



100
The 100 Group

THE HUNDRED GROUP

OF FINANCE DIRECTORS

ANNUAL REVIEW FOR THE YEAR ENDED
30 SEPTEMBER 2016



FOREWORD

Welcome to the 2016 Annual Review of The 100 Group of Finance Directors, which provides an overview of the activities undertaken by the Group over the past twelve months.

The voice of The 100 Group brand is strong because we act together. In doing so, we are more influential as the UK Government, regulators and other standard setters, including the European Commission, can see that our Committees genuinely represent the views of our members.

WHO WE ARE

- The membership represents the Finance Directors of the UK's largest companies
- Members are drawn from the boardrooms of the FTSE 100 and other large UK private companies
- Non-political and not-for-profit organisation

WHAT WE DO

- Promote the competitiveness of the UK for UK based global and domestic companies
- Contribute positively to the development of UK and International policy and practice
- Influence the business agenda for the benefit of our members, the UK economy and long-term growth of the UK

HOW WE OPERATE

- The Main Committee oversees the strategic direction of the membership
- The assessment of emerging issues and engagement with stakeholders is principally undertaken by members of our sub-committees
- Active participants on our committees include current CFOs supported by senior finance personnel from member organisations
- We maintain a dialogue with our members to ensure that our work is representative of our members' interests

Contact us: thehundredgroup@kpmg.co.uk
www.the100group.co.uk

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CHAIRMAN'S INTRODUCTION



During my time as Chairman of The 100 Group I have seen first-hand the significant impact the 100 Group can have in shaping the business landscape in Britain for the better. As big businesses and significant employers in the UK, we are in a unique position and well placed to give informed recommendations and insightful points of view on how to improve the UK's competitiveness and attractiveness to future investment.

The 100 Group's views are even more relevant now as we respond to the challenges and opportunities borne out of the UK's decision to leave the EU. Our committees have been considering the role we can play in shaping the future of the UK's trading relationships with the EU and the Rest of the World, and collaborating closely with other business bodies to strengthen our voice. In the context of the significant period of uncertainty that the exercise of Article 50 will generate, stakeholders have already asked for our initial thoughts as to what the future might look like in areas such as trade, regulation and customs. This year we are expecting a greater interest in The 100 Group's total tax contribution survey, where more than a decade of data from the survey provides real insight into how big business contributes to the economy, not just in taxes paid and collected, but also in the significant contributions our members make in job creation, research and development spend, as well as capital investment.

The three priorities I set out at the start of my Chairmanship to focus our efforts were:

- **Improving UK competitiveness** - We want the UK to be seen as an easy and attractive place to be based and do business, supported by efficient capital markets and long term equity ownership in large UK-based corporates. We will look to influence legislation and regulation to support these goals.
- **Enhancing the contribution of big business** - We want to increase and improve the profile of big business as a 'force for good', in particular highlighting the positive contribution made to the UK economy and challenging misinformed views when they occur.
- **Being better connected** - We want to be part of the key discussions relevant to big business. This involves understanding the agenda of our stakeholders, including government, regulators and investor groups, and then presenting a consistent and considered point of view.

As my Chairmanship comes to an end, I would like to offer my thanks to everyone who has contributed to the success of The 100 Group over the past two years. The work of the committees is described in detail in the individual committee reports, but set out below are some of the key examples of how The 100 Group and its committees have been advancing our three priorities.

Improving UK competitiveness

- Our proposals on Alternative Performance Measures were reflected in ESMA's final guidance, maintaining an important tool for companies to explain their performance to shareholders and other stakeholders more effectively.
- We took part in the consultation on the British Steel Pension Scheme. We argued for any legislation changes to be for all or no UK pension schemes, not just one scheme. This appears to have been successful.
- Our concerns with HMRC's Large Business Tax compliance proposals were addressed in the final legislation, including the requirements to disclose a UK ETR and a UK tax strategy separately from the rest of the Group.

Enhancing the contribution of big business

- The 100 Group's total tax contribution in 2015 was £80.5 billion, a similar contribution to 2014, despite lower profitability and a drop in the statutory rate of corporation tax.
- Members spent £30.3 billion on capital investment and invested £8.7 billion on research and development. We also employ 2.1 million people, representing 6.9% of the total UK workforce.
- We contributed the membership's views around the UK's referendum on leaving the EU and are now actively involved with Government and other bodies to identify key issues to be addressed, industry by industry, in exit negotiations.

