



A collective voice for the development of UK-based business

THE HUNDRED GROUP

OF FINANCE DIRECTORS

ANNUAL REVIEW FOR THE YEAR ENDED
30 SEPTEMBER 2017





FOREWORD

Our member companies represent almost 90% of the market capitalisation of the UK FTSE 100 Index, collectively employing over 6% of the UK workforce and in 2016 paid, or generated taxes equivalent to over 13% of government receipts.

Welcome to the 2017 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

- Provide a collective voice during this period of change as an opportunity to shape a business environment that continues to encourage investment in the UK
- Enhance the profile of big business through better communicating our wider contribution to society
- Influence the business agenda to highlight unnecessary bureaucracy and regulation which hinders an efficient operation

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



As I set out at the start of my chairmanship, we will see a significant amount of change in the UK business environment following the Brexit vote and the increased focus on Corporate Governance. As Chairman, I firmly believe The 100 Group can use its collective voice during this period of transition as an opportunity to shape a business environment that encourages continued investment in the UK.

We can achieve this by improving the image of big business by better communicating our wider contribution to society – providing transparency in a time of uncertainty. We can also use this opportunity to highlight unnecessary bureaucracy and regulation which hinders efficient operation of our businesses. Over the course of the last 12 months I have seen first-hand the significant impact the members of The 100 Group can have in shaping the business landscape in Britain. As big businesses and significant employers in the UK, we are in a unique position and well placed to give informed and insightful points of view on how to improve the UK's competitiveness and attractiveness for future investment.

Against a backdrop of increasing political uncertainty, there has also been a notable shift in public sentiment, evidenced by the fact that Corporate Governance is more prominent and important now than ever. We, as CFOs, are playing a major role in delivering robust corporate governance in the public interest, as well as in the interest of business and other stakeholders and shareholders. Through our interactions with the FRC, UK Government and other bodies, we continue to help shape best practice.

As ever, we have sought to improve engagement with the UK and certain European representatives through focussed interactions with key stakeholders, including regulators and standard setters. Our reach is improving and we are building a wider network within the UK and Europe, by not only engaging with relevant MPs and standard setters to discuss our views but also initiating stronger ties with European equivalent bodies.

Given the diverse nature of our membership, our focus has been on adding value through our experience. In the last 6 months we have been working with TheCityUK to develop their understanding on the impact of Brexit on corporates as users of the debt and capital markets. We have also worked with a number of government bodies, including DexEU, BEIS, HMRC and HMT to offer our support in validating impact assessments, testing assumptions as well as raising concerns over the lack of progress in setting out what the new arrangements will be after March 2019. The role we can play in helping to shape the future of the UK's trading relationships with the EU and the Rest of the World, by collaborating closely with other business bodies to strengthen our voice, is increasingly important and something I intend to focus the group's efforts on in the coming year.

The 2017 Total Tax Contribution has been released, the survey provides real insight into how The 100 Group contributes to the economy. This is not just in taxes paid and collected but also in the significant contribution our members make in job creation, research and development spend as well as capital investment. The broader economic data included in the report has enabled us to shift the debate beyond the level of tax paid, and we hope to do this once again by including some broader measures including the average number of SMEs supported and Gross Value added by our members.

The work of the committees is described in detail in the individual committee reports, Members of the Main Committee have contributed to a variety of different panels and forums to represent 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 information and alerting members to new trends. We also aim to set an appropriate ethical standards for a group representing the UK's largest companies and aim to operate with the highest levels of transparency and integrity.

MEMBERS OF THE MAIN COMMITTEE DURING THE YEAR	
Andrew Bonfield Chairman (National Grid)	Russ Houlden (United Utilities)
Simon Dingemans Deputy Chair (GSK)	Tushar Morzaria (Barclays)
Jessica Uhl (Shell)	Graeme Pitkethly (Unilever)
Julia Wilson (3i)	Kathryn Mikells (Diageo)
Brian Gilvary (BP)	Chris O'Shea
Alan Stewart (Tesco)	

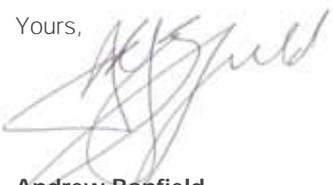
It is clear that The 100 Group is most effective when we have broad participation on a topic or at an event. Other groups seek our views and opinions because they want to get the views of the broader CFO membership. As a result, I encourage all of you to contribute either individually or through one of our committees. The committee chairs have a critical and vital role to play in collecting and delivering our views. I would like to thank them all for their commitment during another busy year.

