,000 a year in tax-free schemes, are becoming important savings vehicles. If the PEP schemes could receive dividends gross, plan managers could also cut their costs and improve their cash flow.

2690  
Terry Dodsworth

5th March, 1991

Mr. A. Diamond,  
29 York Terrace West,  
Regents Park,  
LONDON,  
NW1 4QA

Dear Mr. Diamond,


SCRIP DIVIDEND ALTERNATIVE

I refer to the points you raised at the 1990 Annual General Meeting relating to the closing date for election and a cut off price in the event of a significant fall in share values. As promised by our Chairman, we have considered your comments and you will note, when you receive the dividend documentation, that a cut off figure of 15 per cent has been incorporated as you suggested. However, the closing date for election point has given us greater concern as the impact of delaying this date to after the annual general meeting is quite considerable. Our Registrars have advised that only one major company adopts this procedure and there the documentation is not issued until after the annual general meeting thus deferring the payment date. All other major companies offering scrip dividends close their election periods prior to the annual general meeting, the procedure which Glaxo proposes to continue.

I am sure you will appreciate that a large number of our shareholders have mandated their dividends on a permanent basis to receive scrip, which, taken in conjunction with registration difficulties and the unlikely event of any major announcement which might affect shareholders' views on their dividend format being deliberately withheld until after the closing date, has brought your Board to this decision.

I hope that this response has answered your questions and I look forward to seeing you at the next annual general meeting.

Yours sincerely,



D. J. G. White  
Group Company Secretary

# IOD

Institute of Directors

A Diamond Esq  
29 York Terrace West  
Regents Park  
LONDON NW1 4QA

31 May 1991

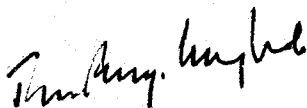
Dear Mr Diamond

You rang me on 16 May about the IOD providing a facility to prevent clashes of dates of AGM's.

I have discussed this with my colleagues, but, while we can see such a clearing system as a great benefit to companies and their shareholders, we do not see it as a service that would be a major benefit to IOD members as a whole. We have many calls on our limited funds and have to plan new services in order of priority. This service would, I am afraid, not rank high in priority.

I am sorry to disappoint you, but am grateful to you for drawing our attention to the problem.

Yours sincerely



J M Parry-Wingfield  
Secretary

## The Counter Proposals To Arrest Corporate Greed

1. How entirely independent are the remuneration committees, normally comprised of non executive directors, in their relationship with a dominant executive chairman, especially if the non executive director is also a professional adviser retained by the company and receiving fees over and above his director's emoluments?
2. Performance related bonus schemes should be declared in full detail as to how they are calculated and shown in the report and accounts. All directors 'perks' should also be disclosed in similar fashion.
3. These arrangements should be subject to shareholders approval to be voted upon at annual general meetings.
4. Performance related bonus schemes should not be permitted to be measured against the growth in earnings per share in any one year, for there is a danger that a board, in a dash for quick growth, can harm the balance sheet and damage the company. Burtons being the classic example. For profit related bonus if rewarded on one years results only, may not necessarily take into account the longer term ultimate fate of the actual business executed. This maybe accentuated if the executives concerned have limited shareholdings and therefore little personal downside to the risk involved, or in the case of utilities, profits can be influenced by freak weather conditions. The preferred incentive measure should be confined to granting of options to be exercised over a period of time with the proviso that when called a quarter of the holding must be retained for a period of not less than three years. This would enable a director to enjoy growth sought for the company and at the same time afford him the opportunity to increase his personal wealth. Other shareholders would gain comfort that he had increased his shareholding rather than as so often happens at present, to see him encash his entitlement as soon as his stock option can be exercised.

