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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 2014

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.

In December 2013, the Group issued its sixth annual report on monitoring conformity by qualifying private equity firms and portfolio companies. It was good to see a high level of compliance in the companies who were subject to the Guidelines for the first time. The overall standard of corporate reporting continued to improve across the population, as in general most companies reached a good level of compliance.

The quality and usefulness of disclosures continues to be heavily in focus, and updated guidance has been issued by the Departnment of Busness, Innovation and Skills ('BIS') to cover what should be be included in respect of narrative reporting for both private and quoted companies.

The Group is responsible for ensuring that the Guidelines evolve with changes in the industry and financial reporting over time. We are committed to implementing changes that ensure portfolio companies report to, or exceed, the standard seen in the FTSE 350. With this in mind, we will review how those areas of the new requirements of BIS and the FRC applicable to listed companies will be incorporated into the Guidelines. The updated Guidelines will be applicable for reporters in scope for September 2014 year ends onwards and further guidance will be shared in the spring and finalised by June 2014.

The Group has commissioned this guide to help portfolio companies conform under the current 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 six 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.

Nick Land
Chairman – Guidelines Monitoring Group

Applying the Guidelines - guiding principles

To aid compliance with the Guidelines, the requirements have been split into fourteen discrete areas across three broad areas as discussed below. However when determining what to include in the annual report and constructing its look and feel, we would recommend that the following principles are applied as well as ensuring compliance with the individual criterion.

The annual report when taken as a whole should be considered fair, balanced and understandable to a user of the accounts. Good annual reports are:

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

No two annual reports will look the same, as no two businesses are the same. However in applying these principles, along with the specific criteria below, understanding and comparability of annual reports is ensured.

The three broad areas and fourteen discrete areas covered by the Guidelines are summarised below and set out in more detail on the following pages where examples of good reporting are included:

Guidelines specific

Those disclosures specific or focussed on the features that occur from being under Private Equity ownership:

Business review

Those areas required for all private companies in order to comply with the UK companies Act:

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:

The examples on the following pages highlight some of the good disclosures observed within portfolio companies' accounts in the last two years. They are not a comprehensive analysis of how any individual company complied with any particular guideline criterion. The Group regards good practice as that which is broadly equivalent to a FTSE 350 standard of reporting. This is a subjective benchmark as the FTSE 350 contains varied standards of reporting. However the aim is for portfolio companies to aspire to the average standard across the FTSE 350 outside of the FTSE 100. The extracts of 'Good Practice' shown through this guide are examples of disclosures that we see as being consistent with that standard. Where elements of the requirements are not applicable to the specifics of that company, our view is that the Guidelines encourage explanation as to why they are not relevant and why the disclosure may be omitted, under the 'comply or explain' philosophy.

1. Identity of private equity firm

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Edinburgh Airport – 31 December 2012

Ownership

The Company is a wholly-owned subsidiary of Green Bidco Limited, a United Kingdom ("UK") incorporated company, and is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships. The consortium that ultimately owns the Company currently comprises the following parties:

- Global Infrastructure Partners, LP ("GIP 2") 80.9%
- Future Fund Board of Guardians ("Future Fund") 9.55%
- QSuper Fund 9.55%.

Global Infrastructure Partners, LP ("GIP 2") is a specialist infrastructure fund that invests worldwide in infrastructure assets and businesses. GIP was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP targets investments in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment and waste management. Global Infrastructure Management, LLC, the manager of GIP 2, has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut.

Future Fund Board of Guardians ("Future Fund") is a financial asset fund established by the Future Fund Act 2006 to assist future Australian governments meet the cost of public sector superannuation liabilities by delivering investment returns on contributions to the fund. As at 31 December 2012 the fund has approximately A$88 billion assets under management.

The State Public Sector Superannuation Fund ("QSuper Fund") is the largest superannuation fund in Queensland and amongst the largest in Australia, with over 544,000 members and assets under management of over $39 billion. The QSuper Fund is the superannuation fund for current and former Queensland Government employees and their spouses. The QSuper Fund holds all employer and member contributions which are invested on its behalf by its trustee, the Board of Trustees of the State Public Sector Superannuation Scheme ("QSuper Board").

The QSuper Board is established under the Superannuation (State Public Sector) Act 1990, under which the Superannuation (State Public Sector) Deed 1990 was created which governs the QSuper Fund. The QSuper Board's interest in the Edinburgh Airport assets is held by QSuper Investment Holdings Pty Ltd ("QIH") as trustee for the QSuper European Infrastructure Trust ("QEIT"). QIH is a subsidiary of the QSuper Board and QEIT is a trust established by the QSuper Board for the purpose of holding European infrastructure assets on its behalf."

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

Affinity Water – 31 March 2013

The effective equity interest in the company is as follows:

Infracapital Partners II	40%
Morgan Stanley Infrastructure Partners	40%
Beryl Datura Investment Limited	10%
Veolia Water UK Limited	10%

Infracapital Partners II

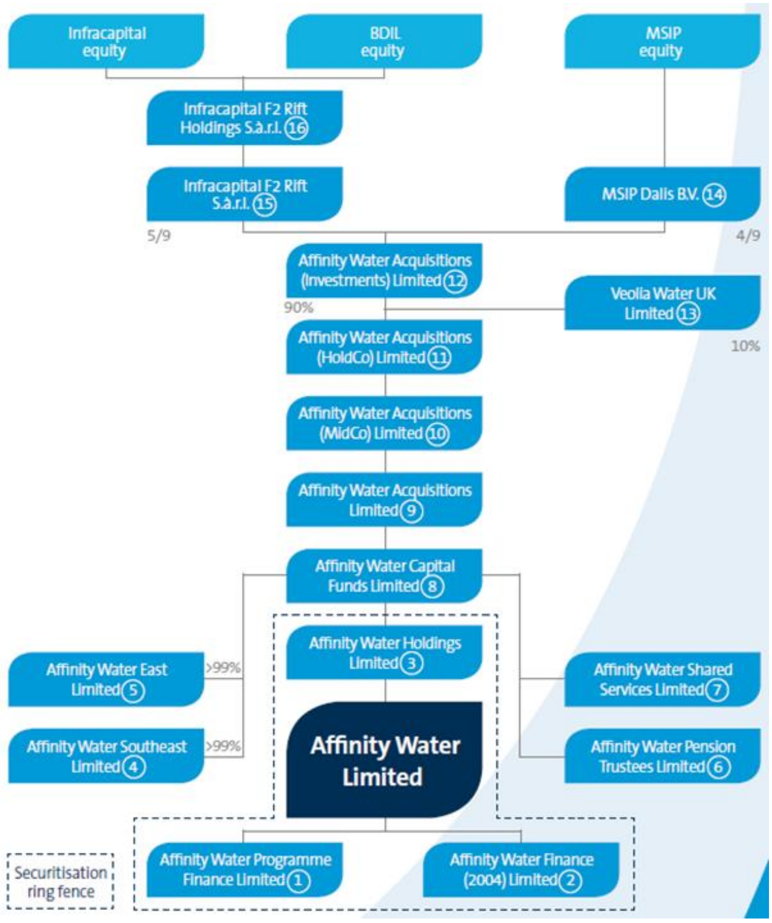
Infracapital Partners II has made its investment in the company through Infracapital F2 Rift S.à.r.l., which is a wholly owned subsidiary of Infracapital F2 Rift Holdings S.à.r.l. Both Infracapital F2 Rift S.à.r.l. and Infracapital F2 Rift Holdings S.à.r.l. are incorporated in Luxembourg.

Infracapital Partners II is one of a number of European infrastructure funds managed by M&G Investment Management Limited, a subsidiary of Prudential Plc. It was established in 2010 to make investments in income-generative infrastructure assets and businesses, including electricity and gas networks, water companies, transport infrastructure and renewable energy.

Morgan Stanley Infrastructure Partners

Morgan Stanley Infrastructure Partners has made its investment in the company indirectly through MSIP Dalis B.V. MSIP Dalis B.V. is incorporated in the Netherlands.

Morgan Stanley Infrastructure Partners is a global infrastructure investment fund managed by Morgan Stanley Infrastructure Inc., part of the investment management division of Morgan Stanley. It was established in 2007 to make investments in core infrastructure assets that provide essential public goods and services to societies across the globe and seeks to improve asset performance using active management.



