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Improving transparency and disclosure

Good practice reporting by portfolio companies

Guidelines Monitoring Group

Private Equity Monitoring Group

On Transparency and Disclosure

February 2013

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 Guidelines Monitoring 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 in 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, if required. The Group aims to guide and assist the industry in improving overall levels of disclosure and transparency in reporting.

Since the financial crisis the issue of stakeholder engagement has become an even more urgent priority for business, and this latest report underlines the commitment of the private equity industry to enhancing transparency and disclosure.

In December 2012, the Group issued its fifth annual report on monitoring conformity by qualifying private equity firms and portfolio companies. It was disappointing to see an increase in the proportion of companies who were subject to the Guidelines for the first time fail to meet the requirements, and the Group will be working with them to ensure their reporting standards improve. However, the overall standard of corporate reporting continued to improve across the population, as in general most companies reached a good level of compliance at a benchmark standard which we set higher than in previous periods.

The Group considers that the standard of the FTSE 350 companies is the appropriate benchmark for us to use to measure compliance with the Guidelines. Overall the quality of reporting reached a similar standard of the FTSE 350 but, as ever, the Group would urge all qualifying companies to aim for best practice even where this exceeds the FTSE 350.

The Group has commissioned this guide to help portfolio companies conform to the Guidelines and to understand the appropriate level of disclosure. This guide also includes an analysis of the detailed requirements of the Guidelines and a summary of good practice, using examples from the reviews conducted since the introduction of the Guidelines.

The Group encourages all private equity houses and portfolio companies to build on the achievements of the last five years and continue to enhance their levels of disclosure and transparency in reporting by using this guide.

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

Sir Michael Rake
Chairman – Guidelines Monitoring Group

Disclosures by guideline criterion

The three broad areas of portfolio company disclosures covered by the Walkers Guidelines are:

1) Walker Guidelines specific – those disclosures specific or focussed on the features that occur from being under Private Equity ownership;
2) Business Review – those areas required for all private companies in order to comply with the UK Companies Act; and
3) Enhanced Business Review – adding additional elements to the standard business review to further explain the business and offer comparability to those disclosures often seen in listed groups.

These three areas can be further analysed into fourteen specific criteria. These are summarised below and set out in more detail on the following pages where examples of good reporting are included.

Walker Guideline specific

Business review

Enhanced business review

The abstracts on the following pages highlight some of the good disclosures observed within portfolio companies' accounts in the last two years. The examples provided demonstrate some of the attributes of good practice that we recommend but are not considered an exhaustive illustration of how to comply with all of these areas. Disclosures should always be tailored for the individual company and the industry it operates in and we recommend that disclosures are structured to include several, if not all, of the attributes of good practise. The examples are not a comprehensive analysis of how any individual company complied with any particular guideline criterion. Basic compliance, whilst disclosing the minimum requirements, may be below that of the FTSE 350. Good Practice is broadly equivalent to a FTSE 350 standard of reporting which is the standard that the Group expects.

Where elements of the requirements are not applicable to the specifics of that company, our view is that the Walker requirements would encourage explanation as to why they are not relevant and why the disclosure may be omitted, under the 'comply or explain' philosophy.

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 within the annual report alongside 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 firm and additionally put into context the role of the private equity firm; and
- History of the ownership of the company, including that of previous private equity owners.

Integrated Dental – 31 March 2012

The company was incorporated on 18 January 2011.

The IDH group was formed on 11 May 2011 through the acquisition of Integrated Dental Holdings from Bank of America Merrill Lynch Capital Partners by The Carlyle Group (Carlyle) and Palamon Capital Partners (Palamon) and the simultaneous acquisition of Associated Dental Practices, a Palamon portfolio company.

Founded in 1987, Carlyle is one of the world's largest alternative asset managers. Palamon, founded in 1999, is an independent private equity partnership focused on providing equity for European growth services companies.

Carlyle and Palamon have joint control of IDH. Carlyle's majority holding is owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group is through its fund Palamon European Equity II, L.P. As at 31 March 2012, senior managers held 12.2% of the company through an employee incentive scheme.

The equity funding is split between preference and ordinary share capital, with the ordinary capital being designated 'A1', 'A2' and 'B' for ownership identification. 'A1' ordinary shares have a nominal value of £0.01, 'A2' and 'B' ordinary shares have a nominal value of £0.04.

OWNERSHIP STRUCTURE

Number of shares (% of total)	Management		Carlyle		Palamon and co-investors		Total	
'A1' Ordinary ('000)	-	-	1,282	66.9%	400	20.9%	1,682	87.7%
'A2' Ordinary ('000)	18	1.0%	-	-	-	-	18	1.0%
'B' Ordinary ('000)	217	11.3%	-	-	-	-	217	11.3%
Total	**235**	**12.3%**	**1,282**	**66.9%**	**400**	**20.9%**	**1,917**	**100.0%**

On 11 May 2011, the company's subsidiary, Turnstone Bidco 1 Limited, acquired 100% of Pearl Topco Limited and 100% of ADP Healthcare Services Limited.

Turnstone Bidco 1 Limited was established as an investment vehicle to acquire Pearl Topco Limited and the Integrated Dental Holdings ("IDH") chain of dental practices and to merge the operations with the dental practices owned by ADP Healthcare Services Limited ("ADP").

This extract clearly demonstrates the ownership of the company with a high level of detail for all parties.

Merlin Entertainments Group – 31 December 2011

Our history

- Merlin's origins date back to 1979 when the first SEA LIFE Centre was opened in Oban, Scotland.
- In 1999 Merlin Entertainments was formed via a buyout of Vardon Attractions from Vardon plc. Merlin has been under the ownership of Blackstone and KIRKBI since 2005, with funds advised by CVC joining during 2010.
- From 2000 to 2011 the Group has delivered an average annual growth rate of more than 10% in underlying EBITDA from its core businesses, excluding the impact of acquisitions, and has achieved or beaten budget every single year.
- Acquisitions of LEGOLAND Parks (2005), Gardaland (2006) and The Tussauds Group (2007), increased the scale of our business more than tenfold in the three year period to 2007.
- 2010 saw the acquisition of Cypress Gardens Theme Park and Botanical Gardens in Florida, which was subsequently relaunched as LEGOLAND Florida in 2011.

Substantial interests

The Company's equity as at the date of this report is owned as follows:

	Ordinary shares %
KIRKBI A/S (KIRKBI)	31.63
Funds managed by Blackstone Group International (Blackstone)	29.80
Funds managed by CVC Capital Partners (CVC)	24.54
Management	14.03
	100.00

This extract shows good disclosure of the names of the private equity firm owning the portfolio company along with the equity interest of the private equity firm in the portfolio company. A history of PE involvement is provided as well.

Infinis – 31 March 2012

Private equity ownership

The Company is ultimately owned by funds managed by Terra Firma Investments (GP) 2 Limited. These funds constitute the Terra Firma Capital Partners II Fund (TFCP II), Terra Firma Capital Partners II L.P.-H. and TFCP II Co-Investment 1 L.P.. TFCP II was closed in February 2004, raising a total of €1.9 billion and was established to follow Terra Firma's strategy of making control investments in asset- or cash flow-rich companies in complex and often regulated sectors, principally in Europe. Terra Firma is one of Europe's leading private equity firms which raises long-term capital from a wide range of investors to buy and transform businesses in order to create value for its stakeholders.

Terra Firma was established by Guy Hands in 1994, originally as Nomura International's Principal Finance Group (PFG). Infinis was established as an independent business in May 2006 prior to Terra Firma selling the Waste Recycling Group Limited (WRG), Infinis' former parent company in July 2006. The Infinis business has been under Terra Firma ownership since its acquisition of WRG in 2003.

Terra Firma Capital Partners Limited and Terra Firma Capital Management Limited act as advisers to Terra Firma Investments (GP) 2 Limited in such capacity.

Details of the Terra Firma Capital Partners Limited executives who have responsibility for oversight of the Group on behalf of the funds can be found in the "Board of directors" section of this report.

This extract provides good disclosure of the names of the funds and the private equity firm owning the portfolio company.

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 in order to meet this requirement. 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 brought to the organisation; and
- Disclosure of other appointments.

Priory Group – 31 December 2011

Michael Jeffries became chairman of the Priory Group in March 2011 following its acquisition by Advent International. He joined W S Atkins Plc in 1976 and from 1995 to 2004 he was chief executive then chairman. He is currently also chairman of the Civica Group and Wyless Plc, respectively an IT software products business and a telecoms company. He was previously chairman of VT Group Plc, the shipbuilding and support services company 2005-10, Wembley National Stadium Ltd from 2002-08, NCP Ltd from 2005-2007, NSL Ltd from 2008-2010 and the senior independent NED on the board of currency printer, De La Rue Plc from 2000-2007. He is a Governor of the RNLI.

