



The Hundred Group

of Finance Directors

Annual Review

For the year ended 30 September 2014





FORREWORD

Welcome to the 2014 Annual Review of the Hundred Group of Finance Directors, which provides an overview of the activities undertaken by the Group over the past twelve months. The Hundred Group brand is strong in lobbying circles, because the UK Government, regulators and standard setters understand that our Committees represent the views of our members. Our voice is strong because we act as one body.



WHO WE ARE

The Hundred Group is a non-political, not-for-profit organisation which represents the Finance Directors of the UK's largest companies, with membership drawn mainly from boardrooms of the FTSE 100 and other large UK private companies.



WHAT WE DO

The Hundred Group plays an important role in influencing the business agenda and has done so for almost 40 years.

The overarching objective of The 100 Group is to contribute positively to the development of UK and International policy and practice, and to promote the competitiveness of the UK (particularly in the areas of tax, reporting, pensions, regulation, capital markets and corporate governance) for UK based global and domestic companies, for the benefit of its members, the UK economy and long-term growth of the UK.



HOW WE OPERATE

The Hundred Group sets and oversees strategic direction through our Main Committee. The assessment of emerging issues and engagement with stakeholders is principally undertaken by members of our sub-committees: Taxation, Financial Reporting, Investor Relations and Markets and Pensions.

Active participants on our Committees include current CFOs supported by senior finance personnel from member organisations.

In addition to the ongoing work of our Committees, we maintain a dialogue with our members to ensure that our work is representative of our members' interests.

We ensure we remain representative of our entire membership, through our breakfast sessions, surveys, working groups, email alerts and updates to our website: www.the100group.co.uk.

We believe that the Hundred Group network works to serve our members and we encourage the engagement of all members.

Any member with thoughts on activities of the Hundred Group is encouraged to get in touch.

Contact us:



thehundredgroup@kpmg.co.uk

www.the100group.co.uk



FINANCIAL REPORTING



PENSIONS

Our member companies represent around 90% of the market capitalisation of the FTSE 100, collectively employing over 7% of the UK workforce and in 2013, paid, or generated, taxes equivalent to 14% of total UK Government receipts.

We seek to assist the development of UK businesses particularly in the areas of taxation, reporting, pensions, regulation, capital markets and corporate governance.



TAXATION



INVESTOR RELATIONS AND MARKETS

THIS YEAR'S HIGHLIGHTS

Membership
normalised at

100

CFOs

Over

50%

of member companies actively
involved in 2013/14

20

comment
letters submitted

2013

Total Tax Contribution
Survey published

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CHAIRMAN'S INTRODUCTION



I am proud of the activities and achievements of The Hundred Group ('the Group') over the last year, and over my 2 years tenure as Chairman which ends this November. We have made progress against the 4 priorities that I set out two years ago. These priorities were always aspirational, and it is pleasing that we have been able, through the efforts of our members and Committees, to make progress on these important areas:

On Regulation: To improve the competitiveness of the UK as a great place to be based and to do business, by pushing back on proposed regulation (no matter where it comes from), unless it has a clearly explained, justified and costed rationale.

On Ownership: To promote both efficient capital markets and long-term equity ownership in large UK-based corporates, stressing not only the financial returns available to shareholders, but the sustainable ethos of the Companies in which they're investing.

On Sentiment: To improve the profile of big business as a force for good, by accentuating the positive financial impacts and challenging the negative, using the media where appropriate and effective to do so, to voice the Hundred Group view on relevant topics.

On Involvement: To continue to nurture engagement with our CFO membership, increase participation, promote the Hundred Group as a strong communication mechanism for their views and an excellent networking opportunity.

Some significant regulatory proposals concluded this year. I reported last year that we had been involved in the debate on going concern. The revised Corporate Governance Code that was finalised by the FRC in September brings to a close a period of discussion and influence that has included meetings with the FRC and other interested bodies. In particular the roundtable event hosted by the Group in conjunction with the IMA in May was instrumental in allowing different groups of users and preparers to communicate their views and better understand the position of others. Ultimately, the effectiveness of the inclusion of a statement of long-term viability in the annual report in serving the needs to users will be assessed in the future, but I believe we have been instrumental in influencing the debate and steering proposals away from some of the most concerning initial proposals in this area.