This example clearly sets out the names of the private equity firms owning the portfolio company along with the equity interest of the private equity firm in the portfolio company.

AWAS – 30 November 2012

Shareholder Oversight

AWAS is owned by Carmel Capital Sàrl, which is owned by investment funds managed by Terra Firma Investments (GP) 2 Limited and Terra Firma Investments (GP) 3 Limited, and by CPP Investment Board Private Holdings Inc ("CPPIB"). AWAS considers Terra Firma Holdings Limited, a Guernsey registered company, to be the ultimate parent company and Guy Hands to be the ultimate controlling party.

Terra Firma and CPPIB receive formal weekly reports that contain current information typically provided to a shareholder and have regular and substantial informal contact with AWAS management. Neither Terra Firma nor CPPIB act as guarantor with respect to any of the Company's obligations and all corporate decisions affecting the Group are made by the Company and, where appropriate, the Board or governing body of the relevant Group affiliate.

Since the acquisition of AWAS, our shareholders have invested over $2.7bn in AWAS. No cash interest or dividend payments have been made by AWAS to our shareholders since the date of such acquisition.

This example presents the name of the PE firm, with a description of the relationship and interaction the portfolio company has with the PE firm and also the contribution of financial support provided.

2. Details on board composition

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

AMCo – 31 December 2012

The strategic direction of the AMCo group is set by the board of its ultimate parent company, CCM Pharma Limited which includes representatives of Cinven and Verdot Limited (the former owners of Amdipharm).

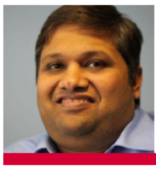
The board of CCM Pharma Limited delegates the implementation of the strategy for the principal operating subsidiaries of the group to the board of Mercury Pharma Group Limited ("the Board") and therefore, where relevant, the Board has commented on the business's performance and activities in this review.

This board comprises:

John Beighton

Chief Executive Officer

John started his Pharmaceutical career as a Medical Rep with what eventually became SmithKline Beecham Pharmaceuticals UK. He stayed for 14 years, progressing through a number of sales and marketing management positions. In his mid-30s, John moved to Teva where he spent 13 years building the Generics and Branded Pharmaceuticals businesses. He became UK Managing Director of Teva in 2005 and drove the business to its current number 1 market position. John joined Mercury Pharma in 2010 as CEO and has overseen its growth and the integration with Amdipharm.



Vikram Kamath

Finance Director

Vikram Kamath joined Mercury Pharma in October 2002, and has worked on a variety of projects in the company during this period including, transition of the Finance team from UK to Mumbai, implementation of their ERP system (SAP) in 2009 and divesture of the non-core Consumer health business. He has over 14 years experience in Finance and prior to joining Mercury Pharma, worked for Asian PPG Industries Ltd, a leading manufacturing company in Mumbai. He has spent the majority of his time at Mercury, working from their Mumbai office and is now based in London.

Stuart McAlpine

Stuart joined Cinven in 1996 and has been involved in a number of transactions including Amdipharm, Mercury Pharma, CPA Global, Sebia, Amadeus, Phadia, Truvo, Unique Pub Company, Foseco and Fitness First. He is a member of the Healthcare and Business Services sector teams.

Stuart was previously with the Royal Bank of Scotland in their Leveraged Finance Group, having moved there from Ernst & Young, where he worked in Boston and London.

Stuart has a BAcc in Accountancy from Glasgow University.

Supraj Rajagopalan

Supraj joined Cinven in 2004 and has worked on a number of transactions including Sebia, Spire Healthcare, Ahlsell, Partnerships in Care, Phadia, Amdipharm and Mercury Pharma. He is a member of the Healthcare team.

Previously he was at The Boston Consulting Group, where he worked in projects in the financial services and healthcare sectors. Prior to this, he was a doctor in the UK National Health Service.

Supraj graduated from Cambridge University with undergraduate and postgraduate degrees in Medical Sciences.

Alexander Leslie

Alex joined Cinven in 2006 and has been involved in a number of transactions, including Spire Healthcare, Partnerships in Care, Amdipharm and Mercury Pharma. He is a member of the Healthcare sector team.

Prior to this, he worked in the Investment Banking Division at Morgan Stanley in London.

Alex has an MA in History from Edinburgh University.

This example provides good disclosure of the board of directors of the portfolio company and their business and industry experience.

Four Seasons Healthcare – 31 December 2012

Board constitution and procedures

The Elli Investments Limited board comprises three directors whose biographies are shown on page 25.

The board of Elli Investments Limited acts as an overseeing body, fulfilling a corporate governance role. The board has delegated authority to Elli Finance (UK) plc to manage the group's day to day operations whose board includes the Chairman, Chief Executive Officer, Chief Financial Officer and Commercial Director who are responsible for the leadership, strategic direction, financial performance, corporate governance, internal control, risk management and corporate and social responsibility for the Four Seasons Health Care group, and who report directly to the board.

The Chairman is responsible for the effective running of the Elli Finance (UK) plc board and for communications with all directors and shareholders. An agenda is established for all scheduled board meetings, generally on a monthly basis. The Chairman ensures that all members of the board receive sufficient information on agenda items, including financial, business and corporate issues prior to each meeting, whether they are able to attend or not. This enables the board members to be regularly appraised on financial and operational performance and to make informed decisions on issues under consideration.

To ensure that key policy and strategic decisions are made by the board, certain matters must be brought to the board for approval, including but not limited to: final approval of the annual accounts and budget, major acquisitions and disposals and any changes to the group's financing arrangements and financial policies.

This example provides good disclosure of the responsibilities of the board and how the board runs. This is in addition to the detail of the board members which is presented in biographies.

Consolidated Pastoral Company – 31 December 2012

Lake Woods Holdings Pty Ltd's Board believes that effective corporate governance is a fundamental aspect of a well run company and is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

The following paragraphs describe the key governance structures and internal controls operating within the company. Through these mechanisms, the company aims to apply the highest standards of corporate governance.

Board constitution and procedures

There are two Executive Directors and four Non-Executive Directors on the Board. Mark Bahen is the Chairman and is responsible for the effective running of the Board and for communications with all directors. He ensures that the Board receives sufficient information on financial trading and corporate issues prior to the Board meetings. The executive directors are responsible for reporting to the Board on operations and the development of strategic plans for consideration by the Board as a whole.

The Board meets regularly during the year. During 2012 five scheduled meetings were held, all in Australia. All members of the Board receive detailed financial and operational information and regular presentations from executives on the business performance, in addition to items for decision and minutes of Board committees in advance of each board meeting, whether they are able to attend or not. This enables the directors to make informed decisions on corporate and business issues under consideration.

The Board has adopted a Corporate Governance Charter and a formal schedule of delegated authorities to facilitate decision making. Key policy and strategic decisions are made by the full Board. Such matters include, but are not limited to the final approval

This example provides good disclosure of the company's governance and internal controls, which is presented in addition to a profile of each director.

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

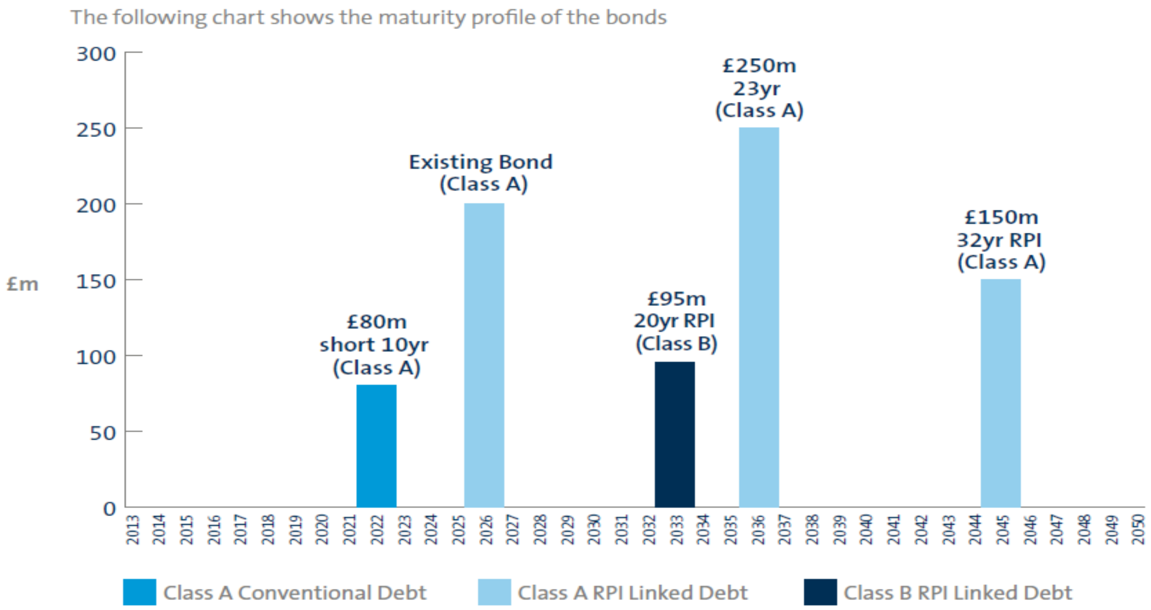
The review of financial position should include an explanation of the year end debt and capital structure of the company and its funding requirements. This should be linked into the financial statements and notes through appropriate cross referencing.