Being better connected

- The Financial Reporting Committee are now represented on the Global Preparers Forum, giving us representatives on the most relevant and influential financial reporting groups.
- The Tax Committee continue to meet and develop key relationships with key contacts at HMRC and Treasury to discuss tax policy and compliance.
- Our Pensions and Investor Relations Committees maintain active dialogue with pension regulators, government, and key investor groups to make sure members have visibility of upcoming developments and regulatory changes and can contribute early to any consultations.

Beyond these specific efforts, the Main Committee has also spent time considering how The 100 Group might make the case for the contribution of big business more broadly, and members of the Main Committee have contributed to a variety of different panels and forums representing our views. This has helped to provide some balance to the continuing pressure on the reputation of big business. While managing that risk is primarily something for individual members, given it is often a very specific one, The 100 Group can and does help by sharing experiences and alerting members to upcoming trends. We also aim to set an appropriate standard for a group representing the UK largest companies and ourselves aim to operate with the highest levels of transparency and integrity.

MEMBERS OF THE MAIN COMMITTEE DURING THE YEAR	
Simon Dingemans Chairman (GSK)	Alan Stewart (Tesco)
Andrew Bonfield (National Grid)	Russ Houlden (United Utilities)
Simon Henry (Shell)	Tushar Morzaria (Barclays)
Matthew Lester (Royal Mail)	Graeme Pitkethly (Unilever)
Brian Gilvary (BP)	

Reflecting on the past two years, it is clear that The 100 Group is most effective when we have broad participation on a topic or at an event. Other groups seek our views and opinions because they want to get the views of the broader CFO membership. As a result, I continue to encourage members to contribute either individually or through one of our committees. Many of you already do so and I would like to offer you all a particular thank you as without your time and effort The 100 Group would not succeed.

The committee chairs have a critical and vital role to play in collecting and delivering our views. I would like to thank them all and their commitment during a busy year has been exceptional. I would particularly like to thank Matthew Lester, who will be stepping down at the AGM after many years of leading the Investor Relations and Markets Committee. We will miss his active participation and contribution. Matthew has maintained The 100 Group's relationships with key investor groups such as the Investment Association and the Investor Forum. I am delighted that Julia Wilson (3i) will be replacing Matthew in leading the Investor Relations and Markets Committee and I look forward to welcoming Julia to the Main Committee as she takes up her new role.

I am also very pleased to be able to report that the Main Committee has been expanded and strengthened again following recent retirements. Our two new members, Tushar Morzaria and Graeme Pitkethly, bring with them not only great experience, but their involvement also means The 100 Group can call on a broader sector expertise. This will be vital in responding to the challenges of the next few years.

I am delighted so many of you have indicated you intend to attend the AGM. I look forward to seeing you there and being able to hand on the Chairmanship to Andrew Bonfield with such broad support. The 100 Group will be in very good hands.

Yours,



Simon Dingemans

FINANCIAL REPORTING

To promote relevant, concise and understandable financial reporting to investors



PENSIONS

To promote fair, transparent and appropriate pensions legislation for employers and employees



TAXATION

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



INVESTOR RELATIONS & MARKETS

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



THE CONTRIBUTION OF OUR MEMBERS

The 100 Group's members continue to 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 100 Group, demonstrates this substantial contribution.

As the public and media continue to discuss the amount of corporation tax paid by large companies, this survey and The 100 Group's members total contribution continues to be an important message.

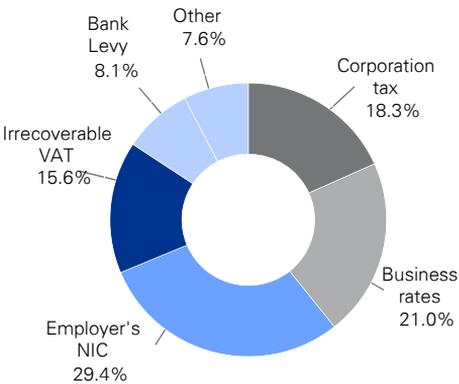
The 2015 survey continued to highlight several key aspects of the shift in tax revenues borne and collected by our members.

