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Improving transparency and disclosure

Good practice reporting by portfolio companies

Private Equity Reporting Group

The Guidelines for Disclosure and Transparency in Private Equity

March 2017

Contents

Introduction

The objective of this guide is to assist private equity owned portfolio companies to improve the transparency and disclosure in their financial and narrative reporting by highlighting good practice examples.

The Private Equity Reporting Group (the ‘Group’) was established to monitor conformity of the UK private equity industry with the Guidelines for Disclosure and Transparency in Private Equity (the ‘Guidelines’). The Guidelines resulted from an independent review of the adequacy of disclosure and transparency of reporting by private equity owned companies undertaken by Sir David Walker at the request of the British Private Equity and Venture Capital Association (‘BVCA’). The Group is also responsible for making recommendations to the BVCA for changes to the Guidelines as needed.

After consultation with the market, the Guidelines were refreshed for the first time following the implementation of The Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 (the ‘Strategic Report Regulations’). The Group has taken the view that the Guidelines should be aligned with the requirements for quoted companies, with a few exceptions, in order to continue to meet our ambition for large private equity corporate reporting to be at the level of the best in the FTSE250.

In setting out the Guidelines for Disclosure and Transparency in Private Equity revised July 2014 (‘the Guidelines’) we have continued to make it clear which areas are specific to the Guidelines due to private equity ownership, which would be required by large private companies in any case, and which areas are incremental due to our aspiration of matching the standard of quoted company reporting. Our ninth report on compliance with the Guidelines, and the second since the Guidelines were refreshed, was issued in December 2016.

The Group has commissioned PwC to produce this guide to illustrate how the Guidelines should be implemented and to share examples of good practice to encourage the adoption of good practice across all aspects of reporting. They are not a comprehensive analysis of how any individual company complied with any particular guideline criterion, but to illustrate different attributes and styles of reporting that have been determined to have at least some of the good practice qualities.

The areas covered by the Guidelines reflect in part the increased focus from the readers of annual reports and in legislation impacting the majority of companies, such as the Modern Slavery Act 2015 and the regulations on Mandatory Gender Pay Gap reporting. There continues to be support and guidance offered to assist those preparing corporate reporting and as an example the Financial Reporting Council’s Financial Reporting Lab issued the key attributes and approaches to reporting business models that investors want to see in companies’ reports in December 2016.

In light of the recent decline of trust in business and the resulting review by the Government into corporate governance, the Guidelines continue to play a vital role in promoting the UK private equity industry as transparent and stewards of good governance. Consequently the Group would encourage companies to improve disclosures on how directors have performed their duty under section 172 of Companies Act 2006, including consideration of the interests of stakeholders.

The Group would like to thank PwC and the BVCA for their continued efforts in assisting the Group with the review of the portfolio companies and the production of this guide.

Nick Land Chairman – Private Equity Reporting Group

Executive Summary

Each year a sample of portfolio companies are reviewed for compliance with the Guidelines.

Overall the most recent review demonstrated that compliance by portfolio companies had not significantly improved the quality of disclosure in any one Guidelines' criterion and that the quality of disclosure was weaker against a backdrop of higher standards seen in the FTSE 350 and a lack of awareness of the changes to the requirements in the Guidelines.

Criteria where some weakness was noted included review of financial position; balanced and comprehensive analysis of development and performance during the year and position at the year-end; financial and non-financial key performance indicators; trends and factors affecting the future development, performance or position of the company; environmental factors; and human rights issues.

The observations below reflect the trends identified from the most recent review and where additional focus will result in an improved level of reporting:

- The importance of the narrative describing how the business has performed in the year cannot be overlooked. The weaker examples provided a summary moving down the primary financial statements, without linking how these worked together. *A truly balanced and comprehensive analysis of development and performance during the year and position at the year end should focus on performance against the strategic objectives* and reflect both the operational challenges and successes achieved in the year – refer to section 5 of this guide for further detail.

- The temptation to issue an annual report as a backwards looking narrative on performance is understandable, given the financial information disclosed relates to a period completed. However, it is essential to provide a context of the *trends and factors affecting future development and performance* in relation to the wider market and how the ongoing business expects to perform in what can often by dynamic circumstances. This discussion should consider both the wider market environment that is impacting the business and how these are shaping the strategy and decisions made today – refer to section 11 of this guide for further detail.

- The inclusion of *commentary on human rights is a requirement* under the Guidelines and this is in line with increasing regulatory emphasis, such as the introduction of the Modern Slavery Act 2015 (impacting financial years ending on or after 31 March 2016). All companies need to consider how they are addressing compliance with human rights matters and include a discussion on this, which could be, for example, by considering the supply chain aspects or labour practices in the UK and overseas – refer to section 14 of this guide for further detail.

- The topic of *gender diversity* needs to be a greater feature of the annual report, with *stronger narrative on the policies* in place as well as presenting the breakdown of the metrics for the number of people of each sex at the director, senior manager and employee level – refer to section 15 of this guide for further detail.

All the Guideline areas require careful consideration to ensure good practice can be achieved and this guide provides both an understanding of what good practice looks like and some actual examples from the most recent review. The examples set out *elements* of good practice for the specific criteria disclosed. The Group will review the disclosures in the annual report as a whole when reviewing compliance.

Applying the Guidelines – guiding principles

The Guidelines requirements are split into fifteen sections in three broad areas. However when determining what to include in the annual report and constructing its look and feel, in addition to compliance with the individual criteria, the annual report should be fair, balanced and understandable to a user of the accounts. Good annual reports are:

- Tailored to the business and avoid boiler plate language;
- Provide useful and specific information, avoiding generic terms and superficial references;
- Are not cluttered with erroneous or repeated information and help the reader focus on and understand the key relevant information; and
- Are consistent throughout and demonstrate linkage between each area.

No two annual reports will look the same, as no two businesses are the same; but these principles, along with the specific criteria below will enhance understanding and comparability of annual reports. The examples highlighted in this guide are indicative of good practice and represent some of the attributes of requirements, rather than the full disclosure being included, however each company should determine the most appropriate format and content for their relevant circumstances. The Guidelines are summarised below and set out in more detail on the following pages where examples of good reporting are included:

Guidelines specific

Disclosures focussed on the features that occur from being under private equity ownership:

- Identity of private equity firm – page 5
- Details on board composition – page 7
- Financial review – position – page 9
- Financial review – financial risks – page 11

Strategic report – Large private

Disclosures required for all large private companies in order to comply with the Strategic Report Regulations and included in the Guidelines regardless of whether the portfolio company meets the criteria of being a large private company:

- Balanced and comprehensive analysis of development and performance during the year and position at the year end – page 13
- Principal risks and uncertainties facing the company – page 15
- Key performance indicators – financial – page 17
- Key performance indicators – non-financial including environmental matters and employees – page 19

Strategic report – Quoted

Additional elements from the Strategic Report Regulations for quoted companies that have been adopted into the Guidelines for portfolio companies to further explain the business and offer comparability to those disclosures often seen in listed groups:

- Strategy – page 21
- Business model – page 23
- Trends and factors affecting future development, performance or position – page 25
- Environmental matters – page 27
- Employees – page 29
- Social, community and human rights issues – page 31
- Gender diversity information – page 33

Greenhouse gas emissions disclosures

A quoted company must make various disclosures on the quantity of emissions in tonnes of carbon dioxide equivalent from activities for which that company is responsible and from the purchase of electricity, heat, steam or cooling by the company for its own use. Disclosures concerning greenhouse gas emissions are not a mandatory requirement under the Guidelines. However where this information is available and is significant to the understanding of the portfolio company and its operations, its inclusion could only improve the transparency and quality of reporting.

Statement of compliance

A statement of compliance with the Guidelines should be presented in the annual report to demonstrate the Guidelines have been addressed. This does not need to be substantial and can be presented wherever seems most relevant.

A suggestion for this statement would be 'The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.'

Where the annual report does not fully comply with the Guidelines this should be referenced.

Comply or explain requirement

The extracts of 'Good Practice' shown through this guide are examples of disclosures that we see as being consistent with that standard. Where elements of the requirements are not applicable to the specifics of that company, our view is that the Guidelines encourage explanation as to why they are not relevant and why the disclosure may be omitted, under the 'comply or explain' philosophy.

Disclosure placement

Compliance with the Guidelines should be addressed in the audited annual report and financial statements and should not rely on other website or review documents for compliance. Most companies will find they include these requirements within their strategic report. Where there is any cross over between the director's report and other areas of the annual report, appropriate cross references may be used to ensure compliance whilst optimising the most appropriate and clear structure for the accounts.

1. *Identity of private equity firm*

Requirement

The report should identify the private equity fund or funds that own the company and the senior executives or advisers of the private equity firm in the UK who have oversight of the company on behalf of the fund or funds.

Basic compliance

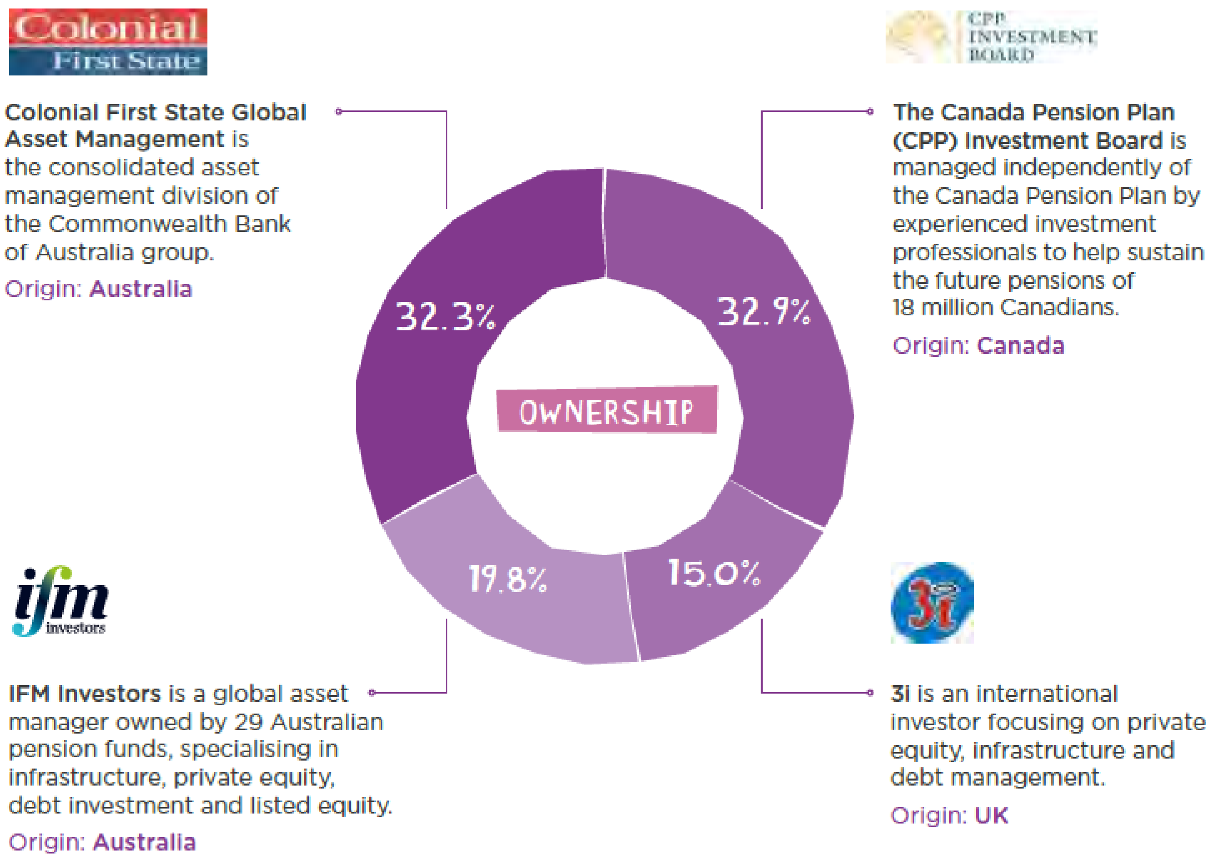
To comply with this requirement, the identity of the private equity firm managing the fund should be disclosed in the annual report together with the identity of the relevant senior executives of the firm.

