

Tax transparency Communicating the tax companies pay

*Building Public Trust:
A review of how the UK's
largest companies report
on tax.*

November 2010

Foreword

Tax revenues are a lifeblood of society and there is widespread and legitimate interest in how much tax companies pay. In 2006 when we started our annual review of tax reporting in the FTSE 350, we put down a challenge to companies to talk more openly about the taxes they pay. Since then, we've seen a trend towards greater tax transparency.

Tax is an important factor in delivering shareholder value and managing corporate reputation. Leaders in tax reporting in the FTSE 350 recognise the benefits of engaging with their stakeholders and being more transparent in their tax reporting. They are talking about their tax affairs in a different way and, in some cases, through different mediums, using their corporate responsibility reports as well as financial statements.

Today's leaders have decided that the business case for tax transparency outweighs the possible risks. They're setting leading practice in their industries and potentially creating peer pressure. Their stance on tax may vary but what's clear for all of them is the board level involvement in tax and a common approach to communicating their tax affairs.

Looking forward, we believe these trends will continue and intensify. We're seeing high profile campaigns from civil society organisations (CSOs) calling for regulation to make companies provide much more detailed country-by-country reporting in financial statements. A CSO campaign for a new accounting standard on tax reflects a lack of public trust in corporate behaviour and that today's disclosures are difficult for non-tax experts to understand.

There are a number of significant issues for business in the CSO campaign for country-by-country reporting. This includes the level of resource and cost involved in producing and auditing the data, and the potential for misunderstanding or misuse of such detailed financial information.

It's important that more companies become actively involved in the debate about the aims of tax transparency and what makes good tax reporting. Our Tax Transparency Framework reflects what a wide range of stakeholders have told us they want to know about corporate tax affairs.

I hope you find this report interesting. By sharing our insights and some of the leading practices we see in tax reporting, we hope it will provide a useful tool for companies when considering their tax communications. We think that every company should know the total amount of tax that they pay into the public finances – their total tax contribution.



Susan Symons
Total Tax Contribution Leader, PwC

Main findings

- More companies are talking about more aspects of their tax affairs than when we started our review five years ago. However, there is still a clear group of leaders.
- The biggest area of change is the discussion of governance and oversight for tax which is covered by almost half the companies we reviewed.
- A minority of companies discuss their tax strategies or policies, but the number is growing. And those that do, continue to do it well.
- One in three of the companies provide an indication of future accounting effective tax rates, but less than one in 20 discuss their cash tax payments.
- A quarter of the companies talk about how taxes are part of the economic value they create and distribute to stakeholders: many of these use a total tax contribution approach, showing the different taxes borne and collected.

The winners – 2010 Building Public Trust tax reporting awards

We review the FTSE 350 to draw up a shortlist for the Building Public Trust tax reporting awards. The winners are then chosen by an independent panel of judges.

Our congratulations go to the winners in 2010: Vodafone Group Plc in the FTSE 100 and Pennon Group Plc in the FTSE 250.

Also to the highly commended runners up (in alphabetical order) Kazakhmys PLC, QinetiQ Group PLC, The Rank Group Plc and SABMiller plc.

Building Public Trust awards

The PwC Building Public Trust awards celebrate the commitment of the UK's largest companies and public sector bodies to build public trust through their communication of the key building blocks of sustainable performance. The largest UK-based companies (FTSE 100 and 250) are eligible for one or more of the awards listed.

The awards are judged by an independent panel who review a shortlist put forward by us. Between them, the judges cover a wide range of disciplines and knowledge on key issues that businesses face.

The Building Public Trust awards are in their eighth year and in 2010 awards were made in the following categories.

In the FTSE

- 'Excellence in reporting' in the FTSE 100 and 250.
- 'Sustainability reporting' in the FTSE 100 and 250.
- 'People reporting' in the FTSE 100 and 250.
- 'Executive remuneration reporting' in the FTSE 350.

- 'Tax reporting' in the FTSE 100 and 250.

In the public sector

- 'Excellence in reporting' in the public sector.
- 'Sustainability reporting' in the public sector.

For individual achievement

- Lifetime achievement recognition for 'Building trust and confidence in the corporate and public sectors'.

Interest in tax reporting intensifies

We've seen a lot of change in how some large companies report on tax during the five years we've been carrying out our review.

The growing international reach of business together with further regulation and competition between countries for business investment means that tax is even more complex and high risk. Companies have had to become more sophisticated in their approach, allocating greater resource to the governance and management of tax.

At the same time, a diverse group of external stakeholders have become more interested in tax in the corporate sector, asking companies to provide more and different information about their tax affairs. Over the last few years, a campaign for more transparent tax reporting by the CSOs has gained momentum and allegations that some companies have not paid their 'fair share' of tax have been hitting the news headlines.

Five years on from the launch of the Building Public Trust tax reporting awards, and in the wake of the financial crisis and the loss of public trust in business, tax transparency has also attracted political attention. In July 2010, President Obama signed the Dodd Frank Wall Street Reform Act which includes a provision that requires Securities and Exchange Commission (SEC) registered companies in the extractive industries to report their tax, royalties and other payments to governments by project and by country from 2012. This follows a successful campaign by the 'Publish what you pay' coalition of CSOs, which is designed to increase transparency about what is paid to governments in resource-rich countries and to hold these governments more accountable over how they use these funds.

In other industries, a CSO country-by-country reporting campaign is lobbying the International Accounting Standards Board (IASB) to change accounting standards so that all multinational companies report more detail in their financial statements – essentially a profit and loss account and tax charge by country.

Publish what you pay

A coalition of CSOs is promoting a campaign called 'Publish what you pay' (PWYP). This aims to help citizens of developing countries with rich natural resources to make their governments more accountable for revenues from the minerals and oil and gas industries. To achieve this, PWYP wants companies in the extractive industries to disclose, in their financial reports, the payments they make to governments on a country-by-country basis.

The PWYP proposals are intended to complement the Extractive Industries Transparency Initiative (EITI), which encourages governments of resource-rich developing countries to 'publish what you earn'.

Both initiatives have the objective of promoting a more accountable system for the management of revenues from natural resources, which in turn should help to combat corruption, improve governance and promote sustainable development in these countries. Many companies in the extractive industries support the EITI and some already disclose information on their payments to government in their corporate responsibility reports.

The PWYP proposal would require companies in the extractive industries to report the following information by country in their audited financial statements.

- Benefit streams to government, including royalties and taxes paid in cash or kind; dividends; bonuses; and license and concession fees.
- Reserves.
- Production volumes.
- Production revenues, split third party and intra-group.
- Production and development costs.
- The names and location of each key subsidiary in each country.

PWYP has lobbied the IASB to bring in a new standard for extractive industries, and the IASB is carrying out a research project to evaluate the proposal.

Country-by-country reporting

Country-by-country reporting is a proposed system of corporate financial reporting that would mean multinational companies would have to report more detail on their financial performance and tax payments in each of the countries in which they operate. Country-by-country reporting is being put forward by campaigners and CSOs as part of their aim to increase transparency over tax avoidance and to build tax revenues in developing countries.

Companies would have to provide much more information by country in their financial statements, including:

- a list of every country they operate in and all their entities in each country
- the financial performance in every country, including:
 - sales and purchases, split by third party and intra-group
 - employee numbers and labour costs
 - financing costs, split by third party and intra-group
 - pre-tax profit

- tax information by country, including:
 - the tax charge, split between current and deferred tax
 - actual tax payments made
 - opening and closing tax liabilities
- details of the physical and other assets in each country.

The country-by-country reporting campaigners are lobbying the IASB to change accounting standards. They're also lobbying governments and international organisations to request that the IASB develop a standard for country-by-country reporting.

The campaign has attracted political attention and the Organisation for Economic Cooperation and Development (OECD) has been asked to evaluate the proposal by governments of the G8. The OECD Centre for Tax Policy and Administration has prepared an initial paper and the work will now be taken forwards by a sub-group of the OECD Task Force on Tax and Development, with a view to reporting back and possibly making recommendations next year.

Many companies see the benefits of more transparent reporting



vodafone

Vodafone Group Plc

“Vodafone is committed to acting with integrity and transparency in all tax matters. Within the business we aim to ensure that all tax professionals adhere to a clearly defined and published Code of Conduct and set of behaviours, and that they work hand in glove with the commercial teams to ensure full alignment of business and tax strategies.

“It is important that our shareholders and other interested parties understand our strategic approach to tax and how we manage tax risk and that they have meaningful information about the tax and wider contributions we make to society.

“We are proud to communicate transparently both within and outside the organisation, and PwC’s championing of tax transparency and enhancing public trust highlights the value to all our stakeholders.”

John Connors, Director of Tax Strategy and Policy, Vodafone Group Plc

Over the last five years a group of leaders in tax reporting in the FTSE has emerged. These companies are going well beyond the required disclosures on tax in reporting standards and talking about different aspects of their tax affairs. They see a business case for being more transparent on tax and have concluded that the potential benefits outweigh any potential risks.

They’re talking about their tax strategies and policies in a different way and showing clearly their tax performance numbers. They’re also taking a broader view to show how tax impacts their business strategies and performance and how tax benefits stakeholders and society. Many use a total tax contribution approach to show how all the different taxes they pay and collect (not just the corporate income tax on their profit) adds to their positive economic impact and contributes to public finances.

Mining, betting and gaming, drinks and telecommunications companies are among those leading the way.

What starts as leading practice may soon create peer pressure for others to follow. These industries tend to be regulated and their business strategies and results are influenced significantly by how governments tax their activities, products or services.

Tax transparency – potential benefits and risks

Leaders believe that there is a business case for greater transparency on aspects of their tax affairs.

Potential benefits	Potential risks
<ul style="list-style-type: none"> • Increase awareness of the tax and economic contribution of business. • Encourage a balanced view of tax contributions. • Demonstrate board involvement in tax strategy. • Tailored stakeholder reporting and communication. • Respond to information requests of key stakeholders and transparency initiatives. • Longer-term reputation risk benefits. • Increased focus on risk issues around tax. • Better connected business decision making. 	<ul style="list-style-type: none"> • Conflicting stakeholder interests. • Conflicting pressures – tax planning and tax transparency. • Difficulties of communicating a complex, technical area. • Scope for misunderstanding or misuse of data. • Commercial and confidentiality issues. • Resource, time and cost.