Good practice

Attributes of good practice include:

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

Affinity Water – 31 March 2013



This example clearly shows the value and maturity of the debt profile.

John Laing – 31 December 2012

At 31 December 2012, the Group had committed borrowing facilities of £324.6 million comprising a three year revolving credit facility of £305 million (2011 — £305 million) and coterminous bilateral facilities of £19.6 million (2011 — £19.9 million), as well as a £5 million overdraft facility. Of the Group's committed facilities, £137.3 million was undrawn at 31 December 2012 (2011 — £138.4 million). Net available financial resources at 31 December 2012 were £210.6 million (2010 — £194.0 million).

Analysis of Group financial resources (recourse)

		31 December 2012 £ million	31 December 2011 £ million
	Cash and bank deposits*	**73.3**	58.5
	Net funds	**73.3**	58.5
	Committed borrowing facilities		
	Syndicated	**305.0**	305.0
	Bilateral	**19.6**	19.9
		324.6	324.9
Less:	Letters of credit drawn	**(187.3)**	(186.5)
	Bank loans	**—**	—
	Undrawn corporate facilities	**137.3**	138.4
	Net available financial resources	**210.6**	196.9

* includes other financial assets and cash balances included in assets held for sale or discontinued operations

In February 2013, the Group entered into new committed four year borrowing facilities of £285 million to replace the above facilities which were due to mature in November 2013.

This example provides a clear reconciliation between the cash position and the net available financial resources and is provided in a wider discussion on financial position.

Expro – 31 March 2013

Financial position, liquidity and capital resources

	31 March 2013 Unaudited $'000	31 March 2012 Unaudited $'000	Change $'000
Adjusted operating profit	290,807	200,975	89,832
Capital expenditure	(128,928)	(144,449)	15,521
Working capital absorption	(38,673)	(100,517)	61,844
Operating free cash flow	**123,206**	**(43,991)**	**167,197**
Tax and interest paid	(232,273)	(249,654)	17,381
Repayment of senior notes	(408,507)	-	(408,507)
Proceeds from sale of C&M business, net of transaction costs*	591,550	-	591,550
Proceeds from issue of share capital	3,031	250,000	(246,969)
Other non-operating cash flows	(14,203)	21,138	(35,341)
Net Cash flow	**62,804**	**(22,507)**	**85,311**
Cash at the beginning of the year	44,018	66,525	(22,507)
Cash at the end of the year	**106,822**	**44,018**	**62,804**

*This excludes $10m of consideration related to the C&M sale that is currently held in escrow.

Financial position (continued)

Operating free cash flow was considerably higher at $123.2m, largely a result of improved operating profit of (increase of $89.9m), reduced working capital absorption of $56.4m and a slight reduction in capital expenditure of $15.5m. The sale of the Group's Connectors and Measurements business resulted in net proceeds of $591.5m which facilitated the repayment of $408.5m of the senior notes. As a result of this repayment cash interest cost was lowered, resulting in a reduction in tax and interest paid of $17.4m. Consequently the Group ended the year with positive net cash inflow of $62.8m and a cash balance at the end of the year of $106.8m, substantially higher when compared to the $44.0m balance at the end of the prior year.

Total liquidity improved by $27.7m to $201.0m, reflecting the improved cash position. Leverage improved significantly from 8.5x to 6.1x, primarily as a result of adjusted EBITDA growth and the reduction of the senior secured debt coming from the sale of the C&M business.

The example from the financial position discussion includes a detailed analysis of the year end financial position, analysis of working capital and capex levels as well as detail pf the net debt position and gearing ratios.

4. Financial review – Financial risks

Requirement

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

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end (see page 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; and
- Discussion of the risk management policies relating to the company's leverage.

Good practice

Attributes of good practice include:

- More detailed discussion in the financial statements of the overall risk management objectives and policies;
- Discussion focused on the key financial risks identified (see page 18 for principal risks), for example liquidity and cash flow, credit, interest rate, and how the risk management policies address these risks;
- Quantitative information to support the discussion on risks; and
- Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored.

Findus Group – 30 September 2012

b) Foreign currency exchange rates

The Findus Group is exposed to movements in foreign currency exchange rates, both a transactional and a translational risk.

A significant value of the Findus Group's purchases of materials is made in US Dollars and Euros. Whilst the Findus Group has a strong record in recovering the impact of cost increases through a combination of increased selling prices and cost reductions, there is a risk of a delay in restoring margins on a timely basis. For this reason, the Findus Group maintains a foreign currency hedging policy so that forward purchases made in US Dollars and Euros are covered by forward currency purchase contracts for a minimum of six months forward. By maintaining forward currency contract cover, the Findus Group is able to achieve certainty of forward exchange rates. A portion of the purchases in Euros are hedged by the Euro income generated within the Findus Group.

In addition, the Findus Group faces a translational risk when translating foreign currency denominated values into Sterling. The most significant potential impact is on the translation of bank debt as this is used in calculating one of the financial covenants. At the balance sheet date, the bank debt amounted to £418.9m, before the deduction of capitalised financing costs, and was denominated 37% in Euros, 35% in Sterling, 15% in Swedish Krona and 13% in Norwegian Krone. Further opportunities to rebalance the currency profile of the debt will be sought in future.

This example provides good analysis of the foreign currency exchange risk facing the group.

Just Retirement – 30 June 2012

(e) Credit risk

Credit risk is the risk of loss due to another party failing to meet all or part of their obligations.

The Group manages credit risk on its investment portfolio by investing in investment grade assets. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreements.

Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.

Credit risk is mitigated on the equity release mortgages by maintaining a low loan to value ratio. Furthermore, the nature of the product means that there is no default risk in either principal or interest other than through the no-negative equity guarantee. Credit and default risk are reflected in the no-negative equity guarantee provision.

The carrying amount of those assets subject to credit risk effectively represents the maximum credit risk exposure.

The following table provides information regarding the credit risk exposure for financial investments of the Group which are neither past due nor impaired at 30 June:

30 June 2012	AAA(1) £m	AA £m	A £m	BBB(2) £m	Unrated £m	Total £m
Debt securities and other fixed income securities	319.2	384.5	1,410.2	904.7	–	3,018.6
Units in sterling liquidity fund	31.1	–	–	–	–	31.1
Deposits with credit institutions	–	–	21.3	5.0	–	26.3
Insurance and other receivables	–	–	–	–	6.1	6.1
Financial derivatives	–	–	–	–	42.6	42.6
Reinsurance	–	95.3	40.9	–	–	136.2
Total	350.3	479.8	1,472.4	909.7	48.7	3,260.9

This example provides good disclosure of the credit risks facing the group including quantification of the exposure.

Fitness First– 31 October 2012

Liquidity and funding risk

Liquidity and funding risk is the risk that the Company could be unable to settle or meet its obligations as they fall due. The Company finances its operations through a combination of cash generated from operations and borrowings from its parent company. The Company monitors the maturity of financial liabilities to avoid the risk of a shortage of funds.

At the year end the Company had syndicated term loans of £nil (2011: £258.5m) and capex loans of £nil (2011: £47.9m.) As discussed in note 9, capex loans were repaid during the year, whilst the syndicated term loans were converted to intercompany debt. Following the restructuring, the Company has a new facility of £100m available for capital investment or other corporate purposes. At 31 October 2012, the facility was undrawn.