I am also very pleased to be able to report that the Main Committee has been expanded and strengthened again following recent retirements. Our four new members, Julia Wilson, Jessica Uhl, Kathryn Mikells and Chris O'Shea, 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.

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. Without this, the Group would not survive and I'd like to extend my sincere thanks to everyone who has contributed over the past year.

I am delighted so many of you have indicated that you intend to attend the AGM. I look forward to seeing you there

Yours,



Andrew Bonfield

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.

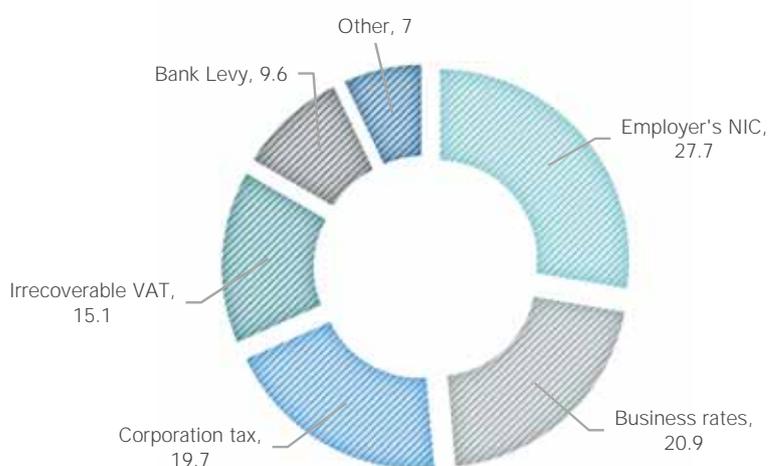
The 2016 survey continued to highlight several key aspects of the shift in tax revenues borne and collected by our members. The 2017 survey will be published on 5 December 2017.

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

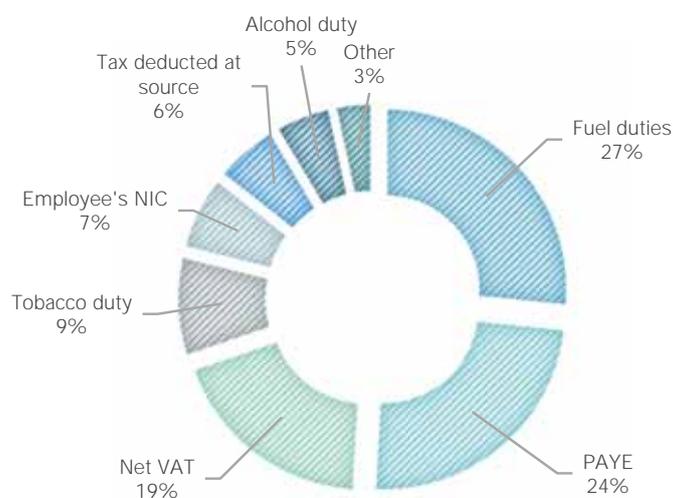
£82.3bn
The 100 Group's members Total Tax Contribution, which represents 13.3% of total Government receipts



TAXES BORNE BY PERCENTAGE



TAXES COLLECTED BY PERCENTAGE



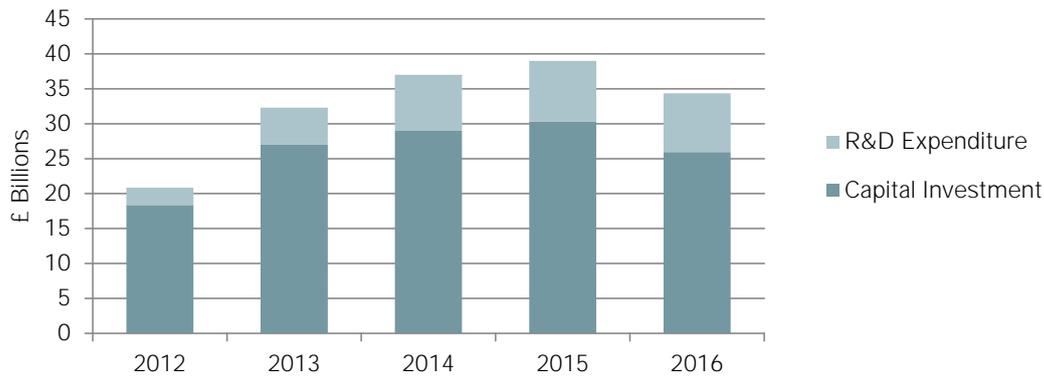
Taxation

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.