The 100 Group continues to make a substantial contribution to the UK public finances

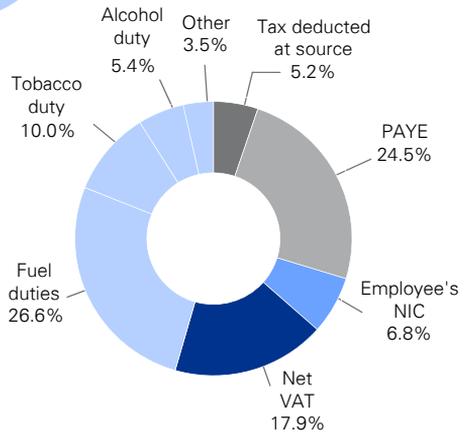
£80.5bn
The 100 Group's members Total Tax Contribution, which represents 13.4% of total Government receipts



TAXES BORNE BY PERCENTAGE



TAXES COLLECTED BY PERCENTAGE



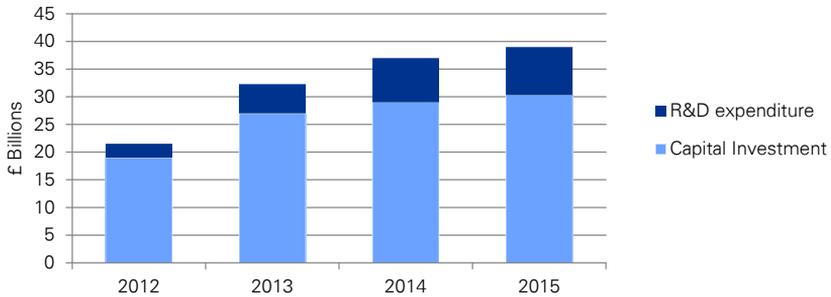
Taxation

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.

Nearly 14% of UK government tax receipts for the 2015 period were borne or collected by member companies. There was a decrease in taxes borne (-1.8%) driven by a combination of a reduction in the rate of corporation tax (from 23% to 21%) and lower profitability of oil and gas companies and the retail sector. However, members' total tax contribution increased by £0.5 billion.

The 2015 Total Tax Contribution survey highlighted that for every £1 in corporation tax paid by The 100 Group's members, £4.46 was paid in other taxes (£3.27 in 2014). This compares to a ratio of 1:1 in 2005.

Capital investment and R&D expenditure by 100 Group members



Investment

Sustained growth for the UK economy requires investment for the future. The investment contribution from the 100 Group's members is significant and growing.

- The £30.3 billion spent in 2015 on capital investment represented 23.2% of the total UK expenditure on capital investment.
- An estimated £8.7 billion was spent on research and development expenditure in 2015, an increase of 8.6% compared to 2014.

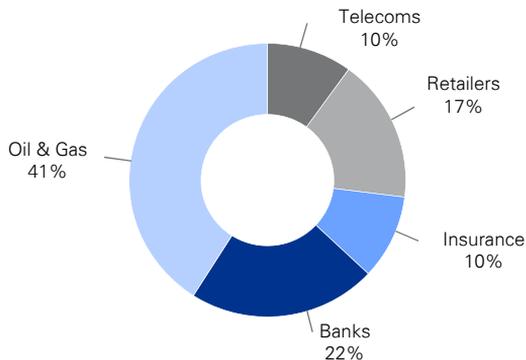
Employment

The 100 Group's members are an important source of well paid jobs in the UK. The group provides employment to an estimated 2.1 million people, 6.9% of the UK workforce, and pays on average £11,720 (2014: £11,214) in employment taxes for each employee.

The average wage per employee is £32,642, which is 20% higher than the average national wage of £27,200.

In addition, the activities of member companies support many jobs throughout their supply chains.

Total Tax contribution by different industries



Retailers paid a total of £2.1bn in business rates. On average 51% of taxes borne by retailers are business rates. This is an increase compared to last year, although profitability for this group of companies as a whole fell.

Banks paid a total of £1.8bn in bank levy. On average, bank levy makes up 30.5% of the taxes borne by banks. Survey data shows that the bank levy increased by 31.5% since 2014 and 148% since 2012.

Financial services companies paid a total of £3bn in irrecoverable VAT. On average, irrecoverable VAT makes up 30.4% of the taxes borne by FS companies. Irrecoverable VAT has increased by 121% since 2005.



KEY OBJECTIVE

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

“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.

Demand for further transparency on topical issues often results in proposals for increased reporting of financial information. Whilst we support transparency of information relevant to investors we will challenge proposals that are not fit for purpose, excessively costly or inappropriate for inclusion in the Annual Report.”

Russ Houlden (United Utilities), Financial Reporting Committee Chairman

PRIORITIES

- Support the continued development of a single accounting language for international business.
- 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 that are free of unnecessary clutter.
- Maintain close links with similar bodies with a view to increasing The 100 Group’s influence on the financial reporting debate at an international level.
- Work with regulators and government to ensure any reporting requirements of financial information is proportionate, fit for purpose, and cost effective.