This example shows part of the disclosure relating to liquidity and funding risk. It goes onto include a maturity debt profile.

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, the company 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.

Consolidated Pastoral Company - 31 December 2012

Domestic Markets

Key initiatives are to increase our relationships with domestic retailers and feedlotters, increase our MSA and organic sales while improving our logistics capabilities. This will lead to better products, higher premium for quality and logistics cost optimisation.

Indonesia

In the short term we are maximising sales in Indonesia from dedicated properties targeting the Indonesian market. Over the medium to longer term we will position ourselves for a rebound in the market and consider what infrastructure is needed to make the market more stable.

This example provides a focused consideration on specific aspects of the company's strategy.

Garden Centre Group – 31 December 2012

Our strategy

The Group's approach to driving overall performance covers the following three key revenue streams:

1. Garden centre
   - Focus on organic growth by increasing local market share
   - Maintain the Group's horticultural credentials
   - Improve customer service

2. Restaurant
   - Refine the food & beverage formats and refurbish and expand the portfolio
   - Provide fresh British food and drink in a relaxing environment

3. Concessions
   - Develop and expand concession retail and leisure offerings to enhance the garden centre experience for customers

Review of the Group's progress since acquisition

Since the acquisition of The Garden Centre Group Limited by Trellis Capital Limited, significant progress has been made on key elements of our strategy:

✓ Increased Gardening Club membership from 1.9 million to 2.2 million members. This is the largest gardening loyalty membership programme in the UK
✓ Invested £8.4 million in property, plant and equipment
✓ Increased restaurant offering across the portfolio with 16 restaurant refurbishments
✓ Continued growth in concession income

This example provides good disclosure of key strategic objectives and key actions necessary to deliver the strategy. In addition the progress since acquisition has been disclosed to provide a measure of performance.

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, the company 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 and market position;
- Regulatory environment in which the company operates; and
- Quantifiable evidence to support the discussion.

Four Seasons Healthcare – 31 December 2012

Competition

We compete in several fragmented markets with a variety of for-profit and not-for-profit groups and the public sector in each of the markets in which we operate. Most competition is local, based on relevant catchment areas and local placement and procurement initiatives.

Following the takeover of 139 care homes and specialised units from Southern Cross in 2011, we became the largest operator in the for-profit sector with a market share of over 6%. The other three major operators in the for-profit elderly care market are:

- BUPA Care Homes: the for-profit division of a non-profit organisation
- HC-One: the partnership between NHP and Court Cavendish, which took over the operation of the 249 NHP-owned homes with approximately 12,500 beds for elderly and physically disabled people previously operated under leases by Southern Cross
- Barchester Healthcare: a private company

Within the not-for-profit sector, which represents approximately 14% of the total care home market, the major providers include Anchor Trust, Orders of St John Care Trust, MHA Care Group and Abbeyfield Society.

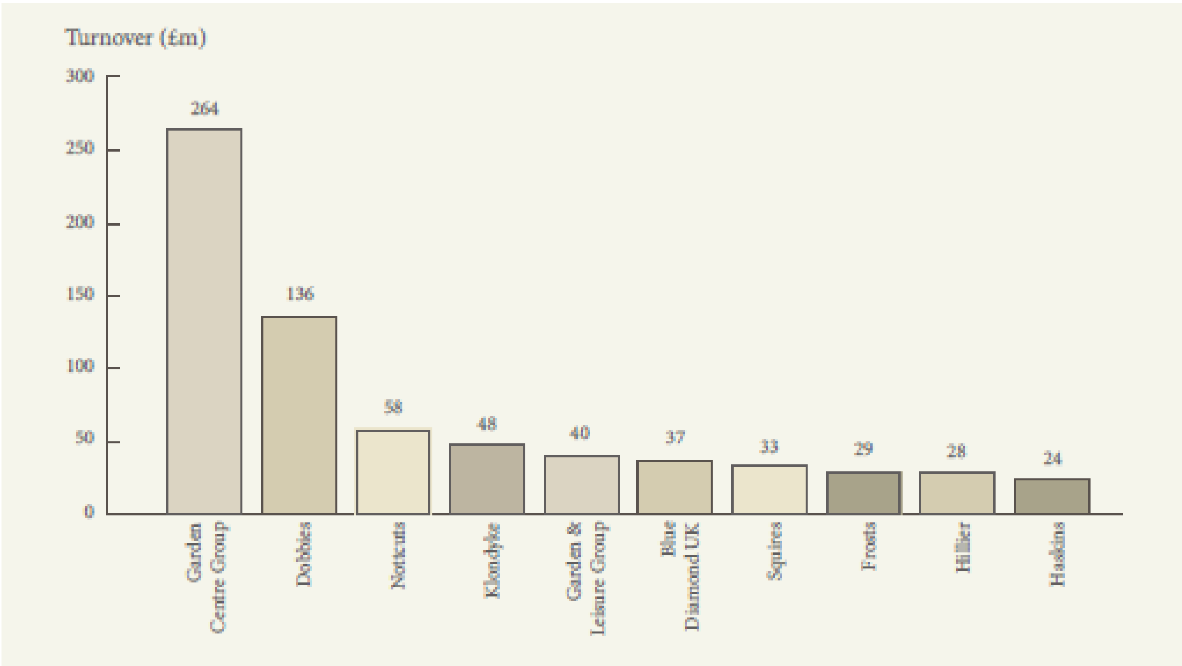
This example provides good disclosure of the nature of the markets in which the group operates. It goes on to describe further details on a segment basis, outlining the different segment markets.

Garden Centre Group – 31 December 2012

Mintel estimates the United Kingdom (UK) garden centre market to be worth £1.7 billion in 2010[v] with £582 million being generated by the biggest garden centre chains, of which The Garden Centre Group represents 41% (source: Mintel report May 2012).

There are around 1,000 garden centres in the UK. 259 of these are owned by chains, of which 50% are owned by the Group.

Top 10 Garden Retail Leaders based on turnover



Source: DIY Week, Garden Retail Leaders 2012 (November 2012)

This example is part of a wider discussion of the market environment which describes in some detail the specific market in which the company operates, including the overall sector and the company's position within it.

AWAS – 30 November 2012

Airlines

In 2012 airline passenger demand grew by 5.3% year on year despite negative global economic news and a tepid recovery in some key markets. Airlines were extremely effective in managing their available seat capacity and the industry attained near-record load factors. Growth and high aircraft utilisation combined to help airlines deliver an estimated $6.7bn profit in 2012 in spite of persistently high fuel prices.

In its 2013 forecast, the International Air Transport Association (IATA) projected 4.5% growth in passenger markets and 1.4% growth for cargo demand. This is expected to contribute to an improvement in profitability from $6.7bn (1.0% net profit margin) in 2012 to $8.4bn (1.3% net profit margin) in 2013.

This example provides oversight of the wider issues in the industry and this is built on further in the annual report.

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.

John Laing – 31 December 2012

Risk	Mitigation
Government policy In December 2012, the UK Government announced PF2, a revision of the UK PFI model. Depending on how the new model develops, the volume of potential UK opportunities available to the Group might in future reduce. In addition, the UK Government or other governments may seek to introduce new policies or legislation that seek to tax or share in the returns from PPP investments.	The Board continues to limit its exposure to any single PPP market and increasingly targets overseas markets, provided the risk profile and returns are acceptable. Thorough due diligence is carried out in order to assess a specific country's risk (for example economic and political stability, tax policy and local practices) before any investment is made. Further, the Group is actively investing in adjacent sectors such as renewable energy. Where possible the Group seeks specific contractual protection from changes in government policy and law. General change of law is considered to be a normal business risk. During the bidding process for a project, the Group takes a view on the appropriate pricing to cover the risk of non-discriminatory changes in law.
Macroeconomic factors Inflation, interest rates, foreign exchange and GDP all potentially impact upon the return generated from an investment. To the extent there are adverse movements in macroeconomic factors which cannot be adequately hedged, the return on an investment may decline, or the result may be lock up of distributions and/or default on the investment. The full or partial break-up of the Eurozone could affect the value of, or the return generated from, an investment denominated in Euro or whose underlying currency is linked to the Euro.	Factors which have the potential to impact adversely the underlying cash flows of an investment are hedged wherever possible and sensitivities are considered during the investment approval process. Systemic risks, such as persistent deflation, or appreciation of Sterling versus the currency in which an investment is made, are assessed in the context of the portfolio as a whole. The Group monitors closely the level of investments it has exposed to the Euro, including regularly testing the sensitivity of the financial covenants in its corporate borrowing facilities to a significant change in the value of the Euro. Where possible, specific clauses relating to currency change are incorporated in project documentation. No new projects are currently being pursued in those countries most directly affected by the difficulties in the Eurozone. During 2012, the Group's exposure to the Euro reduced as a result of the sale of its shareholding in the Kromhout Barracks project in the Netherlands.