Humphrey Battcock has been a director at Advent since 1994. Prior to joining Advent, Humphrey spent nine years as a partner with Trinity Capital Partners, a UK venture capital and buyout firm. From 1976 to 1983, he worked for Coopers & Lybrand, first in London, where he qualified as a Chartered Accountant, then in New York, where he gained experience in international mergers and acquisitions. Humphrey has a physics degree from Cambridge University and also obtained an MBA from the London Business School.

Ron Sheldon is a director of Advent, having joined the firm in 1992 from Trinity Capital Partners, a venture firm he co-founded in 1984 to focus on investments in the health care and environmental sectors. Prior to that he spent 12 years with 3i, focusing on technology-related investments. Before 3i, Ron worked for Tansley Witt, where he qualified as a chartered accountant. Ron has 30 years of private equity experience and for five years served as a member of the British Venture Capital Association

Tom Allen is a director at Advent, having joined from KPMG's private equity group in 2004. He has over ten years of private equity experience and is responsible for Advent's activities in the health care sector in the United Kingdom. He began his career with Andersen, in the firm's London private equity team, before the team moved to Deloitte and, latterly, KPMG. Tom is a Chartered Accountant and has a BA in economics (specialising in finance) from the University of Manchester.

Philip Scott has been Chief Executive Officer of the Priory Group since January 2008. Prior to joining the Priory Group, Philip was Chief Executive Officer of Southern Cross Healthcare Group PLC, a role he had held since July 2000 following his promotion from Managing Director at Emerald Healthcare Limited. Philip was instrumental in growing the care home business of Southern Cross through a number of significant acquisitions and led the management team on the Southern Cross Initial Public Offering in 2006. Philip trained as a nurse and holds a diploma in Professional Nursing Development from the University of Ulster in addition to both Registered General Nurse and Registered Mental Nurse qualifications.

This extract provides good disclosure of the representatives of the private equity firm on the board of directors of the portfolio company and their business and industry experience.

Tragus – 29 May 2011

Ownership and Management Structure

Management

The Company is managed in the UK by its Board of Directors ('The Board'), comprising a Non-executive Chairman, three Executive Directors, an independent non-executive director and three representatives of Blackstone. The Board is the company's decision making body.

Biographies of the Board of Directors and Senior Management are set out here.

Board of Directors

Charles Gurassa
Non-executive Chairman

Charles was appointed Non-executive Chairman in July 2011. Charles is also non executive chairman of MACH, Genesis Housing Group, deputy chairman of easyJet and a trustee of the National Trust. Previous roles have included chairman of Virgin Mobile plc, LOVEFiLM, Phones4U, Alamo/National Rent a Car and 7Days Ltd. His executive career included roles as chief executive of Thomson Travel Group plc, executive chairman of TUI Northern Europe and a director of TUI AG and as a Director of Passenger & Cargo business at British Airways. In addition, he has been a non-executive director at Whitbread plc and Merlin Entertainments.

Graham Turner
Chief Executive Officer

Graham became CEO in January 2005. He was previously the Managing Director of the Unique Pub Company with some 4,000 leased pubs in the UK. Graham was part of the initial management team that grew the business through acquisitions and operational improvements. The Unique Pub Company is now owned by Enterprise Inns, one of the UK's largest pub landlords. Graham is the Non Executive Chairman of the National Restaurants Group, a part of the British Hospitality Association, and is also the Non Executive Chairman of the Liberation Group Limited, a pub and drinks distribution business based in the Channel Islands.

Mohan Mansigani
Chief Financial Officer

Mohan has previously been Finance Director of Costa Coffee and TGI Friday's and was part of teams that grew these businesses substantially, implementing strong systems and management controls. Prior to this he held senior roles in Pizza Hut (UK) Ltd and Grand Met Foods. Mohan is a fellow of the Institute of Chartered Accountants of England and Wales who qualified with Deloitte Touche London; Mohan joined Tragus as part of the buy-in from Whitbread in 2002.

James Parsons
Chief Operating Officer

James began his career as a graduate trainee with Bass Taverns – now trading as Mitchells & Butlers PLC – and followed this with five years as an area sales manager for the business. In 1988 he joined BrightReasons Restaurants Ltd as an area manager, firstly for Pizzaland and later for Bella Italia. In 1998 he joined Pizza Express plc as regional director for London and in 2000 took up the position of managing director. James left Pizza Express in 2002 and joined Tragus shortly afterwards.

Giles Thorley
Non-executive Director

Giles was appointed in October 2006. He is senior advisor to TDR Capital LLP. He was previously the Chief Executive of Punch Taverns plc. After qualifying as a Barrister, his early career was at Nomura International plc. He successfully led the IPO of Punch in May 2002 and saw the business through subsequent acquisitions including Pubmaster in 2003 and Spirit Group in 2006. Giles has held a number of Non-Executive positions inc. Esporta plc, Ducati SpA, TUI Travel plc and Matthew Clark plc, Giles is also a trustee of the Rona Sailing Trust.

This extract provides good disclosure of the representatives of the private equity firm on the board of directors of the portfolio company and their past experience. The biographies are also extended to senior management rather than just directors.

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 9).

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 the debt covenants in place;
- A discussion on 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 numbers within 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).

Alliance Boots – 31 March 2012

Movement in net borrowings in the year

	£million
Total cash inflow	**782**
Discounts on repurchase of acquisition borrowings	24
Amortisation of prepaid financing fees	(27)
Capitalised finance costs	(22)
New finance leases	(7)
Currency translation differences and fair value adjustments on financial instruments	76
Decrease in net borrowings	**826**
Net borrowings at 1 April 2011	(7,843)
Net borrowings at 31 March 2012	**(7,017)**

In accordance with International Financial Reporting Standards, fees incurred relating to the raising of finance were netted off the related borrowing. These prepaid fees are amortised over the term of the financing being provided, resulting in an increase of net borrowings. Capitalised finance costs relate to the rolled up interest on the subordinated debt, which is payable when the debt itself is repaid.

Currency translation differences predominantly relate to the retranslation of elements of the acquisition borrowings drawn down in Euros and Swiss Francs. The strengthening of Sterling relative to the Euro over the course of the year gave rise to a decrease in net borrowings. In accordance with our currency risk treasury policy, borrowings were drawn in these currencies to partially hedge the translation exposures on the net assets of our significant businesses and investments denominated in Euros and Swiss Francs.

This extract provides a clear reconciliation of the debt position from the prior year.

Partnerships in Care – 31 December 2011

Cash flow

Net cash inflow from operating activities was once again very strong, but at £44.6 million for 2011 was £12 million lower than the prior year. The primary uses of this strong operating cash flow continue to be, reinvestment in the Group of £3.5 million to fund capital expenditure (as summarised below) and £15.7 million to service cash interest and other financing costs of the Group's bank borrowings. In addition, the Group made debt and fee repayments of £19.4 million in the year, and drew down £5 million from the Group's revolving facility.

The Group's targeted capital expenditure programme is aimed at developing and maintaining each of the Group's estates. All proposed capital projects are separately appraised both operationally and financially, and the Group sets clear project return targets to assist in assessing the viability and prioritisation of capital expenditure projects. The principal capital expenditure projects undertaken in the financial year included improvements to environments at Arbury Court, Kemple View and Kneesworth House and investment in an Electronic Patient Records system.

Group turnover and operating profit before exceptional items

	2011 £m	2010 £m	Change +/(-) £m
Turnover	172.8	186.6	(13.8)
EBITDA*	52.1	61.4	(9.2)
Operating profit	**36.7**	**42.9**	**(6.2)**

Cash flow

Facility	Gross utilised facilities £000	Repayments to date £000	Balance at end of year £000
7 year senior credit agreement	55,000	22,903	32,097
10 year senior credit agreement	486,192	81,908	386,284
10 year junior credit agreement	78,037	11,420	66,617
Total bank debt	**601,229**	**116,231**	**484,998**

Total bank debt at the end of the year excludes an unamortised swap balance of £44.1m and capitalised fees of £4.6m.

This extract provides cash flow information and discussion of the nature and maturity of outstanding debt with details of the covenants which are in place.

Birds Eye Iglo – 31 December 2011

Table 8: Repayment dates

€m	2012	2013	2014	2015	2016
Principal repayments due	49.0	26.2	351.0	311.1	2,066.5

The facilities are secured by a fixed and floating charge over certain of the Group's assets.

They also require the Group to comply with certain financial and non-financial covenants. The financial covenants include annual limitations on capital expenditure and require the maintenance of certain minimum ratios of EBITDA on both net interest payable and net debt. In addition, there is a requirement that the net operating cash flows generated are not less than the Group's cash cost of funding the bank debt. At 31 December 2011, the minimum headroom we had on the key measures was €104.1m (32%) of our EBITDA (including proforma full year EBITDA for Findus Italy) and €208.4m (57%) of cashflow (including proforma full year EBITDA for Findus Italy) as defined in the facility agreements.