Good practice

Attributes of good practice include:

- Name of the fund as well as the name of the private equity firm;
- Background on the private equity firm and explanation of its role; and
- History of the ownership of the company, including that of previous private equity owners.

Anglian Water – 31 March 2016



This example sets out the private equity funds ownership structure clearly, as well as a background on the private equity firm.

Motor Fuel Group – 31 December 2015

The Company was formed when Clayton Dubilier and Rice LLP **(CD&R)** acquired a controlling interest in Scimitar Topco Ltd on 16 July 2015 from Patron Scimitar Holding Sàrl, for cash consideration of £397m. Founded in 1978, CD&R is a private equity firm with a history of working with management teams to build stronger, more profitable businesses. CD&R's investors include leading financial institutions, university endowments and corporate and public pension funds. The investment was made through CD&R Firefly Holdings Sàrl whose principal investor is Clayton Dubilier and Rice Fund IX.

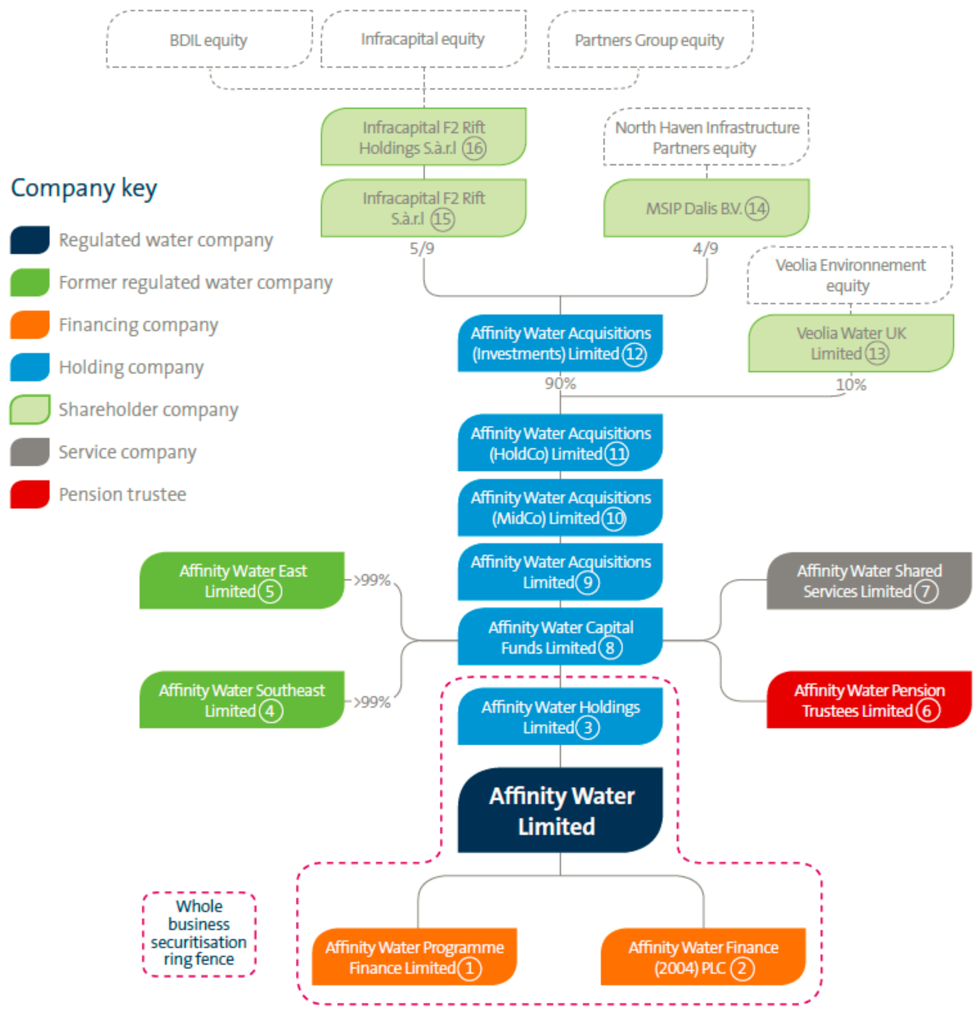
The Company became one of a series of intermediate holding companies over Scimitar Topco Ltd. Scimitar Topco Ltd is in turn the parent company of Motor Fuel Group **(MFG)** which had grown over a number of years up to the point of acquisition to be one of the leading independent forecourt operators in the UK.

This example provides a history of ownership.

Affinity Water – 31 March 2016

OWNERSHIP (CONTINUED)

The following chart shows the ownership of the company and the group structure, excluding dormant subsidiaries except for Affinity Water Pension Trustees Limited. Unless otherwise indicated, all companies are wholly owned by the parent company shown. The numbers listed alongside the companies within the group structure may be cross referenced to the other group directorships of the company's directors, indicated within their biographies on pages 44 to 47.



This example identifies the ownership of the company and the group structure.

2. Details on board composition

Requirement

The report should give detail on the composition of the board, identifying separately executives of the company, directors who are executives or representatives of the private equity firm and directors brought in from outside to add relevant industry or other experience.

Basic compliance

The Companies Act requires the disclosure of the directors of the company; but this is not, by itself, sufficient to meet this requirement of the Guidelines. Additional disclosures are required to highlight which of the directors are also directors of, or had been appointed by, the private equity firm.

Good practice

Attributes of good practice include:

- Additional explanations of the industry and other relevant experience that external directors bring to the company; and
- Disclosure of other appointments.

Sky Bet – 30 June 2015

BOARD OF DIRECTORS

NAME AND TITLE	**Paul Roy** Executive Chairman	**Richard Flint** CEO and Executive Director	**Ian Proctor** CFO and Executive Director	**Nathaniel Le Roux** Non-Executive Director	**Robert Lucas** Non-Executive Director
APPOINTMENT	16th October 2015	2nd June 2015	2nd May 2015	2nd September 2015	30th March 2015
BIOGRAPHY	Paul Roy has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an investment management company acquired by Man Group in 2016. Prior to this, he was Co-President of the Global Markets and Investment Banking division at Merrill Lynch & Co. Paul was a Non-Executive Director of Benfield Group Plc and Cenkos Securities Plc from 2006 to 2010. From 2007 to 2013, he served as Chairman of the British Horseracing Authority, responsible for governance and regulation of the sport. Paul serves on two committees at SB&G: Remuneration, and Audit, Risks and Ethics. He holds a BA in economics and a Doctor of Laws from the University of Liverpool.	Richard Flint has been with Sky Betting & Gaming for nearly 14 years, and has led the business for the last eight. He also serves on the Remuneration Committee. Richard holds a Master's degree in Engineering, Economics and Management from Oxford University, and a Master's in Public Policy from Harvard University. He has also worked as a consultant at McKinsey & Company. Richard also forms part of the Operational Leadership Team in addition to the other committees. Richard has over 18 years' experience in online businesses, starting as a Channel Director at FT.com and then as the Product Director of online start up flutter.com (merged with Betfair in 2001).	Ian Proctor held a series of senior finance roles at Sky, since joining the company in 1993. At Sky Betting & Gaming, in addition to the role of CFO and Executive Director, Ian serves on the Audit, Risks and Ethics committee. He is a qualified Chartered Accountant and holds a BA in Business Studies from Robert Gordon University, Aberdeen. Ian also forms part of the Operational Leadership Team in addition to the other committees.	Nathaniel "Nat" Le Roux has spent most of his career in financial markets and was Chief Executive of IG Group plc between 2002 and 2006. He is an independent director of the London Metal Exchange and a trustee of various charities. He sits on SB&G's Audit, Risks and Ethics Committee. Nat holds an MA in Law from the University of Cambridge and an MSc in Anthropology from University College, London.	Rob Lucas is a Managing Partner at CVC Capital Partners, having spent nearly ten years with 3i before joining CVC in 1996. Rob is a member of CVC's European Investment Committee and sits on the board of both CVC and a number of CVC's investee companies. He graduated from Imperial College, London.

This example provides a detailed background of the directors including those appointed by the private equity firm and their relevant experience and appointments.

New Day – 31 December 2015

1 Sir Malcolm Williamson

Chairman and Independent Non-Executive Director, Member of the Board Remuneration and Nomination Committee

Sir Malcolm Williamson is the former Group Chief Executive of Standard Chartered Bank and President and CEO of Visa International. Knighted in 2007, Sir Malcolm was Chairman of Signet Jewelers, Clydesdale Bank/National Australia Group Europe and a Non-Executive Director of National Australia Bank until 2012. He also previously served as Chairman of CDC Group, Friends Life Group and Britannic Group and Deputy Chairman of Resolution. He has been a Non-Executive Director of JP Morgan Cazenove Holdings, G4S and the National Grid Group. He was also a member of the Board of Trustees for the International Business Leaders Forum.

Current external appointments include: Senior Independent Director at Aviva; Chairman of Cass Business School's Strategy and Development Board; the Governing Council of the Centre for the Study of Financial Innovation; and the Board of Trustees for Youth Business International.

2 Alison Reed

Senior Independent Non-Executive Director, Chairman of the Board Audit Committee, Member of the Board Risk Committee

Alison Reed is a Chartered Accountant with over 35 years' commercial experience across retail and financial services. She was Chief Financial Officer at Marks and Spencer plc and Group Finance Director at Standard Life plc (including Standard Life Assurance Company). She was a Non-Executive Director at HSBC Bank plc for nine years.

Current external appointments include: Non-Executive Director and Deputy Chairman of British Airways plc; Non-Executive Director and Chair of the Audit Committee at Darty plc and DRS (Data and Research Services) plc; a trustee of Whizz Kidz, the working name of The Movement for Non-Mobile Children charity; and a member of the Board of Advisers of Exeter University Business School.

3 Mary Phibbs

Independent Non-Executive Director, Chairman of the Board Risk Committee, Member of the Board Audit Committee

Mary Phibbs is a Chartered Accountant and a Fellow of the ICAEW and CA ANZ with 30 years' experience in international financial services. Previously, she was a Non-Executive Director of Friends Life Group plc, Northern Rock plc (during its period of temporary public ownership), Stewart Title Limited and the Charity Bank Limited. She has also been Interim Group CRO for Allied Irish Banks, Deputy Group Chief Credit Officer at Standard Chartered Bank and has held senior positions at companies including ANZ, National Australia Bank, Commonwealth Bank of Australia, KPMG and PwC.

Current external appointments include: Non-Executive Director and Chairman of the Audit Committee of Novae Group plc; Morgan Stanley International Limited; Morgan Stanley and Co International plc; Morgan Stanley Bank International Limited; Morgan Stanley Securities Limited; and Nottingham Building Society. At Morgan Stanley International Limited, Mary is Chairman of the Nomination and Governance Committee and a member of the Risk and Audit Committees.

4 Rupert Keeley

Independent Non-Executive Director, Chairman of the Board Remuneration and Nomination Committee

Rupert Keeley has more than 30 years of banking and payments experience and was formerly Visa Inc.'s Group Executive and President of the Asia Pacific and CEMEA regions and a Section 16 Officer of the company. In his 11-year career with Visa, he held a number of management roles including President of Asia Pacific and Global Head of Strategy and Corporate Development. Prior to joining Visa in 1999, Rupert held senior management positions with Standard Chartered plc based in London, Singapore and the Middle East.

