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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

March 2012

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GUIDELINES MONITORING

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 2011, the Group issued its fourth annual report on monitoring conformity by qualifying private equity firms and portfolio companies. The Group is pleased to see continuous improvement over the four years and the findings of this year's review identified a higher level of compliance than in previous years.

With the lowering of the Group's size criteria, there was a group of companies for which this was the first year of reporting under the Guidelines. Some of these new reporters did not achieve as high a standard as those which had reported previously. We provided support and advice to those companies for which initial disclosures fell below expectations in order to ensure that an appropriate level of disclosure was achieved.

Many portfolio companies report to a standard that is consistent with reporting by FTSE 350 companies, and in certain areas, better. The Group is pleased that the majority of portfolio companies aspire to raise the standard of reporting and have embraced the Guidelines not as a regulatory burden but as a healthy and helpful aspect of ensuring transparency for stakeholders of private equity owned companies. The Group considers that the standard of the FTSE 350 companies is the appropriate benchmark for us to use measure compliance with the Guidelines.

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

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

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

Sir Michael Rake
Chairman – Guidelines Monitoring Group

Disclosures by guideline criterion

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

1) Walker Guidelines specific – those disclosures specific or focussed on the features that occur from being under Private Equity ownership;

2) Business Review – those areas required for all private companies in order to comply with the UK companies Act; and

3) Enhanced Business Review – adding additional elements to the standard business review to further explain the business and offer comparability to those disclosures often seen in listed groups.

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

Walker Guideline specific

Business review (required by UK Companies Act)

Enhanced business review

The abstracts on the following pages highlight some of the good disclosures observed within portfolio companies' accounts in the last two years. They are not a comprehensive analysis of how any individual company complied with any particular guideline criterion. Basic compliance, whilst disclosing the minimum requirements, may be below that of the FTSE 350. Good Practice is broadly equivalent to a FTSE 350 standard of reporting which is the standard that the Group expects.

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

1. Identity of private equity firm

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

- Name of the fund as well as the name of the private equity firm.
- Background on the firm and additionally put into context the role of the private equity firm.
- History of the ownership of the company, including that of previous private equity owners.

Gatwick Airport – 31 March 2011

OWNERSHIP

The consortium that ultimately owns the Company currently comprises the following parties:

Global Infrastructure Partners ("GIP")[1]	41.95%
The Abu Dhabi Investment Authority ("ADIA")[2]	15.90%
The California Public Employees' Retirement System ("CalPERS")[3]	12.78%
National Pension Service of Korea ("NPS")[4]	12.14%
Future Fund Board of Guardians ("Future Fund")[5]	17.23%

[1] Global Infrastructure Partners ("GIP") is a US$5.64 billion independent, specialist infrastructure fund that invests worldwide in infrastructure assets and businesses in both OECD and select emerging market countries. GIP was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP targets investments in the energy, transportation and water / waste industries. GIP has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut.

[2] The Abu Dhabi Investment Authority ("ADIA"), established in 1976, is a globally diversified investment institution, whose sole mission is to invest funds on behalf of the Government of the Emirate of Abu Dhabi to make available the necessary financial resources to secure and maintain the welfare of the Emirate.

[3] The California Public Employees' Retirement System ("CalPERS") manages retirement benefits for more than 1.6 million public employees, retirees, and their families and more than 3,000 employers in the state of California, United States of America. CalPERS also manages health benefits for more than 1.3 million members. The CalPERS fund invests in a range of asset classes, with a current market value of approximately US$235 billion.

[4] National Pension Service of Korea ("NPS"), which is a public pension fund for the general public in Korea which has grown to 300 trillion won (US$270 billion), and is the fourth largest pension fund in the world.

[5] 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. The fund has approximately A$75 billion assets under management.

This extract shows good disclosure of the names of the fund and the private equity firm owning the portfolio company along a summary background on the private equity firm and fund.

Acromas – 31 January 2010

CAPITAL STRUCTURE

Saga and the AA were acquired for a total cost of £6.3 billion, funded from £4.8 billion of bank borrowings and £1.5 billion of shareholder loans and share capital. The main shareholders (on a fully diluted basis) in Acromas Holdings are as follows.

	%
Funds advised by Charterhouse Capital Partners	35.9
Employees	20.1
Funds advised by CVC Capital Partners	19.9
Funds advised by Permira Advisers	19.9
Other Co-investors	4.2
Total	100.0

Charterhouse, CVC and Permira are all international firms advising private equity funds raised from a diverse group of investors in public and corporate pension funds, insurance companies, charities and foundations, banks and government entities.

This extract shows good disclosure of the names of the private equity firm owning the portfolio company along with the equity interest of the private equity firm in the portfolio company.

Spire Healthcare – 31 December 2010

4. Ownership structure

Spire Healthcare Limited Partnership is the parent undertaking of a number of separate corporate groups trading under the Spire Healthcare brand, which include:

- Spire 1 (owning and operating 25 former Bupa hospitals, plus Spire Thames Valley Hospital, Spire Shawfair Park Hospital, London Fertility Centre and The London Cognitive Behaviour Therapy Centres)
- Spire 2 (ten former Classic hospitals)

Spire 1 includes Spire Healthcare Group UK Limited, the Board of which has been invited by Spire Healthcare Limited Partnership to comment on the Group's performance in this report. Spire Healthcare Group UK Limited also hosts Spire's principal corporate governance functions, including Spire's audit and remuneration committees.