This extract provides good disclosure of the expected repayments and covenant position, which are quantified in other disclosures.

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 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 (see page 7). 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.
- 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/cash flow, credit, interest rate, and how the risk management policies aim to address these risks;
- Quantitative information is included 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.

Worldpay – 31 December 2011

Liquidity risk

WorldPay has a short-term cash cycle arising from the payments business where schemes (Visa and MasterCard) remit cash within 3 days, and WorldPay pay merchants from these remittances. To ensure timely payments, WorldPay have an Intra-Day Agreement facility of £1.4bn which provides capacity to pay merchants in the event of non-settlement by card schemes.

Following the sale from Royal Bank of Scotland in 2010, WorldPay's liquidity has grown from operating cash flows, which have funded ongoing operations, capital expenditures and debt servicing. Liquidity requirements are monitored to ensure sufficient cash is available to meet commitments and to ensure cash placement minimises costs. Surplus cash held by operating entities over and above requirements for working capital management is utilised within the Group on a short term basis.

WorldPay have undrawn credit facilities provided:

- £75m Revolving Credit Facility available in GBP, USD, and EUR.
- £75m Capital Acquisition and Refinancing facility for capital expenditure.

Neither of these facilities have been utilised through 2011.

This extract provides good analysis of the liquidity risk facing the group.

Pret A Manger – 29 December 2011

Interest rate risk

The Group's borrowings are in fixed and floating interest loans. The Group purchased an interest rate cap during the year, capping LIBOR at 3.50% for £125,000,000 of the Group's loans for a 36 month period. Details of the interest rate profile of the Group are provided in notes 17 and 18.

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities.

Liquidity risk

The Group aims to mitigate liquidity risk by forecasting requirements and managing cash generated by its operations, and ensuring that the Group is able to service debt as it falls due. Details of the debt repayment profile are provided in notes 17 and 18.

The Group aims to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans.

Foreign currency risk

Foreign currency risk on receivable and payable balances is not considered significant as the Group companies sell and purchase mainly in the currency in which they operate.

Leverage risk

The Group's borrowings are across bank facilities, loan notes and preference shares. Net debt is £456,589,000 (2010: £431,195,000), of which £123,904,000 (2010: £134,599,000) is net bank debt.

This extract provides good disclosure of key financial risks, appropriately quantifying and cross referencing.

Trader Media– 01 April 2012

i) Foreign exchange risk

The group operates in overseas regions being Ireland and South Africa. Foreign currency denominated net assets of overseas operations are not hedged as they represent a relatively small proportion of the group's net assets. The group operates a dividend policy across these regions ensuring any surplus cash is remitted to the UK thereby minimising the impact of exchange volatility. Forward currency contracts are entered into when appropriate to eliminate exposures on this dividend income.

At 1 April 2012, if the Pound had weakened/strengthened by 20% against the Euro with all other variables held constant, post-tax profit/(loss) for the year would have been £0.1 million higher/£0.1 million lower (2011: £0.1 million higher/£0.1 million lower). There is no impact to other elements of equity as a result of changes to the exchange rate with the Euro. There is no significant exposure to foreign exchange risk for the group on amounts being held in South African Rand.

ii) Interest rate risk

The group has interest bearing assets, primarily cash, which are at risk of fluctuations in interest rates. Cash levels and market interest rates available are monitored by the group treasury function to ensure risks are minimised.

The group's interest rate risk also arises from long term borrowings with the syndicated bank loan and shareholder loans subject to floating rates of interest linked to LIBOR. The group manages its cash flow interest rate risk on the bank borrowings by using interest rate swaps and a cap agreement to convert a proportion of the debt from floating to fixed rates (note 14).

Under the interest rate swaps the group agrees with the other party to exchange on a monthly basis the difference between the fixed contract rate and the floating rate interest amounts calculated by reference to the agreed notional amounts.

On the cap agreement the group received the difference between the cap rate and the current floating rate should the latter be higher in the month in question, again calculated with reference to agreed notional amounts. When the floating rate is lower than the cap rate, no cash flows arise under this agreement.

At 1 April 2012, if the interest rates affecting the group had varied as shown below with all other variables held constant, post-tax profit for the year would have been higher by £1.9 million or lower by £27.6 million (2011: £3.6 million higher/£18.4 million lower). Significant fluctuations in global interest rates have impacted the interest accruing on the syndicated bank loans and shareholder loans (note 19). Interest rate fluctuations on loans are offset by fluctuations on interest on cash balances (note 18) held largely in the UK at both balance sheet dates. The cash impact of these fluctuations would have been £1.4 million higher/£0.1 million lower (2011: £1.8 million higher/£0.5 million lower).

Other components of equity would have been £0.0 million higher/£0.1 million lower (2011: £0.1 million higher/£0.1 million lower) as a result of the increase/decrease in the fair value of the interest rate swap (note 14).

This extract provides good analysis of the key financial risks with quantitative information.

5. *Fair review of the business – strategy*

Requirement

The business review must contain a fair review of the company's business. The analysis of the fair review of the business requirement has been split into two parts. The first looks at the discussion included on the strategy of the entity. The second looks at the discussion around the market environment of the entity (see page 13).

Basic compliance

In order to provide sufficient insights for a fair review of a company's development and performance during the year and its financial position at the end of the year, it should set out the markets in which it operates and its strategic priorities to compete within them. This view is consistent with the views expressed by the Accounting Standards Board.

Basic compliance therefore requires a clear prominent statement of company strategy. This should set out what the company is trying to achieve and the priorities for how it plans to achieve those objectives.

Good practice

Attributes of good practice include:

- Strategy used to structure the content of the report to provide a clear alignment of strategic priorities, management actions and remuneration;
- Explanation of the key actions necessary to deliver the strategy and an indication of the timeframe over which performance will be assessed; and
- Measurement of the achievement of the strategy with qualitative or quantitative targets where applicable.

Alliance Boots – 31 March 2012

Group strategy and objectives

The Group's strategy is to focus on its two core business activities of pharmacy-led health and beauty retailing and pharmaceutical wholesaling and distribution, while increasingly developing and internationalising our product brands to create a third dimension.

Our strategy includes:

- growing our core businesses in existing markets through service, value and innovation
- continuing to deliver productivity improvements and other cost savings
- pursuing growth opportunities in selective new high growth markets
- launching our product brands in new markets.

This strategy is underpinned by our continued focus on patient/customer needs and service, our work with governments to further their healthcare agendas, selective partnerships, and our strong financial disciplines.

This extract provides good disclosure of the Group's strategy and objectives and is clearly linked to the rest of the financial statements.

Infinis – 31 March 2012

The key steps we are taking to execute our strategy are as follows:

Optimise cash flow generation of our LFG business
With 343 MW[1] of installed capacity, Infinis is the largest LFG based power generator in the UK[2]. As our generation activities reach maturity in this area, ongoing investment will be primarily focused on servicing of installed capacity and maintaining our good environmental track record. Apart from any potential acquisitions, we plan no further increases in capacity. The LFG activities' commercial profile will further improve as Non-Fossil Fuel Obligation (NFFO) contracts expire and output becomes tradeable under the ROC scheme. This provides great stability to our business, enabling us to re-invest excess operational cash flow into our other renewable growth areas.

Develop our capacity in wind and hydro power through a combination of organic growth and acquisitions
Infinis has an experienced wind development team focused on growing a pipeline of consented onshore wind projects across the UK. We expect several hundred Megawatts (MW) of consented projects to be handed over to our wind construction team in the coming years. Upon commissioning, these assets will be managed by our wind operations team. This vertically integrated approach puts us in a strong position to monitor the value chain from development to operation, including negotiations of project finance facilities and power purchase agreements with offtakers. We will also review acquisition opportunities as they arise.

Continued investment in operational excellence
The recent opening of the Infinis Centre of Engine Excellence in Lancaster will further strengthen our capabilities to provide top quality overhaul services in-house, thereby improving reliability of our gas engine fleet and offering best-in-class ongoing training opportunities for our field service technicians. The 24/7 Logistics Centre in Northampton, originally developed to monitor environmental compliance and engine performance across the LFG activities, is now benefiting our wind and hydro businesses, enabling us to monitor their performance remotely as well. We expect to use this as the model for any new generation assets built-out or acquired in the coming years.

This extract provides good disclosure of key strategic objectives and key actions necessary to deliver the strategy.