Current external appointments include: General Manager, EMEA, for PayPal's businesses; a Senior Vice President of eBay Inc.; and Chief Executive Officer of the PayPal Europe bank.

This example provides a detailed background and experience of the board along with their specific roles on the various committees, as well as additional external appointments.

3. Financial review – position

Requirement

The financial review should cover risk management objectives and policies in the light of the principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements.

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end. The second looks at the financial risks identified (see page 11).

Basic compliance

The review of financial position should include an explanation of the year end debt and capital structure of the company and its funding requirements. This should be linked into the financial statements and notes through appropriate cross referencing.

Good practice

Attributes of good practice include:

- An analysis of the components of debt and the repayment schedule;
- Discussion and quantification of debt covenants;
- A discussion of gearing and leverage;
- A reconciliation of the year end net debt position to the prior year (or to free cash flow);
- Where non-GAAP measures (for example, net debt and free cash flow) are used to support the discussion in the financial review these are appropriately reconciled to the financial statements; and
- Proforma information, where appropriate, to enable meaningful comparatives to be provided (for example where the portfolio company is a NewCo acquisition vehicle in its first years of reporting).

Prezzo – 3 January 2016

Financial structure

Strong financial capital management is an integral part of the strategy to achieve the Group's growth ambitions. The Group's Treasury function is controlled on a day to day basis by senior management, operating within defined limits and guidelines agreed by the Board and ensuring that there is sufficient liquidity to meet all obligations as they become due.

As is common practice in many Private Equity backed transactions, a high proportion of the value of the business is funded with debt. The Group has an external syndicated bank loan of £130m and also has a £176.6m shareholder loan from TPG Advisors VI-AIV, Inc. In addition, there is a £25m revolving facility which remained undrawn at the end of the period.

At the end of the period the group had net debt of £284.6m including amounts owed to Group entities and overall gearing (net debt/equity) was 25:1. Excluding the shareholder loan, the Group's net debt was £107.9m, resulting in a gearing ratio of 9.7:1.

Further information on the Group's capital structure is included in note 29 to the financial statements, including details of how the Group manages risk in respect of capital, interest rates and liquidity. A debt maturity profile is also included within note 29.

The Company is the ultimate UK parent company in which the results of the Company and all its subsidiaries are consolidated, has a share capital of £1.8m, formed of 1.8 million of ordinary £1 shares.

This example provides a good summary of the overall position of the group, particularly on gearing and leverage.

Four Seasons Health Care – 31 December 2015

Financing arrangements

At 31 December 2015 the group's long term liabilities comprised the following:

- *Senior secured and senior notes*
  - Senior Secured Notes: £350m at a fixed interest rate of 8.75%, due to be repaid in 2019
  - Senior Notes: £175m at a fixed interest rate of 12.25%, due to be repaid in 2020
- *Term loan*
  - Term loan: £40m at an interest rate of LIBOR + 6%, due to be repaid in December 2017

In addition, there was £358.0m owed to related undertakings within the wider Four Seasons Health Care group of companies, accruing interest at 15% on a compounding basis.

The purpose of these financial instruments is to finance the group's operations. It is, and was throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken. The group has borrowed predominantly at fixed interest rates to avoid exposure to interest rate fluctuations.

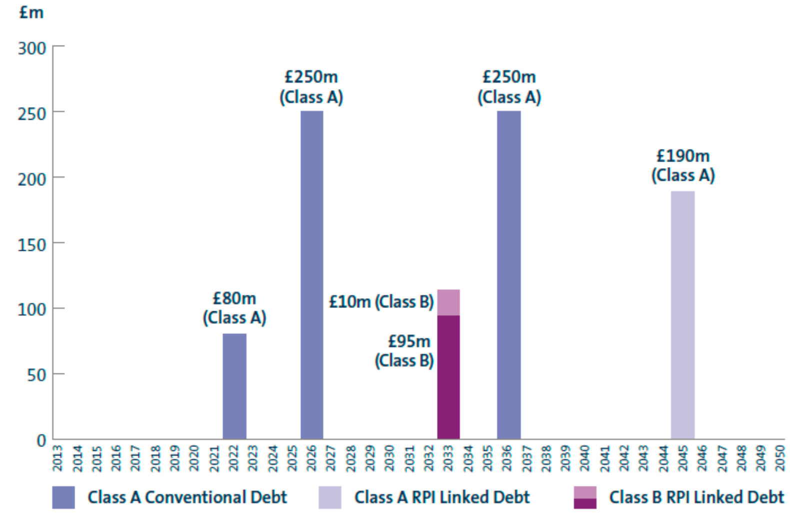
Liquidity and capital resources

The group maintains cash to fund the day-to-day requirements of the business, which display limited seasonality and are relatively constant throughout the year, subject to intra-month peaks and troughs related to the timing of fee receipts compared to purchase ledger, payroll and rent payment cycles. At the year end the group had £55.1m of unrestricted cash on its balance sheet. The directors recognise that the current funding structure of the group may not be appropriate for the long term needs of the business and in October 2015 advisors were appointed to conduct a review of the group's current financing arrangements. Options are now being explored for, and on behalf of, a parent undertaking (FSHC Group Holdings Limited) with regard to a financing solution for the group (see note 1).

This example describes the components of debt at the year end, the timing of repayments and plans to refinance.

Affinity Water – 31 March 2016

The following chart shows the maturity profile of the bonds at 31 March 2016:



The credit ratings for our bonds assigned by the rating agencies, Moody's and Standard & Poors are:

Bonds	Moody's	Standard & Poors
Class A	A3	A -
Class B	Baa3	BBB
Corporate family rating	Baa1	Not applicable

This example provides the maturity profile of the bonds for the group.

4. Financial review – financial risks

Requirement

The financial review should cover risk management objectives and policies in the light of the principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the notes to the balance sheet and the cash flow section in the financial statements.

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end (see page 9). This second section looks at the financial risks identified.

Basic compliance

The review of financial position requirements should include the following:

- Discussion in the financial statements of the overall risk management objectives and policies of the company; and
- Discussion of the risk management policies relating to the company's leverage.

Good practice

Attributes of good practice include:

- More detailed discussion in the financial statements of the overall risk management objectives and policies;
- Discussion focused on the key financial risks identified (see page 15 for principal risks), for example liquidity and cash flow, credit, interest rate, and how the risk management policies address these risks;
- Quantitative information to support the discussion on risks; and
- Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored.

Travelodge – 31 December 2015

Interest rate risk: The group finances its operations through borrowings. The group borrows at fixed and floating rates. The group manages its interest risk through a periodic review of interest rates. The interest rates are reviewed against the forward interest rates curve.

Interest rate sensitivity: The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year.

At 31 December 2015, if interest rates had been 25 basis points higher or lower with all other variables held constant, the group's net profit and cash interest payment would be unaffected, due to the minimum cash pay interest rate being set at the greater of LIBOR and 1.00% in the year ended 31 December 2015.

This example articulates the interest risk associated with borrowings and how this risk is managed.

Premium Credit – 31 December 2015

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Through its normal operations, the Group is exposed to a number of risks, the most significant of which are credit risk, liquidity risk, and market risk. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising on	Measurement	Management
Credit risk	Loans and advances to customers, Cash and cash equivalents	Aged analysis Credit ratings	Credit checks Credit limits Loan loss reviews
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Interest rate swaps
Liquidity risk	Debt securities in issue	Rolling cashflow forecasts	Availability of revolving sterling facilities
Market risk – FX rate	Financial assets and liabilities not denominated in pounds sterling	Cashflow forecast Sensitivity analysis	Concentration limits on loans and advances in Euro and US Dollars

b) Market risk – interest rate

Exposure to interest rate risk arises from the Group funding its activities via a securitisation facility on which the rate of interest paid is variable. Interest rate swaps are executed to mitigate interest rate exposures where interest payments are variable and hence vulnerable to interest rate movements.

The Group's exposure interest rates risk is managed by the Asset and Liability Committee and governed by the Group's treasury policies. The Group seeks to limit the net exposure to changes in interest rates. Exposure has been mitigated by issuing fixed rate debt and by the use of derivative financial instruments such as interest rate swaps. Further information on these financial instruments may be found in note 14.

A 1% adverse movement in the interest rate on borrowing would have reduced Group's profit before taxation by £6.0 million (2014: £6.0 million).

This example shows the summary of the financial risk, exposure measurement and mitigations provided as well as an example of the detailed discussion included within the annual report.

5. Balanced and comprehensive analysis of development and performance during the year and position at the year end

Requirement

The strategic report must contain a balanced and comprehensive analysis of development and performance of the company's business during the year and position at the year end. The purpose of this is to inform the members of the company and help them assess how the directors have performed their duty.

Basic compliance

In order to provide sufficient insight into a company's development and performance during the year and its position at the end of the year, this should be a fair reflection of the performance and provide appropriate context to the discussion such as the market environment in which the company operates.

Good practice

Attributes of good practice include:

- Discussion aligned to the strategic priorities, development and performance;
- Explanation of the performance in the wider market context; and
- Discussion at an appropriate divisional level to demonstrate how different parts of the business are performing.

The Vita Group – 31 December 2015

Review of operations

The Vita Group, a world-class producer of cellular polymers, was founded in 1949; today it operates as VCF out of 13 countries, principally in Europe, supplying a range of foams and liquid compounds for industrial applications including automotive, construction and packaging, and serves a range of markets from transportation to furniture & bedding.

VCF prides itself on working with its customers to provide innovative, quality products. Our expertise spans flexible polyurethane foam found in comfort products, liquid compounds used in transport and a wide range of industrial applications. Its aim is simple - to be the best in all the markets it operates in.

During 2015 VCF benefited from strong growth, most markedly in the UK and Eastern Europe, although the pace of growth slowed a little in the final quarter. European foam demand remained robust in comfort markets (furniture & bedding). The businesses in Hungary and Romania, together with their satellite conversion sites in Croatia, Bulgaria and Serbia, benefited from market growth due to more furniture & bedding manufacturers migrating to lower cost countries, from demand driven both by export and domestic requirements, and from strategic initiatives to expand the converted product offering, including the Adormo mattress range. Poland continued to see growth in demand during 2015 from customers supplying major retailers and the business gained new 'project' related business. Vita Baltic had another year of record production in 2015 with strong demand from customers supplying Scandinavian and Western European markets, despite experiencing some impact from the continued effect of the Russian economic decline, a country where VCF's businesses have minimal direct exposure. In the UK, VCF's largest and most diverse business unit had another strong year, with the UK comfort business continuing its record of volume growth. In 2015 the Revo range was launched for furniture & bedding, this range offers enhanced breathability compared with traditional visco elastic polyurethane foams. This benefit, coupled with the bedding market's continuing trend away from springs and towards foam for mattress construction, fuelled strong volumes throughout the year.

This example is part of a detailed performance review of operations by geographic division.

New Day – 31 December 2015

Focus on improving service and delivering our Manifesto
Our Manifesto underpins everything we do. After its successful introduction in 2014, we have continued to embed its values throughout the organisation, as reflected in the customer-led initiatives that were delivered in 2015:

- we adopted the Net Promoter Score (NPS), which is now part of every customer service call. Our NPS score of +60 demonstrates our favourable service levels when benchmarked against leading competitors;
- we launched a new online servicing site in the Co-brand business and will be launching the new site for the Near-prime business in early 2016, where customers can access up-to-date account information and manage alerts and settings;
- we completed an in-depth review of our default fee charges to ensure we continue to treat our customers fairly; we further promoted our alerts service to customers who are approaching their credit limits and payment dates;
- we introduced *aqua gold* for existing customers, many of whom will receive this product enhancement alongside a lower APR as part of our commitment to rewarding customers for their loyalty; and
- we changed our customer contact numbers to '03' numbers to ensure customers do not have to pay premium rate charges to talk to us.