5. The solution to some of these problems might be resolved if urgent tax reforms were to be introduced with regard to capital gains tax with further incentives to the individual to encourage direct personal investment into equities, to help restore the balance between the institutions and the private investor in equity ownership. In the late 1950's the private shareholder owned over 60% of many public quoted companies now individuals own less than 18%. The reversal of this trend would help to restore the balance and thus alleviate the problems now associated with Corporate governance. It is hard to believe that a majority body of private shareholders would have voted through some of these remuneration packages which have caused such furore. Not so for prominent institutions who after all have rewarded their top management in a similar fashion as the Corporate sector. For as long as it remains more tax efficient to invest via institutional managed funds, for example unit trust transactions contained within the trust are exempt from capital gains tax, tax shelters or alternative investments such as 'gilts' or even owning ones own home and receiving tax mortgage relief, there is less incentive for personal direct ownership of quoted investments.
6. The reduction in tax rates from 60% to 40% in recent years has automatically given a sharp increase of 33% to high earners. It particularly manifests when salaries are in the region of £400,000 or more, thus making the necessity of further large increases unwarranted in the present recession.
7. Socially it is unacceptable, to a fair minded person, to expect the labour force to agree to pay increases at or below the rate of inflation whilst boardroom salaries have, in some cases, increased by 66%. Is it right that directors emoluments have risen out of all proportion to the average salary paid to other staff?
8. Comparisons with earnings from foreign countries is erroneous because of the different life styles and cost of living. This argument could equally well apply to the labour force who could use it in their pay negotiations with management.

9. In the belief that the Labour Party might form the next government and will introduce special tax measures on high boardroom salaries, the rush to increase emoluments has accelerated because of what has been perceived as a favourable tax climate.
  
10. Sharp increases in directors emoluments can sometimes be found in the last year of service just before retirement. Whilst this is most helpful to the retiring director, it is not of benefit to the ordinary shareholder.
  
11. Quis custodiet ipsos custodios? The answer lies with the private individual shareholder with help received from reasonable tax reform.

COMMITTEE  
ON  
THE FINANCIAL ASPECTS  
OF CORPORATE GOVERNANCE

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2 July 1991

Mr Alan Diamond  
29 York Terrace West  
Regent's Park  
London NW1 4QA

Dear Mr Diamond,

Thank you for writing to me and for following up our talk on the telephone. I am now working out a programme of meetings so that I can see the members of my committee individually and those who are doing work in our particular field. I will be up in London on Wednesday, 17th July and I am writing on the off chance that you might be free that afternoon to meet me at Moorgate Place.

I have a date with Lord Gregson at 3.00 pm but if either 2.00 pm or 3.45 - 4.00 pm was possible for you then I would look forward to taking our discussion further. If the date is inconvenient, we can certainly find an alternative.

Yours sincerely

Adrian Cadbury

29, York Terrace West,  
Regent's Park,  
London NW1 4QA.  
071-486 4557

7th June, 1991

Dear Sir Adrian,

Thank you for your telephone call today, which was most appreciated.

As requested, I enclose the four questions which are shown on the attached sheet, that I put to Sir Ian MacLaurin at the Tesco P.L.C. Annual General Meeting, for your consideration.

I look forward to meeting with you in due course.

Kind regards,  
Yours sincerely,  
Alan Diamond.

Sir Adrian Cadbury,  
c/o Bank of England,  
Threadneedle Street,  
London,  
E.C.2.

Encl.



- (1) Should earnings per share fall, will this impact against your basic salary and other members of the Board's remunerations?
- (2) Would you please confirm that the recent funds raised from £772M. rights and convertible issues, will not be taken into account when calculating next year's incentive awards, for this would be tantamount to shareholders issuing the Board with an open cheque.
- (3) The incentive scheme, which after all is derived from shareholders funds must be reviewed to produce a less contentious award and be capped. (There was a subsequent question from the floor as to how the incentive scheme is calculated).
- (4) Our articles of association of the Company should be amended to follow the American example, whereby all Directors pay and contracts be subject to shareholders approval to be sought at Annual General Meetings.