Deutsche Annington Immobilien – 31 December 2011

Strategy: profitable growth through core business and additional business
The Deutsche Annington Immobilien Group's declared aim is to achieve sustained and profitable growth in its core business and housing-related additional business. We focus on the following subjects:

- Convincing our customers in day-to-day business and further improving business processes
  Through our property rental and other services, whose quality we continually review and increase, we offer our customers a competitive range of properties with services to match. We continually improve our business processes and adjust them to the current requirements. Parallel to this, we maintain the quality of our housing stocks at a modern-day standard and selectively increase it. Both approaches help to enable us to let our apartments on a long-term basis and on economically sound terms and conditions.
- Actively driving the business forward
  In our core business we would like to grow by further increasing efficiency and improving quality. For us this includes continuously reducing voids, raising average rents in line with the market and improving our cost structure. We see even greater growth opportunities in the housing-related additional business activities, which we have already built up over the years and will continue to drive forward in the years to come. We apply strict success criteria when selecting the activities and concentrate on profitable fields.

This extract provides good disclosure of the key elements of the Group strategy.

6. *Fair review of the business – market environment*

Requirement

The business review must contain a fair review of the company's business. The analysis of the fair review of the business requirement has been split into two parts. The first looks at the discussion included on the strategy of the entity (see page 11). This second section looks at the discussion around the market environment of the entity.

Basic compliance

In order to provide sufficient insights for a fair review of a company's development and performance during the year and its financial position at the end of the year, it should set out the markets in which it operates and its strategic priorities to compete within them. This view is consistent with the views expressed by the Accounting Standards Board.

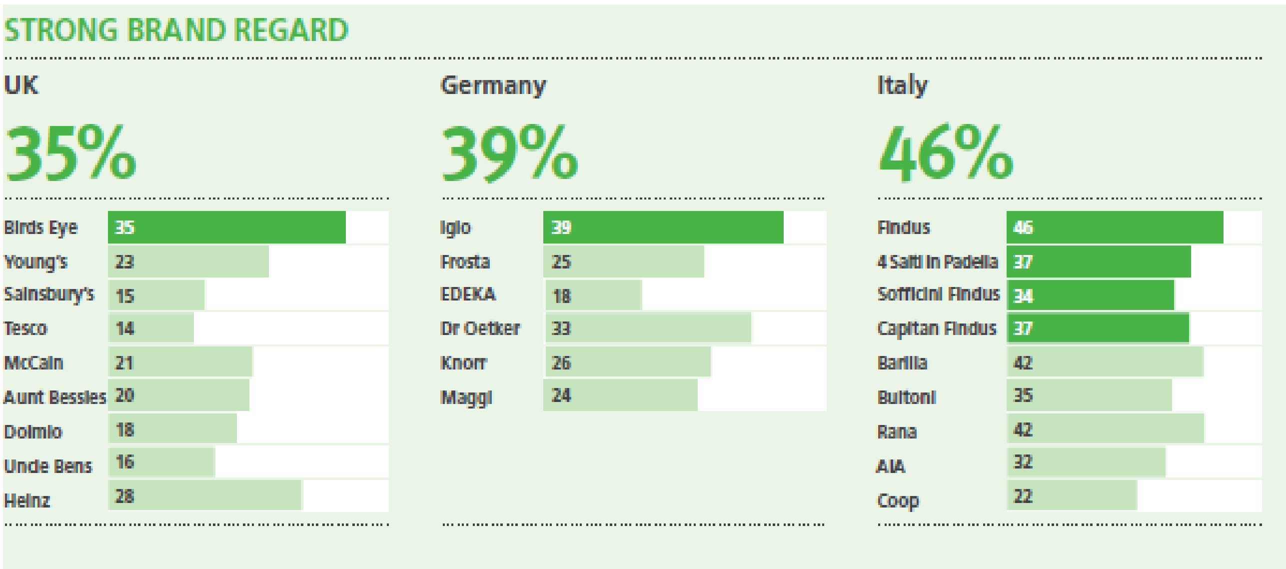
A description of the trends and factors shaping the market in which the company operates should be given.

Good practice

Attributes of good practice include:

- Insights into the macro-economic growth drivers shaping the market environment;
- Details on the competitive environment, including level of fragmentation, market position/share etc;
- Regulatory environment in which the company operates; and
- Quantifiable evidence to support the discussion.

Birds Eye Iglo – 31 December 2011



'Recommendation' Top 2 is the percentage of participants who chose 'Definitely' or 'would' when answering the question "Would you recommend this frozen food brand to your friends and family?" Brand Health Index reflects the combined impact of Brand Equity, Involvement and Price Perception Sources : IPSOS

This extract provides good disclosure of market position by citing external data.

Vue Cinemas – 24 November 2011

Market Environment Trends and Factors Affecting Future and Current Performance

Gross Box Office Revenues (GBOR)

Box office revenues in the UK and Ireland have continued to grow with market box office revenues for 2011 increasing by 0.8%* versus 2010. For the third year running, UK and Ireland box office revenues have surpassed the £1billion* mark. Overall UK cinema attendances for the full year were down 2.3%** versus 2010 which management believe is largely attributable to the extraordinary weather experienced in the UK during December 2010 and April 2011 when cinema attendance was adversely impacted.

* Source: Rentrak EDI

** Source: P&D / DCM

This extract provides good analysis of market conditions for the overall industry. The financial statements go into further analysis on the impact of the weather, 3D technology and film successes that have impacted the industry.

RAC – 31 December 2011

Market environment & context

The RAC Group operates in an increasingly competitive market. Road travel remains key to UK transport despite increasing costs of motoring.

- 92% of all passenger travel in the UK remains by road despite marked rises in fuel and insurance costs in recent years
- Two thirds of all journeys are made by car, with a trend towards shorter trips and lower speeds resulting in fewer road accidents and breakdowns

The RAC plays a leading role promoting UK motoring interests and issues, as follows:

- In 2011, the RAC published its 23rd annual "Report on Motoring"
- The RAC is a core member of the Fair Fuel UK campaign
- The RAC continues to work closely with the RAC Foundation across a range of safety, environmental and other motoring issues

This extract provides good oversight of the specific market environment and also economic pressures that impact it.

7. Principal risks and uncertainties facing the company

Requirement

The business review must contain a description of the principal risks and uncertainties facing the company.

Basic compliance

To comply with this requirement, the business review should contain an explicit identification of the principal risks and uncertainties facing the company. 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.

The discussions should be supported with quantifiable evidence.

New Look – 24 March 2012

RISK TYPE	DESCRIPTION OF RISK	RISK MITIGATION
Credit risk and liquidity	The Group's level of indebtedness, tough financial markets and exposure to interest rate volatility could constrain the business and its ability to grow.	• Regular review of the Group's current debt position and potential interest rate exposure. • Weekly cash flow forecasting and quarterly covenant reporting. Detailed covenant modelling is in place to support the planning cycle. • Treasury policy is in place which aims to hedge interest rates over the medium term.
International expansion	Tough international economic climate. Failure to grow the international business successfully through franchise operations, wholly-owned businesses and e-commerce.	• Strong relationships developed with the key franchise stakeholders. • Clear focus on best territories for future growth plus best trading model for country and cultural fit with the New Look brand. • Product ranges selected and developed which are relevant to the different markets.
Multi-channel	Failure to meet customer expectations across all channels will undermine our multi-channel proposition.	• Detailed review of all channels to ensure that they consistently meet customer expectations. • Ensure appropriate model is rolled out in international territories. • Bring fulfilment operation in-house.

This extract provides good explanation of the risks identified and how these are mitigated.

Center Parcs – 26 April 2012

The Executive Management Committee adopts a proactive approach to the management of such risks and is actively involved in the group's Risk Committee. In addition to ongoing monitoring, the Risk Committee meets quarterly to oversee risk management arrangements and ensure appropriate processes are put in place to mitigate potential risks and uncertainties. These risks include, but are not limited to:

Operational Risk Factors

Business continuity

Center Parcs operates four holiday Villages in the UK and a significant interruption of any one would have a material impact on the group. As a result, the Risk Committee supervises comprehensive risk management arrangements, including business continuity plans, which are regularly tested with the support of external specialists. These arrangements are supported by a broad insurance programme.

Supply chain

Center Parcs has a large number of suppliers and prides itself on the quality of its product. The group could be adversely affected by a fall in the standard of goods or services supplied by third parties or by a failure of a key partner. Quality risks are mitigated via a robust supplier registration system with food and safety further supported by independent advisors. In addition, the Risk Committee considers supply chain contingency arrangements and takes appropriate measures to mitigate this risk.

Contractual arrangements

Center Parcs has contracts with third parties for the supply of goods and services. Contracts are negotiated at arm's length and Center Parcs does not enter into contracts that are outside the ordinary business or those that contain onerous terms. Center Parcs adopts a compliance programme to ensure that the group is compliant with its material contractual commitments. There is no single contractual counter party that is critical to the running of the business. The failure of any critical contractual counter party is managed through supply chain contingency arrangements (see Supply chain below left).

Employees

Center Parcs' performance largely depends on its managers and staff, both on the Villages and at head office. The resignation of key individuals or the inability to recruit staff with the right experience and skills could adversely impact the group's results. To mitigate these issues, the group has invested in training programmes for its staff and has a number of bonus schemes linked to the group's results and achievement against key performance indicators, linked to guest satisfaction that are designed to reward and retain key individuals.