Increasing number of new customers
We welcomed a record 1.0 million new customers throughout 2015. *aqua* acquired 277,000 new accounts, up from 234,000 in 2014, and the re-launch of *marbles* in May was well received, generating 64,000 new accounts. In the Co-brand business, our four retail partners generated 685,000 new accounts, primarily through their network of over 2,500 stores.

As receivables grow and develop, we continue to focus on ensuring our operating capabilities keep pace. This focus has delivered a number of operating initiatives in 2015.

We heavily invested in our digital origination and servicing capabilities, which will enable us to reach more customers, and also improved the application experience. We expect this to support our continued growth plans in 2016 and enhance the customer experience.

Monthly credit card spend

£225 million

In addition, we continued to collaborate with our Co-brand partners, strengthening and extending a number of key relationships during 2015. We expanded our credit range providing customers with access to instant credit to finance purchases online and introduced a range of Buy Now Pay Later and other interest free offerings. We are looking to add more partners in 2016, and would expect increased scale to bring further profit growth.

Robust credit management
Gross receivables ended the year at £1,470.6m (2014: £1,302.8m), driven by growth across all of our open portfolios (businesses acquiring new customers), partially offset by the expected decline in closed books (no longer open to new customers with assets in run-off).

The open book growth was underpinned by the customer acquisitions noted above and higher spend levels by consumers on the back of a further rise in consumer confidence, together with the maturing of our low-and-grow credit line strategies.

Whilst we are keen to continue our growth trajectory, credit quality is central to our business and responsible lending is our focus. Although impairment increased at the Group level to 8.7% (2014: 6.0%) this was mainly a result of the Group's strategy to grow the Near-prime book, which has a higher average impairment rate. The increase is therefore driven by a change in receivables mix and is within the Group's risk appetite.

Most importantly, charge-offs in both the Near-prime and Co-brand businesses continued to decline, reflecting the quality of our underwriting.

This example shows a discussion of the performance in different areas of the group, aligned to the group's strategic priorities.

6. Principal risks and uncertainties facing the company

Requirement

The strategic report must contain a description of the principal risks and uncertainties facing the company.

Basic compliance

To comply with this requirement, the strategic report should contain an explicit identification of the principal risks and uncertainties facing the company. The definition of 'principal' may be unique to a business and the number identified will be dependent on a business size and complexity, however in order to be meaningful long lists of boiler-plate risks should be avoided.

Good practice

Attributes of good practice include:

- Clear alignment between strategy and risks;
- Explanation of how each risk is managed; and
- Assessment of the risk profile – the likelihood versus the impact of each risk – and an explanation of how the profile has changed during the year.

Affinity Water – 31 March 2016

We have an established framework for identifying, evaluating and managing the key risks we face.

A key aim is to foster a culture in which teams throughout the business manage risks as part of their management of day-to-day operations. Operational risks are recorded and assessed, including existing management and control processes, and an action plan is prepared, if necessary, for further mitigation. Activities against these plans are monitored on an on-going basis. Operational risks are also ranked by our teams during the year. Based on these rankings the most significant risks are discussed by our senior management and included in the strategic risk register, which is presented to the Board and the Audit Committee. The latter reviews senior management's work on risk management and reports to the Board on the effectiveness of risk management processes (refer to page 48 for further information on the responsibilities of the Board and the Audit Committee in relation to risk management and internal control).

The following have been identified from our risk management process as potentially having a material adverse effect on our business, financial condition, results of operations and reputation. They are managed as described but are not always wholly within our control and may still result in a material adverse impact. Factors other than those listed could also have a material adverse effect on our business activities.

Key:

Unchanged during the year   Increased during the year   Decreased during the year

[a] Risks included in the sensitivity stress testing for the viability statement (refer to page 42)
[b] Risk included in the scenario stress testing for the viability statement (refer to page 42)

Risk	Commentary	Mitigation
Operational		
Injuries and accidents to our people and the public[a]	Failing to manage this risk may result in disruption to operations, reputational damage, criminal fines, civil damages and regulatory penalties.	We seek to operate our business to the OHSAS18001 safety standard and help our employees to take personal responsibility for their own safety and the safety of others. We have been implementing a number of initiatives aimed at significantly reducing our accident frequency rate over AMP6. We have already seen a reduction in lost time injuries in 2015/16 compared to the previous year (refer to page 29 for further information on our safety and health performance in 2015/16).

This example demonstrates the nature of the risk, mitigations and assessment of the position since the prior year.

Prezzo – 3 January 2016

Principal risks and uncertainties

The Board of Directors ('the Board') has the principal responsibility for identifying the principal risks which the business faces and for developing appropriate policies to manage those risks.

The following are judged to be the principal risks affecting the Group's operations, but it should be noted that this is not an exhaustive list and the Group has policies and procedures in place to address other areas of risk facing the business.

UK macro-economy and competition in the UK casual dining market

The strength of discretionary spend by the UK consumer has always been sensitive to shocks to or uncertainty over the UK economy. While our market positioning in the high quality and value for money segment of the market provides us with a degree of insulation, we are mindful that competition on the UK high street is increasing. We are therefore determined to deliver quality and continuous improvement in everything we do, to ensure that we offer a superior guest experience and our value proposition remains truly compelling.

Input cost pressures - both market and legislation driven

In a highly operationally geared business, there are almost always input cost pressures to be managed and it is not always possible to pass such costs on to consumers via menu price increases. The introduction of the UK National Living Wage from April 2016 is the latest in a series of legislative driven cost increases that we have been facing. While we will seek to mitigate some of the incremental cost through increased focus on labour productivity and supply chain efficiencies, this is also likely to lead to further menu price increases.

Employee recruitment and retention

The high levels of staff turnover seen in the UK hospitality industry give rise to higher costs of recruitment and training and can also impact on service standards. As the UK employment market continues to tighten the operational and cost challenges that this presents are likely to become even more acute. We regularly review our employment policies and levels of compensation to ensure that we are competitive in the marketplace and we are committed to providing high quality training and development programmes for all levels of staff in all areas of the business.

Quality control and health & safety

We have a legal obligation to ensure that guests and staff are safe when they visit or work at our premises. Serving hot and cold food, we must maintain the highest standards and hygiene in our kitchens at all times. The wellbeing and safety of our guests and staff is one of our highest priorities. We have a comprehensive system of policies and procedures to ensure compliance with all relevant legislation and best practice and a dedicated Health and Safety manager who reviews the performance of each branch as they are subjected to regular audits to ensure that the highest standards are maintained.

This example provides a discussion for individual risks identified by the group that are specific to its operations.

Infinis – 31 March 2016

RISK DESCRIPTION	MITIGATION/COMMENTS
04 LOSS OR EXPIRY OF LANDOWNER LEASES OR LICENCES	
We do not own any of our operating sites and are dependent on lease or licence arrangements.	To date we have a 100% success rate for lease and licence renewals sourced by Infinis.
Failure to comply with existing lease or licence terms could result in early termination resulting in a reduction in revenues.	We have an effective monitoring process for tracking lease and licence obligations and expiries to enable lease and licence compliance and close engagement with landowners on renewals.
05 COMPLIANCE WITH REGULATIONS AND CORPORATE LEGISLATION	
Infinis has to comply with various regulations and corporate legislation. This includes areas such as environmental licences and permits, health and safety regulations and corporate legislation. Our ability to remain compliant with these regulations and legislation is instrumental in continuing production.	We have dedicated compliance teams to monitor and ensure compliance with environmental obligations and permits and health and safety requirements. We also have an experienced commercial team responsible for ensuring compliance with applicable law and regulations relevant to our commercial activities. Policies and procedures are aligned to compliance requirements. Our staff are continually trained in requirements of new regulations and legislative changes, including ongoing refresher training in key areas such as health and safety to encourage a compliance culture throughout the organisation. The Group ceased to be subject to certain regulations including the Listing Rules of the Financial Conduct Authority upon the delisting of Infinis Energy plc on 18 December 2015.

This example shows the risks identified, mitigations and risk assessment compared to the prior year.

7. Key performance indicators – financial

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include analysis using financial key performance indicators. 'Key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively.

Basic compliance

For ease of confirming compliance and effective communication we encourage companies to explicitly disclose their KPIs and not leave it up to the readers to deduce what management consider to be 'key'.

Good practice

Good practice reporting goes further than just identifying KPIs and also provides:

- A clear alignment of KPIs to the company's strategic priorities and remuneration policies so that their relevance as a basis for management's assessment of strategic success is clear;
- An explanation of why each KPI has been included – it should be clear why this would be considered key;
- A definition of how they have been calculated;
- Quantified trend data; and
- Targets or milestones, whether qualitative or quantitative.

Sky Bet – 30 June 2015

Group key performance indicators

We have identified a number of key performance indicators ('KPIs') measuring the financial and operational performance and strength of the Group as a whole to users of the financial statements.

Overall revenues increased +36%, driven by +33% increase in average revenue per unique ('ARPU') from new and existing customers. Good growth in the number and quality of new depositors (+0.5m) and solid existing customer retention in medium to higher value segments.

12 month performance to 30th June 2015 against these KPIs is:

Financial KPIs	Year ended 30th June 2015	Year ended 30th June 2014	% change
Net revenue growth	36%	19%	+16%
EBITDA margin	32.4%	31.6%	+0.8%

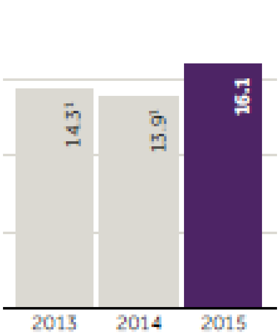
This example clearly articulates the year on year performance of each key performance indicator, analysing this at a divisional level which is supported with further discussion in the annual report.

New Day – 31 December 2015

Performance

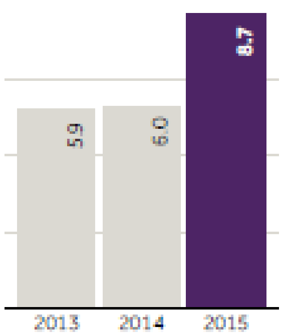
Risk-adjusted margin (RAM)

16.1%



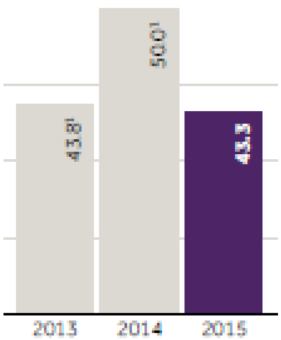
Impairment rate

8.7%



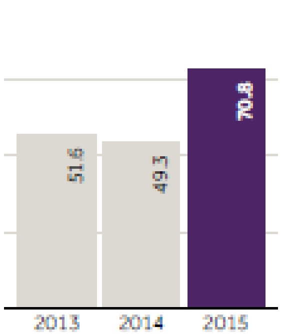
Normalised cost-to-income ratio[2]

43.3%



Normalised profit before tax[2]

£70.8m



Definition

Risk-adjusted margin (RAM): Risk-adjusted income (total income less impairment) (£212.6m)/ average gross receivables (£1,321.9m)

Impairment rate: Impairment (£114.9m)/ average gross receivables (£1,321.9m)

Normalised cost-to-income ratio: Normalised costs[2] (servicing costs, investment costs and salaries, benefits and overheads) (£141.8m)/ total income (£327.5m)

Normalised profit before tax: Risk-adjusted income (£212.6m) – normalised costs (£141.8m)

Explanation

Risk-adjusted margin (RAM): RAM increased to 16.1% (2014: 13.9%[1]). The increase is principally the result of Near-prime growth, with aqua now the Group's largest portfolio as measured by gross receivables. Additionally, a significant portion of the year-on-year improvement is attributable to the reduction in cost of funds following the successful securitisations of both the Near-prime and Co-brand segments.