This year has also seen the finalisation of the European legislation on the reform of the audit market. We have been involved in this debate from the start, and have focussed on putting forward the pragmatic approach that focuses on maintaining audit quality while seeking to avoid unnecessary costs to companies, that would ultimately be borne by shareholders. The broad alignment with the 10 year timeline already introduced by the FRC was welcome, and as the UK looks to implement this legislation we will continue to be a loud voice for a proportionate approach which does not disadvantage the UK.

As the setting of regulations and standards affecting our members comes from a range of UK, European and international sources the Group have continued to seek out and develop engagement with other relevant organisations. This includes with regulators, standard setters, other similar groups of companies and industry bodies as well as government, investor groups and professional bodies.

The financial reporting framework affects all of us as CFOs. Our financial reporting committee has been extremely active, liaising with other organisations to consider responses to proposed changes in the area of financial reporting, and responding clearly, verbally and in writing, to the IASB and ESMA on proposals that will affect us all. We remain committed to IFRS as a principles based financial reporting framework and, as discussed on page 9 have been active in voicing views that support clear and meaningful communication without undue burden on companies.

In the tax environment we also work closely with HMRC, the CBI and government to ensure that requirements do not become onerous or damage the competitiveness of the UK as a place to do business. As the OECD BEPS agenda has continued the consideration and co-ordination of views has been particularly important, and this will continue into 2015.

It is these relationships and engagements with other stakeholders that help the Group to influence policy and regulation and to effectively communicate the views of our members. Our focus on key relationships, particularly in Europe, has continued and will continue, and has been a feature of this past year.

I strongly believe that the UK is a great place to locate and run a business, whether national or international. Engagement with a number of key stakeholders is key to continuing to make this point and maintain this position.



Our members make a significant contribution to the UK economy, not only through taxation, but through continued investment and employment. This is discussed further on page 7. As CFOs, I believe we are critical to ensuring the UK remains a world finance leading centre, not just in terms of profits, but in sustaining long-term businesses and growth through long-term investment. This is essential to the country's sustained recovery, driving innovation and growth through a wide and varied supply chain (including SMEs) and inspiring R&D activity.

The Hundred Group is a voluntary organisation, continually reliant upon the goodwill of the individuals who serve on our Committees and those who support our activities. An important strength and principle of the Group is that it is CFO-led – that those dealing with The Hundred Group get direct views of members. Without the input of our members and their teams, the Group would not survive and I'd like to extend my sincere thanks to everyone who has contributed over the past year.

Our sub committees play a vital role many debates. On pages 9 to 12, the sub committee chairmen report activities and achievements against their relevant objectives, demonstrating the energy and influence of the Group.