Input price increases

The group's margin can be adversely affected by an increase in the price of key costs to the business including, but not limited to, wages, overheads and utilities. The group takes proactive steps to manage any such increases including cost control, forward buying and budgeting for any increase.

Brand risk

The Center Parcs brand could be adversely affected by a serious incident, accident or similar occurrence or just a slow decline in the brand's appeal to consumers. The group mitigates the risk of a serious incident, accident or similar occurrence by maintaining industry-leading health and safety systems and standards of training. The risk of a slow decline in the brand's appeal is managed through continuous product innovation, marketing campaigns and brand development.

Fraud

Risk of fraud exists in misappropriation of assets, including banking, theft of stock and theft of cash takings. The group mitigates this risk through management structure and regular financial review with, and extensive use of, business systems. Regular external audits are also carried out on the group.

Market Risk Factors

General economic conditions

The disposable income of our guests and/or their holiday preferences are, and will be, affected by changes in the general economic environment and this may result in a fall in the number of guests and/or a decrease in on-site expenditure. Center Parcs regularly reviews its product offering and engages with guests to ensure it provides value for money to meet guests' needs.

This extract provides good analysis of risks and explanation of the strategy for mitigating risks. In addition, the overall risk management process is explained.

8. *Key performance indicators – financial*

Requirement

The review 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

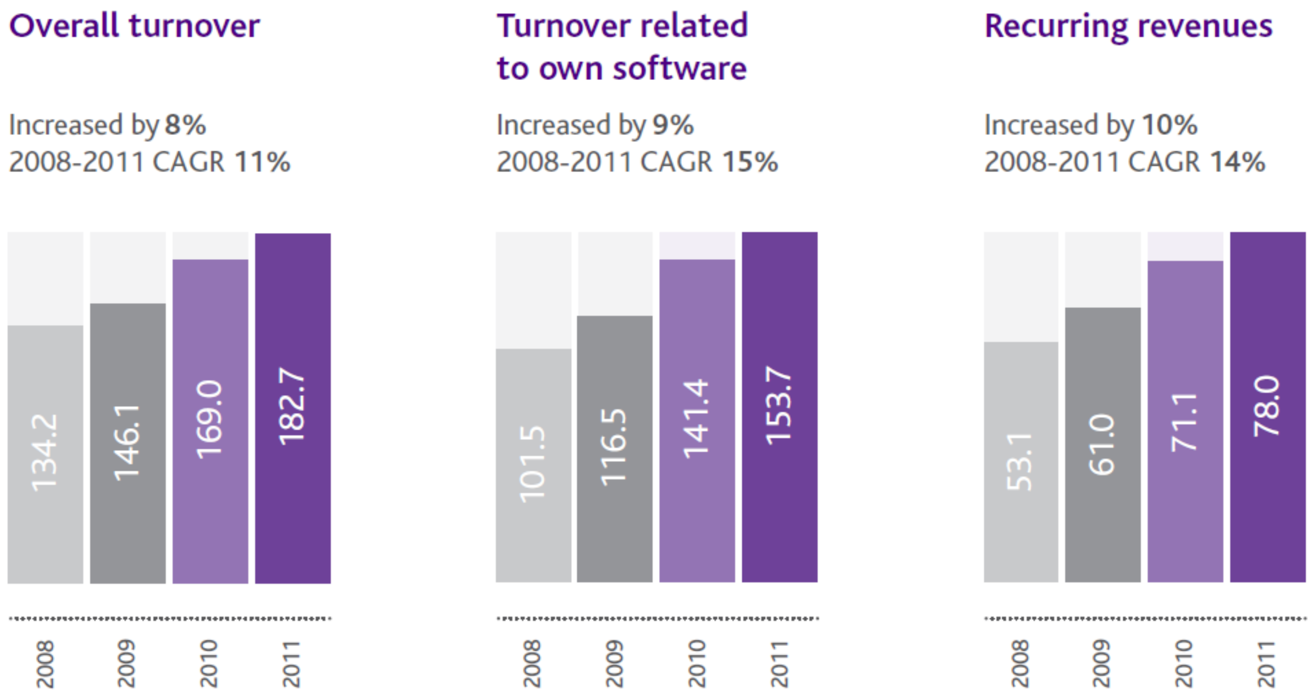
For ease of confirming compliance and effective communication we would encourage companies to explicitly disclose their KPIs and not leave it up to the readers discretion to determine what management consider to be 'key'.

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;
- A definition of how they have been calculated;
- Quantified trend data; and
- Targets or milestones, whether qualitative or quantitative.

Civica – 30 September 2011



This extract provides a good pictorial representation of the financial KPIs with comparative information.

New Look – 24 March 2012

REVENUE

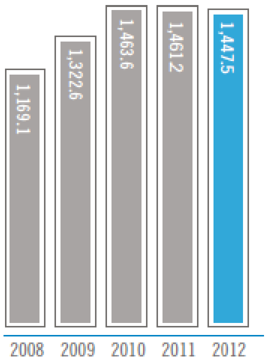
Strong growth in our multi-channel business complemented additional revenue from new stores but this was offset by a revenue decline from the existing store base. A 5.9% decline in Group LFL sales has stemmed from both external economic factors but also internal issues now being addressed.

The economic backdrop has remained challenging with customer confidence and footfall depressed, rising unemployment (particularly in our core target market of 18 to 24 year olds), low growth in wages, higher UK VAT and general inflationary pressures all contributing to a decrease in customers discretionary spend. Consequently we decided not to pass on the full impact of our own input cost rises from soaring cotton prices and overseas wage inflation to ensure that we maintained our value proposition to customers. Customers focus on value and special 'deals' has been greater than ever before, with promotional activity in the run up to Christmas being particularly pronounced.

We have also had a number of internal factors that have affected performance. Inconsistent ranging, pricing and quality in certain key categories have been identified, impacting on our appeal to our wider customer base. These issues are being addressed, supported by key leadership changes made during the year.

TOTAL REVENUE *
£m

£1,447.5m
-0.9%



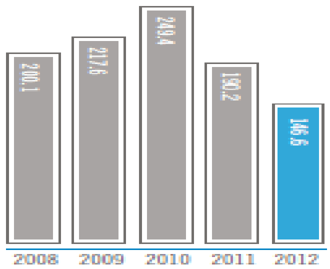
ADJUSTED EBITDA

The challenging trading environment both in the UK and Europe, together with some key product under-performance have continued to impact on Group adjusted EBITDA which fell to £146.6 million (2011: £190.2 million).

We have stepped up our focus on costs encouraging all staff to 'treat every pound as their own'. This has led to some innovative ideas and a greater collaboration with colleagues to ensure we work smarter as we seek to adapt the cost base to mitigate the slowdown in the Group's revenue growth. The last twelve months (LTM) EBITDA has improved since October 2011, reflecting a stronger H2.

ADJUSTED EBITDA *
£m

£146.6m
-22.9%



Adjusted EBITDA, a non-IFRS measure, is calculated as the Group's underlying operating profit before depreciation of tangible fixed assets, amortisation of intangible fixed assets and the income statement charge in relation to the Group's onerous lease provision.

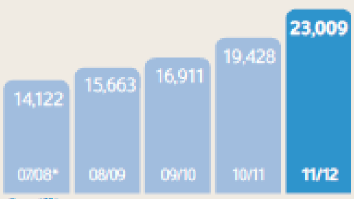
This extract provides good comparative KPI figures as well as detailed analysis for each measure.

Alliance Boots – 31 March 2012

Group

How fast we are growing

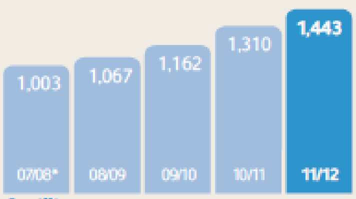
Revenue
+18.4%
versus last year



£ million

Our profit performance

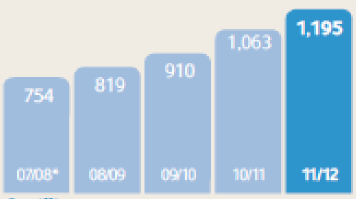
EBITDA
+10.2%
versus last year



£ million

Our profit performance

Trading profit
+12.4%
versus last year



£ million

This extract provides good comparative KPI figures for a 5-year period.

9. Key performance indicators – non-financial

Requirement

The review 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 to be '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. This is not always the case. The relative importance of certain KPIs will differ depending on the company's industry. For example, you might expect more customer, employee-based KPIs for a retailer and more environmental KPIs for a company in the extractive industry.