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

WorldPay – 31 December 2012

A strategy for the implementation of a more sophisticated Enterprise Risk Management ('ERM') has been developed and will be implemented in 2013.

Risk Appetite
The Board provides the direction and approach in approving the Group's Risk Appetite which is then documented and cascaded throughout the organisation through the delegation of authority and policy documents. The overriding tone of the approach is based on balancing risk versus reward and ensuring that at all times WorldPay operates in a legally compliant and ethical manner.

Principal risks and uncertainties

Operational Risk
As noted above, WorldPay is commencing the roll out of a more sophisticated ERM approach which will be completed in 2013. In the interim, the Group continues to benefit from the processes and procedures inherited from the RBS ownership of the Group which have provided a basic outline of Risks inherent in the organisation.

In addition to the above, the Group has identified the Key Risks inherent in the Group and its operations and continues to build detailed management information to ensure that the Risks are managed and the Board is provided with appropriate information to make Risk based decisions

Information Security Risk
WorldPay takes the security of its environment and its customers' data extremely seriously and has implemented a defence in depth approach with layered defences covering preventative, detective and corrective security controls. The controls and processes are critical as organisations address advanced persistent threats from sophisticated cyber-attacks that have the potential to degrade or debilitate information systems supporting WorldPay's critical applications and operations. Structured risk assessments of all its business units have been completed and the Group continues to monitor and manage any residual risk remaining after remediation. A security assurance framework has been implemented to embed security in all business areas within WorldPay to ensure alignment with the business objectives. Meaningful reporting is provided to facilitate informed and meaningful decision-making around the WorldPay security posture and any identified risks.

Strategic Risk
WorldPay develops business plans based on a wide range of variables. Incorrect assumptions about the payment processing market or changes in the needs of merchants may adversely affect the returns achieved by the Group.

The strategy development process draws on internal and external analysis of the payment processing market, emerging merchant trends and a range of other factors.

This example shows part of the risk assessment for principle risks. These were analysed and mitigations discussed over two pages of the annual report.

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 encourage companies to explicitly disclose their KPIs and not leave it up to the readers to deduce what management consider to be 'key'.

Good practice

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

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

Odeon & UCI Cinemas – 31 December 2012

KPIs

The primary KPIs followed by the Group are Attendance and EBITDA[a]. Group Paid Attendance was 4% higher in 2012 than in 2011, with 82.3m vs 79.2m customers, reflecting growth from acquisitions and other estate development net of lower markets.

EBITDA[a] was down 2% to £101m (2011: £103m). The Group also follows supplementary KPIs including revenue per customer, film hire costs, retail margins, staff and other costs. Lower markets and 3D proportions than in 2011 were mitigated by improved revenue KPIs on the like-for-like estate, both ticket revenue and retail revenue per customer, and good cost control, particularly over staff costs.

The EBITDA[a] growth trend over recent years is illustrated by the following table.

£m	2006	2007	2008	2009	2010	2011	**2012**
EBITDA	65	68	72	80	92	103	101

This example provides a good insight into the key financial KPI with a track record for comparison and discussion on what has impacted performance.

Four Seasons Healthcare – 31 December 2012

Key performance indicators ("KPIs")

The main financial KPIs which the group uses to measure its performance are EBITDA before exceptional items, weekly fee rates, payroll costs and direct expenses. In addition, the group monitors occupancy as its main non-financial KPI.

Unaudited	2011					2012				
	Q1	Q2	Q3	Q4	Full year*	Q1	Q2	Q3	Q4	Full year*
Turnover (£m)	126.5	126.9	127.3	173.4	554.1	174.1	175.3	174.8	187.5	711.7
EBITDAR (£m)	30.9	34.1	34.5	34.2	133.8	33.8	35.2	37.7	38.3	144.9
EBITDA (£m)	23.7	26.8	27.0	24.2	101.7	22.3	23.5	25.3	25.5	96.6
Effective beds – group	17,401	17,579	18,015	23,278	19,068	24,050	23,978	24,151	24,109	24,072
Occupied beds – group	15,121	15,300	15,622	19,866	16,477	20,803	20,782	20,927	20,892	20,851
CHD occupancy %	87.5%	87.8%	88.4%	86.6%	87.6%	87.7%	87.9%	87.9%	87.9%	87.8%
THG occupancy %	75.1%	72.7%	65.5%	67.3%	70.2%	70.4%	69.8%	68.7%	68.7%	69.4%
CHD average weekly fee (£)	566	563	562	550	560	559	565	566	565	564
THG average weekly fee (£)	1,741	1,738	2,015	1,957	1,891	1,947	1,937	1,905	1,893	1,920
CHD payroll (% of turnover)	58.4%	57.2%	56.9%	59.4%	58.1%	60.7%	60.6%	59.2%	59.9%	60.1%
THG payroll (% of turnover)	69.2%	68.9%	72.3%	70.0%	70.3%	68.6%	67.5%	71.1%	70.8%	69.5%
Agency to total payroll (%)	3.8%	4.0%	6.1%	5.5%	4.9%	6.5%	5.4%	4.1%	3.1%	4.7%
Expenses (% of turnover)	13.2%	12.1%	12.7%	14.3%	13.2%	14.9%	14.1%	13.5%	14.5%	14.3%
Central costs (% of turnover)	4.6%	4.3%	4.1%	4.1%	4.3%	3.9%	4.5%	4.3%	3.8%	4.1%

*Full year numbers may include minor rounding differences compared to the four quarter aggregate

The following analysis compares the unaudited proforma full year 2012 results of the acquired group with the comparable period in 2011.

Turnover

Turnover in the group was £157.6m (28.4%) higher than 2011. Within this amount, approximately £143m was due to the full year effect of the inclusion of 139 care homes and specialised units acquired from Southern Cross in quarter four of 2011 (excluding those care homes operated as management agreements) and 16 specialised units acquired from Care Principles.

- *Average Weekly Fee*

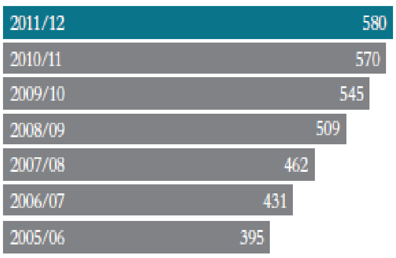
  The Average Weekly Fee ("AWF") in 2012 in the Care Home Division ("CHD") increased by 0.7% to £564 from £560 in 2011. This was driven by increases of 2.75% and 2.5% in Scotland and Northern Ireland respectively from April 2012, together with private fee rate increases of up to 4% across the division. However the increase in English Local Authority fees, blended across all regions, was only 0.7%.

  Within The Huntercombe Group ("THG") the AWF in quarter four 2012 decreased by 2.9% to £1,893 from the average of £1,947 in quarter one 2012. Whilst annual fee rate settlements in the division were broadly flat in April 2012, changes to the occupancy mix impacted the AWF, with higher relative occupancy in units with comparatively lower fee rate services.

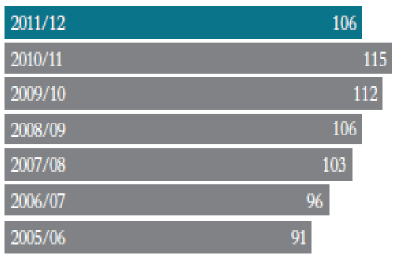
This example provides a good level of disclosure, showing KPI's on a quarterly basis which are then discussed.