Mining companies often operate in developing countries and in remote locations where they are the main or only employer. Demonstrating what they pay to governments in taxes and royalties in return for extracting natural resources and what they contribute to the local economy may be key in maintaining important stakeholders relationships and a licence to operate. Mining companies have been winners for two of the five years of the Building Public Trust award for tax reporting in the FTSE 100.

Betting and gaming is another example. Gaming taxes are an important business issue in the industry. The Rank Group Plc was the winner of the first Building Public Trust award for tax reporting in the FTSE 250 in 2009.



Anglo American plc

“We’re delighted to have won PwC’s prestigious Building Public Trust award for tax reporting in the FTSE 100, which recognises both Anglo American’s commitment to the principle of transparency and our ability to deliver that information to stakeholders.”

“Operating our business in a responsible way and earning and deserving trust are fundamental to our license to operate and to delivering long term value to shareholders. Taxes are important to the socio-economic development and creating wealth and stability in the host countries where we operate and transparency applies equally in the area of our taxes as in all areas of our business. We seek to effectively communicate to stakeholders how Anglo American contributes to tax revenues through both the taxes that we bear and those that we collect on behalf of government.”

Rene Medori, Finance Director,
Anglo American plc

The Building Public Trust awards for tax reporting

Winners

2010	Vodafone Group Plc Pennon Group Plc	(FTSE 100) (FTSE 250)
2009	Anglo American plc The Rank Group Plc	(FTSE 100) (FTSE 250)
2008	Kazakhmys PLC	
2007	Vodafone Group Plc	
2006	AstraZeneca PLC	

Highly commended in 2010 (in alphabetical order)

- Kazakhmys PLC
- QinetiQ Group PLC
- The Rank Group Plc
- SABMiller plc



The Rank Group Plc



“Rank is committed to work positively with governments, regulators and other relevant stakeholders to create an environment which supports both responsible operation and commercial sustainability. Tax is a major operating cost and like many others in the industry, Rank has been deeply affected by unheralded and substantial changes to the taxation of its core businesses. We are calling on the government for the creation of a tax regime for all betting and gaming activities which is simple, fair and sustainable.”

“We believe it is important to clearly set out for our stakeholders how tax impacts our businesses and what taxes we pay. We are delighted to have won the first PwC Building Public Trust award for tax reporting in the FTSE 250 last year.”

Paddy Gallagher, Finance Director, The Rank Group Plc

A framework to help companies communicate on tax

The framework covers three areas of corporate tax affairs – tax strategy and risk management, tax numbers and performance and total tax contribution and the wider impact of tax (see opposite).

It was developed in the UK but it's also being used in other countries and similar reviews of the tax reporting of large listed companies have or are being carried out by us in Australia, Belgium, the Netherlands and South Africa.

We use our Tax Transparency Framework each year to carry out our review of tax reporting of the FSTE 350. It was developed following discussions with FTSE companies and different stakeholder groups including governments, investors, analysts and

CSOs. It isn't prescriptive, but it's intended to help companies consider the risks and benefits of greater transparency and what they might want to communicate externally about their tax affairs.

Different stakeholder groups and their interest in tax

External

Investors and analysts

- Clarity on tax risk position.
- Stability of tax charge.
- Cash tax and forward looking statements on tax.

Governments

- Value for natural resources.
- Maximising corporate tax take.
- Attracting and retaining investment.
- Financing public services.

Customers

- Lower prices.
- Lower sales taxes.

Media

- Headline stories on corporate tax.

CSOs

- Campaigning against tax avoidance.
- Asking companies to pay a fair contribution in all countries of operation.
- Combating capital flight from developing countries.

Internal

Board

- Managing tax risk including reputation risk.
- Ethical business practices.

Tax

- Tax compliance.
- Building trusted relationship with tax authorities.

Finance

- Reducing tax costs.

Employees

- Job security.
- Good corporate citizen.

External affairs

- Managing relationships with governments.
- Avoiding negative media on tax affairs.

Stakeholders and tax

Tax strategy and risk management

We put a lot of emphasis on the first area of our framework as this is really the foundation for putting all the disclosures on tax into context. All stakeholders tell us they want to understand a company's approach to tax and their policies in important areas such as tax planning and transfer pricing.

Tax is seen as high impact and potentially high risk so stakeholders want to know about oversight and governance and how the tax strategy is managed by the board and executive management. They also want a clear explanation of any material tax risks that the company faces, including the level of provision.

Tax numbers and performance

This is most closely connected with the required disclosures in the financial statements. Stakeholders are interested in clear and easy to understand numerical information which explains the make-up of the accounting tax rate and, most importantly, why the tax charge is not simply accounting profit at the statutory rate of corporate income tax. Quite often this is a really difficult area for non-tax experts to understand. Some stakeholders, including investors and analysts, are most interested in the cash tax payments. Cash figures will feed into their modelling analysis more easily and they also appreciate some forward looking measures for tax, such as a forecast rate.

Total tax contribution and the wider impact of tax

This looks away from the traditional disclosures in the financial statements to a discussion on the bigger picture. Stakeholders want to know how tax impacts the business strategy and results.

In some industries, tax can have a material impact, e.g. where activities are subject to extra taxes (as in the extractive industries) or where tax may influence pricing and demand for products or services (such as

excise duties for drinks companies). Stakeholders are looking for disclosure of these factors to help them understand more about a company's business.

There's also a desire for more information on the economic contribution of the taxes paid by companies and what they contribute to the public finances in the countries where they operate.

Tax Transparency Framework

1. Tax strategy and risk management

- Discussion of tax objectives and strategy.
- Disclosure of policy in key areas for the business, for example, tax planning and transfer pricing.
- How the tax strategy and function are managed and who has responsibility for governance and oversight.
- Discussion of material tax risks.

2. Tax numbers and performance

- Clear reconciliation of the tax charge to the statutory rate.
- Reconciliation of cash tax to tax charge.
- Forward looking measures for tax, such as forecast accounting or cash tax rate.

3. Total Tax Contribution and the wider impact of tax

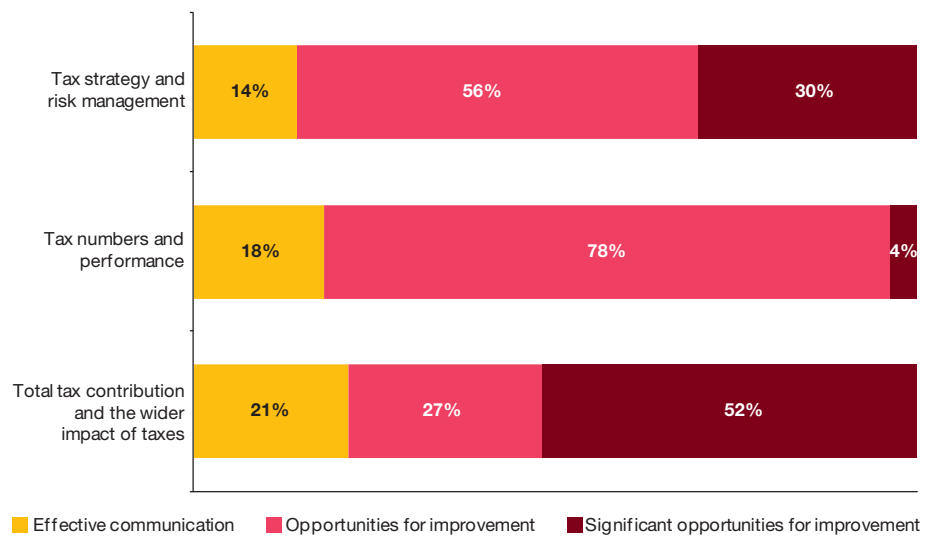
- Show how tax impacts wider business strategy and results.
- Discussion of advocacy and lobbying activities on tax.
- The impact of tax on shareholder value.
- Communication of the economic contribution of all taxes paid.

Our review of tax reporting in the FTSE 350

We look at what companies say about tax in communications widely available to stakeholders, e.g. annual reports, any separate corporate responsibility or sustainability reports or other easily accessible documents. We look for companies who are going beyond the required disclosures on tax and communicate their tax affairs in a clear way that is easy to understand, using helpful charts and graphics and telling stakeholders what they want to know.

Tax Transparency Framework

Distribution of results for companies reviewed



This chart shows the distribution of results under each area of the framework for companies reviewed, using a colour symbol system.

Our review is carried out in four stages.

Stage 1: Which companies say the most about tax

We look at annual reports and any other documents on websites for each company. We search for the word 'tax' but exclude common phrases like 'profit before tax', 'profit after tax' and similar wording. Although simple, this first stage of our work is successful in identifying the 50 to 60 companies who are saying the most about tax. In 2010, 56 companies were identified in stage one – 39 from the FTSE 100 and 17 from the FTSE 250.

Stage 2: Tax Transparency Framework analysis

The companies (from stage 1) are reviewed in detail against our Tax Transparency Framework. We look at what aspects of our framework each company is covering in their reporting and how well they do it. The output of this stage is a transparency framework score for each company. All the companies that we reviewed in stage 2 can obtain a feedback report benchmarking their tax reporting against this population using a colour symbol system (see opposite – Distribution of results for companies reviewed).

Stage 3: The shortlist

A leading group of companies is selected from stage 2. In 2010, 11 companies were selected. These are then reviewed by PwC subject matter experts in tax, corporate reporting and corporate responsibility. This gives us a shortlist of companies.

Stage 4: Choosing a winner

Finally, the shortlist is given to an independent panel of judges for the Building Public Trust awards to decide the winners.