Impairment rate: The Group's impairment rate increased to 8.7% (2014: 6.0%), principally driven by the change in segment mix, with Near-prime significantly increasing in size against an overall reduction in Co-brand gross receivables.

Normalised cost-to-income ratio: The Group's normalised cost-to-income[2] ratio improved significantly to 43.3% (2014: 50.0%[1]). The reduction reflects substantial growth in the Near-prime segment with cost efficiencies realised as a result of increased scale along with leveraging our operating platform and monetising the significant investment in our infrastructure in 2014.

Normalised profit before tax: Normalised PBT[2] increased to £70.8m (2014: £49.3m), largely due to the £38.5m (22%) increase in risk-adjusted income, compared to a £17.0m (14%) increase in normalised costs[2]. The improvement in risk-adjusted income is attributable to lower cost of funds and growth in the Near-prime segment. The growth in costs was limited to 14% following several initiatives to reduce our core servicing costs whilst continuing to invest in a number of areas to support future growth.

This example provides quantified financial measures with a clear definition of the measure and explanation as to performance.

8. Key performance indicators – non-financial including environmental matters and employees

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include, where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters. 'Key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively.

Basic compliance

For ease of confirming compliance and effective communication we encourage companies to explicitly disclose their non-financial KPIs and not leave it up to the readers to deduce what management consider 'key'.

For instance many companies state that their employees, customers or suppliers are important to the ongoing success of their business. In these circumstances there would be a reasonable expectation by the reader to see employee, customer or supplier-based KPIs as a means to demonstrate performance. The relative importance of certain KPIs will differ depending on the company's industry.

Good practice

Good practice reporting goes further than just identifying KPIs and also provides:

- Clear alignment of strategic priorities and non-financial KPIs;
- An explanation of why each KPI has been included and a definition of how they have been calculated; and
- Quantified trend data, targets and milestones, whether qualitative or quantitative.

Four Seasons Health Care – 31 December 2015

Average Weekly Fee

The Average Weekly Fee ("AWF") in 2015 in the Care Home Division ("CHD") increased by 3.6% to £626 from £604 in 2014. This was driven by an increase of 3.8% in Scotland from April 2015, albeit linked to a pay settlement, together with private fee rate increases of up to 6% across the division. However the increase in English Local Authority fees, blended across all regions, was between only 1.0% and 2.0% whilst the increase in Northern Ireland was only 2.0%.

Within The Huntercombe Group ("THG") the AWF in 2015 increased by 4.3% to £2,173 from the average of £2,083 in 2014.

Occupancy

Average occupancy in 2015 for CHD was 85.7%, albeit with approximately 990 fewer beds as a result of closures and disposals during the year. In 2015, average THG occupancy increased by 5.0 percentage points compared to 2014, to 80.5%, mainly as a result of 11 units closed/sold during 2015.

This example articulates specific non-performance measures that are relevant to the group's industry with an explanation compared to performance in the prior year.

South Staffordshire Water – 31 March 2016

At our last price review we committed to produce a simple scorecard each year showing our performance. This is intended to supplement the information we have provided on each outcome in this report. This will be updated on an annual basis.

Outcome	ODI name	Unit of measurement	Year 2015/16 Target	Year 2015/16 Actual	Year 2016/17 Target	Year 2017/18 Target	Year 2018/19 Target	Year 2019/20 Target	Target achieved
1 Excellent water quality	Mean Zone Compliance	%	99.970	99.884	99.970	100.00	100.00	100.00	✗
	Acceptability of water to customers	Contacts per thousand population	1.63	1.96	1.43	1.23	1.23	1.23	✗
2 Secure and reliable supplies	Interruptions to supply	Minutes and seconds per property	10:00	04:14	10:00	10:00	10:00	10:00	✓
	Asset health infrastructure	Category	Stable	Stable	Stable	Stable	Stable	Stable	✓
	Asset health non-infrastructure	Category	Stable	Stable	Stable	Stable	Stable	Stable	✓
3 Excellent customer experience	Service Incentive Mechanism	Score	89.0	86.3	90.0	90.0	90.0	90.0	✗
	Customer satisfaction	%	98	98	98	98	98	98	✓
	Community engagement	Days	400	256.5	400	400	400	400	✗

The example identifies performance against non-financial measures, showing the history of performance and whether they were on target.

Travelodge – 31 December 2015

	2015	2014	Growth
UK like-for-like KPIs:			
Occupancy	76.6%	75.6%	1.0pts
Average room rate	£50.19	£45.53	10.2%
RevPAR	£38.44	£34.42	11.7%
EBITDA(1)	£105.1m	£66.2m	58.8%
Operating profit(2)	£62.9m	£30.3m	

(1) Earnings before interest, tax, depreciation, amortisation, exceptional items and IFRS rent charge
(2) Before exceptional items

UK like-for-like RevPAR was up 11.7% to £38.44, substantially outperforming the Smith Travel Midscale and Economy Sector, which was up 7.2% for the same period.

Our UK hotel modernisation programme was completed on schedule. Customer feedback on the new look and feel has been excellent and modernised hotels featuring the new look have an average Trip Advisor score of 4 out of 5 stars. The investment we made in upgrading our guestrooms, together with our 'That's Travelodgical' advertising campaign, led to UK like-for-like occupancy rising 1.0 percentage point, to 76.6% (2014: 75.6%). UK like-for-like average room rate, supported by effective yield management was up 10.2% to £50.19 (2014: £45.53).

Total revenues were up 13% to £560m, with strong growth in both London and the UK regions. Significant further growth from business customers remained one of the principal drivers of our improved performance, with direct business sales up 45% on the prior year.

This example provides quantitative measures on a track record basis, with a summarised discussion.

9. Strategy

Requirement

The strategic report should clearly articulate how the business intends to achieve its objectives.

Basic compliance

The strategy should underpin the reporting and provide a context for the activities and performance of the company. Strategic statements set in isolation from the rest of the company reporting can appear as hollow statements of intent.

Good practice

Attributes of good practice include:

- A clear statement of the strategy and how this is used to underpin the remainder of the report; and
- A clear articulation of the company's strategy to explain the strategic themes, targets, time frames and add further clarity to the reporting.

Travelodge – 31 December 2015

Strategy

The group continues to pursue its strategic aim of becoming the favourite hotel for value, with a clear focus on offering a great quality hotel stay at an attractive low price.

In this our 30th anniversary year, we delivered further improvements for our customers.

Investing in Quality

We continue to invest in improving the quality and consistency of our hotels:

Our £100m UK hotel modernisation programme was concluded on December 18. This marked the culmination of a three year programme, in which almost 35,000 rooms were modernised with our new more contemporary look and feel and the new Travelodge Dreamer® king-sized beds. Every UK Travelodge hotel now offers a consistent quality room experience to our guests, updated for the needs of modern travellers.

Supported by these upgraded quality levels and the great customer service provided by our team members, our average Trip Advisor scores continue to strengthen. Our UK estate now averages four out of five stars. We were pleased to receive 168 Trip Advisor certificates of excellence in 2015, more than double the number in 2014.

Strengthening the Brand and Direct Channels

We have continued to strengthen the appeal of our brand and our direct distribution channels, which account for more than 85% of our sales.

Our 'That's Travelodgical' advertising, launched in May 2015 has received tremendous customer feedback, raising our brand awareness and heightening awareness of our upgraded rooms.

In April we launched our mobile app, which has now been downloaded by c. 200,000 customers and has an average booking conversion rate almost twice that of our website as a whole.

These new initiatives contributed to web sales up 12% on prior year.

This example clearly sets out the strategic priorities of the business, with the progress against these outlined.

Anglian Water – 31 March 2016

This example shows the 10 outcomes the group is trying to achieve through its strategy which is presented in a wider detailed strategy section in the annual report.

10. Business model

Requirement

The strategic report must include a description of the business model.

Basic compliance

The business model should as a minimum identify what the company does to create value and how they do it.

Good practice

Attributes of good practice include:

- An explanation of how the business model builds on the strategy that is set out in the strategic report;
- Gives reference to the key capabilities, resources and relationships the company uses to create and sustain value; and
- Where businesses operate distinct business models with divisions, further disclosures may be required to provide meaningful information that aids understanding of how a company operates.

Voyage Healthcare – 31 March 2016

Company Overview

We are the leading provider of care services for adults with learning disabilities and other related complex and challenging support needs across the UK, measured in terms of beds. We supported 2,976 people as at 31 March 2016. The vast majority of people we support have life-long conditions and high acuity needs, which have been assessed as either "critical" or "substantial" by Local Authorities and the NHS and therefore require on-going care services to help them look after themselves. Approximately 72% of the people we support have been in our care for more than five years and certain of the people we support have been in our care for more than 20 years. Approximately 38% of the people we support are under 40 years of age, which contributes to a long average length of stay. The non-discretionary nature of such high acuity, long-term conditions, combined with the long average length of stay, provides us with visibility of expected occupancy levels and provides a degree of resilience to government spending pressures.

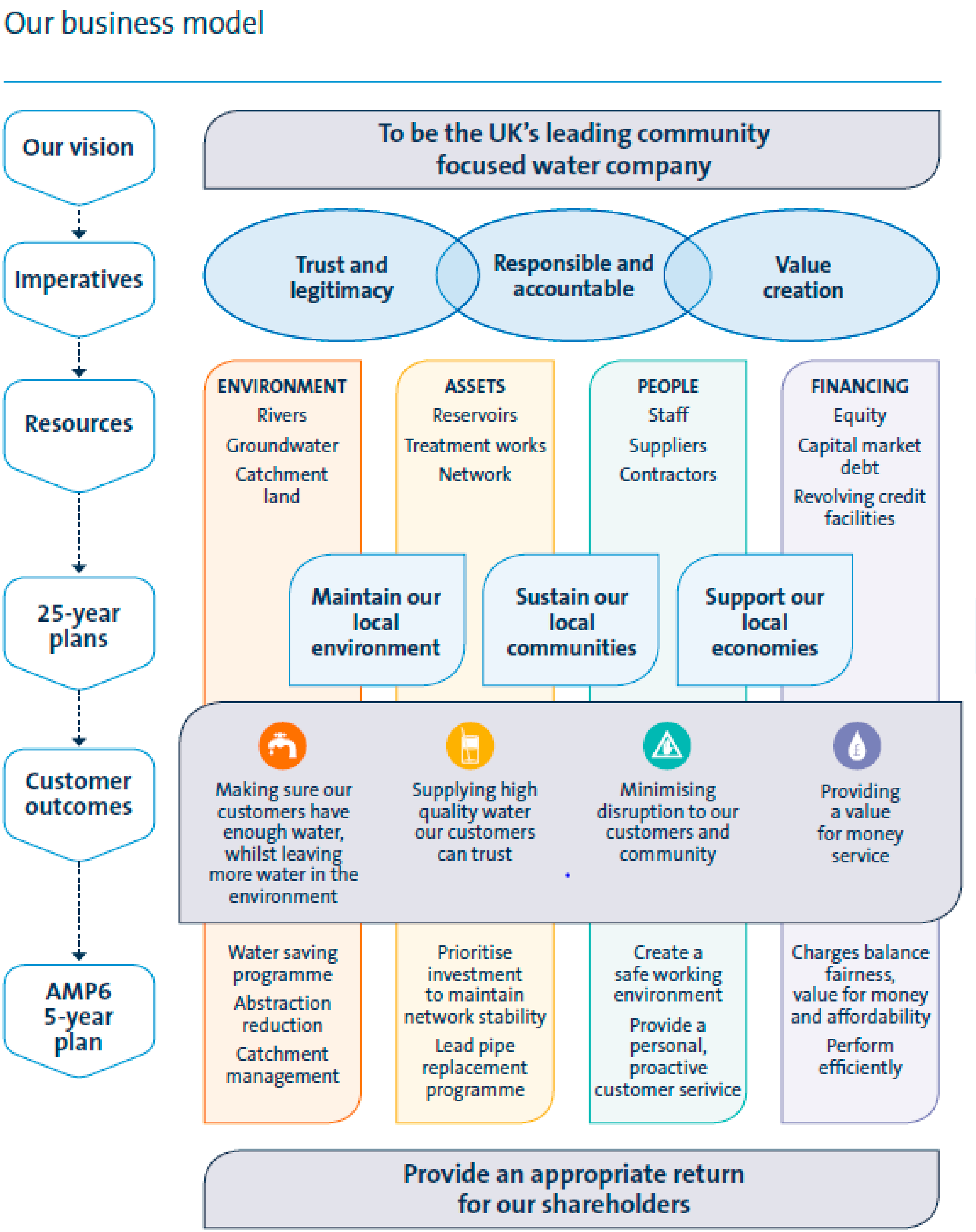
Of the care we provide, 95% is paid for by Local Authorities and the NHS and, as at 31 March 2016, we generated turnover from over 250 of these publicly-funded purchasers across the UK. Our long-standing relationships with Local Authorities and the NHS are built on our strong reputation for providing quality services to the people we support. Our "person centred" approach to care ensures that we deliver quality, bespoke care packages tailored to the complex, high acuity care needs of the people we support. We believe this approach provides us with a competitive advantage compared to other care providers in the private sector, as evidenced by 91.5% of services inspected achieving a rating of Good or Outstanding following inspection. In Wales and Scotland, all of our services are 'compliant' with their respective inspection regimes.