Gondola Holdings – 01 July 2012

Total sales *(comparable 52 week basis)*[1]



EBITDA *(comparable 52 week basis)*[1,2]



[1] References to 2005/06 and 2006/07 results are pro forma as these figures include trading which precedes the change of ownership of the business and its structure on 22 December 2006

[2] EBITDA is defined as detailed on page 22. The 53 week trading result for 2011/12 was £108.1 million, a decline on prior year of 5.6%. The 52 week pro forma trading result for 2011/12 was £105.8 million, representing a decline on prior year of 7.6%

This example provides good comparative KPI figures for a 7-year-period, with detail clarifying the comparative information.

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'.

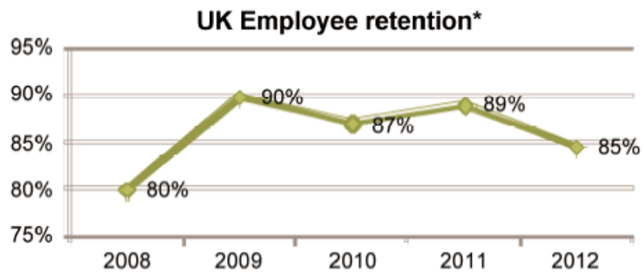
For instance many companies state that their employees, customers or suppliers are important to the ongoing success of their business. In these circumstances there would be a reasonable expectation by the reader to see employee, customer or supplier-based KPIs as a means to demonstrate performance. This is not always the case. The relative importance of certain KPIs will differ depending on the company's industry. For example, more customer, employee-based KPIs would be expected 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.

Brakes – 31 December 2012



* This measure shows the % percentage of employees who have stayed with the business longer than one year. It is one measure that we use to monitor employee loyalty and satisfaction and we aim to exceed 80% retention of staff.

The example provides a quantified non-financial KPI together with performance against comparative years. In addition the relevance of the KPI to the business is explained.

Fitness First – 31 October 2012

Key Performance Indicators

	2012	2011
Revenue	£587.9m	£608.3m
Revenue growth	-3.3%	3.4%
Adjusted EBITDA [1]	£106.0m	£107.7m
Adjusted operating profit [1]	£53.3m	£47.0m
No. of clubs [2]	405	417
Membership [2]	1.073m	1.130m

[1] The reconciliation of adjusted operating EBITDA and adjusted operating profit is disclosed in note 4

[2] No. of clubs and Membership at end of period, excluding franchise and discontinued operations

This example shows the non-financial KPIs with the performance of the prior year also shown for comparative purposes.

Anglian Water – 30 June 2012

Key performance indicators (KPI's)

Anglian Water's key performance indicators for the year to 31 March 2013 are provided below.

Measure	How we define it	How this KPI relates to our strategy	Our performance	Our 2012/13 performance in context
Operational				
Drinking water quality [1]	Our overall mean zonal compliance performance in the calendar year against the required standards.	A resilient and secure supply of safe drinking water is a top priority.	2012: 99.96% 2011: 99.96% 2010: 99.96% 2009: 99.96% 2008: 99.98% 2007: 99.96%	Our drinking water quality continues to be excellent. Our strategy for reducing lead levels in drinking water has been recognised as leading in the water industry.
Leakage [2]	Cubic metres of water lost per kilometre of main per day.	Managing water resources efficiently is a key business goal. Our leakage rates are consistently almost half the industry average.	2012/13: 4.97 m^3/km/day 2011/12: 5.26 m^3/km/day 2010/11: 6.10 m^3/km/day 2009/10: 5.62 m^3/km/day 2008/09: 5.60 m^3/km/day 2007/08: 5.60 m^3/km/day Industry average 2011/12: 8.89 m^3/km/day	This year we achieved our best ever performance on leakage to reflect our commitment to securing supply to our customers and protect our environment against potential drought. We beat our Ofwat target by 10%.

This example provides extensive disclosure of the non-financial KPIs used by the Board for monitoring performance, with detailed comparatives and discussion of the context of the 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;
- Reference to the macro-economic, competitive or regulatory trends and factors shaping the business and identification of product pipeline and expected market size; and
- Discussion of future trends and factors are supported by quantifiable evidence.

Garden Centre Group – 31 December 2012

Mail order / Internet

There are well-established mail order and direct selling specialists in gardening, especially for plants and seeds. There is a growing online presence for garden goods, with market share increasing from 6.7% to 8.2% between 2010 and 2011 (Source: Mintel report May 2012). Consumers are using online shopping for garden products and increasingly they will expect to be able to use the internet and have the option to buy online and choose from a range of ways to collect or take delivery of the goods. Over the last few years the Group has invested significantly in its website and is the first garden specialist to offer a 'Click and Collect' service for plants.

Market seasonality

The unpredictable UK weather is the single most critical influencer of garden centre sales. It has been said that in recent years the weather patterns have been more extreme than usual. Two Christmases with disruptive snowfall in 2009 and 2010 were followed by spring seasons characterised by dry conditions, especially in the South and East. In 2011 the warm, dry spring created a mini-boom for garden retailers, but the gains were quickly lost in the summer as July turned wetter and cooler once more. And in 2012, after one of the driest winters on record in the South and East of England, this part of the UK had its first widespread hosepipe ban for 20 years. Ironically, the summer was one of the wettest in history, severely impacting sales in 2012 across the industry and the wider retail market. (Source: Mintel report May 2012).

This example provides disclosure of the key future trends and market developments impacting the company.

Affinity Water – 31 March 2013

Future developments

During the year, the company indicated to Ofwat it would accept modifications to its instrument of appointment to facilitate the setting of separate price controls for wholesale and retail activities at the price review in 2014. These changes allow incentives for water companies to be better targeted and preserve features of the current regime that have allowed water companies to deliver continued investment at costs which customers have found acceptable. The company is facing significant challenges from population growth, the need for improved resilience, sustainability reductions and climate change and is supportive of legal and regulatory reform that addresses these challenges, delivers clear benefits to customers and builds on the recognised strengths of the existing regulatory framework.

The company has been working to prepare its Business Plan for the next regulatory period which will run from 2015 to 2020. Ofwat's commitment to placing greater responsibility on companies to develop their plans in consultation with their customers and to rewarding companies whose business plans are well balanced and well evidenced has been welcomed by the company.

The company is committed to placing customers at the heart of its future plans and, during the year, established an independently-chaired Customer Challenge Group to advise, challenge and support the company in the development of its plans to ensure they reflect customers' priorities. The Board recognises the need to produce a plan which balances the efficient cost of financing investment and operating the business over the longer term, with appropriate risk and reward sharing with customers who may face significant challenges of bill affordability at this time.

As part of the company's proposals to unify the three former separate operating businesses, it is already committed to ensuring that customers benefit from annual savings in operating costs from 1 April 2015.

This example provides an overview of the regulatory framework that is in place and how this will impact the future plans for the company.

Four Seasons Healthcare – 31 December 2012

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

  The significant increase in life expectancy is resulting in a rapidly ageing profile of the population of the United Kingdom. According to the UK Office for National Statistics, by 2035 the number of people aged 85 and over is projected to be almost 2.5 times larger than in 2010, reaching 3.5 million and accounting for 5% of the total population, and the population aged 65 and over is expected to account for 23% of the total population, compared to 17% in 2010.

  The industry has seen a significant shift to private-sector providers, which represented only 5% of the market in 1993, but 84% in the year ended April 2010. This trend is expected to continue as Local Authorities seek to reduce their costs following recent central government cutbacks. We expect that these factors will underpin the long-term sustainability of overall demand in our core markets and we believe that as the largest independent elderly care operator in the United Kingdom we are well positioned to benefit from these dynamics.

This example shows the trends and factors impacting the industry. This discussion is included in a narrative that runs throughout the annual report regarding the market and the trends and factors that are likely to affect the strategy in the future.

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 includes:

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

Brakes – 31 December 2012

Environment

Our progress with regard to environmental issues is particularly striking when taking into consideration the significant growth of our business both organically and through acquisitions over recent years. As the business grows we continue to reduce our energy consumption and through economies of scale and improvements in systems and processes we limit our fuel, electricity and packaging consumption.

The Group continued to build upon its environmental achievements by once more achieving a successful audit of its EMS in October 2012. The assessors were especially impressed by progress made in the areas of carbon reduction, the increasing depth of knowledge and dedication displayed by the championship structure at regional and site level as well as the proactive approach and understanding of newly introduced air conditioning legislation. The outcome was a tribute to the entire Brakes operational team, who didn't allow standards to drop during a busy trading year.