Good practice

Attributes of good practice include:

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

Merlin Entertainments Group – 31 December 2011

Our KPIs

Like for like growth (Note 1 & 2)	
Visitors	1.2%
Revenue	6.4%
EBITDA	8.6%
Operating Profit	7.2%

Visitors by Operating Group	2011	2010	Growth %
Midway Attractions	26.8m	22.0m	21.8%
LEGOLAND Parks	7.8m	7.2m	8.3%
Resort Theme Parks	11.8m	11.8m	-
Total	46.4m	41.0m	13.2%

Non-Financial KPIs	Target	2011
Customer Satisfaction*	90%+	✔
Staff Engagement**	80%+	✔

*Source - customer satisfaction surveys
**Source - annual employee surveys

Sites by Operating Group	December 2010	New 2011	December 2011
Midway Attractions	52	13	65
LEGOLAND Parks	4	1	5
Resort Theme Parks	7	-	7
Total	63	14	77

The extract provides detailed non-financial KPIs together with comparative numbers so performance can be examined year on year.

Trader Media – 01 April 2012

AVERAGE MONTHLY UNIQUE USERS
MILLION

This KPI represents the number of unique users* that log onto autotrader.co.uk on a monthly basis.

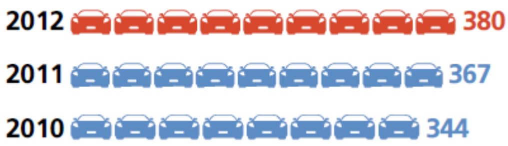
2012
+7%

* Source: Omniture

STOCK OF VEHICLES ON WEBSITE
'000

This provides a KPI that illustrates the number of vehicles being advertised on autotrader.co.uk on average through each year.

2012
+4%

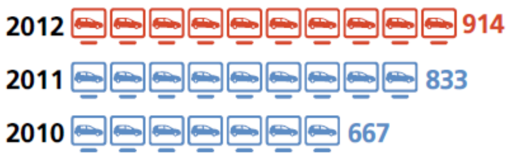


PAGE VIEWS
MILLION

(Average page views in the year)

This provides a KPI to indicate how many pages within the website are being accessed by the users of autotrader.co.uk

2012
+10%



* Source: Omniture

AVERAGE WEEKLY CIRCULATION
'000

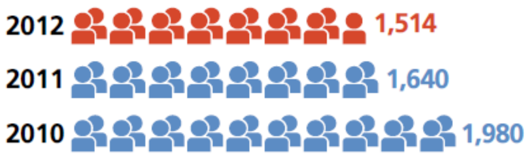
This provides a measure of the average circulation of the Auto Trader magazine in the UK and Ireland.

2012
-42%

HEADCOUNT

This represents the average number of full time equivalent employees during each financial year.

2012
-8%



This extract provides extensive disclosure of the non-financial KPIs used by the Board for monitoring performance, with comparatives for the user to understand performance.

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

Requirement

The business review 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 business review 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;
- Specific reference to 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.

United Biscuits – 31 December 2011

Industry factors affecting performance

The Group is well positioned in large, stable markets, which it believes will continue to grow. In the medium to long term, growth will be driven by consumer trends toward convenience, healthy snacking and indulgence. Overarching consumer trends also include the search for value and for products that are produced by responsible corporations in a sustainable manner. The Group continues to pursue an active programme of new and existing product development as well as promotional investments to respond to these trends.

In recent years, consumer demand for food products has been strongly influenced by trends towards out-of-home eating and away from the traditional three-meals-a-day eating pattern. Consumers now demand convenience foods, including biscuit and snack products that offer greater variety, healthier alternatives and greater portability and convenience. These trends are expected to continue. Retailers generally seek branded products that consumers know and trust and that will deliver them high turnover. UB is meeting this need with a wide range of classic products and new product development and promotions to keep store displays fresh and appealing.

The uncertain economic outlook for 2012 and beyond will naturally drive consumers to focus more on value. UB must adapt its products, formats and pricing to meet these consumer demands. Demand for food products, and the raw materials that go into these products, has continued to rise across the world. This has put pressure on supply which and resulted in further inflation. Whilst this has now stabilised, it is expected that demand will increase further in future years, potentially putting further pressure on food prices.

This extract provides disclosure of the key future trends and market developments impacting the group.

Alliance Boots – 31 March 2012

The key trends and market developments we expect to see over the coming years are:

New and innovative prescription medicines will continue to be developed

These specifically include special medicines which may require special handling (for example, temperature control) or administration to patients (for example, injections by nurses).

An increasing number of medicines to be available for retail purchase

Governments are increasing the number of medicines available for retail purchase to encourage consumers to pay for medicines for minor ailments, rather than going to their doctor for a prescription. Customers frequently seek advice from their pharmacist as to which products to buy. With its healthcare expertise, Boots is also able to develop better value product ranges which customers trust as substitutes for leading brands.

Latent consumer demand for beauty products with proven pharmaceutical benefits

The huge success of No7 Protect & Perfect Intense Beauty Serum highlights the latent consumer demand for beauty products which are validated by scientific evidence. We, along with certain other leading manufacturers of beauty products, continue to focus our product development activities in this select area of the beauty marketplace.

Continuing price cuts on established branded prescription medicines

Governments benchmark prices in similar countries and look at the cost-effectiveness of alternative branded medicines, cutting reimbursement prices when they identify price differentials or lower cost alternatives. Accordingly, we expect continuing price cuts on established branded prescription medicines over time.

More healthcare services to be provided in the community

Governments are seeking to provide more healthcare services in the community in a cost-effective way. Pharmacy is well placed to provide many services, such as Medicine Check-ups, weight management programmes, smoking cessation advice and flu vaccinations. In addition, we also expect the market for homecare services to grow rapidly.

Branded pharmaceutical manufacturers to seek further control over their distribution channels

An increasing number of branded pharmaceutical manufacturers are seeking further efficiencies and control by switching from selling via multiple pharmaceutical wholesalers to either selling direct to pharmacies (using relatively few distributors, such as Alliance Healthcare, to deliver the product, invoice customers and collect payments), or selling via a select number of national wholesalers such as Alliance Healthcare.

An increasing proportion of prescriptions to be lower cost generic medicines

Governments are implementing measures to encourage doctors to prescribe more generic medicines in order to reduce costs. Our Pharmaceutical Wholesale Division uses its scale and international sourcing capabilities to grow market share. We can secure lower prices and better cash margins on generics in a way which legislation typically does not permit for branded products, making us well placed to take advantage of this continuing trend.

Deregulation of pharmacy ownership to happen over time in more European countries

In the long term, we believe that cost pressures on governments are likely to lead to deregulation of pharmacy ownership in more European countries, to allow multiple ownership alongside wholesale. The timing of this continues to remain highly uncertain and, in our view, is unlikely in the near future.

Further consolidation of the pharmaceutical wholesaling and distribution sector

In pharmaceutical wholesaling, we expect consolidation amongst wholesalers over time as regulatory and market changes put increasing pressure on the industry.

This extract shows a detailed examination of the trends and factors impacting the business commercially, considering both the products they sell and the way they sell them.

11. 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.

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

Good practice would 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 save duplication.

Pret A Manger – 29 December 2011

Sustainability

Our three year sustainability strategy addresses the key social and environmental challenges facing our business. In 2011, we have focused on bedding in the strategy and setting future targets in the UK, whilst developing future sustainability targets in the USA and Hong Kong. The Group strategy covers five key dimensions – resources (which includes carbon & water), waste, ethical sourcing, healthy food and contribution to society. Each element of the strategy is closely monitored against defined targets.

Resources

In the UK, Pret regularly monitors its carbon footprint and aims to reduce carbon emissions. Key achievements in 2011 towards this goal include increasing the use of energy-efficient equipment, reducing food transportation distances, eliminating all air freighting, and ensuring the installation of smart electricity meters in all shops.

Pret aims to reduce total water use in the UK through improved monitoring of water usage across its estate.

In the USA and Hong Kong we set 2012 targets to increase our understanding of energy and water usage.

Waste

During 2011, waste projects were carried out in the UK to reduce the level of packaging, minimise product waste and reduce landfill waste. Where Pret has full control over waste contracts. We achieved 100% diversion from landfill in London and 40% for the rest of the UK, where Pret has control over waste contracts. Our target is to avoid landfill entirely by the end of 2012.

In the USA, front of house recycling was launched in 2011. In Hong Kong we have set targets to understand the sustainability of packaging lines and the waste process.

Ethical sourcing

Pret's sourcing strategy focuses on high animal welfare and ensuring a sustainable supply chain. All Tuna is pole & line caught, all chicken is UK sourced and 'Higher Welfare' and all eggs are UK free-range.

This extract provides good disclosure of detailed objectives and actions taken to address the environmental matters.

Infinis – 31 March 2012

Environment

In aiming for operational excellence, we measure our performance against external standards where these exist. Our environmental management system covers all areas of the business and is independently certified as compliant with ISO 14001, the international environmental standard.