The typical person we support is between the ages of 18 and 65, has high dependency needs, allied medical needs, is highly likely to present challenging behaviour, may have difficulty communicating verbally and/or may cause harm to themselves or a member of the public without appropriate care. With approximately 8,600 staff, we strive to meet each individual's requirements and develop bespoke care packages tailored to their needs. Individual care plans are reviewed and amended on a regular basis to address changing support needs and to ensure that we continue to provide a personalised level of care that is appropriate for each individual. Due to the high acuity care needs of the people we support, we typically provide at least two support staff members for every three individuals. This level of support is reflected in our residential average weekly fee of £1,477 per person for the year ended 31 March 2016.

At 31 March 2016, we provided care to 2,465 individuals through our residential division with a total capacity of 2,739 residential beds and supported a further 511 individuals through our Outreach business. Under our residential division, care is provided either in care homes directly registered with the CQC or in communal settings generally provided by registered social landlords with the domiciliary care office registered with CQC. Our residential division does not include our Outreach services, in which care is generally provided to people in their own homes.

This example provides a summary of how the business delivers care across its areas of expertise and the resources needed to achieve this.

Affinity Water – 31 March 2016



This example sets out the business model for the group and how value is delivered to its customers and other stakeholders.

11. Trends and factors affecting future development, performance or position

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include the main trends and factors likely to affect the future development, performance and position of the company's business.

Basic compliance

The strategic report should have a high-level forward-looking orientation explaining the trends and factors likely to influence the business including market trends, future strategic priorities or investment in research and development. This could be throughout the annual report or in a specifically headed section.

Good practice

Attributes of good practice include:

- Discussion of drivers shaping the future growth of markets in which a company operates;
- Reference to the macro-economic, competitive or regulatory trends and factors shaping the business and identification of product pipeline and expected market size; and
- Discussion of future trends and factors are supported by quantifiable evidence.

Infinis – 31 March 2016

The growth in renewable generation has been encouraged by UK Government policy which aims to gradually de-carbonise the power generation sector whilst ensuring affordability and security of supply.

By 2020 the UK Government expects renewables to account for over 30% of electricity generation, a critical step required in meeting its 15% binding EU renewable energy targets[2].

Renewable generation in the UK has grown quickly over the past decade and is now dominated by large utilities[3]. Infinis is the only mid-sized player in the UK top ten of largest renewable generators thanks to our leading position in the LFG sector and rapid capacity growth achieved in onshore wind over the past five years. The outlook for the onshore wind sector is uncertain as this current government has withdrawn support for future onshore wind programmes under the RO regime and also under the replacement contract for differences (CfD) regime.

Within the renewable sector, solar and wind-based technologies (onshore and offshore) have seen the largest deployment at 60% followed by bioenergy (biomass, LFG and incineration) at 32%[1].

UK RENEWABLES AS A % OF TOTAL POWER GENERATION

23% ▶ 30%

Now — By 2020

This example uses external data to discuss the future market, providing good context for the discussion of the business.

Four Seasons Health Care – 31 December 2015

Our business benefits from a number of competitive strengths, including:

- *We operate in an industry with a growing potential client base and favourable industry trends*

  Increased life expectancy is resulting in a rapidly ageing profile of the population of the United Kingdom. According to the UK Office for National Statistics, by 2046 the number of people aged 85 and over is projected to be more than 2.8 times larger than in 2015, reaching 4.5 million and accounting for 6% of the total population, and the population aged 65 and over is expected to account for 25% of the total population, compared to 17% in 2015.

  The industry has seen a significant shift to private-sector providers, which represented only 5% of the market in 1993, but c80% by September 2014. This trend is expected to continue as Local Authorities seek to reduce their costs following recent central government cutbacks. We expect that these factors will underpin the long-term sustainability of overall demand in our core markets and we believe that as the largest independent elderly care operator in the United Kingdom we are well positioned to benefit from these dynamics.

This example highlights the trend in the market to outline the possibilities for the business.

South Staffordshire Water – 31 March 2016

The year ahead

As we progress through this five year regulatory cycle, much of our activity is mapped out. Our primary business objective of consistently supplying excellent quality water to customers as well as achieving our other performance commitments remains and we must focus on ensuring that the predicted benefits of investing £480 million are fully realised.

We will continue to develop our systems, processes and organisational structures in preparation for the non-household retail business opening up for competition in April 2017, with significant change expected in a number of areas. This new era presents both risks and opportunities for the business and we will continue to ensure we have identified and planned accordingly for both.

With the recent publication of Ofwat"s „Water 2020: Our Regulatory Approach for Water and Wastewater Services in England and Wales", the direction of future regulation is becoming clear. Whilst the full implications are yet to be fully evaluated, early indications are that the broad objectives align to the direction of travel within our business. Key components of this are understanding our customers" needs, adapting to change in a positive way and ensuring that we look after our resources and environment whilst continuing to provide excellent value for money. We look forward to meeting these new challenges.

This example highlights the regulatory impact that shapes the operations of the group.

12. Environmental matters

Requirement

The business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about environmental matters (including the impact of the company's business on the environment), including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Disclosures concerning greenhouse gas emissions are not a mandatory requirement under the Guidelines. However where this information is available and is significant to the understanding of the portfolio company and its operations, its inclusion could only improve the transparency and quality of reporting.

Basic compliance

Basic compliance includes a discussion of the environmental matters affecting the business, the policies in place to address them, and the impact of these policies.

The type of disclosure required is, naturally, dependent on the nature of the business. For example it would be expected that water companies would focus on discussions about the level of water wastage and food manufactures would focus on reducing packaging, the levels of salt and hydrogenated fats in food.

Good practice

Attributes of good practice include:

- Discussion of the specific actions taken to address the environmental matters identified, supported by quantifiable evidence and specific targets where applicable;
- Clear explanation, and alignment, of the specific environmental matters and strategy; and
- Extracts from a company's Corporate and Social Responsibility Report often provide the most relevant disclosure; this can be cross-referenced to avoid duplication.

South Staffordshire Water – 31 March 2016

Our targets

For the period 2015 to 2020 we have five regulatory targets designed to measure how environmentally sustainable our activities are.

The first two relate to the volume of leakage within each region. Our targets for the period are 70.5 million litres per day in the South Staffs region and 13.5 million litres per day in the Cambridge region.

Our third target is water efficiency. This is a measure that tells us how much water our customers are using on average. The UK average is 150 litres per person per day* which we are already below. Our target is to reduce usage from around 131 litres per person per day in 2015/16 to 128 by 2020.

Our fourth target tracks biodiversity activity, by measuring the amount of land area on which we have implemented initiatives that improve or enhance biodiversity. Our target is 76 hectares of managed land for biodiversity in 2015/16 rising to 116 hectares by 2020.

Our final fifth target measures carbon emissions with the aim of 509 tonnes saving in 2015/16 rising to 5,210 tonnes by 2020.

This example summarises the specific actions taken by the business, with some useful metrics.

Prezzo – 3 January 2016

Environment

The Board believes that it is important that Prezzo does its bit to protect the environment through sound and responsible operating practices. To this end, we have recently embarked on projects to improve our performance in the following two areas -

(i) Waste disposal and recycling

We have recently appointed a new supplier and business partner to work with us to increase the proportion of our waste which is appropriately segregated and recycled. A review of the level of recycling undertaken across the business will be completed over the remainder of 2016 and our target is to enter 2017, with a much improved run rate of between 60% and 70% of our waste being recycled.

(ii) Energy usage reduction

Towards the end of 2015, we completed our first survey and report under the UK government's Energy Savings Opportunity Scheme (ESOS) which has been introduced for businesses of a certain scale in order to comply with Article 8 of the EU Energy Efficiency Directive (2012/27/EU) and in an effort to help them focus on areas where energy usage reduction can be achieved.

We have already invested in the installation of smart electricity meters across over 90% of our premises and we are now looking at an opportunity to install smart metering to monitor gas usage. Through more effective use of automatic targeting and monitoring (aM&T) techniques applied to the data that we are capturing from smart meters, we are targeting meaningful reductions on the base energy usage that was recorded in the ESOS survey.

In addition, we are driving energy and other utility efficiencies in each of our new store openings by the installation of –

- Low energy lighting, using LED bulb technology;
- Lights which switch-off automatically until reactivated by sensors in appropriate areas;
- Improved controls to ensure that heating and ventilation systems operate only over appropriate hours; and
- Controls over automated flushing to limit unnecessary water usage.

This example provides a good understanding of the activities of the group in relation to environmental matters.

Moto – 30 December 2015

ENVIRONMENTAL POLICY

Moto is committed to being an environmentally responsible group and aims to manage its activities in order to minimise its impact on the environment. Moto has undertaken a number of key environmental initiatives to help promote sustainable business practices which include:

Energy Management - Investment in energy-efficient technology to reduce power consumption. There are operational procedures to reduce power consumption on heating and hot water, lighting and power.

Waste Management – Moto continued its aim to reduce the level of waste sent to landfill. In 2015 we have recycled in excess of 520 tons of cardboard waste. We continued to trial diverting food waste from landfill into anaerobic digestion and this will continue through 2016.

Used Cooking Oil – The used cooking oil that was collected by Moto during 2015 was recycled into around 261,000 litres of bio diesel (a 10.9% increase on 2014). This used cooking oil has been recycled to produce green bio diesel which has created 524 metric tonnes of carbon benefit or the equivalent of 2,631 average family cars being removed from the roads in 2015.

A detailed list of all environmental initiatives being undertaken by the company can be located on the Moto website.

This example provides good examples of how the business manages environmental concerns, and is supported further by a Corporate and Social Responsibility Policy presented in a separate document.