2016 ACTIVITY SNAPSHOT

- We submitted a number of comment letters in the period on a range of topics, including responses to the IASB on their conceptual framework, their agenda consultation, IFRS 15 (Revenue) implementation, and the application of materiality.
- A Committee member is now part of the influential Global Preparers Forum, which supplements our links with EFRAG TEG, Business Europe, and the Accounting Council.
- The Committee has met with numerous bodies including, the IASB, the investor group CRAG, and the Financial Reporting Lab.
- Four committee members are working with the FRC’s Financial Reporting Lab on clear and concise reporting projects in respect of pensions and financial instruments disclosures.

FUTURE AGENDA

- Comment on the IASB’s proposals on the definition of a business, the disclosure initiative, and other forthcoming proposals that are of importance to the wider business community.
- Support initiatives to develop the disclosure framework with a view to reducing clutter in financial statements.
- Work with our other committees on cross-cutting issues, in particular on integrated reporting initiatives, regulations around alternative performance measures, and the reporting of payments made to suppliers.
- Consider issues arising from the process of planning the implementation of major new standards.
- Maintain and 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.



KEY OBJECTIVE

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

“Fair taxation and transparency from large businesses remains at the forefront of the debate in the UK, the EU, and internationally. The committee continue to be active in the debate and engage on numerous topics including the OECD’s Base Erosion Profit Shifting project and the Public Country-By-County reporting initiative. We recognise that transparency needs to improve to increase the understanding and trust of the public, but this needs to be balanced against competitively disadvantaging companies against non-EU based companies.

We continue to work with PwC on assessing the total tax contribution of our members which in 2015 showed that the 100 Group’s members paid or generated taxes of £80.5 billion, equivalent to 13.4% of the UK Exchequer’s overall tax take. We look forward to the launch of the 2016 survey in December.”

Andrew Bonfield (National Grid), Tax Committee Chairman

PRIORITIES

- Policy that encourages investment in the UK in a post Brexit environment 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.

2016 ACTIVITY SNAPSHOT

- The 2015 Total Tax Contribution survey highlighted the contribution our members make to the wider UK economy.
- Raised a number of concerns in response to HMRC’s proposals on Large Business Tax Compliance, including the difficulties of a multinational group disclosing a UK effective tax rate, and tax planning to be undertaken within the ‘spirit of the law’. These points were not included in the final legislation.
- Issued comment letters expressing views on topics from the Treasury on the OECD’s BEPS project, specifically around Interest Deductions.
- Meetings with senior representatives from HMT and HMRC to discuss strategy and engagement.

FUTURE AGENDA

- With the OECD Base Erosion Profit Shifting project continuing, we will continue to monitor progress and be firmly involved in the debate.
- Promote the contribution of The 100 Group’s 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.
- In a post Brexit environment assist government by contributing to the discussion on areas that are collectively important to big business and for future investment.
- Engage with HMRC and HMT, in conjunction with the CBI, to influence developments in reporting with the aim of contributing positively to the development of any legislation affecting the UK.



KEY OBJECTIVE

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

"As expected, 2016 saw less major change in the regulatory landscape. This gave the committee an opportunity to focus on other areas of investor relations and engage with investor groups to gain a broader understanding of their issues and consider alignment of approach with other related parties. Most notably, following the breakfast meeting with members and the FRC's Financial Reporting Review Panel (the FRRP), the committee continued to work with them on enhancing the process for financial statement reviews and creating an environment for Clear & Concise Reporting.

The ongoing government reviews into the role of business in society and corporate governance are likely to mean increased regulatory proposals impacting big business in the future. The committee will be ready to respond outlining the views of our members."

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

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.

2016 ACTIVITY SNAPSHOT

- Continued discussions with the FRRP on its process to review financial statements and views on Clear & Concise Reporting.
- Submitted various comment letters, most notably responding to consultations on the EU's non-financial reporting directive, and the FRC's Enhancing Confidence in Audit.
- Raised concerns to government on their proposed reporting requirements for supplier payments and gender pay gap. The proposals were not fit for purpose and overly burdensome for companies.
- Guests are invited to speak at each quarterly Committee meeting. Recent guests have included the Investors Forum, the FRRP, and the Investment Association.

FUTURE AGENDA

- Engage with effective investor bodies to see if there are areas where coordinating our responses to regulatory enquiries could have a materially greater impact.
- Focus on the implementation of changes to regulations that have passed, and will consider activities to promote the priorities of the Committee.
- Continue to welcome the FRC's Clear and Concise Reporting Initiative, and the work of the Financial Reporting Lab, and engage with the FRC, and with the Financial Reporting Lab putting forward the perspectives of our members.
- Engage with government bodies and other relevant groups on the proposed changes to corporate governance. Focusing our efforts to maintain the unitary board model.