The key environmental objectives are:
To reduce carbon (tCO2e) by 25% by end 2013 against 2006, indexed to sales. This was exceeded during the year and is currently tracking at 30%. The business therefore made significant progress in the reduction of its scope 1 and 2 fuel and energy emissions and further plans are in place for continued investment in cleaner more efficient technologies. Group carbon footprint was improved mid-year by the opening of a 200,000 sq foot "super depot" at Reading built to the highest of environmental and BREEAM standards and another site to similar specification is now being built in Warrington with completion towards the end of 2013.

During the later part of the year the group reconfirmed its commitment towards carbon reduction by registering 35 cold store sites and 3 manufacturing units to further 10 year CCA's (Climate Change Agreements). Driven by DECC (Department for Energy and Climate Change) the voluntary agreements commits the business to reducing its CO2e emissions by 11.7% and 18% respectively over the next decade. In return the company will continue to be exempt from CRC legislation and enjoy reductions on the Climate Change Levy applied to its utility bills.

2012 saw advances in the use of renewable energy with all offices and ambient warehouses purchasing their electricity on a green tariff. This further supports the businesses commitment towards environmental improvement and the fulfilment of CSER objectives.

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

AWAS – 30 November 2012

Decreasing Emissions While Enhancing Fleet Fuel Efficiency

AWAS actively seeks to increase average fuel efficiency across its fleet. The use of advance winglets on a Boeing 737NG aircraft can reduce fuel consumption by as much as 5%. As of the end of November 2012, AWAS had 59 of these advanced aircraft, a full 89% of AWAS' 737NG fleet. Additionally, of the 7 non-winglet equipped 737NGs in the AWAS fleet, firm plans are in place for the acquisition of retrofit winglet kits for 4 of those aircraft. The resulting fuel savings realised by our customers total up to 130,000 gallons and a corresponding CO_2 saving up to 1,374 tons per aircraft per year.

This example provides a clear explanation of environmental goals and the progress is quantified.

Edinburgh Airport – 31 December 2012

2012 Target	2012 Performance	Commentary
Electricity Electricity target: 24,748,896 kWh - achieve a 2% reduction against 2011	0.4% below target	We consumed 24,857,705 kWh - 396,271 kWh less than in 2011
Gas Gas target: 11,098,219 kWh - no increase in consumption compared to 2011	19% better than target	We consumed 9,023,257 kWh - 2,074,962 kWh less than in 2011
Water 109,407m^3 - achieve flat consumption. No increase in usage compared to 2011	27% below target	We consumed 138,719m^3 - 29,312m^3 more than in 2011*
Waste Divert 80% of waste from landfill	8% better than target	We produced 1,983 tonnes of waste
Noise Implement actions from the five-year Noise Action Plan	Target achieved	All 28 actions from the Noise Action Plan were completed
Community Continue to operate a Community Board, awarding funding to local projects and charity groups meeting selected criteria	Target achieved	We allocated over £100,000
Community Provide work experience placements for students in local schools	Target achieved	24 students completed work experience at the airport
Our stakeholders Understand our stakeholders and their CR and environment issues	Target achieved	We regularly meet with our stakeholders to understand their views

*We had a large water leak in December 2012. We had two main water meter failures in the last two years which has meant that our data has been less accurate.

This example provides a clear identification of targeted environmental actions and the outcome.

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 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. 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 also 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.

John Laing – 31 December 2012

Workplace

John Laing is strongly committed to investing in its employees, both to maximise their career potential through learning and development and to help them to achieve a work-life balance.

Employment

As at 31 December 2012, The Group employed 1,372 staff in the United Kingdom and overseas. This included 1,102 staff employed in JLIS, our facilities management business.

Recruitment

The Group's recruitment process remains focused on ensuring that the right people are selected by way of efficient, effective and professional processes. We have enhanced our capacity to do this through the introduction of a John Laing Core Competency Framework, against which all candidates are assessed at interview. In addition, where applicable, candidates complete an online competency-based personality survey, providing the business with an extra tool in the selection process. The successful recruit has the opportunity to view this later as a development report, whilst the competencies form part of the ongoing appraisal process.

Relationships with core recruitment suppliers have been strengthened in order that they can support the Group through a partnership approach. New relationships are formed as necessary to meet the needs of the business.

Staff Survey

John Laing is committed to seeking and responding to feedback from its employees. We conducted a staff survey in 2012 which provided feedback from our employees on their working environment. The survey focused on the following areas:

- Leadership
- Management
- Communication
- Career development
- Work environment
- Welfare

Overall, the feedback was positive with a few areas identified as needing attention.

Equality and Fair Treatment

John Laing is committed to a positive working environment free from any discrimination or unfair treatment which provides all employees with equal opportunities to develop within the Group.

This example shows some of the detailed consideration of the group's employment related policies discussed in the annual report.

Consolidated Pastoral Company – 31 December 2012

The main focus areas for the Human Resources Department are to ensure that CPC has the culture, capability and capacity to achieve its business strategy through our attraction and retention, performance management and talent management strategies.

Employee relations

Communication

CPC is driving continual improvements in two-way communication within the group, ensuring that employees understand strategy and purpose. Fortnightly teleconferences are available to all employees and a company intranet is used for sharing policies and information. An annual conference is held for station management, as well as quarterly on-station meetings to review property performance.

Learning and development

We are strongly committed to developing our employees and in 2012 introduced online performance reviews which also encompassed the setting of the Employee Personal Objectives for the upcoming 12 month period. We have also invested in the appointment of two Training Coordinators, one in the North and one in the Southern region.

Employee recruitment

In response to the changing human resource marketplace, we reviewed our recruitment processes and introduced a recruitment website which has enabled talent pooling and broadcast notifications of vacancies to selected candidates further streamlining our recruitment process.

Performance management

We continued to review and refine our employee performance management framework. The framework covers our employee on-boarding program, performance development program and succession planning.

We are committed to developing our emerging leaders. In 2012 a cadetship program was developed which in 2013–2014 will be introduced as targeted management development training for four selected candidates sourced from the applications put forward by the station managers.

Employee assistance program (EAP)

As the majority of the group's workforce is based on remote stations, in July 2012 we introduced the Employee Assistance Program which is a confidential counselling and wellbeing service that is available to all employees and their immediate families to assist with work or personal concerns.

Indigenous partnerships

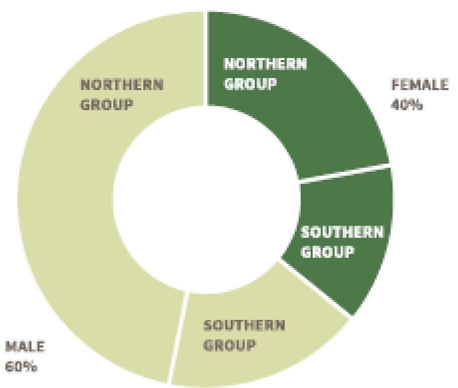
As a key industry employer, CPC is working with the Northern Territory Cattlemen' n assisting indigenous employees by providing station based employment and accredited training.

Outlook

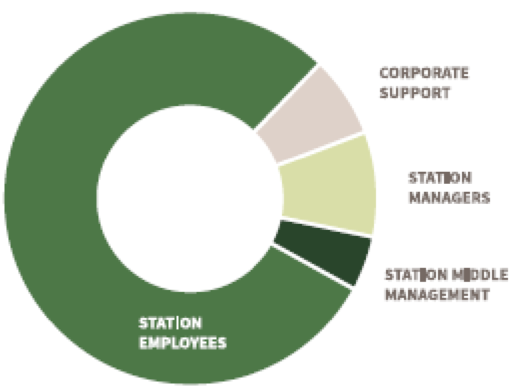
Attracting and retaining employees will continue to be a challenge faced by all pastoral companies due to the lack of experienced station staff and competition for candidates from the mining industry. We will continue to develop the recruitment strategy while building on employment branding to attract top talent.

Growing a healthy, productive and market-focussed workplace culture is essential to achieving our strategic objectives.

Workforce by Gender



Staff by Function



This example shows the detailed consideration of the group's employee related policies documented in the annual report.