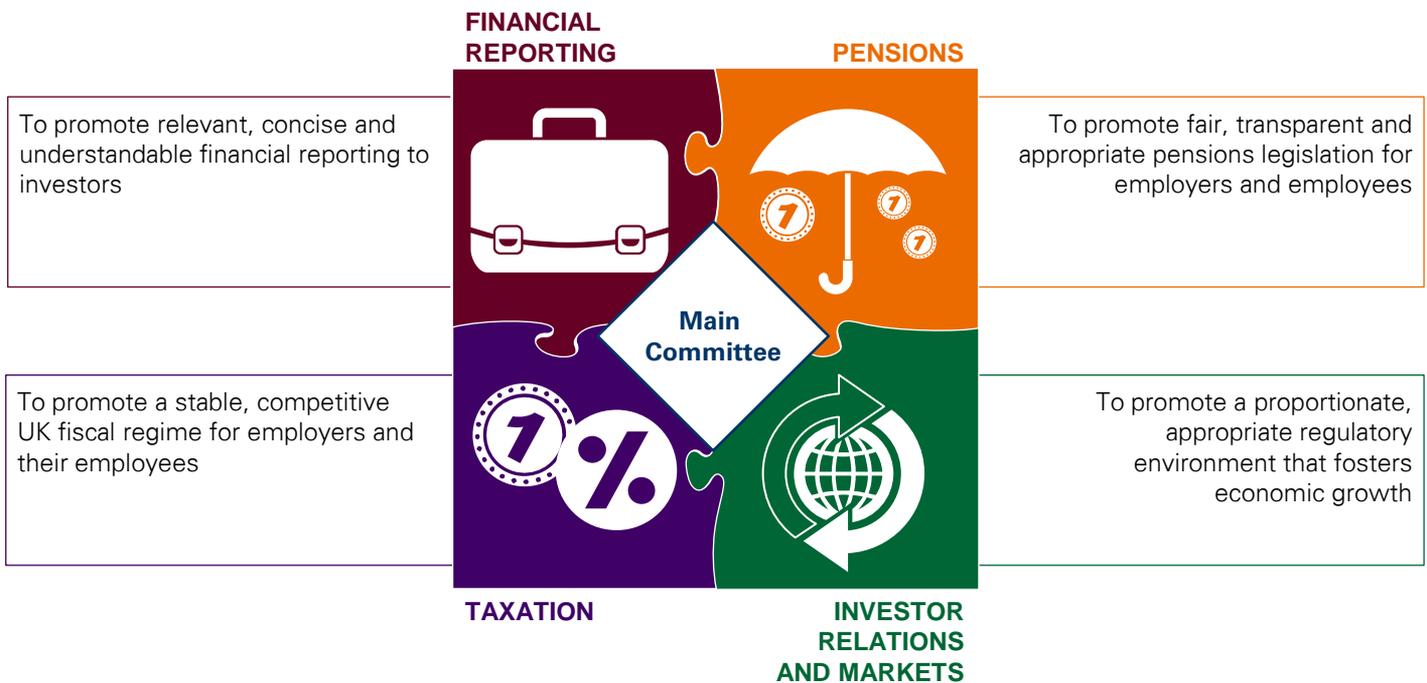
Thank you for your continued support.



Robin Freestone
Chairman, The Hundred Group

MEMBERS OF THE MAIN COMMITTEE

- Robin Freestone**, Chairman (Pearson)
- Simon Dingemans**, Deputy Chairman (GSK)
- Andrew Bonfield** (National Grid)
- Andy Halford** (Standard Chartered)
- Simon Henry** (Shell)
- Russ Houlden** (United Utilities)
- José Leo** (Heathrow)
- Matthew Lester** (Royal Mail)
- Simon Lowth** (BG Group)
- Deirdre Mahlan** (Diageo)



THE CONTRIBUTION OF OUR MEMBERS

The Hundred Group members make a substantial contribution to UK tax revenues, and to the wider UK economy. The annual Total Tax Contribution Survey, prepared by PricewaterhouseCoopers for the Hundred Group, demonstrates this contribution.

The survey has been carried out each year since 2005, and its messages remain relevant, particularly as interest in tax and the contribution of companies has recently reached unprecedented levels. The 2013 survey was issued in January 2014 using data from member companies for the on tax, employment, capital investment and research & development.

The 2014 survey will be published on 26 November 2014.

Taxation

Over 14% of UK government tax receipts for the 2013 period were borne or collected by member companies. Total taxes borne by members were £23bn – 11% higher than when the survey began in 2005. Reductions in the corporation tax rate have reduced this total from its peak, although that effect has been partially offset by increased in other taxes such as business rates and employers NI.

The 2013 Total Tax Contribution ('TTC') survey highlighted that for every £1 in corporation tax paid Hundred Group members paid £2.86 in other taxes (there being a total of 25 different taxes borne by members in the year). This compares to a ratio of 1:2 in 2012, and of 1:1 on 2005 when the survey was first completed. In fact, in the 2013 survey employers NI made up a greater proportion of taxes borne than corporation tax.

At a time when the UK Government is seeking to make the UK globally competitive in corporation tax, it is important to understand the wider contribution that companies make to the UK economy through other taxes, employment, investment and other means.

Employment

The Hundred group companies are large employers, employing over 2.1m people in the UK, representing 7.2% of the UK workforce. These figures from the 2013 TTC survey demonstrate slight increases in employment and wage levels compared to 2012. In addition the activities of member companies support many jobs through their supply chains.

Investment

Sustained growth for the UK economy required investment for the future. More than one fifth of the UK's total business investment can be attributed to 87 companies in the 100 Group that provided this data for the 2013 TTC survey. Members' investment in research and development, at £5.3bn, is over 30% of the UK's total business research and development spend for 2013. This is a significant increase over the £2.5bn (14%) figure in 2012 showing the growth in this area.