What we found

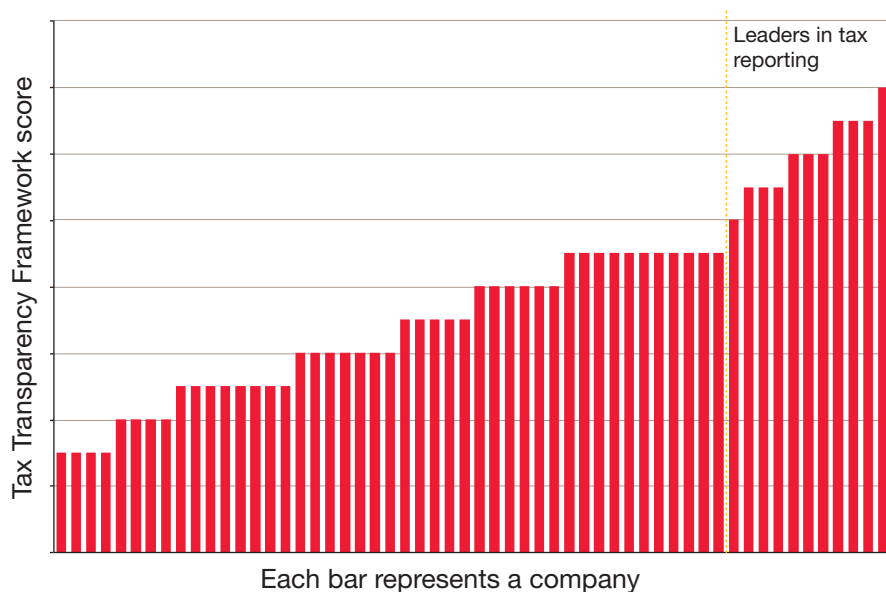
We use the same criteria and process each year so we're able to compare trends and see the development of tax reporting since 2006. Five years on, it's clear that tax reporting by FTSE companies has developed and improved.

More companies are talking about tax and covering different aspects of their tax affairs. Our first review of the FTSE 350 in 2006 found that, on

average, the companies reviewed in stage 2 covered 4.3 of the individual aspects listed in our Tax Transparency Framework in their reporting. In 2010, this has risen to an average 5.3. But the distribution of transparency framework scores for the 56 companies in stage 2 this year still shows a similar pattern as it did five years ago. There has been an overall improvement, but we still see a wide range of scores and a group of leaders.

Tax strategy and risk management, which is the first part of our framework, has seen a lot of change compared to five years ago. This year almost half of the companies we've reviewed include a discussion on governance and oversight for tax, recognising that tax is perceived as a risky area that needs to be well controlled. Although still only a minority of companies talk about their tax strategy or policies, the

Distribution of scores 2010



This is the range of results for the 56 companies reviewed in stage 2 showing a group of leaders.

number is growing and those that do communicate it often do it well.

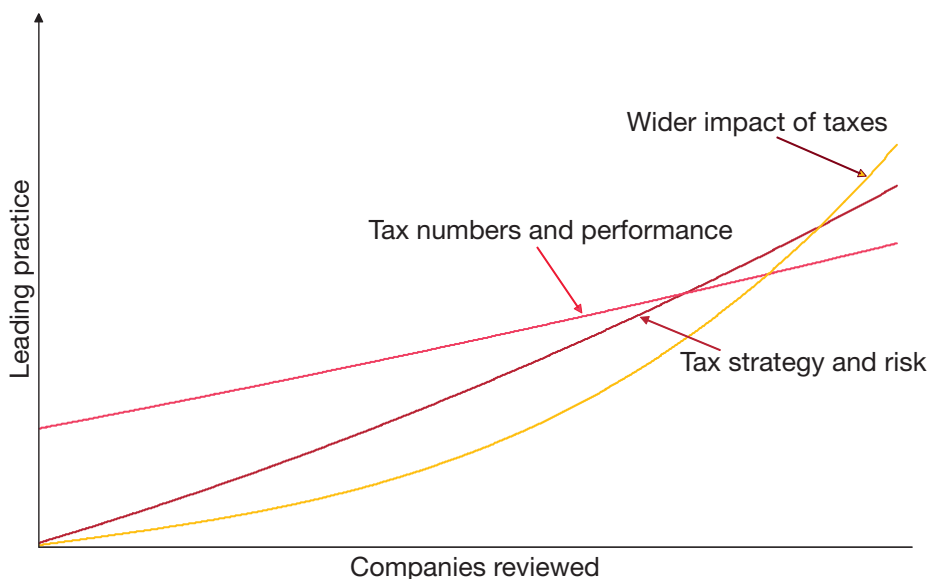
We've also seen changes in reporting for the second area of our framework, tax numbers and reporting. Some companies show an adjusted or underlying rate in addition to the effective tax rate, or provide a weighted average statutory rate. As with five years ago, few companies (less than one in 20) talk in their corporate reporting about their cash tax or reconcile this to the tax charge. But one in three now provide an indication of the future effective tax rate.

There are many interesting and understandable disclosures in the third area of our framework, total tax contribution and the wider impact of tax, discussing how tax impacts business strategy and results, a company's relationships with

government or how it is lobbying on key tax issues. A quarter of the companies talk about how taxes paid to government are part of the economic value they create and distribute to stakeholders alongside, e.g. dividends for their shareholders and wages and salaries paid to employees.

Some companies disclose their total tax contribution, showing the different sorts of taxes they pay or collect on behalf of government and their total contribution to public finances. Disclosures in this area are developing mainly in corporate responsibility or sustainability reports rather than the financial statements.

Our assessment of the quality of reporting against our criteria



This chart shows our assessment of the quality of reporting under each area of the framework for companies reviewed in stage 2.

Total Tax Contribution



The Hundred Group of Finance Directors

“A record number of our members took part in the 2009 Total Tax Contribution survey with PwC. Boards and executives of large UK companies are keenly interested in the contribution they make to the communities and the countries where they operate and TTC provides a much richer picture of the contribution our companies are making to the public finances and to employment. And of course our companies are very interested in the dialogue between business and government and the degree to which government policy encourages investment and employment. TTC data is important as it enriches the dialogue between government and business.”

Ashley Almanza, Chairman of The Hundred Group of Finance Directors

The PwC Total Tax Contribution (TTC) framework is a methodology to help companies measure and communicate all the different taxes and contributions that they pay to governments. It's not tax technical and therefore relatively easy for all stakeholders to understand. By focusing on payments, it provides a measure of what companies contribute to public finances and it's a good way of showing how tax directly contributes to the economic value companies create and distribute to stakeholders.

The framework looks at all the taxes that companies pay and not just corporate income tax, which is usually the only tax separately disclosed in the financial statements. It makes a distinction between taxes borne and taxes collected. Taxes borne are the company's own cost and will impact

their results, e.g. property taxes will form part of the property costs. Taxes collected are those that the company administers on behalf of government and collects from others, e.g. employee income taxes deducted through the payroll. Taxes collected will have an administrative cost for the company and will also have an impact on the company's business, e.g. employment taxes impact the cost of labour.

For the last five years, we've carried out an annual TTC survey with The Hundred Group of Finance Directors whose members are mainly FTSE 100 companies. The purpose is to provide information about how the UK tax system impacts large business and what these companies contribute to UK public finances. The results are discussed with government and other interested parties each year and they are published for a wider audience.

The 2009 TTC Hundred Group survey results show how important these large listed companies are to the UK economy.

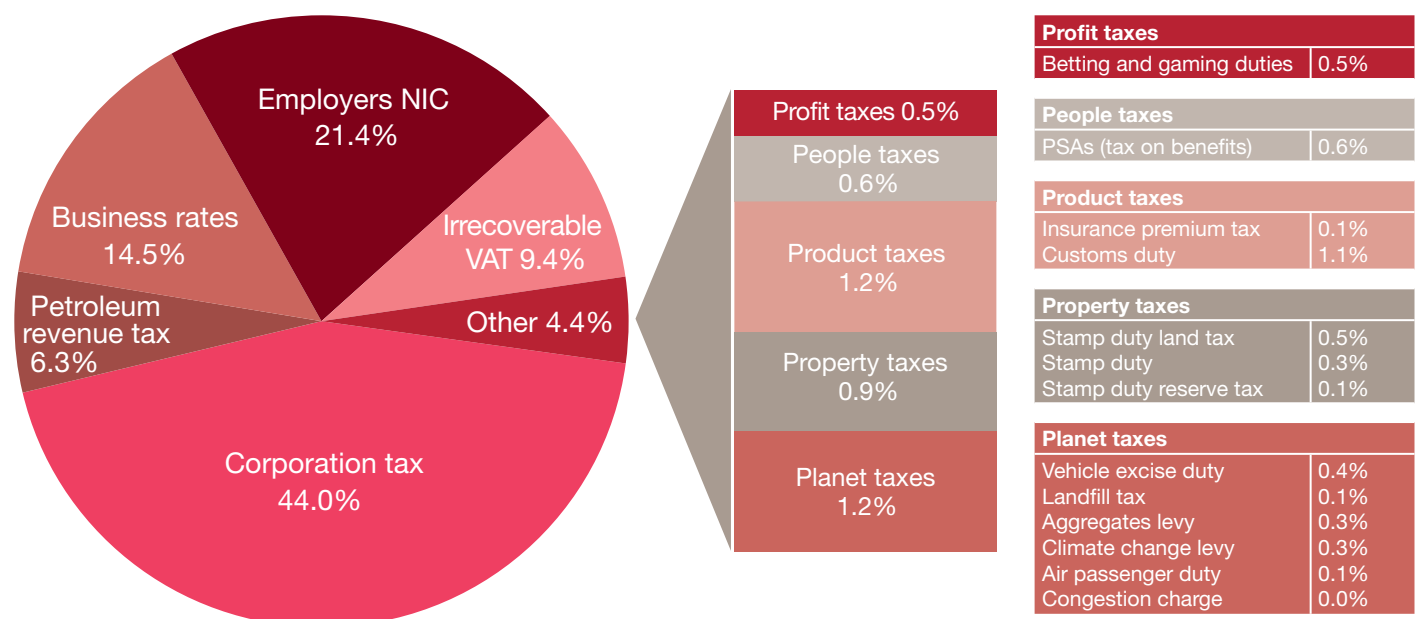
- Participants employed 5.8% of the total UK workforce, generating employment taxes borne and collected of £17.2bn.
- Extrapolating the survey data suggests that The Hundred Group as a whole contributed nearly a quarter of the UK's total corporate income tax receipts and had a TTC of £66.6bn – or more than one eighth of all government tax receipts.
- Corporate income tax is one of many different taxes that are paid by these companies. In 2009, it was just 44% of total taxes borne.