Over 13% of UK government tax receipts for the 2016 period were borne or collected by member companies. There was a increase in taxes borne (+3.6%) driven by a combination of corporation tax and the bank levy. Overall, members' total tax contribution increased by £1.8 billion.

The 2016 Total Tax Contribution survey highlighted that for every £1 in corporation tax paid by The 100 Group's members, £4.00 was paid in other taxes (£4.46 in 2015). This compares to a ratio of 1:1 in 2005 when the survey was started.

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 £25.9 billion spent in 2016 on capital investment represented 14.5% of the total UK expenditure on capital investment.
- An estimated £8.4 billion was spent on research and development expenditure in 2016, an increase of 2.1% compared to 2015.
- Over the last five years, our members have spent £130.6bn on capital investment and £32.9bn on research and development.

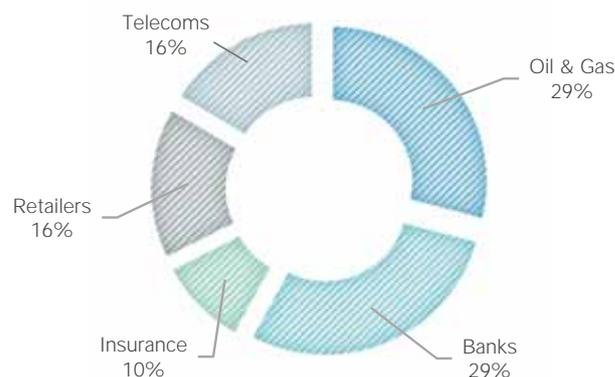
Employment

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, 6.6% of the UK workforce, and pays on average £12,135 (2015: £11,720) in employment taxes for each employee.

The average wage per employee is £33,220, which is 18% higher than the average national wage of £28,200

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 £2.3bn in business rates. On average 49% of taxes borne by retailers are business rates. This is a slight increase, in absolute terms, compared to last year, although profitability for this group of companies as a whole fell.

Banks paid a total of £2.2bn in bank levy. On average, bank levy makes up 34.1% of the taxes borne by banks. Survey data shows that the bank levy increased by 24.4% since 2015 and 203% since 2012.

Financial services companies paid a total of £3bn in irrecoverable VAT. On average, irrecoverable VAT makes up 24.8% of the taxes borne by FS companies. Irrecoverable VAT has increased by 121% since 2005.



KEY OBJECTIVE

To promote relevant, reliable, comparable 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 support initiatives to cut clutter in financial statements. IFRS 17 Insurance Contracts marks the end of the IASB's major projects and with the Disclosure Initiative it is clear that the IASB is turning its attention to how we, as preparers, communicate with investors. 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."

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 are proportionate, fit for purpose, and cost effective.

2017 ACTIVITY SNAPSHOT

- Submitted a number of comment letters in the period on a significant topics, including responses to the IASB on their Disclosure Initiative along with routine responses to other IASB and FRC consultations.
- Raised concerns to government on their proposed reporting requirements for supplier payments. The proposals are not fit for purpose and overly burdensome for companies.
- Continued to leverage our relationship with EC stakeholder groups to influence ESMA in relation to the European Single Electronic Format regulations.
- The Committee has met with numerous Stakeholders including, the IASB, various investor groups including the CRAG and the CRUF, and the Financial Reporting Lab.
- Two committee members are working with the IASB on a field test aimed at addressing both the application of materiality and clear & concise, whilst also highlighting areas where IFRS disclosure requirements are excessive.

FUTURE AGENDA

- Continue to engage with the IASB and other key stakeholders in relation to the proposed amendments to IFRS 8 Operating Segments ensuring that appropriate consultation is undertaken in relation to the role of the Chief Operating Decision Maker.
- 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 and digital 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.

"Taxation remains at the forefront of debate in the UK, the EU, and internationally. The committee continues to be active in the debate and engages on relevant topics including Making Tax Digital and Business Risk Rating. 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, particularly in a post-Brexit world.

Negative publicity for many Corporates has eased slightly in recent years. We have continued to work with PwC on assessing the total tax contribution of our members, which in 2016 showed that The 100 Group's members paid or generated taxes of £82.3 billion, equivalent to 13.3% of the UK Exchequer's overall tax take. We look forward to the launch of the 2017 survey in December."

Chris O'Shea, 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.