The Hundred Group continues to make a substantial contribution to the UK public finances



The figures show that the estimated Total Tax Contribution (taxes borne and taxes collected) in the 2013 survey is £77.1 billion or 14.1% of total Government receipts, reflecting the importance of these companies to the UK economy.

Investment contribution by The Hundred Group companies is significant and growing

2013

2012



£27 billion
21.4% of UK expenditure on capital investment



£5.3 billion
31.1% of UK research and development

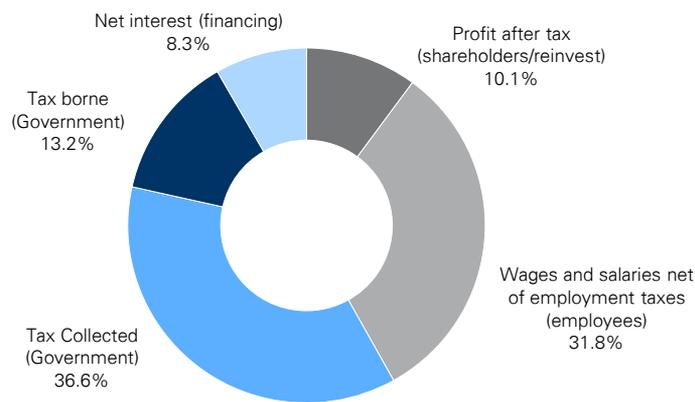


£19 billion
15.8% of UK expenditure on capital investment



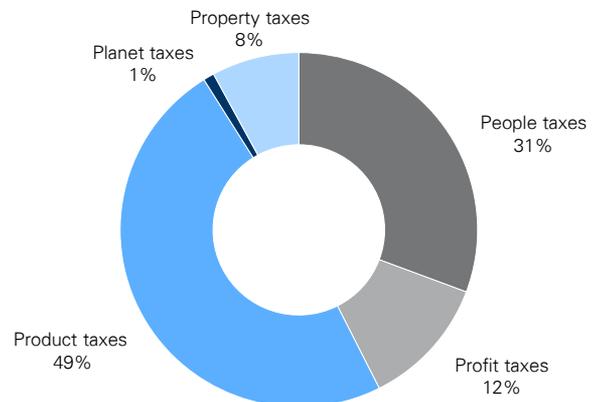
£2.5 billion
14.4% of UK research and development

Value distributed by The Hundred Group participants



The chart shows the elements of value distributed for those companies in the survey.

The Total Tax Contribution of The Hundred Group by tax base



Contribution to employment



The Hundred Group is an important source of well paid jobs in the UK. It provides employment to 2.1 million people, 7.2% of the UK workforce, and pays on average £11,632 in employment taxes for each employee.

2.1 million people
7.2% of the UK workforce



FINANCIAL REPORTING COMMITTEE



“We believe that financial reporting is fundamentally an exercise in clear and meaningful communication of financial performance and position by management to investors. We therefore encourage the development of principles-based accounting standards and will continue to resist measures that add unnecessary complexity. We support IFRS as a set of global standards, but will always voice concern over any measures that add unnecessarily to the burden on our finance teams or which detract from clear and meaningful communication. The completion of some of the IASB’s major projects this year means that the focus of the Committee will be on the conceptual framework and disclosure projects – both areas that go to the heart of our aims and priorities.”

Russ Houlden (United Utilities), Financial Reporting Committee Chairman

Key objective

To promote relevant, concise and understandable financial reporting to investors.



Priorities

- Support the continued development of a single accounting language for international business.
- Encourage the development of a conceptual framework on which to build principles-based accounting standards.
- Support accounting standards that enable management to present clearly the results of its stewardship of the resources entrusted to it.
- Encourage the development of a disclosure framework to facilitate meaningful financial statements, free of unnecessary or boilerplate disclosures.
- Establish closer links with similar groups in other countries with a view to increasing the Hundred Group’s influence on the financial reporting debate at an international level.