- Other large taxes borne include employee's national insurance contributions, business rates (local property taxes), irrecoverable VAT (mainly for financial services companies) and petroleum revenue tax (for oil and gas producing companies).

Put simply, for every £1 of corporate income tax paid by Hundred Group members, they paid another £1.27 in other taxes borne, plus £3.89 in taxes collected (see chart below).

Taxes borne by Hundred Group members

For every £1 of corporation tax, Hundred Group members paid another £1.27 in other taxes borne, plus £3.89 in taxes collected.



This chart shows total taxes borne by Hundred Group members by percentage.

Source: *Total Tax Contribution* – PwC LLP 2009 Survey for The Hundred Group

The Hundred Group members who take part in the surveys each receive an individual report on their TTC and they use this information about their own tax affairs in many different ways (see 'How companies are using their TTC data' below).

- Nearly half (48%) said they use the data to demonstrate the importance of all taxes, not just corporate income tax, within the company.
- Over a third (39%) use it to brief the board on UK taxes.
- Over a quarter (27%) use it in discussions with HM Revenue & Customs (HMRC) about their tax affairs or to lobby government for tax changes (26%).
- Around 10% use it in external stakeholder communications (11%) or corporate reporting (9%).

How companies are using their TTC data

To highlight internally the importance of other taxes, as well as corporation tax.	56%
To share with others in the company, such as our corporate responsibility, corporate reporting or external relations colleagues.	53%
To brief the board on UK taxes.	49%
In our discussions with HMRC/our client relationship manager about our tax affairs.	36%
To lobby for tax changes, either on our own or as part of a trade association/business group.	28%
In commercial discussions with government (for regulated industries or where government is a customer).	17%
In tax strategy and planning, or in tax risk management.	35%
In the management of our tax function.	28%
Benchmarking against our industry peers.	28%
In identifying areas/taxes for efficiency/cash savings.	26%
To assist the senior accounting officer sign off.	23%
In media releases or other communications with stakeholders to show our positive economic contribution.	14%
Included in our corporate reporting (either financial statements or corporate responsibility/sustainability report).	13%
In our PR/external relations generally.	10%

Table shows percentage of respondents.

Source: *Total Tax Contribution* – PwC LLP Survey for The Hundred Group

Leading examples

The rest of this publication reproduces extracts from the tax reporting of selected FTSE 350 companies, in alphabetical order, including winners or highly commended runners up in the Building Public Trust awards for tax reporting.

Anglo American plc FTSE 100 winner in 2009

As a company in the extractive industries, Anglo American says that the socio economic impact of the group is most significant in the developing world. Its absence could mean fewer sources of employment, income and therefore tax revenues.

Anglo American has a very informative and easy to read section on payments to governments in its Report to Society, which makes good use of charts and graphics. It discusses how it contributes to government revenues and therefore to government spending in its host countries. It

sets out its 'wider tax footprint', showing taxes borne and collected by country and how much it pays in the developing world.

In the report, Anglo American discusses important issues for its industry, including why governments may chose to offer incentives to attract investment and how all the different taxes paid and collected are generated over the life of a mining project.

1 Taxes borne and collected, country by country: developing countries 2009 (\$ million)



	Taxes borne	Taxes collected
South Africa	796	419
Chile	540	44
Brazil	111	34
Venezuela	29	2
Namibia	12	1
Others	13	6
% of total	52%	17%

Payments to governments

Government spending on social infrastructure, schools, roads, public services, conservation, and enforcement of laws relies on the revenues raised through taxes. Anglo American contributes to these taxes through payments in host countries around the world.

The socio-economic impact of the Group is most significant in regions of the developing world where our absence would mean fewer sources of employment, income and, therefore, tax revenues. Our influence in many local economies reaches significantly beyond our operations and employees, with direct and indirect benefits extending, for example, to businesses supporting the Group's operations.

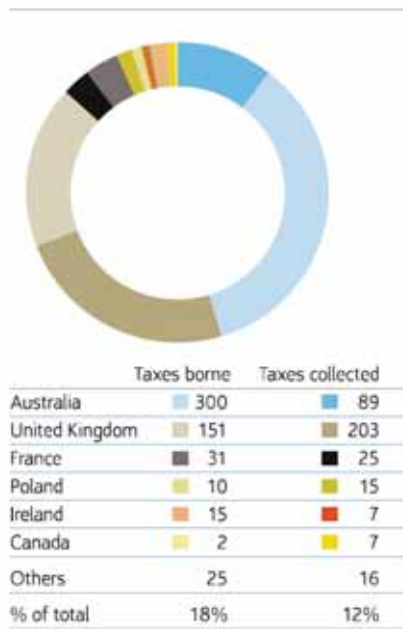
More than \$2 billion was paid directly to governments in taxes in 2009 (2008: \$2.9 billion). This included company taxes, employer taxes, royalties, transaction and other taxes. Refer to page 45 for a breakdown of taxes paid directly to governments by category and by region. In addition, as a result of its activities, Anglo American indirectly contributed \$0.9 billion in value-added tax (VAT) and employee taxes, which we collected on behalf of, and paid to, governments.

We believe that this wider tax footprint is a valid reflection of the tax contribution emanating from our activities. In addition, our associates' generated significant amounts of taxes on profits for the year, primarily in Africa, Colombia and Australia.

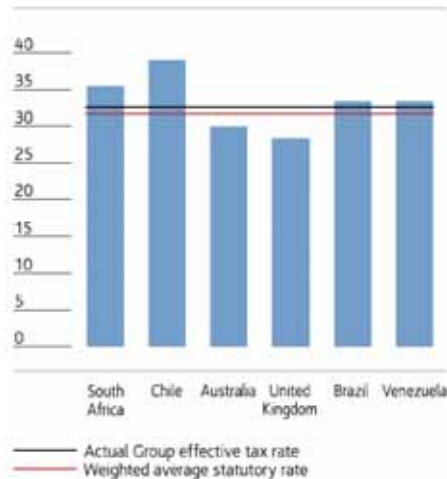
Many other indirect tax benefits arise as a result of Group operations, since our customers

1. Disclosure of taxes borne and collected by country, split between developing and developed countries.
2. Table and explanation of statutory tax rates in the main operating countries, the weighted average statutory tax rate and its relationship to the group effective tax rate.
3. Table explaining how taxes are generated over the life of a mining project.

Taxes borne and collected, country by country: developed countries
2009 (\$ million)



2 Weighted average statutory tax rate
2009 (%)



and suppliers also pay company, employee and other taxes.

Governments recognise the significant benefits that an economy can accrue through the responsible extraction of natural resources. Many provide incentives to attract investment, such as grants, special allowances, tax credits or tax/royalty holidays. They recognise that the incentives, which are also offered to other industries, indirectly enhance diversification of the local economy, increase the contribution of the manufacturing sector towards job creation and increase the country's gross domestic product. The tax impact of these benefits is reflected in the tax numbers included in this report.

Anglo American has a tax strategy that has been reviewed, endorsed by the Board, and is aligned with our long-term business strategy and Business Principles. This strategy, actively managed through a global team of tax professionals, is central to our tax governance, the management of reputational risk, and to ensuring that appropriate taxes are paid in each jurisdiction.

In addition to our association with the EITI, we endeavour to maintain constructive partnerships with tax authorities as this can result in the more timely resolution of any disputes and, in some cases, prevent disputes arising in the first place. In contrast, there are instances when we must challenge tax authorities in the best interests of the Group. One example is the litigation under EU law relating to the taxation of foreign-controlled subsidiaries.

The corporate tax charge in the Income Statement for the year was \$1.5 billion

(including an equity share of associates' tax). The effective rate of corporate taxation paid was 33.1% in 2009 (2008: 31.4%) and reflects our geographical mix of statutory tax rates. The cash corporation tax paid by the Group was also \$1.5 billion. Further analysis and reconciliation of tax data can be found in the Anglo American Annual Report and at www.angloamerican.co.uk.

Weighted average statutory tax rate

The statutory tax rates applicable in our main operating countries (see sidebar) are calculated on the basis of all profits being distributed out of the country by way of dividends.

Our profits (after certain tax adjustments prescribed by local tax legislation) are subject to these statutory tax rates, and our Group tax charge and effective tax rate are a function

of the resulting tax charges and the relative amounts of profits generated in each of the countries in which we operate.

The weighted average statutory tax rate represents the profits of the Group, multiplied by these statutory tax rates, ignoring the impact of any tax adjustments, and gives an indication of the effective tax rate to be expected given the countries in which we operate. For 2009 this comes out at 32%. The reported rate for 2009 was slightly higher at 33.1%, partly due to tax losses being generated in some countries, but no tax credit being recognised in the current year.

3 Taxes generated over the life of a mine

	Profitability	Taxes
Exploration	Operating and capital expenditure	Employee taxes, indirect taxes, and taxes paid by suppliers
Development	Operating and significant capital expenditure	Employee taxes, indirect taxes, and taxes paid by suppliers
Early production	Recovery of investment	... plus royalties
Full production	Net profit	... plus taxes on profit
Closedown	Closure and rehabilitation costs	As for exploration and development

BT Group plc

FTSE 100 highly commended runner up in 2009

BT is the UK's largest communications service provider. Its annual report has an open and helpful discussion of its tax affairs covering tax strategy, tax accounting and the group's total tax contribution in all UK taxes paid and collected.

In the section on tax in BT's Review of the Year, it sets out its board's involvement in tax strategy and planning and tells us that the majority of tax issues arise in the UK. BT talks about its positive working relationship with HMRC and how this has enabled BT to accelerate agreement of open

tax matters. It also discusses cash tax and how it reconciles to the tax charge, including the impact of settling all major open queries with HMRC in 2010.

BT also shows its contribution to the UK Exchequer, itemising the different taxes borne and collected and that it was ranked as the fourth highest contributor in the Hundred Group TTC survey for 2009.

1. Discussion of board involvement in tax strategy.
2. Discussion of relationship with HMRC.
3. Disclosure of total tax contribution in the UK and ranking in the Hundred Group survey.