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 describing, at a high level, the 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

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 provide the most relevant disclosure and can be cross-referenced to avoid duplication.

Disclosures around social and community issues are typically a poor area of overall reporting by portfolio companies. This was also been the case for FTSE companies on initial adoption of the business review and it is an area where continued improvement is needed.

AMCo – 31 December 2012

AMCo is committed to being a socially responsible company. We seek to contribute to the local communities in which our operations are based, as well as more broadly in the healthcare arena.

- Since early 2011, we have been collaborating with Snehasadan in India, an organisation dedicated to looking after homeless children. We provide funds to support the various open houses where homeless children can start a new family life and receive a good education, and AMCo staff have organised a number of events to fundraise for the charity, as well as local visits to assist the staff and families.
- The Bowles Centre in Surrey is a charity supporting disadvantaged children. We support them by holding a number of our offsite meetings at their premises.
- As part of our cross-functional solutions event, 20 colleagues from a range of departments worked together at the Diana Francis Centre in Caterham. The centre provides accommodation for people who have mild physical and mental disabilities. The residents are provided with everyday life skills such as going to the shops, cooking, attending college and housework with the ultimate goal of enabling them to live fully independent lives. The centre was in need of a makeover and our tasks included painting rooms, constructing barbeques, gardening, cleaning and upholstery work – we surprised the centre and ourselves with how much we achieved in a day.
- AMCo collaborates with 'International Health Partners' (IHP), an organisation which partners with companies from across Europe to provide medical aid to organisations serving children and adults in the most needy communities around the world. We have also made significant donations to various humanitarian causes such as the Asian Tsunami and the Pakistan floods.
- Cardiac Risk in the Young (C-R-Y) was founded in 1995 to raise awareness of conditions that can lead to Young Sudden Cardiac Death (YSCD) and Sudden Death Syndrome (SDS). We hold various events and fundraisers to raise money for C-R-Y and were involved in creating a National Heart Screening Day.

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

Edinburgh Airport – 31 December 2012

We take our corporate responsibilities seriously and work hard to be a good neighbour and business in Edinburgh. We encourage our people to volunteer and fundraise; we participate in local school and business events and fund various community projects through our Community Board.

Our Community Board supports projects that meet our criteria of education, sport, health and wellbeing and the environment. In 2012 we allocated approximately £100,000 through our Community Board.

During 2012 we hosted over 20 work experience students from schools across Edinburgh, the Lothians and Fife. We work with our retailers and National Air Traffic Services as well as our own customer service, finance, property, marketing, market research, terminal operations, airside operations and services and our fire station to provide a varied programme.

We allow two bucket collections a month for any charity to apply to collect funds in our terminal. We also ran a school Christmas Carol initiative in 2012, where we invited school choirs to come and entertain our passengers and collect funds for their school. We matched their fundraising, with five schools collecting over £1,200 during the week.

Our 10 commitments to the local community:

1. Invest in good causes and local projects covering education, sport, health and wellbeing and the environment through our Community Board.
2. Be open and proactive in communicating with the local community by producing and delivering a community newsletter to around 17,000 of our neighbours each quarter.
3. Publish a Noise Action Plan every five years to help us understand, measure and reduce our noise impact.
4. Ensure that our neighbours are able to report noise events through a free noise helpline (0800 731 3397). We aim to respond to all calls within two working days.
5. Monitor air quality levels around the airport and ensure the airport's impact is kept to a minimum.
6. Minimise pollution and congestion on local roads by promoting and encouraging the use of public transport amongst our team and our passengers.
7. Investigate all reports of vortex damage and fund the necessary repairs to properties that have been affected by vortex damage from aircraft.
8. Offer a noise insulation scheme, offering noise insulation to all properties lying with in the 66dB noise contour.
9. Protect those who would be affected by the airport's future growth through our Home Owner Support Scheme and Property Market Support Scheme.
10. Encourage our staff to volunteer and fund raise for charities and good causes in the local area.

1, 7, 8 and 9 must meet certain criteria. Details are available at edinburghairport.com/community

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

Garden Centre Group – 31 December 2012

Community

We recognise that our business has responsibilities to the local communities that it serves, including the provision of varied, challenging and skills-generating work experience in conjunction with local schools and colleges. We also participate in local education projects and student research relating to employment practices, the garden centre industry and application of school subjects in the workplace. In addition to such activities, the Group works closely with third-party organisations and charities to assist members of the local community and those facing individual challenges into sustainable and meaningful employment, providing support, ongoing training, placements and permanent opportunities.

This example shows a part of the discussion of how the company manages its wider community impact.

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 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 to report 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 contract, property and debt arrangements can often be key contracts for a business. Furthermore there may be key relationships even though there is no formal contract. 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 was also the case for FTSE companies on initial adoption of the business review and is an area where continued improvement is needed.

Moto– 26 December 2012

SUPPLIER PAYMENT POLICY

The group does not follow a specific standard or code for the payment of suppliers. It agrees payment terms with its suppliers when it enters into contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

The group remains committed to reviewing its supplier relationships and ensuring best practice processes remain in place. Moto has secured long term contracts with a number of key partners over the years. Moto also maintains a successful track record in renewing and renegotiating contracts highlighting the healthy relationship it shares with its key partners which include corporates such as Burger King, Costa Coffee and BP.

Trade creditors of the group at 26 December 2012 were equivalent to 39 days (2011: 45 days) purchases.

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

WorldPay – 31 December 2012

Other essential contractual arrangements

While the sale of the Group in 2010 ensured economic and financial separation from RBS, the business will continue to be operationally connected to RBS systems for a period of time under Transitional Service Arrangements ('TSAs'). However, significant steps are continuing to be taken to ensure operational separation from RBS well in advance of the expiry of our TSAs.

For the purposes of its business as an acquirer, WorldPay (UK) Limited (together with, where appropriate, its sister company WorldPay Limited) has entered into contractual arrangements with the following payment schemes, including Visa Europe Limited, MasterCard International Incorporated, JCB International Co Limited, Diners Club International Limited, China Union Pay Co Limited, American Express Europe Limited and American Express Payment Services Limited, and Laser Card Services Limited. Visa Europe Limited is a membership organisation of which WorldPay (UK) Limited is a member, and has voting rights.

Under a sponsorship agreement entered into with RBS Group in November 2010, RBS Group members continue to sponsor relevant WorldPay Group entities for the purposes of card scheme licences in Hong Kong, Singapore, Japan and the USA (in respect of card not present business only).

The Group has no other essential contractual arrangements.

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

Garden Centre Group – 31 December 2012

Marketplace

The Group seeks to source its products from ethical sources and, where possible and economical, we source British-produced products. We have a number of policies that help us to achieve these targets, the more significant of which are set out below.

With regards to the sale of peat-based products in our business, we ensure that we offer a peat-free alternative to our customers, and are looking to be 100% peat-free ahead of the 2020 government guidelines. In 2012, 63% of our growing media sales were peat-free. We believe we are significantly ahead of the competition in this area. We are preparing to become full members of the Growing Media Initiative sponsored by the Horticultural Trade Association and supported by the Department for Environment, Food and Rural Affairs.

With regards to timber products, our policy is that all products, whether used in products for resale or in our own centres, are FSC (Forest Stewardship Council) approved and certified. This gives us confidence that all wood is coming from forests independently certified and well managed.

The Group also seeks to reduce the impact of its supply chain activities on the environment through reducing the amount of packaging used, and recycling where possible. We are actively pursuing opportunities to reduce the amount of our waste that goes to landfill, and increase the proportion that is recycled. In addition, in line with many in the retail industry, we commenced charging for carrier bags across our estate in early 2013. This has led to a significant reduction in carrier bag usage.

This example provides clear identification of how the group sources ethical suppliers and also its supply chain activities.

Appendix

Guidelines for enhanced disclosure by portfolio companies and private equity firms

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

1. Definition of a portfolio company to be covered by 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; or
- Acquired by one or more private equity firms in a secondary or other non-market transaction where enterprise value at the time of the transaction is in excess of £350 million and more than 50% of revenues were generated in the UK or UK employees totalled in excess of 1,000 full-time equivalents.

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.

The Group is currently reviewing whether the transaction size criteria be lowered to bring more portfolio companies into scope. This will be communication during 2014 if new criteria become applicable.

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.
- 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; and

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