2014 activity snapshot

- We submitted seven comment letters in the period on a range of topics. This included a response to an EFRAG consultation on Leasing, a response to ESMA on their proposals for Alternative Performance Measures as well as responses to major IASB consultations.
- We responded to the IASB’s Request for Information on the Conceptual Framework and will monitor developments in this project.
- The Committee also input into the Post Implementation Review of IFRS 3 Business Combinations, and to the discussion paper on Dynamic Risk Management.
- The Committee has increased its liaison with standard setting bodies and other lobbying groups in the UK and in Europe to consider the best way to co-ordinate approaches where appropriate.
- During the year, Committee members have met with the IASB, The Financial Reporting Lab, the FRC’s Accounting Council, the ICAEW’s Financial Reporting Committee and ACTEO as well as with accounting firms.



Future agenda

- During the coming year, we will comment on the IASB’s proposals on the conceptual framework and other of its forthcoming proposals that are of importance to the wider business community.
- We will continue to support initiatives to develop the disclosure framework with a view to reducing clutter in financial statements.
- We continue to work with our other Hundred Group Committees on cross-cutting issues, in particular on integrated reporting initiatives and regulations around alternative performance measures.
- We will consider issues arising from the process of planning the implementation of major new standards.
- We will continue to maintain and to develop our relationships with other stakeholder bodies in the UK and internationally in order to best co-ordinate and focus efforts on areas of shared interest.



INVESTOR RELATIONS AND MARKETS COMMITTEE



"This year has seen the finalisation of laws, regulations and guidance for significant projects on the audit market, on the Corporate Governance Code and on the Strategic Report. We have been engaged with regulators and others on all of these projects. In particular our joint Roundtable event with the IMA enabled exploration of different perspectives regarding the long term viability statement. The Committee's engagement with investor groups and others to deepen understanding of issues and consider alignment of approach, where appropriate, continues. There may be less major change proposed in the regulatory landscape in the coming year, giving an opportunity to focus on areas of investor relations where we may want to challenge, or improve, the status quo. We remain committed to our aims, as it remains vitally important that business is given a reasonable environment in which to grow and that the UK continues to remain a competitive and well regulated market. I am pleased to have welcomed new Committee members this year to continue this work."

Matthew Lester (Royal Mail) Investor Relations and Markets Committee Chairman

Key objective

To promote a proportionate, appropriate regulatory environment that fosters economic growth.



Priorities

- Promotion of long termism to good governance and stewardship (principles approach).
- Shareholder communication.
- Regulatory oversight of narrative reporting.
- Discourage regulations that do not streamline reporting.
- Promotion of efficient capital markets.



2014 activity snapshot

- Met with the Investment Management Association (IMA) and the Investor Forum to consider ways of enhancing longer term engagement and more productive shareholder/management engagement.
- Hosted a joint roundtable discussion with the IMA, chaired by the FRC, focussing on the Going Concern and Risk Disclosure aspects of proposed changes to the Corporate Governance Code, which facilitated greater understanding of the perspectives of other stakeholders.
- Submitted various comment letters, most notably inputting into the process for revisions to the UK Corporate Governance Code. In particular on the subject of going concern and viability statements.
- Guests are invited to speak at each quarterly Committee meeting and to the Main Committee. Recent guests have included the Investor Forum, the IIRC, the Financial Reporting Lab, and the Investment Management Association.
- Refreshed the membership of the Committee to welcome new members.



Future agenda

- Continue to engage with effective investor bodies to see if there are areas where coordinating our responses to regulatory enquiries could have a materially greater impact.
- The committee will focus on the implementation of changes to regulations that have passed, and will consider activities to promote the priorities of the Committee.
- The debate around and the evolution of narrative reporting is expected to continue in the coming year. Guidance on the strategic report and integrated reporting considerations make this an area of focus for interested parties. We will continue to promote our vision of narrative reporting as being relevant, meaningful and clutter free and will engage with Government and regulators alike. In particular we welcome the FRC's Clear and Concise Reporting Initiative, and the work of the Financial Reporting Lab, and will engage with the FRC, and with the Financial Reporting Lab putting the perspectives of our members.



PENSIONS COMMITTEE



"One of the key (and unexpected) developments this year has been the Chancellor's announcement of more flexible access to DC pensions and we have been liaising with HM Treasury to minimise the consequential impacts on both DB and DC schemes.

"We have also seen a new 'employer-friendly' objective introduced for the Pensions Regulator in the context of DB funding and will be monitoring the impact of this objective carefully."