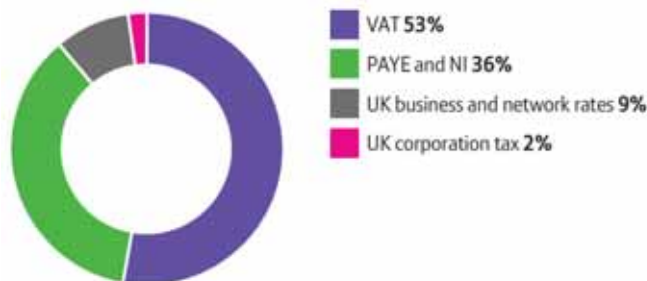
Taxation

Total tax contribution

3 BT is a significant contributor to the UK Exchequer, collecting and paying taxes of around £3bn in a typical year. In 2010 we collected and paid £1,299m of VAT, £896m of PAYE and National Insurance, £34m of UK corporation tax for the current year (in addition to receiving a £425m repayment in respect of overpayments and settlements of earlier years) and £226m of UK business and UK network rates.

Our total UK Exchequer tax contribution as measured in the Hundred Group Total Tax Contribution Survey for 2009 ranked BT the fourth highest contributor. The relative percentage contribution of the total tax payments made in 2010 is shown below.

2010 Percentage of total tax contribution



1 Tax strategy

Our strategy is to comply with relevant regulations whilst minimising the tax burden for BT and our customers. We seek to achieve this through engagement with our stakeholders including HMRC and other tax authorities, partners and customers.

The Board considers that it has a responsibility to minimise the tax burden for the group and its customers. In this respect the Board considers it entirely proper that BT endeavours to structure its affairs in a tax efficient manner where there is strong commercial merit, especially in support of customer initiatives, with the aim of supporting our capital or operational expenditure programmes and reducing our overall cost of capital. This planning is carried out within Board defined parameters. The Board regularly reviews the group's tax strategy.

We operate in over 170 countries and this comes with additional complexities in the taxation arena. To reduce those complexities we have implemented a simplified trading model for our BT Global Services division in accordance with OECD Transfer Pricing Guidelines.

The majority of tax issues arise in the UK with a small number of issues arising in our overseas jurisdictions. In terms of the group's UK corporation tax position, all years up to 2007 are agreed. For 2008 there is one minor open issue which we are discussing with HMRC with a view to resolving. The UK corporation tax returns for 2009 were all filed prior to the statutory deadline of 31 March 2010.

2 We have an open, honest and positive working relationship with HMRC. We are committed to prompt disclosure and transparency in all tax matters with HMRC. We recognise that there will be areas of differing legal interpretations between ourselves and tax authorities and where this occurs we will engage in proactive discussion to bring matters to as rapid a conclusion as possible.

Our positive working relationship with HMRC was demonstrated in 2007 and again in 2010 when we worked intensively with HMRC to accelerate the agreement of substantially all outstanding tax matters relating to the 2006, 2007 and 2008 tax years, resulting in a tax repayment of £215m and associated interest of £11m. In addition, in 2010 we were refunded £210m in respect of overpaid corporation tax in 2009 following the recognition of the contract and financial review charge in 2009.

We have a policy to lobby the UK Government directly on tax matters that are likely to impact our customers or shareholders and in particular respond to consultation documents where the impact could be substantial. We also lobby the UK Government indirectly through the CBI, various working groups and committees and leading professional advisors.

Tax accounting

At each financial year end an estimate of the tax charge is calculated for the group and the level of provisioning across the group is reviewed in detail. As it can take a number of years to obtain closure in respect of some items contained within the corporation tax returns it is necessary for us to reflect the risk that final tax settlements will be at amounts in excess of our submitted corporation tax computations. The level of provisioning involves a high degree of judgement.

In 2010 BT reached agreement with HMRC on all major open issues resulting in a cash repayment of £215m and the recognition of an overall net credit to the income statement of £230m. The tax charge arising on our 2010 profits of £245m is higher than our cash tax paid of £76m in the same period predominantly due to the current tax deduction available on our pension deficit payment of £525m and the phasing of UK corporation tax instalment payments.

In 2009 we paid cash tax in excess of the income statement charge. We were subsequently refunded £210m in 2010 primarily arising on the impact of the BT Global Services contract and financial review charges.

In 2008 the cash tax paid was lower than the income statement charge. This was partly due to the phasing of UK corporation tax instalment payments, the level of provisioning for risks, the taxation of specific items, the impact of deferred tax and the impact of overseas losses or profits which are relieved or taxed at different rates from that of the UK.

The effective corporation tax rate on our profit before specific items is expected to increase from 22%, the rate applicable to 2010. However, we believe that the future years' tax effective rate will remain below the statutory rate of 28%.

HSBC Holdings plc

FTSE 100

HSBC is a leading international and emerging markets bank. It has offices in 88 countries and provides services to customers in both mature and faster growing economies. A section in its Sustainability Report 2009 sets out the distribution of economic benefits to stakeholders. It explains that the most fundamental contribution HSBC makes to the economy, the environment and society is through delivering a robust business and sustainable revenues.

This allows HSBC to pay dividends to its shareholders, salaries to employees, payments to global suppliers and tax revenues to governments.

HSBC sets out its tax contribution, itemising cash taxes paid and collected by type of tax and how these figures differ from the tax charge reported in the Annual Report and Accounts 2009. It also shows a breakdown of the total tax paid by region.

1. Cash tax paid included in distribution of economic benefits.
2. Disclosure of cash tax paid and collected by type of tax.
3. Regional breakdown of total tax paid.

Distribution of economic benefits

The most fundamental contribution HSBC makes to the economy, the environment and society is through delivering a robust business and sustainable revenues. This allows us to pay dividends to our shareholders, salaries

to our employees, payments to our global suppliers, and tax revenues to governments in the countries and territories where we operate. We also contribute around US\$100 million annually to community investment projects around the world.

DISTRIBUTION OF ECONOMIC BENEFITS

1

		2009	2008	2007
Net cash tax outflow	US\$b	5.2	*	*
Distributions to shareholders and minority interests	US\$b	5.6	11.3	10.2
Employee compensation and benefits	US\$b	18.5	20.8	21.3
General administrative expenses including premises and procurement	US\$b	13.4	15.3	15.3

* New metric for 2009

Tax contribution

In 2009, the Group's net cash tax contribution was US\$5.2 billion. The amount differs from the tax charge reported in the income statement in the HSBC Holdings plc *Annual Report and Accounts 2009*. This is owing to taxes being included in pre-tax profit, the timing of payments and the effect of tax being deferred.

The table below shows cash tax paid in 2009.

In the USA, we received net cash back of US\$1.6 billion as a result of carrying back our 2008 losses for tax purposes.

2

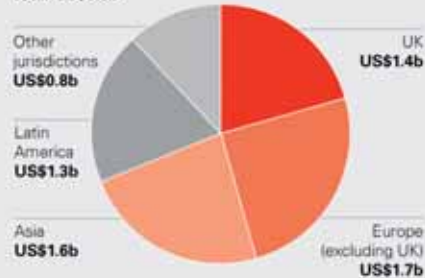
HSBC'S NET CASH TAX CONTRIBUTION

	US\$b
Tax on profits	3.6
Employer taxes	1.3
Value added tax	0.7
Other duties and levies	1.2
Total	6.8
Tax refund	1.6
Net cash tax outflow	5.2

HSBC also plays a major role as tax collector for governments in the jurisdictions in which we operate. In 2009, we collected US\$7.3 billion in taxes.

BREAKDOWN OF TOTAL TAX PAID BY REGION 2009

Total US\$6.8b



3

TAX COLLECTED FOR GOVERNMENTS

	US\$b
Taxes deducted from customer interest	2.8
Employees' tax on pay	2.6
Value added tax	1.0
Stamp duty and other taxes	0.9
Total	7.3

Source: HSBC Holdings plc Sustainability Report 2009, pages 4 and 5.

Kazakhmys PLC

FTSE 100 highly commended runner up in 2010 and winner in 2008

Kazakhmys is a copper producing company with key operations in Kazakhstan. It explains that as the tax legislation in Kazakhstan has been in force for a relatively short period of time, and is subject to uncertainties of application and inconsistent enforcement, tax risks in Kazakhstan are much greater than typically found in countries with more developed tax systems.

There is a clear and informative discussion on tax in Kazakhmys' Annual Report and Accounts, explaining the major changes in Kazakh legislation in the year and

its impact on the tax charge. These include the introduction of a new mineral extraction tax and new transfer pricing legislation which both came into effect on 1 January 2009.

Kazakhmys sets out its numbers very well, including the calculation of an 'all-in effective tax rate', as a more representative tax rate on the recurring profits. It talks about how future tax charges will be affected by further changes in Kazakhstan, shows cash tax in relation to the charge and discloses its total tax contribution and taxes paid and collected by country.

Taxes paid/(received) directly to/by governments by category and region

\$ million	Central Asia ¹	UK	Germany	2009 total	2008 total
Taxes paid/(received)					
Corporate income taxes (including excess profit tax)	167	(23)	–	144	621
Mineral extraction tax	120	–	–	120	–
Payroll taxes (employer's obligations)	37	1	10	48	57
Customs and stamp duties	23	–	–	23	49
Taxes on properties	25	–	–	25	26
Royalties and environmental payments	57	–	–	57	46
Miscellaneous taxes	3	–	–	3	3
	432	(22)	10	420	802
Taxes collected and remitted					
Withholding taxes on dividends, interest, services	13	–	–	13	4
Payroll taxes (employee's obligations)	62	5	17	84	55
	75	5	17	97	59
Total	507	(17)	27	517	861

¹ Includes Kazakhstan and Kyrgyzstan

Source: *Kazakhmys PLC Annual Report and Accounts 2009*, Directors' Report: Business Review, pages 39 and 44.

1. Discussion of tax strategy and risk management, including the governance processes.
2. Calculation and discussion of 'all-in effective tax rate'.
3. Table showing tax charge and cash tax cost.

All-in effective tax rate 2

The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account the impact of the MET and removes the impact of special items and non-recurring items on the Group's tax charge. The all-in effective tax rate has also excluded the impact of the hedging gains and losses in 2008 and 2009, respectively, given that these are not expected to arise in the future.