KEY OBJECTIVE

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

“Yield compression has created some immediate challenges for the measurement of liabilities under defined benefit pensions schemes, and could over time affect funding requirements for some schemes. The impact of the vote to leave the EU may open up the possibility of making some improvements to pensions regulation in the UK (although we expect these to be relatively minor). It is important to continue to make the case against major reforms to the taxation of pensions and to argue against making ‘special cases’ of certain high-profile pension schemes.”

Alan Stewart (Tesco), Pensions Committee Chairman

PRIORITIES

- **Pensions regulation:** Arguing that any significant changes to pensions legislation should be made proportionately and after appropriate consultation.
- **Brexit:** Identifying any areas of pensions legislation where changes can usefully be made following withdrawal from the EU.
- **Defined benefit funding:** Ensuring that the funding regime for DB pension schemes maintains an appropriate balance between trustees and employers.
- **Pensions taxation:** Continuing to make the case that major reforms to the taxation of pensions would be damaging and that the employer contribution has a key role in incentivising pension scheme membership.

2016 ACTIVITY SNAPSHOT

- The Committee responded to a high-profile consultation proposing special treatment for the British Steel Pension Scheme, arguing that there was no need to amend the existing regime, but, if a change were to be made, it should be applied consistently to all schemes.
- The Committee has written to the new Pensions Minister to set out our views on possible reforms to pensions legislation in the light of the forthcoming Pensions Bill (and to invite him to a future meeting).
- Lesley Titcomb, the Chief Executive of the Pensions Regulator, attended a meeting of the Committee to set out her priorities and to discuss issues raised by the Committee. The Committee Chair also met representatives of the DWP and the PLSA DB Taskforce.

FUTURE AGENDA

- Complete a series of review meetings with all Committee members to set the future focus and direction of the Committee.
- Monitor the implementation of any new European legislation into UK law (such as the IORP directive) and identify to what extent any existing European-derived pensions law could usefully be repealed or amended in the light of the vote to leave the EU.
- Continue to make representations against any major reforms of the pensions taxation system.
- Monitor the forthcoming Pensions Bill, in particular to ensure that it is not used as a vehicle for ‘knee-jerk’ changes to regulation as a result of high-profile (but unusual) cases such as BHS and British Steel.
- Continue to seek a meeting with Richard Harrington, the new Pensions Minister.



UNAUDITED FINANCIAL STATEMENTS

for the year ended 30 September 2016

INDEPENDENT EXAMINER'S REPORT TO THE MAIN COMMITTEE OF THE HUNDRED GROUP OF FINANCE DIRECTORS

We report on the financial statements of The Hundred Group of Finance Directors ("the Group") for the year ended 30 September 2016, which are set out on pages 15 to 17.

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 2016 on the basis set out in the Letter of Engagement dated 9 November 2016.

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 no opinion is given as to whether the accounts present a "true and fair view" and the report is limited to those matters set out in the statement below.

INDEPENDENT EXAMINER'S STATEMENT

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 and comply with the accounting requirements 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.

JONATHAN DA COSTA FCCA

On behalf of RSM UK TAX AND ACCOUNTING LIMITED

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

18 November 2016

INCOME AND EXPENDITURE ACCOUNT

Year ended 30 September 2016

	2016		2015	
	£	£	£	£
INCOME				
Subscriptions		-		-
Bank interest		77		76
		77		76
EXPENDITURE				
Travel	(640)		(847)	
Sundries including subscriptions not taken up	(850)		(620)	
Bank charges	(252)		(318)	
		(1,742)		(1,785)
(DEFICIT)/ SURPLUS FOR THE YEAR		(1,665)		(1,709)

ACCUMULATED FUND			
Balance brought forward		28,634	30,343
(Deficit)/ surplus for the year		(1,665)	(1,709)
BALANCE CARRIED FORWARD		26,969	28,634

BALANCE SHEET

30 September 2016

	2016	2015
	£	£
CURRENT ASSETS		
Cash at bank	27,624	30,407
Sundry debtors	-	400
	27,624	30,807
CURRENT LIABILITIES		
Creditors and accruals	(655)	(2,173)
Net assets	26,969	28,634
ACCUMULATED FUND	26,969	28,634

These financial statements were approved and authorised for issue by the Main Committee on 18 November 2016.



Simon Dingemans
Chairman

ACCOUNTING POLICIES

Year ended 30 September 2016

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. Subscriptions for 2015/16 were waived (2014/15: nil) whilst the Main Committee consider how best to use the reserves accumulated for the benefit of the membership.

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.