José Leo (Heathrow Ltd), Pensions Committee Chairman

Key objective

To promote fair, transparent and appropriate pensions regulation for employers and employees.



Priorities

- **DC flexibility:** Ensuring that the proposals to allow members of DC schemes more flexible access to their pension schemes does not have negative impacts on either DC or DB schemes.
- **Defined benefit funding:** Ensuring that the funding regime for DB pension schemes maintains an appropriate balance between trustees and employers and, in particular, that the Pensions Regulator's new objective to minimise the impact on sponsoring employers' sustainable growth is carried through into the regulation of schemes in practice.
- **Europe:** Monitoring European developments that may impact on UK pension schemes and their sponsoring employers, in particular the revised IORP directive, as well as keeping a watching eye on any future moves to introduce insurance-style solvency funding for pensions.



2014 activity snapshot

- A number of consultation responses were submitted on issues relevant to the Committee, including on the Pensions Regulator's new code of practice on DB funding, as well as responses to DWP consultations on 'defined ambition' (shared risk) schemes and on the governance and administration of DC schemes. The Committee also responded more recently to the HM Treasury consultation on DC flexibility and the PPF's consultation on its levy framework for the next three years.
- Representatives of both the Pensions Regulator and the PPF have attended Committee meetings over the year to discuss their latest thinking on a number of topics. Members of the Committee also had a meeting with HM Treasury to discuss the DC flexibility proposals. In addition, the Committee had a joint meeting with the PensionChair Network (a network of the chairs of trustees of a number of large pension schemes).



Future agenda

- Overall, the Committee's focus continues to be on both DB and, increasingly, DC schemes as they are used as part of current employees' remuneration packages.
- On the DC side, the Committee will continue to monitor the implications of the DC flexibility proposals announced in the Budget as further detail emerges. The Committee will also keep a close eye on developments in future DC regulation. The Committee believes that it is important to strike a balance in DC regulation to ensure that DC schemes (and the employers providing them) do not find themselves facing similar regulatory burdens to those faced by DB schemes.
- The Committee will be monitoring the Pensions Regulator's actions in relation to DB funding to see how much difference its new objective to minimise the adverse impact on an employer's sustainable growth makes in practice and is expecting the new Chair of the Pensions Regulator to attend a meeting later this year to discuss this and other matters.
- The Committee will also keep the proposed changes to the European IORP directive in its sights. In the short term, the aim will be to ensure that the proposed changes to governance and disclosure requirements made by the revised IORP directive are proportionate and take into account the characteristics of existing pension schemes. In the longer term, the Committee will continue to lobby to ensure that solvency funding for pensions is not introduced.



TAX COMMITTEE



“Taxation remains at the forefront of international debate. In the UK, we have seen progress in improving the taxation regime in recent years, but with the OECD Base Erosion Profit Shifting project gathering pace there has been much debate in the area of fair taxation and transparency. The Committee has been closely involved in this debate and will continue to engage on these topics.

We have continued to work with PwC on assessing the total tax contribution of our members which in 2013 showed that 100 Group members paid or generated taxes of £77 billion, equivalent to 14% of the UK Exchequer’s overall tax take. We look forward to the launch of the 2014 survey in late November.”

Andrew Bonfield (National Grid), Tax Committee Chairman

Key objective

To promote a stable, competitive UK fiscal regime for employers and their employees.



Priorities

- Policy that engenders investment in the UK, i.e. is internationally competitive.
- Stability in tax legislation.
- Promote a wider focus on the tax regime to include all taxes, not just corporate taxes.
- Transparent fiscal policies and consistent consultation process.
- Monitoring current fiscal developments to promote balanced legislation.



2014 activity snapshot

- 2013 Total Tax Contribution survey highlighting the contribution our members make to the wider UK economy.
- Committee members worked closely with the CBI in exploring views and responses to the OECD BEPS actions.
- Issued comment letters, some jointly with the CBI, expressing views on topics from the OECD BEPS project, specifically around country-by-country reporting and hybrid arrangements.
- Private meetings with senior representatives from HMT and HMRC to discuss strategy and engagement.