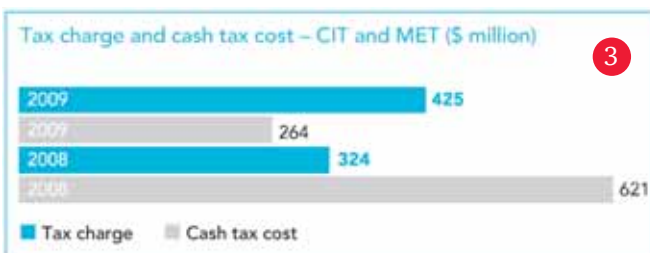
\$ million (unless otherwise stated)	2009	2008
Profit before tax from continuing operations	1,028	1,144
Add: mineral extraction tax	164	–
Add/(less): hedging losses/(gains)	129	(143)
Add: special items	88	366
Less: foreign exchange gain arising from devaluation of Kazakhstan tenge	(336)	–
Less: share of profits from associate	(223)	(255)
Adjusted profit before tax from continuing operations	850	1,112
Income tax expense	261	324
Add: mineral extraction tax	164	–
(Less)/add: tax effect of special items, hedging losses/gains, and foreign exchange gain arising on devaluation of Kazakhstan tenge	(64)	11
Adjusted tax expense from continuing operations	361	335
Effective tax rate (%)	25.4	28.3
All-in effective tax rate (%)¹	42.5	30.1

¹ All-in effective tax rate is calculated as the income tax expense plus the MET and removing the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for the MET, hedging gains/losses, special items and other non-recurring items and the share of profits from the associate.

Whilst the effective rate of tax for 2009 was 25.4% compared to a rate of 28.3% in the prior year, the all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's managed businesses, was significantly higher at 42.5% compared to 30.1% in 2008 primarily as a result of the introduction of the MET.

During periods of low copper prices, the all-in effective tax rate is significantly higher than the effective tax rate as the MET is determined largely independently of the profitability of operations. However, as both the copper price and profitability of operations increase, the all-in effective tax rate decreases as the impact of the MET lessens, given its revenue-based nature. Whilst higher copper prices result in a higher absolute amount of taxes being levied, the all-in effective tax rate decreases.

Future tax charges are materially affected by the application of different taxes and tax rates in Kazakhstan. Although new tax legislation, effective from 1 January 2010, freezes the CIT rate within Kazakhstan at 20% for the years 2010-2012, with a phased reduction in rates of 17.5% for 2013 and 15% for 2014 and beyond, higher levels of MET will offset the benefit arising from the lower CIT rates. As explained above, the Group's all-in effective tax rate will be dependent on copper prices in the future given the nature of MET.



TAXATION 1

Tax strategy and risk management

The Group is subject to taxation in the UK and the various foreign countries in which it operates. Tax legislation of the jurisdictions in which the Group operates differs and is subject to interpretation by management and the government authorities, and as such, creates a risk of non-compliance with specific tax requirements. Whilst the Directors believe that the Group is in substantial compliance with tax legislation and contractual terms entered into that relate to tax, the absence of established case history, the complexity and judgemental nature of tax legislation in certain jurisdictions result in additional risk for the Group. Specific areas of interpretation include the determination of the mineral extraction tax expense for each subsoil contract, the applicability of excess profits tax to the Group's mining and processing operations and the structuring of cross border transactions, particularly in respect of the application of transfer pricing policies.

The Group's core objectives in managing and controlling its tax affairs and related tax risks are as follows:

- ensuring compliance with applicable rules and regulations in the jurisdictions in which the Group operates; and
- structuring the business in the most efficient and transparent manner with the emphasis being on the maximisation of shareholder value.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risks, and has therefore adopted a tax strategy, which has been approved by the Board, that is aimed at achieving the objectives, thereby aligning it with the Group's long-term strategy:

- the Group's tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Chief Financial Officer who reports them to the Audit Committee on a regular basis;
- significant tax risks, implications arising from those risks and potential mitigating actions are considered by the Board when strategic decisions are being taken;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the half year and annual effective tax rate and the composition of the tax charge are reviewed by the Audit Committee as part of their remit in reviewing the half-yearly and annual reports;
- the Group builds an equitable relationship with the tax authorities in the jurisdictions in which it operates;
- the Group takes appropriate tax advice from reputable professional firms;
- where disputes arise with government authorities with regard to the interpretation and application of tax legislation, the Group is committed to addressing the matter promptly and resolving the matter with the relevant tax authority in an open and constructive manner; and
- the Group employs professional tax managers within the corporate head office and the operating businesses, and provides ongoing technical training to them.

Pennon Group Plc **FTSE 250 winner 2010**

Pennon Group is a leading UK provider of essential regulated services including water and sewage, waste management and recycling. With a high capital investment programme, taxes are a material risk and landfill tax is a major operating cost.

Pennon has a clear and concise section on tax in its Business Review, covering tax strategy, the tax charge and its total tax contribution. It lists all the

different taxes it incurs, itemising the amounts and explaining how they impact the company's results.

Tax and the misallocation of capital expenditure otherwise qualifying for capital allowances are shown as a material tax risk. The tax note explains the major impact in the prior year of the phasing out of industrial building allowances.

1. Discussion of tax strategy.
2. Capital allowances identified as a material tax risk.
3. Explanation of all the taxes paid and their impact on profit.

1

TAXATION OBJECTIVES AND POLICIES

Pennon Group's tax strategy is to enhance shareholder value by legally minimising taxes whilst having regard to the longer-term relationships with the taxing authorities. The Group will consider bona fide business arrangements which qualify for tax exemption or tax relief.

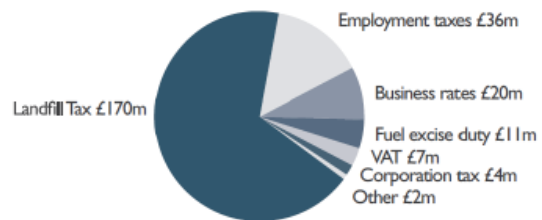
The Group made a net payment of £4 million for UK corporation tax in the year (2009 £31 million). The significant reduction in the net payment, compared to the prior year, is due to refunds received from HMRC arising on the reassessment of payments made in previous years.

The UK corporation tax charge of £43 million was less than the charge which would have arisen from the accounting profit of £184 million taxed at the statutory corporation tax rate of 28%. A reconciliation is provided in note 9 to the financial statements.

3

The Group's total tax contribution extends beyond the corporation tax charge. A variety of taxes are incurred by the Group:

TAX CONTRIBUTION 2009/10



Total taxes amounted to £250 million, of which £43 million was collected on behalf of the authorities for net VAT and employee payroll taxes.

- The most significant taxes involved and their profit impact were:
- landfill tax of £146 million was accounted for by the Group on behalf of HMRC. Landfill tax is an operating cost which is chargeable to customers in turnover. In addition the Group incurred landfill tax of £24 million on the disposal of waste to third parties. This element is an operating cost for the Group and reduces profit before tax
 - Value Added Tax (VAT) of £7 million (net) was collected by the Group and paid to the taxation authorities. VAT has no material impact on profit before tax
 - business rates of £20 million were paid during the year to local authorities. These are a direct cost to the Group and reduce profit before tax
 - employment taxes of £36 million included employees' 'Pay As You Earn' (PAYE) and total National Insurance Contributions (NICs). Employer NICs of £9 million were expensed around 93% to operating costs and around 7% capitalised to property, plant and equipment
 - Fuel Excise Duty of £11 million related to transport costs. This reduced profit before tax.

2

PENNON'S PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Commentary and mitigation
TAXATION	A material tax risk for the Group is the possibility that the capital expenditure qualifying for capital allowances is mis-allocated or categorised incorrectly, resulting in under-claims or over-claims of tax reliefs. Professional tax consultants are employed with experience of analysing the types of specialist assets involved.

Source: Pennon Group Plc Annual Report and Accounts 2010, Business Review, pages 30 and 31.

QinetiQ Group PLC

**FTSE 250 highly commended runner
up 2010**

As a defence contractor, QinetiQ operates in a highly regulated environment and any failure to comply with particular regulations could result in fines and penalties, debarment from government contracts or damage to the reputation of the brand. The group makes it clear that tax is managed in alignment with QinetiQ's corporate strategy and its core value of integrity in all business dealings.

Tax is well covered in the annual report, including tax strategy and risk management, principal risks and uncertainties and governance.

QinetiQ also sets out its numbers well, showing an underlying effective tax rate which backs out the effect of acquisition, amortisation and specific non-recurring items and factors affecting the future rate.

1. Disclosure of tax strategy and principles.
2. Calculation of underlying effective tax rate.
3. Factors affecting the future charge.

3

Taxation

The Group's underlying effective tax rate* was 15% (2009: 20.5%). The reduction on prior year is due to the combination of the cessation of equity accounted losses of Cody Gate Ventures and certain favourable outcomes and settlements to date, coupled with lower reported profits in QinetiQ North America. The Group continues to benefit from the availability of research and development relief and in future years, the Group will benefit from enacted tax law changes having an impact on US State taxes. Overall, the Group effective tax rate is not anticipated to rise significantly in the medium term, subject to any future tax legislation changes.

1

Tax risk management

The central principle of QinetiQ's tax strategy is to manage effective and cash tax rates whilst fully complying with relevant legislation. Tax is managed in alignment with the corporate strategy and with regard to QinetiQ's core value of integrity in all business dealings. These principles are applied in a responsible and transparent manner in pursuing the Group's tax strategy and in all dealings with tax authorities around the world.