13. Employees

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about the company's employees including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Basic compliance

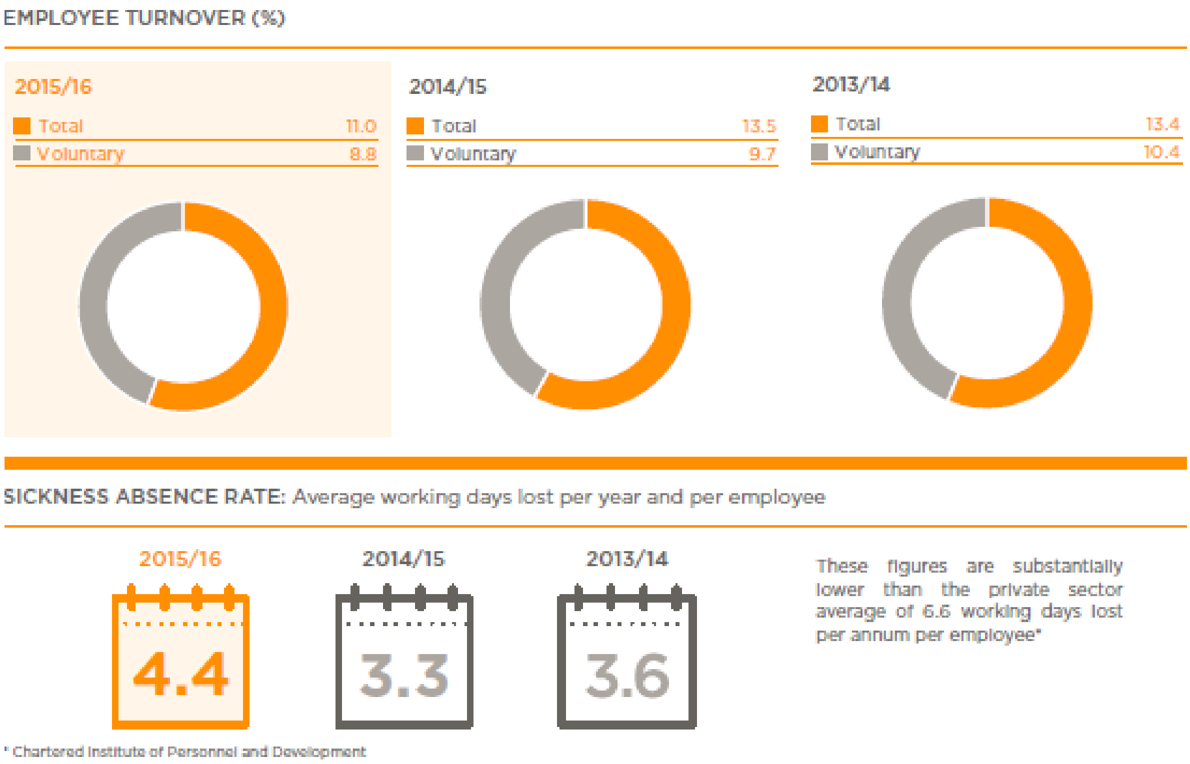
The Companies Act requires, for all companies with greater than 250 employees, the disclosure of the company's policy in respect of the employment of disabled persons, of the health, safety and welfare at work of employees and of the involvement of employees in the management of the company. To comply with the Guidelines, to the extent that employees are considered a critical resource of the business, disclosures should also include a discussion of the management and development of employees, including recruitment, training and development practices.

Good practice

Attributes of good practice include:

- Alignment of strategy and employee policies and actions;
- Detailed discussion of employee policies including benefits, share schemes and performance bonuses and explanations of how these link to performance and development;
- Policies around recruitment, training and development;
- Quantifiable evidence of performance; and
- Disclosure of targets, qualitative or quantitative, and discussion of performance against targets.

Infinis – 31 March 2016



This example shows a high level of transparency in the discussion of employee management using metrics.

National Car Parks – 25 March 2016

EMPLOYEES

The Group's vision statement is "to be the first choice in parking".

The Group and its staff apply the following values:

D Deliver what we say
R Respect for everyone
I Integrity in everything we do
V Views are valued
E Energy and passion at all times

The strategy of the Group is communicated to all team members when they join the Group and complete the induction course. An ongoing communication process takes place by further updates on a weekly and monthly basis, which include information relating to the financial and economic factors that affect the performance of the Group. The Group values team engagement and the delivery of the strategy through team involvement. The activities that impact on our teams are closely monitored to ensure that both the strategy and team engagement are aligned to keep the Group at the forefront of a competitive marketplace. Regular staff surveys are carried out to monitor areas of success and development.

The Group has in place existing information and consultation agreements approved by employees through workplace ballots. In accordance with the Consultation of Employees Regulations, the Group communicates with its employees and provides:

Information on:

- the recent and probable development of the Group's activities and economic situation;

Information and consultation on:

- the situation, structure and probable development of employment within the Group and, in particular, on the anticipatory measures envisaged where there is a threat to employment; and

Information and consultation with a view to reaching agreement on:

- decisions likely to lead to substantial changes concerning work organisation or in contractual relations.

The Group is fully committed to treating all job applicants and employees fairly and equally regardless of their race, religion or belief, gender, sexuality, age or disability. Furthermore, the Group believes that it is crucially important to value and respect all employees as individuals and concentrate on personality and individual strengths in order to gain from a diverse workforce.

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for all staff. If members of staff become disabled the Group continues employment wherever possible and undertakes the necessary adjustments to facilitate their ongoing employment.

This example provides a balanced discussion of the employee policies of the business.

Premium Credit – 31 December 2015

The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. Key initiatives include:

- An employee engagement programme focusing on training and development. This includes online training for all staff on our new electronic learning platform (Premium Credit Academy);
- Strengthening recruitment to reflect the complexity of the business and include a graduate programme; and
- Investing in building skills in important capabilities e.g. technology, data analytics, lean management and cost analytics.

This example is the introduction to a wider section covering employees, covering equality, diversity and how success is recognised.

14. Social, community and human rights issues

Requirement

The strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include information about social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.

Basic compliance

Basic compliance includes a section of the annual report describing, at a high level, the social, community and human rights issues affecting the business and the company's policies to address them. A compliance led statement is a minimum, identifying what the company does in these areas and confirming, if appropriate, that human rights is not a material issue for the company.

Good practice

Attributes of good practice include:

- Alignment of social, community and human rights issues to strategy;
- Explanation of the actions taken to address the specific social, community and human rights issues for example, local recruitment, investment in education and overseas employment policies;
- Supply chain management monitoring to ensure social policies are consistent throughout, for example use of labour and the wider impact on society in overseas locations; and
- The discussion is supported by quantifiable evidence.

Extracts from a company's Corporate and Social Responsibility Report often provide the most relevant disclosure and can be cross-referenced to avoid duplication.

Anglian Water – 31 March 2016

Human rights

The Companies Act 2006 requires us, to the extent necessary for an understanding of the development, performance or position of the Company's business, to include information about human rights issues in this report. Given the nature of our business and area of operations, we do not believe it is necessary to include such information.

However, the safety and well-being of our employees and contractors is something we take very seriously. You can read about how w are performing on the following pages.

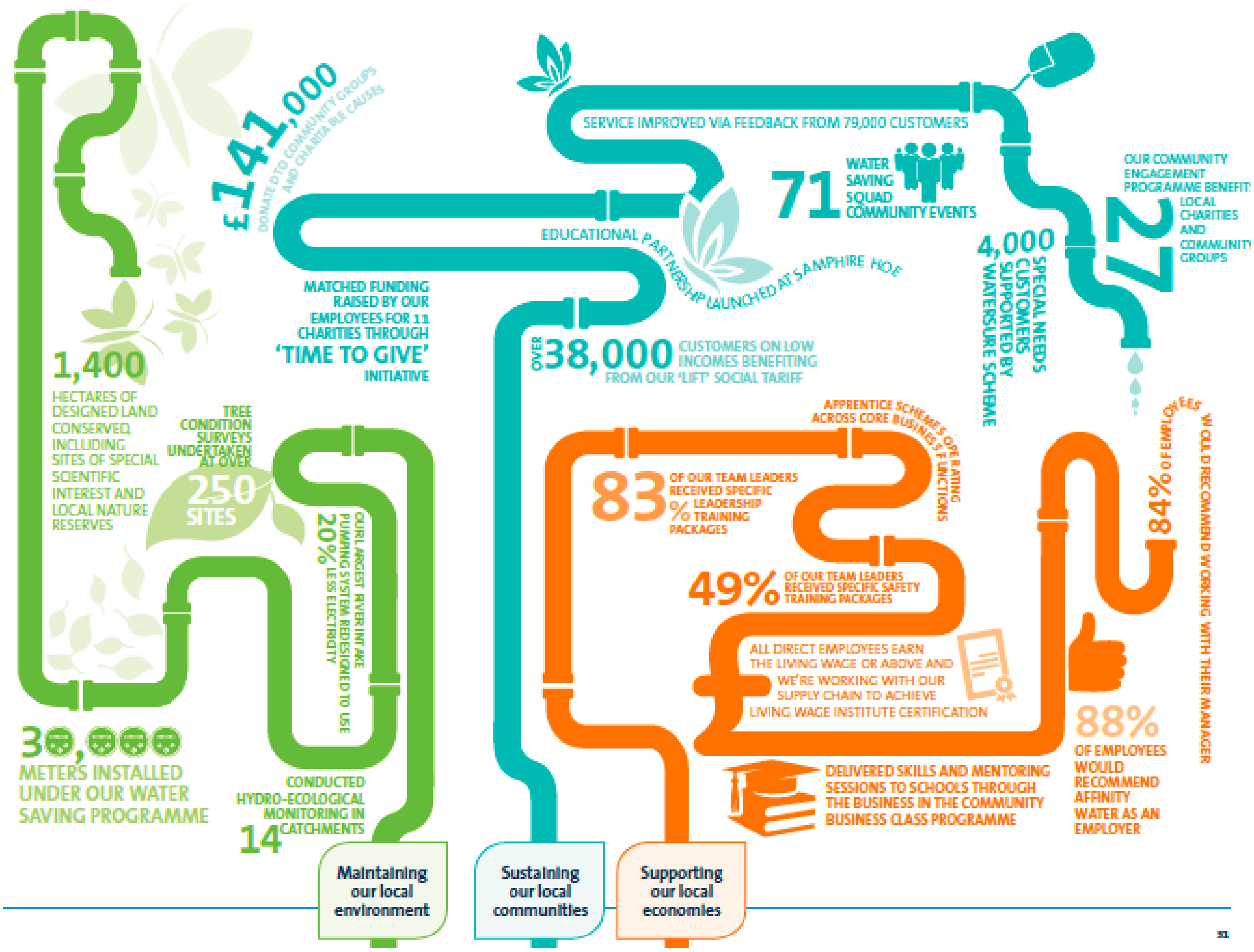
Keeping everyone healthy and safe

Whatever the job, however urgent the deadlin we never compromise on health or safety. Our approach is set out in our health and safety charter, which states:

- Nothing is so important that we cannot take the time to do it safely
- We will never knowingly walk past an unsafe or unhealthy act or condition
- We believe that work should have a positive effect on health and well-being and that all accidents or harm are preventable.

This example illustrates the consideration of the human rights element of the requirement and relevant policies.

Affinity Water – 31 March 2016



This example is part of a wider disclosure, summarising the group's corporate and social responsibilities in line with the strategy.

15. Gender diversity information

Requirement

The strategic report must include a breakdown at the end of the financial year showing the number of people of each sex who were directors the (parent) company, the number of people of each sex who were senior managers of the company (other than those already identified as directors) and the number of people of each sex who were employees of the company. The Guidelines allow the portfolio company to apply their own definition in relation to the role of a senior manager.