Future agenda

- With the OECD Base Erosion Profit Shifting project continuing in 2015, we will continue to monitor progress and be firmly involved in the debate.
- The Tax Committee will continue to promote the contribution of Hundred Group members to the UK Exchequer and the wider economy through the Total Tax Contribution Survey and other initiatives. With so many sensationalist headlines claiming big business is not meeting its moral obligations regarding tax payments, it is vital that there is a greater understanding of our members’ contribution and their potential to drive the UK growth agenda.
- The Committee will continue to engage with HMRC and HMT, in conjunction with the CBI, and will look to influence developments in country- by-country reporting with the aim of contributing positively to the development of any legislation affecting the UK.



The Hundred Group

of Finance Directors

Unaudited financial statements for the year ended
30 September 2014



We report on the financial statements of The Hundred Group of Finance Directors (“the Group”) for the year ended 30 September 2014, which are set out on pages 16 to 18.

RESPECTIVE RESPONSIBILITIES OF MEMBERS OF THE MAIN COMMITTEE AND EXAMINER

As the members of the Main Committee of The Hundred Group of Finance Directors you are responsible for the preparation of the financial statements. You have asked that we carry out an examination and report to you on the Group’s financial statements for the year ended on 30 September 2014 on the basis set out in the Letter of Engagement dated 26 September 2012.

BASIS OF INDEPENDENT EXAMINER’S REPORT

An examination includes a review of the accounting records kept by the Group and a comparison of the financial statements presented with those records. It also includes consideration of any unusual items or disclosures in the financial statements, and seeking explanations from you as members of the Main Committee concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently we do not express an audit opinion on the view given by the financial statements.

INDEPENDENT EXAMINER’S STATEMENTS

In connection with our examination, no matter has come to our attention:

1. which gives us reasonable cause to believe that in any material respect the requirements
 - a) to keep accounting records in accordance with the Rules of the Group
 - b) to prepare financial statements which accord with the accounting recordshave not been met; or
2. to which, in our opinion, attention should be drawn in order to enable a proper understanding of the financial statements to be reached.

DANIELLE STEWART

On behalf of BAKER TILLY TAX AND ACCOUNTING LIMITED

Chartered Accountants
3rd Floor, One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

13 November 2014

INCOME AND EXPENDITURE ACCOUNT

Year ended 30 September 2014

	2014		2013	
	£	£	£	£
INCOME				
Subscriptions		4,900		4,900
Bank interest		69		83
		4,969		4,983
EXPENDITURE				
Website upgrade	-		(8,160)	
Travel	(1,170)		(497)	
Sundries including subscriptions not taken up	(586)		(829)	
Bank charges	(321)		(318)	
		(2,077)		(9,804)
SURPLUS/ (DEFICIT) FOR THE YEAR		2,892		(4,821)
ACCUMULATED FUND				
Balance brought forward		27,451		32,272
Surplus/ (deficit) for the year		2,892		(4,821)
BALANCE CARRIED FORWARD		30,343		27,451

These financial statements have been subjected to an independent examination. See report on page 15.

BALANCE SHEET

30 September 2014

	2014	2013
	£	£
CURRENT ASSETS		
Cash at bank	30,623	27,375
Sundry debtors	1,700	750
	32,323	28,125
CURRENT LIABILITIES		
Creditors and accruals	(1,980)	(674)
Net assets	30,343	27,451
ACCUMULATED FUND	30,343	27,451

These financial statements were approved and authorised for issue by the Main Committee on 13 November 2014.

R Freestone
Chairman

These financial statements have been subjected to an independent examination. See report on page 15.

ACCOUNTING POLICIES

Year ended 30 September 2014

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

SUBSCRIPTION INCOME

An annual subscription is levied on all current members at a level determined in advance by the Main Committee. Subscription receipts are recorded as income in the period to which the subscription relates. Subscriptions not taken up are charged as an expense within sundry expenditure.

TAXATION

The Hundred Group of Financial Directors is a mutual entity with an identifiable fund for the common purpose with complete identity between contributions to, and participations in, the fund. Therefore taxation would be calculated on investment income only. Owing to the very small annual amounts of such income chargeable to corporation tax, the Main Committee members have self assessed that there is no need to complete a Corporation tax return, as a consequence of which no tax charge is included in these accounts.

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The 100 Group