2

7. Taxation

all figures in £ million	2010 Before acquisition amortisation and specific non- recurring items	2010 Acquisition amortisation and specific non- recurring items	2010 Total	2009 Before acquisition amortisation and specific non- recurring items	2009 Acquisition amortisation and specific non- recurring items	2009 Total
Analysis of charge						
UK corporation tax	-	-	-	-	-	-
Overseas corporation tax	16.7	(8.8)	7.9	2.9	(5.8)	(2.9)
Total corporation tax	16.7	(8.8)	7.9	2.9	(5.8)	(2.9)
Deferred tax	(3.6)	(6.9)	(10.5)	23.1	(0.5)	22.6
Deferred tax in respect of prior years	(0.2)	-	(0.2)	0.7	-	0.7
Taxation (credit)/expense	12.9	(15.7)	(2.8)	26.7	(6.3)	20.4
Factors affecting the tax charge in year						
The principal factors reducing the Group's current year tax charge below the UK statutory rate are explained below:						
(Loss)/profit before tax	85.7	(151.8)	(66.1)	130.2	(16.2)	114.0
Tax on (loss)/profit before tax at 28% (2009: 28%)	24.0	(42.5)	(18.5)	36.4	(4.5)	31.9
Effect of:						
Expenses not deductible for tax purposes, research and development relief and non-taxable items	(19.6)	29.4	9.8	(17.8)	(0.1)	(17.9)
Unprovided tax losses of overseas subsidiaries, joint ventures and associates	(0.1)	-	(0.1)	1.4	-	1.4
Movements in unrecognised deferred tax assets in respect of tax losses	6.1	-	6.1	0.7	-	0.7
Deferred tax in respect of prior years	(0.2)	-	(0.2)	0.9	-	0.9
Effect of different rates in overseas jurisdictions	2.7	(2.6)	0.1	5.1	(1.7)	3.4
Taxation (credit)/expense	12.9	(15.7)	(2.8)	26.7	(6.3)	20.4

The effective tax rate on acquisition amortisation and specific non-recurring items in 2010 is lower than the Group rate as most of the elements do not attract tax relief. The tax rate on acquisition amortisation and specific non-recurring items in 2009 exceeds the overall Group tax rate as it primarily relates to items subject to the higher US tax rate.

Factors affecting future tax charges

The effective tax rate continues to be below the statutory rate in the UK primarily as a result of the benefit of research and development relief in the UK. The effective tax rate is expected to remain below the UK statutory rate in the medium term, subject to any future tax legislation changes.

Source: QinetiQ Group PLC Annual Report and Accounts 2010, Group Summary, page 13, CFO's Review, page 15, Taxation note, page 60.

The Rank Group Plc

FTSE 250 highly commended runner up in 2010 and winner in 2009

The Rank Group is a leading European gaming and betting company. Tax on gaming is a key business issue for the company and it's identified as a significant business risk in the group's Annual Report. Tax is mentioned in the opening paragraphs of the Chief Executives Review and throughout the Director's Report, which also includes a two page section called the Tax Fact File.

The Tax Fact File is a comprehensive and easy to follow explanation of how tax impacts the industry and the group, and the main tax issues that the group faces. Rank explains how

the different forms of betting and gaming are taxed and the changes to gaming tax in the UK during 2009 and proposed changes for 2010. It talks about its lobbying activities and has published its submissions to HM Treasury for a root and branch reform of gaming tax.

In the Tax Fact File, Rank also discusses its effective tax rate and cash tax rate and how it expects these to perform in 2010. It also provides useful tables, e.g. summarising the status of a number of claims to HMRC for overpaid VAT.

1 UK tax regime			
	Gaming duty/Gross profits tax	VAT*	AMLD (annual)
Bingo			
Main stage bingo	22% (20%)**	–	–
Interval bingo	22% (20%)**	–	–
Category B3 gaming machines	–	17.5%	£2,215
Category C gaming machines	–	17.5%	£830
Casino			
Casino games and poker	15% – £0 to £1,929k	–	–
(tax on gaming win in a six month period)	20% – £1,929k to £3,259k		
	30% – £3,259k to £5,588k		
	40% – £5,588k to £10,503k		
	50% – over £10,503k		
Category B1 gaming machines	–	17.5%	£2,815
Interactive***			
Sports betting	15%	–	–
Gaming (casino, bingo, poker)	15%	–	–

* The VAT rate was 15% throughout 2009 and reverted to 17.5% on 1 January 2010.
 ** The rate of bingo duty was increased from 15% to 22% on 30 April 2009. In the 2009 Pre-Budget Report it was announced that duty rate would reduce to 20% although the exact date of implementation in 2010 has not been published.
 *** Rank's Interactive business is based offshore (Alderney, Channel Islands) and is not subject to this taxation.

2 VAT reclaims			
Claim	Period	Amount	Status
Overpayment of output VAT on interval bingo	2003-2008	£59.1m	Money received but HMRC is appealing. Court of Appeal case to be heard in April 2010.
Overpayment of output VAT on machine income	2002-2005	as much as £26m	Tribunal ruling in Rank's favour and repayment requested from HMRC. Appeal by HMRC to be heard at Court of Appeal in April 2010.
Incorrect introduction of 3 year cap on VAT reclaims	various	not known at present	Claims lodged awaiting HMRC validation of calculations.
Overpayment of output VAT on interval bingo impacted by 3 year cap on VAT reclaims	1980-1996	as much as £35m	Claim lodged awaiting HMRC validation of calculations.
Overpayment of output VAT on main stage bingo	2004-2009	as much as £16m	Claim lodged awaiting HMRC validation of calculations.

Source: The Rank Group Plc Annual Report and Financial Statements 2009, Tax Fact File, pages 38 and 39.

Tax fact file

– Taxation –

Rank made a significant contribution to the British economy in 2009 through tax and employment, as well as benefiting the economies of Spain, Belgium and Alderney through businesses based or operating in those territories

Great Britain is Rank's principal market. Our bingo clubs and casinos in England, Scotland and Wales account for more than 80% of Group revenue and operating profit (before central costs).

The Group's businesses generated £146.8m (2008: £150.2m) for the Exchequer and local government in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. The broader impact of Rank's operations, including taxes paid by supplier companies and the economic consequences of providing employment to more than 7,000 people in the UK, is harder to quantify but no less significant.

In 2009, the amount of VAT and gambling duties generated by Mecca Bingo and Grosvenor Casinos was 5% lower than in 2008, while aggregate revenue from the two businesses (excluding the two Belgian casinos) rose by 4%. We paid 22% of our gross revenue across to central government in VAT and gaming taxes (2008: 24%). The marginal reduction results from the temporary lower rate of VAT and bingo income no longer being liable to VAT.

Changes to gaming taxation

During 2009 there were a number of changes to UK gaming taxation, with increases for bingo, casino card room games (e.g. poker) and gaming machines.

The rate for bingo was increased from 15% to 22% and the application of VAT was rescinded (see details on Linneweber claims below). The net effect of these two changes caused an increase in taxation for the licensed bingo clubs industry. After intensive lobbying by the Bingo Association, HM Treasury announced in its 2009 Pre-Budget Report that it would amend the rate to 20% from the time of the 2010 Budget.

The other change in the 2009 Budget was the inclusion of card room games within the casino gaming duty regime and the removal of VAT. This change meant that in some cases the taxation of card room games migrated from a 15% rate of VAT to a 50% rate of gaming duty.

Lastly, the rates of Amusement Machine Licence Duty ('AML'D') were increased by approximately 9%. Rates of gaming taxation at February 2010 are shown in the table on page 39.

Gaming taxes in 2010

In addition to the changes to gaming taxation in 2009, HM Treasury consulted on a "tax neutral" restructuring of the duty regime for gaming machines. While no final decision has yet been announced, the Government has proposed the replacement of AML'D and VAT with a single rate of duty. Rank participated in the consultation process, stating that the rate of duty would need to be set at 15% in order to achieve neutrality.

In response to the increasingly volatile nature of the way that the industry is taxed, Rank has proposed a root and branch reform of gaming taxation. In a submission to HM Treasury, DCMS and the shadow teams, Rank has proposed that the current patchwork quilt of gambling taxes be replaced with a single rate of duty. The submission, which was prepared with the assistance of Ernst & Young LLP, suggests that a single rate of duty would generate more sustainable income for the Exchequer, reduce administration costs and provide greater support for the Government's social policies.

Rank's submissions to HM Treasury are available from www.rank.com.

Effective tax rate 3

The Group's effective corporation tax rate is 29.0% (2008: 29.9%) based on a tax charge of £14.0m on adjusted profit before taxation and exceptionals of £48.5m. This is lower than the anticipated effective tax rate of 30% to 33% as a result of prior year adjustments arising in the UK and Spain following the successful resolution of a number of historical issues. The effective tax rate is expected to increase to around 30% in 2010. Further details on the taxation charge are provided in note 6.

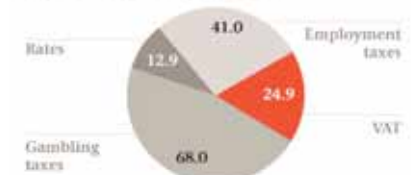
Cash tax rate

The Group had a number of tax refunds in the year, resulting in an effective cash tax rate of -8.9% on adjusted profit. A refund was received in the Netherlands as a result of the carry-back of losses

1. Table showing how the UK tax regime taxes different forms of gaming.
2. Table summarising the status of VAT reclaims.
3. Discussion of effective tax rate and cash tax rate, including expected rates for 2010.

Tax generated 2009

£146.8m



Tax generated 2008

£150.2m



which arose on the liquidation of a subsidiary. Tax refunds were also received in the UK and US following the successful resolution of historical issues. The Group is expected to have a cash tax rate of around 5% in 2010, excluding any tax payable on the resolution of a number of legacy or exceptional issues.

SABMiller plc

FTSE 100 highly commended runner up in 2010

SABMiller is one of the world's largest brewers with operations across six continents. Regulatory change (including tax) is identified as a principal business risk in SABMiller's Sustainable Development Report. This is in the context of increasing pressure from regulators, CSOs and tax authorities as the debate about alcohol consumption continues in many markets.

There is good coverage of tax in its Sustainable Development Report, including its tax strategy and relationships with tax authorities, with a focus on transparency, recognising "...widespread and legitimate interest in ... our contribution to government finances through taxation."

SABMiller shows the direct economic value generated by its business and how this is distributed to its shareholders, including taxes paid to government.

Through our activities we make a valuable contribution to the local, regional and global economy in which we operate

Contributing to economic growth

SABMiller has operations in over 75 countries, operates 88 breweries and 43 bottling plants. SABMiller group companies directly employ over 70,000 people with many more in associate business ventures. The economic impact of our business is significant, stretching far beyond the boundaries of our own operations through our value chain of suppliers, contractors, distributors and retailers around the world.

Transparency on taxation

We realise that there is widespread and legitimate interest in the amount we contribute directly to economies locally, regionally and globally, and particularly, in our contribution to government finances through taxation. We recognise that the indirect social impact of our activities will be greater, due to the fiscal economic multiplier effect arising from company, employee and other taxes paid by our customers and suppliers.