Basic compliance

Basic compliance includes a section of the annual report describing, at a high level, the gender diversity under the three required headings.

Good practice

Attributes of good practice include:

- Clear overview of diversity statistics identifying the split at the three levels described;
- Policies and actions to promote diversity and actions taken to avoid discrimination;
- Detail about the relevance to the business of diversity and how this links in with the strategy; and
- Explicit detail about the definition of a senior manager to the business.

PA Consulting – 31 December 2015

Diversity and inclusion

PA operates in many different countries and seeks to employ people with different ideas, styles and skill sets, all of whom contribute in unique ways. Our willingness to thin differently, develop bold new ideas and work in innovative ways is vital to our success. We are committed to recruiting promoting and remunerating our people solely on the basis of their ability to contribute to PA's objectives. We do this without regard to sex, race, disability, religion, national origin, ethnicity, sexual orientation, age or marital status.

The table below provides a breakdown of the gender of directors, senior leadership team and employees at PA as at 31 December 2015:

	Male	Female
Company directors Based on directorship held as at 31 December	7	1
Senior leadership team Of all the Partners and Function Heads at PA as at 31 December 2015 (excluding any Company directors included above), 133 were male and 14 were female	133	14
PA employees There were 2,688 permanent employees at PA as at 31 December 2015 of whom 1,791 were male and 897 were female	1,791	897

We recognise that a diverse senior leadership team is good for business, and remain committed to having a diverse team in terms of gender as well as diversity of experience, background, skills and knowledge. We recognise that we still have work to do to improve the balance of gender diversity, and it is our intention to improve it each year.

In 2015 we established a Diversity and Inclusion Working Group tasked with improving diversity and inclusion at PA. In the coming year we aim to create a diversity strategy to support our growth ambitions, developing inclusivity to drive innovation and help PA 'make the difference' to our clients.

This example includes both metrics and narrative regarding the diversity of the organisation at both a gender and age level, across the whole population and senior leadership level.

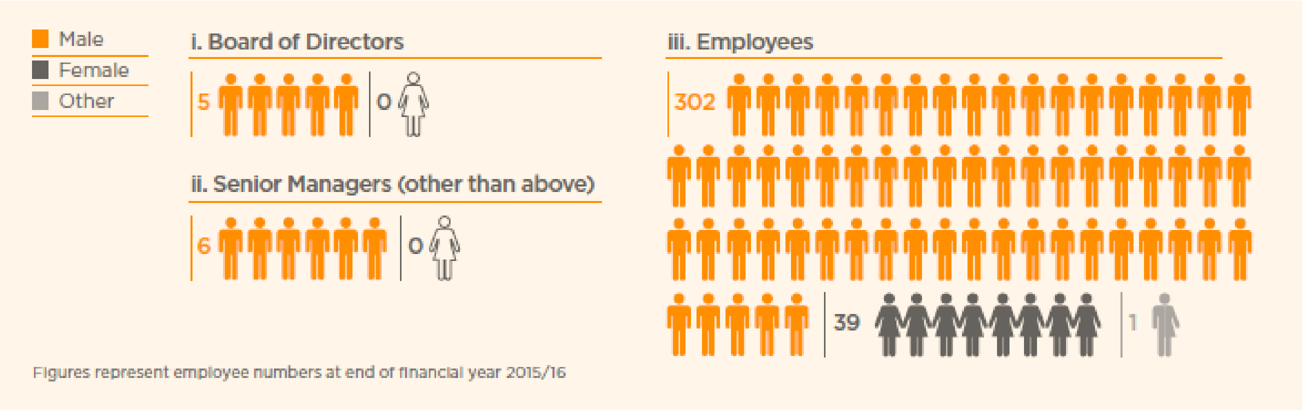
Infinis – 31 March 2016

DIVERSITY – RAISING THE BAR

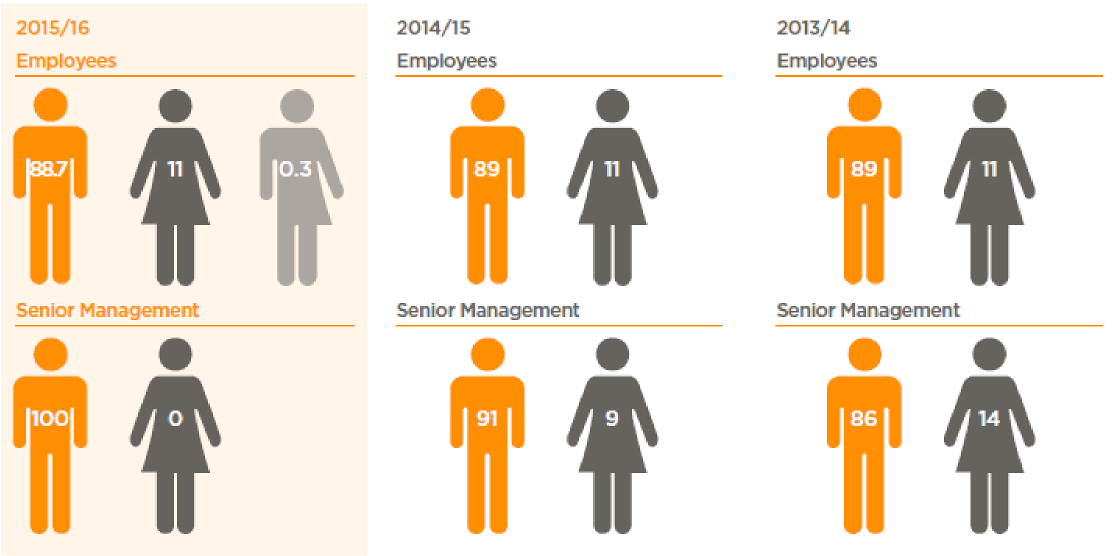
Our diversity policy is designed to ensure that we recruit, develop and promote employees based on performance regardless of race, gender, religion or belief, age, culture, sexual orientation, disability or background.

As with many companies working in the engineering sector, we face substantial challenges in attracting a diverse workforce. We recognise this challenge and, while actively looking to ensure we have the highest quality workforce, we seek to do so irrespective of background. We give full and fair consideration to all job applicants irrespective of disability, marital status, gender, sexual orientation, race or religion and belief. Opportunities for promotion and career development are managed on a similarly meritocratic basis.

DIVERSITY



DIVERSITY: Gender (%)



This example is part of a comprehensive section that includes both metrics and narrative regarding the diversity of the organisation at both a gender and age level, across the whole population and senior leadership level with history.

Appendix

Guidelines for disclosure by portfolio companies and private equity firms

The requirements of the update Guidelines for the form and content of disclosure by portfolio companies within their annual report and accounts are set out below:

1. Definition of a portfolio company to be covered by the Guidelines

A portfolio company is a UK company:

- Acquired by one or more private equity firms in a public to private transaction where the market capitalisation together with the premium for acquisition of control was in excess of £210 million and more than 50% of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents; or
- Acquired by one or more private equity firms in a secondary or other non-market transaction where enterprise value at the time of the transaction is in excess of £350 million and more than 50% of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents.

Private equity firms for the purposes of the Guidelines include private equity and 'private equity-like' firms (together "PE firms"). PE firms include those that manage or advise funds that either own or control one or more companies operating in the UK and the company or companies are covered by the enhanced reporting guidelines for companies. PE firms include those that acquire portfolio companies: i) with funds provided by one or more investors; ii) an exit/disposal of the company is envisaged and iii) may play an active management role in the company. This would therefore include, but is not limited to, other types of investment funds including infrastructure funds, pension funds, sovereign wealth funds and credit/debt funds. It also applies to firms that may be headquartered outside of the UK. Banks and credit institutions, other than their asset management operations, are specifically excluded.

A portfolio company of a PE firm or firms becomes a Walker company, subject to meeting the other criteria as laid out in the Guidelines, when any one of the following criteria is met:

- It is evident the PE firm holds a majority stake (>50% of the ordinary shares) in the underlying business;
- If a PE firm, in its own financial statements, discloses that it maintains control of the portfolio company;
- A PE firm has the ability to direct the financial and operating policies of a portfolio company with a view to gaining economic benefits from its activities. Consideration shall include, but not be limited to: management control; board seats; directors indicative of significant influence.

Where more than one PE firm invests in a portfolio company, those firms will be jointly responsible for ensuring that the portfolio company applies the Guidelines.

The Group continues to review whether the transaction size criteria should be lowered to bring more portfolio companies into scope. Further communication will be issued if new criteria become applicable.

2. Content of disclosure by a portfolio company

A portfolio company should include as part of its audited annual report and accounts the following disclosures, none of which call for disclosures beyond those specified for quoted companies in the Companies Act 2006 or other disclosure requirements applicable to quoted companies. Such reporting should throughout focus on substance rather than form and on the economic reality of a company or group rather than its legal structure.

The report should identify the PE fund or funds that own the company and the senior executives or advisers of the PE firm in the UK who have oversight of the company on behalf of the fund or funds.

The report should give detail on the composition of the board, identifying separately executives of the company, directors who are executives or representatives of the PE firm and directors brought in from the outside to add relevant industry or other experience.

The financial review should cover risk management objectives and policies in the light of principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements to explain the financial position of the company and/or group.

The directors of a company must prepare a strategic report for each financial year of the company. The purpose of the strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company). The report should also include a strategic report that substantially conforms to the provisions of Chapter 4A of Part 15 of the Companies Act 2006 including sub-sections 7 and 8 of section 414C (which are ordinarily applicable only to quoted companies):

- The strategic report must contain— a) a fair review of the company's business, and b) a description of the principal risks and uncertainties facing the company.
- The review required is a balanced and comprehensive analysis of— a) the development and performance of the company's business during the financial year, and b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.
- The review must include— a) analysis using financial key performance indicators, and b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters. The term 'key performance indicators' means factors by reference to which the development, performance or position of the company's business can be measured effectively.
- s414C(7) requires in the case of a quoted company and as adopted by the Guidelines the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include —

  a) the main trends and factors likely to affect the future development, performance and position of the company's business, and

  b) information about— i. environmental matters (including the impact of the company's business on the environment), ii. the company's employees, and iii. social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies. If the report does not contain information of each kind mentioned in paragraphs (b)(i), (ii) and (iii), it must state which of those kinds of information it does not contain.

- s414C(8) requires in the case of a quoted company and as adopted by the Guidelines the strategic report must include —

  a) a description of the company's strategy,

  b) a description of the company's business model,

  c) a breakdown showing at the end of the financial year— i. the number of persons of each sex who were directors of the company; ii. the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and iii. the number of persons of each sex who were employees of the company.

  In subsection (8), 'senior manager' means a person who — a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and b) is an employee of the company.
  In relation to a group strategic report a) the reference to the company in subsection (8)(c)(i) is to the parent company; and b) the breakdown required by subsection (8)(c)(ii) must include the number of persons of each sex who were the directors of the undertakings included in the consolidation.

3. Form and timing of public reporting by a portfolio company

The audited report and accounts should be readily accessible on the company website. The report and accounts should be made available no more than six months after the company year end; and

A summary mid-year update giving a brief account of major developments in the company (but not requiring updated financial statements) to be placed on the website no more than three months after mid-year.

4. Conformity by a non-UK portfolio company or group

Where a portfolio company is applying the Guidelines in an audited annual report which is not covered by the Companies Act 2006 it should look to ensure all the requirements are met in this annual report but does not need to explicitly produce a separate strategic report.

5. Conformity with each of the Guidelines should be on a 'comply or explain' basis.

Where an explanation is given for 'non-compliance', this should discussed with other related relevant disclosures called for under these Guidelines in the annual report and financial statements which should be on the website of the PE firm or portfolio company.

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