We regularly benchmark our environmental performance against that of other companies and this year we piloted the use of the CEEQUAL sustainability and environmental assessment awards scheme on wind farm development, originally developed for the Institution of Civil Engineers. In June 2012 our Glenkerie wind farm became the first renewable energy project to be recognised with a "whole project" award from CEEQUAL in recognition of our commitment to designing and constructing sustainable projects.

Climate impact

Climate change is one of the greatest long-term challenges facing humanity today. We produce electricity from LFG, hydro and onshore wind, in the process reducing the quantities of greenhouse gases potentially emitted from LFG.

For the 12 month period to 31 March 2012, we have estimated our LFG operations as being carbon positive by 11 million tonnes of carbon dioxide equivalent (CO_2e). This describes our net climate impact calculated by setting our operational CO_2e emissions against the avoided emissions through the management of the methane component of LFG and the displaced emissions from grid electricity.

This figure is based on the following:

- Methane is a damaging greenhouse gas with 21 times the global warming potential of carbon dioxide (CO_2). As a by-product of power generation and through flaring excess gas, we convert methane into less harmful carbon dioxide.
- In running our operations, we release CO_2. The most significant source of emissions for us is associated with the electricity we purchase to power our plant. However, this is dwarfed by the 2,515 GWh of renewable electricity we generated and exported to the electricity grid for use in homes and businesses across the country.

This extract provides a clear explanation of environmental goals and Group progress quantified.

Vue Cinemas – 24 November 2011

Management is committed to a programme of capital and operational initiatives that will deliver major reductions in the Group's carbon footprint including environmentally beneficial projects in relation to water conservation and waste management.

Following a review of our waste strategy undertaken in 2010, the Group has a target to recycle 95% of all waste produced at our cinemas and head office by 2013. During 2011 we have achieved 35%, with the percentage anticipated to rise to 65% in 2012.

Since 2008 the Group has saved a cumulative 400 million litres of water due to the introduction of various water conservation initiatives. For the full year 2012 we anticipate a saving of an additional 300 million litres of water compared to 2011, a saving that is projected to continue into future years.

During 2012 we anticipate that measured reductions in our electricity consumption of up to 35% will be achieved. These reductions result from several major capital projects including energy efficient lighting, enhancements to our heating, ventilation and air conditioning equipment and controls and additional management procedures in relation to operational best practice.

Energy conservation planning is paramount during our new cinema design and development programme where current British Standards and requirements for Building Regulations are exceeded by the Group's designers at every level.

This extract provides a clear explanation of environmental concerns and the strategy employed to deliver change.

12. Employees

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 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 information on 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. As a minimum, adequate compliance with the Companies Act will ensure basic level compliance with the Walker Guidelines.

To the extent that employees are considered a critical resource of the business disclosures should include a discussion of the management and development of employees, including recruitment, training and development practices.

Good practice

Attributes of good practice companies 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.

RAC – 31 December 2011

The group's people

People are the group's most valuable resource and the success of the group is to the credit of all our employees. The continued success of TMG and its brands is something of which everyone associated with the business can be enormously proud. In recognition of the diverse needs of TMG's employees, our flexible benefits scheme, My Benefits, enables employees to tailor their benefits package to meet their own specific needs. As well as our company funded benefits, we offer a wide range of voluntary benefits including childcare vouchers, cycle to work schemes and critical illness insurance that are proving popular amongst our employees. We are always looking to evolve our package of benefits and therefore this year we have introduced travel season ticket loans, pension salary sacrifice and a wine club.

The group is committed to pursuing training programmes which equip all employees with the necessary skills to help them perform to the best of their ability and this investment in people is core to our aim to motivate and retain employees.

The group is committed to treating all its employees and job applicants fairly and equally. It is our policy not to discriminate on the basis of their gender, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the group ensures all workers have a duty to act in accordance with this.

The average number of staff employed by the group on a full time equivalent basis during the year was 1,514 (2011: 1,640).

This extract provides a good explanation of the group's employment related policies on recruitment as well as learning and development.

Civica – 30 September 2011

Review of operations

People matter to our customers. Both the people they support and the people they work with. Civica aims to employ people with the vision, ability and approach to succeed for our customers and for our business, equipping them through our comprehensive training, development and support programmes as well as providing the technical and operational expertise to achieve better outcomes.

Employee engagement

The Group recognises that employee engagement and support is imperative to the successful delivery of our strategy. By creating a flexible, knowledgeable and specialist workforce, Civica is equipped to adapt to the evolving needs of our customers. Employment policies support our culture and values and we fully support diversity across the workforce. We aim constantly to develop Civica as a great place to work and to ensure it is seen as an employer of choice.

During 2011 the business continued to invest in employee initiatives to ensure the necessary resources and infrastructure to support continuous improvement. Civica's nomination in the 'Best Companies' accreditation scheme as 'One to Watch', based on feedback from over 650 employees, is testament to the investment made to date and following the end of the Group's financial year Civica also achieved the Investors in People accreditation across the UK business in early 2012.

In order to engage all employees via open and effective communication the Group has dedicated resource to improving internal communications through formal briefings, departmental meetings, annual forums, regular chief executive video updates and in-house newsletters. The Group has continued to encourage sharing and feedback through listening and suggestions schemes, employee survey, 360° reviews and leadership and customer service programmes whereby all employees have the opportunity to make their views known.

Employee transfers

The Group successfully added more than 200 employees during the year, with almost half via TUPE transfers. With a history of effective acquisitions and an increasing track record in outsourcing, Civica has developed a best practice approach to employee transfers which has resulted in seamless transitions and extremely positive feedback from teams involved.

During the year the Group also continued to place a number of employees into new roles through secondment or assignment across all areas of the business. In addition to assisting the process of change, this has helped to strengthen the business and to deliver increasing value for customers and communities through shared knowledge and experience.

The Civica Learning Academy

Through the Civica Academy the Group provides a consistent programme of training and development to meet our customers' needs and to ensure career progression for our people to support retention. We operate formal training together with mentor-based and networking programmes to ensure deep understanding of the markets and customers we serve with particular focus around creating customer service excellence and innovation.

Civica's rate of growth means considerable reliance is placed on managers and team leaders to drive change and efficiency. The Group operates a highly successful leadership programme 'Raising the Bar', which provides the leadership skills to motivate our teams and drive continuous improvement. The programme includes cross-functional team work to address specific business issues.

The bespoke 'Top Gear' training programme is designed to ensure that business development teams have the capability to help customers establish IT-based solutions which satisfy their needs including more innovative business process services and specialist outsourcing, while 'Customer First', combined with 'First Impressions' for new starters, ensures a consistent approach to high quality service delivery and support.

This extract provides a good explanation of the group's strategy and employee related policies.

Merlin Entertainments Group – 31 December 2011

This extract provides a good pictorial representation of training programs, and is taken from a substantial employee section.

13. Social and community issues

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 social and community 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 highlighting, at a high level, social and community issues affecting the business and the company's policies to address them. The Companies Act disclosure requirement on political and charitable donations is not sufficient to address this criterion.

Good practice

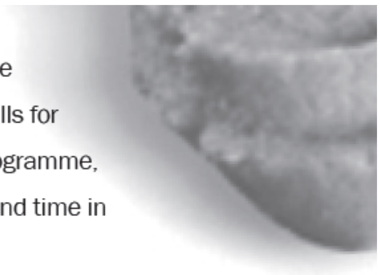
In our view, attributes of good practice include:

- Alignment of social and community issues to strategy;
- Explanation of the actions taken to address the specific social and community issues for example, local recruitment, investment in education and impact on recruitment;
- 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 provided the most relevant disclosure and can be cross-referenced to save duplication.

Disclosures around social and community issues are typically a poor area of overall reporting by portfolio companies. This has also been the case for FTSE companies on initial adoption of the business review and is an area where improvement will be necessary going forward to demonstrate compliance.

United Biscuits – 31 December 2011



Several of UB's sites have forged strong relationships with local schools and supported them throughout the year, through fundraising, inviting students on-site to give them a real taste of working within a factory or getting involved with projects such as Skills for Management. For example, the Jacob's Aintree factory now offers a Work Inspiration programme, aimed at 14-16 year olds, which entails career discussion sessions and a chance to spend time in different departments on site.

UB's factories also support other national charities and initiatives. For example, its Consett factory provided a day of mock interviews and feedback to members of the Crisis charity and the KP Teesside site has been very involved with the Prince's Trust Team initiative, helping disadvantaged youths with their personal development.

Including a £100,000 donation to the WWF to support research into penguins as part of its Penguin biscuit promotions, the business and its employees have raised over £275,000 for local community projects and charities in 2011. In addition nearly 200 days of special leave have been granted to help with community projects.

This extract provides a good explanation of the group's community based employment and training programs.