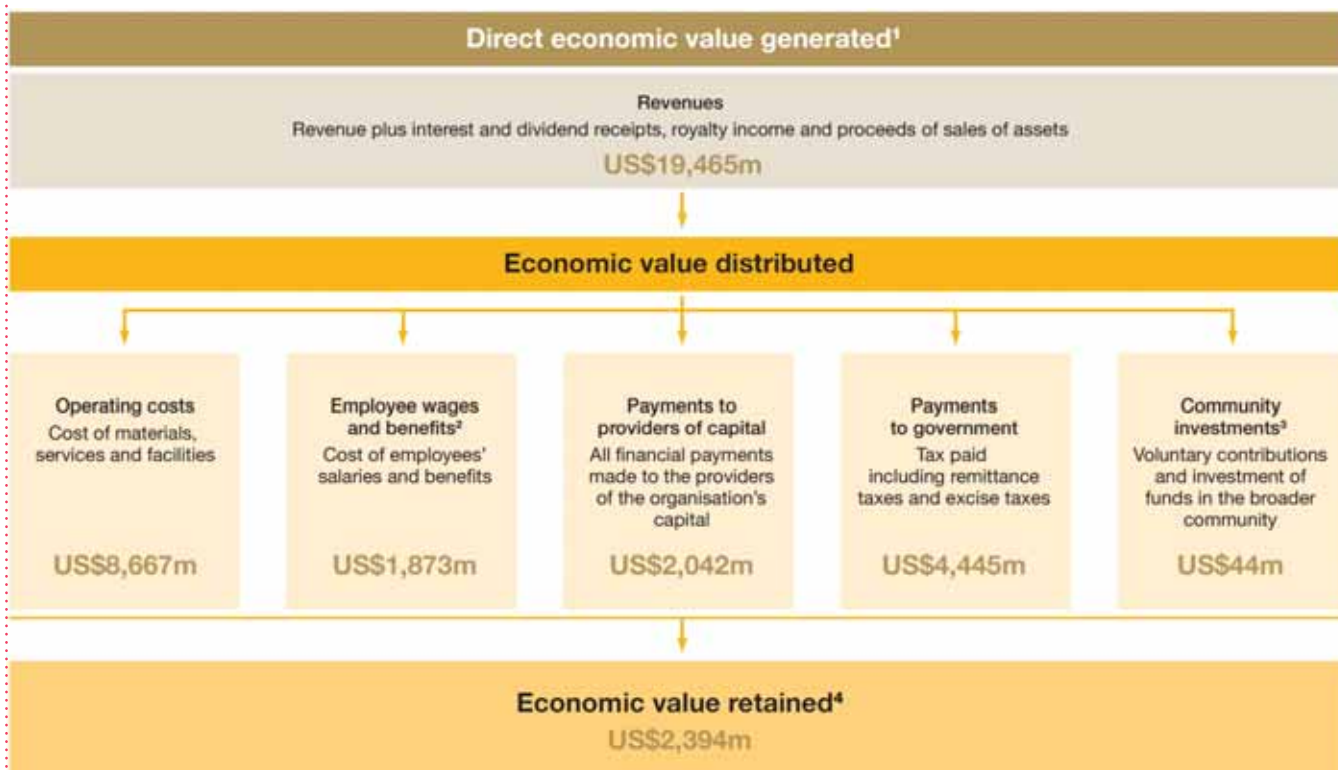
In the year SABMiller generated over US\$19,400 million in terms of economic value, which is distributed among its stakeholders or retained in the business (as shown in the diagram below).

1 Our strategy is to manage all taxes to provide a sustainable and competitive outcome. This includes appropriate oversight and protection of our financial and reputational risk. We're committed to developing constructive and transparent relationships with the tax authorities wherever we operate. We believe this approach benefits our shareholders by providing greater certainty about current and potential tax liabilities.

1. Discussion of tax strategy and relationship with the tax authorities.
2. Disclosure of the direct economic tax distribution to government in taxes borne of US \$4.4 billion and total taxes borne and collected of US \$7 billion.
3. Split of taxes paid between developed countries and developing countries.

Our direct economic tax distribution to governments during the past year was US\$4.4 billion, which includes remittance and excise taxes paid. However, including our share (based on our equity interest) of our US joint venture's taxes, transactional taxes and taxes borne by employees, the total tax contribution collected and remitted by the group was just under US\$7 billion.

3 We consider that this wider tax footprint is an appropriate indication of the tax contribution from our operations. This amount is split between developed countries (23%) and developing countries (77%) and notably, in both Colombia and South Africa, we contributed over US\$1 billion in taxation to those governments' revenues.



1 This table is constructed based on data contained within the 2010 SABMiller Annual Report and follows guidance recommended by the Global Reporting Initiative (GRI EC1).
 2 Excludes share option charges, includes employer taxes and social security contributions.
 3 Includes cash donations, value of gifts in kind and time donated, and management costs of CSI activity (see page 26).
 4 Value retained to fund future capital expenditure and acquisitions.

Vodafone Group Plc

FTSE 100 winner in 2010 and in 2007

Vodafone is a world leader in communications services and has markets in Europe, Africa and Asia Pacific. In its Sustainability Report, Vodafone identifies tax as one of its most material sustainability issues, along with issues such as employee health and safety and climate change. In its 'materiality matrix', tax is shown as being high in terms of influence on business success and financial or reputational impact on its business.

Vodafone uses the same framework to report targets and performance on tax as for its other material sustainability issues. This is intended to demonstrate integrity and build trust with stakeholders. It uses a framework of 'We said', 'We have', 'We will'.

Out of all the companies we've reviewed, Vodafone is the most transparent about its tax affairs. It publishes additional documents on its website, including a Vodafone Group Tax Code of Conduct and Tax Risk Management Policy, which make up the most detailed and extensive disclosures.

Tax

1 We said...

- We would roll out the new tax risk management framework across the Group and continue to maintain high visibility at Board/Audit Committee level of tax risks
- We would continue to contribute to the debate to shape tax policy with a particular focus on our emerging market territories
- We would achieve greater clarity, certainty and transparency in relation to our tax affairs by further enhancing our relationships with tax authorities in the territories in which we operate

We have...

Generated more than £9 billion of tax contributions globally

In 2009/10, Vodafone paid £2.7 billion in taxes globally. This includes corporation tax and social security in all our local markets. Our business also generates other tax contributions (see chart), which, combined, amount to more than £9 billion every year.

2 Contributed to the development of tax policy around the world

We comply with tax laws in all our local markets. Vodafone aims to influence tax policy to encourage the development of competitive tax regimes that promote business and economic activity. In 2009/10, we developed a framework to evaluate tax policy developments that are relevant to Vodafone globally and to help us determine if and how we will engage with governments and tax authorities in response. We will roll out the framework in 2010/11.

In the UK, we remain engaged in consultation regarding the taxation of foreign profits, and Vodafone continues to support the [Oxford University Centre for Business Taxation](#). Our Group Head of Tax Strategy and Policy was appointed to the Board of the Confederation of British Industry's Tax Committee in 2009/10. Through its CFO, Vodafone Spain is participating in the Large Business Forum, established by the Spanish tax authorities in 2009/10.

Rolled out Vodafone's new Tax Risk Policy

Vodafone's [Tax Risk Policy](#), developed in 2008/09, is designed to ensure tax risks – financial and reputational – are assessed, tracked, recorded and managed consistently across the Group. It was rolled out to our local tax teams in 2009/10.

Revised our Corporate Finance Team Behaviours

In 2009/10, we revised our [Corporate Finance Team Behaviours](#) (formerly Tax Team Behaviours) to ensure they align with The Vodafone Way (see people, page 48). The Corporate Finance Team Behaviours promote transparency on tax and finance issues, and encourage employees to communicate, innovate and work together more effectively.

We will...

- Roll out our new framework for evaluating tax policy developments globally **by March 2011**
- Enhance employees' understanding of our customers (including internal tax customers) and ensure they promote The Vodafone Way **by March 2011**
- Engage broadly and constructively with governments and tax authorities globally as they develop their fiscal response to challenging economic conditions

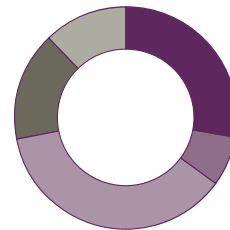
1. 'We said', 'We have', 'We will', reporting framework.
2. Discussion of lobbying to influence tax policy.
3. Disclosure of more detailed documents on their website.

Operations

Introduction and strategy
 Mobiles, masts and health
 Health and safety
 People
_ Tax

← 14 of 14 →

Tax revenues at Vodafone (%)



Corporation tax	28%
Income tax paid by employees	7%
VAT paid by customers	37%
Telecommunications taxes	16%
Other	12%

Susan Symons, Tax partner, PricewaterhouseCoopers

Building Public Trust Awards
 PricewaterhouseCoopers' Building Public Trust Awards recognise trust and transparency in corporate reporting. In 2009/10, Vodafone was nominated and highly commended for Tax Reporting.

"The judges liked the clear link between tax and Vodafone's corporate responsibility principles and the use of the same framework to report on tax as on other corporate responsibility issues. The judges noted the line of sight from tax strategy all the way down to individual tax team behaviours and liked the discussion of how the Board is engaged on tax matters."

More on the web

www.vodafone.com/responsibility:

- Group Tax Code of Conduct
- Tax risk management policy
- Corporate Finance Team Behaviours
- Contributing to the debate to shape tax policy

Recent publications

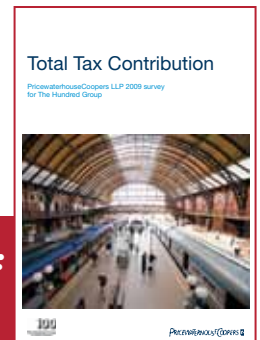
Total Tax Contribution: PwC Global study for the mining sector

Published June 2010



Total Tax Contribution: PwC 2009 survey for The Hundred Group

Published February 2010



Paying Taxes 2011: The Global Picture

Published jointly with the World
Bank November 2010



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Tax BD&M – at594 (11/10)