2017 ACTIVITY SNAPSHOT

- The 2016 Total Tax Contribution survey highlighted the contribution our members make to the wider UK economy.
- Issued comment letters expressing views on Making Tax Digital and expressing concern on the increasing volume of consultations and the burden placed on large business.
- Meetings with senior representatives from HMT and HMRC to discuss strategy and engagement.
- Joint CBI and Committee meetings held with HMRC in relation to UK and International Business Taxation Issues

FUTURE 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.
- 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.
- Engage with HMRC and HMT, in conjunction with the CBI, to influence ongoing developments in tax reporting, such as Country by Country Reporting and risk ratings, 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, throughout the year there was an increased focus by government into the role of business in society and corporate governance. This continues to be debated and we will see additional legislation and increased regulation impacting our membership in during 2018. We have actively engaged in discussion with government and the FRC to shape the proposals and ensure that the final legislation is not overly burdensome.

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."

Julia Wilson (31) 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.

2017 ACTIVITY SNAPSHOT

- Submitted various comment letters, most notably responding to consultations to the governments Green Paper on Corporate Governance Reform and the ICAEW's review of Prospective Financial Information guidance.
- Guests are invited to speak at each quarterly Committee meeting. Recent guests have included the Investors Forum, the FRC, and Glass Lewis.
- Continued discussions with the FRRP on its process to review financial statements and views on Clear & Concise Reporting.
- Refreshed and extended the membership of the Committee to welcome new members.

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.

“ The EU (Withdrawal) Bill is currently taking up huge amounts of both parliamentary and civil service time, making it unlikely that there will be major pensions legislative developments before 2019. However, the DWP is expected to publish a White Paper on DB pensions next year, which will set out its agenda following the Brexit vote. We will need to be alert to any proposals to increase the regulatory oversight of corporate transactions where DB pensions are involved to ensure that legitimate business activity is not affected.”

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.

2017 ACTIVITY SNAPSHOT

- Lesley Titcomb, Chief Executive of the Pensions Regulator, attended a meeting of the Committee to review developments since her first visit 18 months previously and to discuss issues raised by the Committee.
- The Committee responded to a number of consultations over the year, in particular the DWP's Green Paper on 'Security and Sustainability in Defined Benefit Pension Schemes' and the PPF's consultation on the its third levy triennium 2018/19 to 2020/21.
- The Committee had a wide-ranging discussion on the issues raised by the shift from DB to DC provision and the likely risks of DC provision for 100 Group companies.
- The Committee also completed its review on its future focus and direction in 2017.

FUTURE AGENDA

- Responding to the forthcoming White Paper on DB pensions, which may include proposals for new funding requirements and/or strengthened powers for the Pensions Regulator to intervene in corporate transactions involving DB pensions.
- Continuing to make representations against any major reforms of the pensions taxation system.
- Monitoring developments in the DC pensions regulatory landscape and ensuring that any further changes to DC pensions legislation are not unduly onerous.
- Ensuring that the EU's IORP (Institutions for Occupational Retirement Provision) Directive is implemented proportionately in the UK, especially given the likely timing relative to Brexit (the Directive needs to be implemented by January 2019).
- Continue to seek a meeting with either the Secretary of State for Work and Pensions or the Minister for Pensions and Financial Inclusion.

UNAUDITED FINANCIAL STATEMENTS

for the year ended 30 September 2017



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 2017, 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 2017 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

On behalf of RSM UK TAX AND ACCOUNTING LIMITED

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

6 December 2017

INCOME AND EXPENDITURE ACCOUNT

Year ended 30 September 2017

	2017		2016	
	£	£	£	£
INCOME				
Subscriptions		-		-
Bank interest		32		77
		32		77
EXPENDITURE				
Travel	(336)		(640)	
Sundries including subscriptions not taken up	(11,506)		(850)	
Bank charges	(240)		(252)	
		(12,082)		(1,742)
(DEFICIT)/ SURPLUS FOR THE YEAR		(12,050)		(1,665)

ACCUMULATED FUND			
Balance brought forward		26,969	28,634
(Deficit)/ surplus for the year		(12,050)	(1,665)
BALANCE CARRIED FORWARD		14,919	26,969

BALANCE SHEET

30 September 2017

	2017	2016
	£	£
CURRENT ASSETS		
Cash at bank	27,416	27,624
Sundry debtors	-	-
	27,416	27,624
CURRENT LIABILITIES		
Creditors and accruals	(12,496)	(655)
Net assets	14,919	26,969
ACCUMULATED FUND	14,919	26,969

These financial statements were approved and authorised for issue by the Main Committee on 5 December 2017.



Andrew Bonfield
Chairman

ACCOUNTING POLICIES

Year ended 30 September 2017

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 2016/17 were waived (2015/16: 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.