Center Parcs – 26 April 2012

Nature and Biodiversity

Center Parcs was again awarded The Wildlife Trust's Biodiversity Benchmark for all its sites this year. Following a rigorous audit at Center Parcs Longle at at Forest, the Biodiversity benchmark was presented to Center Parcs in recognition for its continual efforts to protect and enhance the natural environment at its four holiday Villages across the UK. In addition, we were also reaccredited Forest Stewardship Council (FSC) certification for the management of our woodlands.

Out People

We recognise that our staff are our most important asset and we have continued to deliver initiatives that support and develop our employees, whatever position they hold in the company. Our commitment to the training and development of our employees has again be an recognised by investors in People, and we not have over 200 individuals currently working towards work-based apprenticeships through our own Training Academy.

This year has also seen the lowest level of labour turnover on record (20%) which high lights the commitment of our employees to Center Parcs, and we are pleased to have again given a pay increase and bonus payment to all eligible employees.

Our four Villages are surrounded by small, close communities and we have a commitment to people who live locally and even further afield. We have continued our community programme where we offer our employee time to local projects. During the past year, staff at Sherwood Forest gave up their time and expertise to carry out conservation work on a community garden in Nottingham. Similarly, staff at Longle at Forest donated their time to spend the day cleaning, painting and planting, transforming the outdoor are of Critchill School in Frome into a beautiful place of children to play and enjoy.

Charity

We continue to pursure our policy of supporting charities close to the heart of the Center Parcs brand. The focus of our support is on children's and environmental charities. We have long-standing arrangements with several charities for terminally ill children, providing much needed holidays for seriously ill children and their families. During the period, Center Parcs continued the partnership with Great Ormond Street Hospital Children's Charity, raising over £152,000 for their Beds for Bedz campaign. This takes the total raised over the two years of our partnership to just over £300,000. In addition, local donations made via our 'Village councils' totalled over £11,660 during the year.

This extract provides a good explanation of the actions taken to address social and community issues.

New Look – 24 March 2012

COMMUNITY GIVING

The New Look Foundation has been running since September 2009 with the mission: "to educate, inspire and empower people to feel good about themselves, to live life to the full and make smart choices for themselves and those close to them."

Our Foundation is funded mostly through the proceeds from the sale of specifically designed charity products sold in-store, as well as payroll giving, Pay Day lottery which launched in January 2011, along with fundraising and donations in-store and around our offices.

Money raised for the New Look Foundation is shared amongst our charity partners who we've been supporting since April 2010: b-eat (beating eating disorders), Macmillan (cancer support) and Whizz-Kidz (overcoming disabilities), donations to good causes local to our stores and offices and disaster relief appeals.

From April 2011 to March 2012 we raised the following:

- £38,071 for our Foundation;
- £94,212 for our three charity partners through staff fundraising activity, direct donations and charity product sold in-store; and
- 357 of our people are currently subscribed to Payroll Giving and donated £22,870 to 376 charities.

We have also given £2.7 million (2011: £2.6 million) worth of clothing to various causes including the New Life Foundation.

Donations have been made primarily to our 3 main charity partners Macmillan, b-eat and Whizz Kidz as well as over £40,000 donated to Retail Trust in exchange for their Employee Assistance Programme and local charities close to our staff's hearts.

This extract demonstrates the actions the group are taking and quantifies the results.

14. Essential contractual or other arrangements

Requirement

The business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include, subject to subsection (11) (disclosure seriously prejudicial in opinion of the directors), information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.

Basic compliance

The Companies Act requires the disclosure of the supplier payment policy and creditor days. This is not sufficient to meet the requirements of the enhanced business review or, consequently, the Guidelines. The requirement is about reporting significant relationships, such as those with major suppliers or key customers critical to the business, which are likely to influence, directly or indirectly, the performance of the business and its value.

It is not always possible to identify whether companies have significant relationships without an explicit statement to that effect. It is important to remember that as well as customer and supplier contracts, often property and debt arrangements can be key contracts for a business. Furthermore key relationships may exist where there is no formal contract in place. The lack of any such statement does not necessarily mean a lack of compliance, as it is possible to make some inferences from the nature of the business. If, however, there are no such arrangements we encourage a specific statement to that effect.

Good practice

Attributes of good practice include:

- Clear signposting of essential contracts, relationships or other arrangements;
- Identification of the names of the parties with whom these contracts or other arrangements exist or the nature of the arrangements and relevance to the business;
- Quantification of the potential exposure/dependency of these contractual or other arrangements e.g. x% of revenue from x number of customers; and
- Disclosure of how these arrangements benefit the business and how the risks attached to them are managed.

Explicit disclosures around essential contracts is typically a poor area of overall reporting by portfolio companies. This is also the case for FTSE companies on initial adoption of the business review and is an area where significant improvement will be necessary going forward to demonstrate compliance.

DFS – 30 July 2011

Supply chain management

A large portion of the Group's products are supplied by a core of manufacturers, with many produced in continental Europe and Asia. The Group's internal manufacturing operations also supply a significant proportion of goods sold and may not wholly be able to compensate for the failure of any of the Group's key external suppliers to satisfy their delivery obligations. The Group maintains flexible supply arrangements to facilitate switching between suppliers where necessary and uses a variety of freight forwarders to avoid reliance on any one transport link. All external upholstered furniture suppliers are frequently inspected by the Group to ensure that production is proceeding smoothly and that quality standards are maintained.

This extract provides clear description of key external relationships with suppliers and supply chain management.

Trader Media – 01 April 2012

Key suppliers

The group works closely with a number of key suppliers. The majority of the group's websites, equipment and networks are hosted in data centres managed by Getronics UK Limited and Telecity Group UK Limited. The contracts for these sites run until December 2013 and July 2014 respectively. NWIX Group Limited provide the internet connection for the majority of the group's hosting environment and resilient connectivity between the data centres. This contract runs until April 2014.

Condé Nast and National Magazine Distributors Limited ("COMAG") manages the flow of all the group's magazines through the magazine supply chain in the UK and Ireland. In addition to the contract that extends to 2013, TMG and COMAG operate a service level agreement ("SLA") that addresses in detail each element of the supply agreement. The provision of services under the SLA is formally evaluated each year but joint monthly and quarterly business reviews are also conducted.

Following the sale of Apple Web Offset, the group has contracted with a subsidiary of the buyer, Walstead Investments Limited, to provide the magazine print services for the group up to 2014.

This extract provides clear identification of suppliers with whom significant contracts or other arrangements exist.

Tragus – 29 May 2011

Essential contracts

No single food supplier makes up a significant percentage of our total expenditure. We use a third party provider for distribution of food and beverage to the restaurants and we are reliant on several different banks for the funding of our debt and credit facilities.

This extract provides clear identification that no essential contracts exist.

Appendix

Guidelines for enhanced disclosure by portfolio companies and private equity firms

The requirements of the Guidelines as applying to 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 enhanced reporting guidelines (as amended by the GMG in March 2010)

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
- 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.

A private equity firm is a firm authorised by the FSA that is managing or advising funds that either own or control one or more UK companies or have a designated capability to engage in such investment activity in the future where the company or companies are covered by the enhanced reporting guidelines for portfolio companies.

A portfolio company of a private equity 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 private equity firm holds a majority stake (>50% of the ordinary shares) in the underlying business;
- If a private equity firm, in its own financial statements, discloses that it maintains control of the portfolio company;
- A private equity 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 private equity firm invests in a portfolio company, those firms will be jointly responsible for ensuring that the portfolio company applies the guidelines.

2. Content of enhanced disclosure by a portfolio company

A portfolio company should include as part of its audited annual report and accounts the following enhanced 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 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.

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 the outside to add relevant industry or other experience.

The report should include a business review that substantially conforms to the provisions of Section 417 of the Companies Act 2006 including sub-section 5 (which is ordinarily applicable only to quoted companies). Sub-section 5 provides:

'(5) In the case of a quoted company the business review 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; and
- Information about –
  - Environmental matters (including the impact of the company's business on the environment),
  - The company's employees, and
  - Social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies; and
- Subject to subsection (11) (disclosure seriously prejudicial in opinion of the directors), information about persons with whom the company has contractual or other agreements which are essential to the business of the company.
- If the review does not contain information of each kind mentioned in paragraphs (b)(i), (ii) and (iii) and (c), it must state which of these kinds of information it does not contain.'
- 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 the extent that the guidelines at (b) and (c) above are met by existing market disclosures in respect of debt or equity issuance on public markets, this should be explained with the relevant material made accessible on the company's website; and where compliance with these guidelines, in particular in respect of any forward-looking statement, might involve conflict with other regulatory obligations, the reason for non-compliance should similarly be explained on the company website.

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 6 months after the company year end;

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 3 months after mid-year.

4. *Conformity with each of the guidelines should be on a comply or explain basis.*

Where an explanation is given for 'non-compliance', this should be posted alongside other related relevant disclosures called for under these guidelines on the website of the private equity firm or portfolio company.

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