Spire Healthcare Limited Partnership is controlled by funds managed and advised by Cinven, further details of which are contained in note 2 to these financial statements. Details of the current partners in Spire Healthcare Limited Partnership are given in Section 6 of this General Partner's report. Spire's senior management and certain employees hold units in Spire Healthcare Limited Partnership through one of the partners, the Rozier Employee Benefit Trust.

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

2. Details on board composition

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

- additional explanations of the industry and other relevant experience that external directors brought to the organisation
- disclosure of other appointments

Domestic & General – 31 March 2011

5. Ron Sheldon
Non-executive director

Ron Sheldon, aged 64, joined the Board of the Company on 23 November 2007 following the acquisition of the Domestic & General Group by funds managed by Advent International Corporation. Ron joined Advent in 1992 from Trinity Venture Partners, a venture capital advisory firm he co-founded in 1984. Prior to that he spent 12 years with 3i, focusing on technology-related investments, having qualified with Tansley Witt. Ron has over 30 years of private equity experience, and for five years, served as a member of the British Venture Capital Association.

Ron, as a non-executive director of the Company, and as one of the appointed representatives of Advent International Corporation, is responsible for oversight of the Company on behalf of Advent and its funds. Ron fulfils these responsibilities through participation in regular Board meetings. In addition, Ron is a non-executive director of Vinnolit GmbH Co.Kg and he is also a director of Blue Sky Development and Regeneration, and Crown Newco 3 PLC.

6. John Singer
Non-executive director

John Singer, aged 60, became a director of the Company on 16 August 2007 in preparation for the acquisition of Domestic & General Group by funds managed by Advent International Corporation. John joined Advent in 1993 and was a founder member of Advent's Executive Committee. He has more than 23 years of private equity experience and has served as Chairman of the European Venture Capital Association. Prior to joining Advent, John was Managing Director of Granville Europe AG, a subsidiary of investment bank, Granville Holdings. John has led transactions primarily in the business services and media sectors.

John, as a non-executive director of the Company, and as one of the appointed representatives of Advent International Corporation, is responsible for oversight of the Company on behalf of Advent and its funds. He fulfils these responsibilities through participation in regular Board meetings. John is also a member of the board of directors of the City of London Sinfonia Limited.

This extract provides good disclosure of the representatives of the private equity firm on the board of directors of the portfolio company and the experience they bring to the portfolio company.

Just Retirement – 30 June 2010

Charles Nigel Cross Sherwood, Non-Executive Director

Charles Sherwood was appointed as a Non-Executive Director of the Company in December 2009. He is currently a Partner of Permira Advisers LLP where he is also a member of the Investment Committee. Charles has served on the boards of The AA, Birthdays, Homebase, Gala Coral Group and the newly combined Saga & The AA (Acromas). Prior to joining Permira, Charles worked as a strategy consultant with BCG in London. Charles is a Director of Just Retirement Limited, Just Retirement Solutions Limited and Avalon Acquisitions Limited.

James Annand Fraser, Non-Executive Director

James Fraser was appointed as a Non-Executive Director of the Company in December 2009. He is currently the Head of the Financial Services Sector at Permira Advisers LLP. Prior to joining Permira, James was Co-Head of the Global Financial Services practice at L.E.K Consulting where he spent 21 years, 11 of which as a Partner. James is Chairman of the Nominations and Remuneration Committees and a Director of Just Retirement Limited, Just Retirement Solutions Limited and Avalon Acquisitions Limited.

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

Kellen Group – 31 December 2010

SAMI KASSAM
NON EXECUTIVE DIRECTOR

Sami is an Associate Director at TFCP. Sami brings with him significant transaction experience, having been on the investment team at TFCP since 2006. Whilst at TFCP, Sami has been primarily focused on the energy and infrastructure space, with recent notable transactions including the refinancing of Infinis, the take private of Novera Energy and the acquisition of Consolidated Pastoral Company. Prior to joining TFCP, Sami worked as an Investment Banker within Citigroup's M&A team.

LORENZO LEVI
NON EXECUTIVE DIRECTOR

Lorenzo is an Operational Managing Director at TFCP. He has had a wide-ranging career encompassing sales management and corporate development for companies such as IBM and Nortel Networks, to strategy for management consultants, Bain & Co. He now puts these skills and expertise to good use at Terra Firma. In addition to due diligence work on transactions, Lorenzo also handles post-acquisition operational challenges which differ greatly. At Terra Firma, in the cinema investment his role includes driving acquisitions across Europe, while his work in the aircraft leasing business has included managing the integration of the two acquired companies.

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

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 13).

Basic compliance

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

Good practice

Attributes of good practice include:

- An analysis of the components of debt and the repayment schedule.
- Discussion and quantification of the debt covenants in place.
- A discussion on gearing and leverage.
- A reconciliation of the year end net debt position to the prior year (or to free cash flow).
- Where non-GAAP measures (for example, net debt and free cash flow) are used to support the discussion in the financial review these are appropriately reconciled to the numbers within the financial statements.
- 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)

DX Group – 30 June 2011

Financial restructuring

On 19 July 2010 the group completed a financial restructuring with its shareholders and debt providers to ensure that the group is well placed to ride out the current challenging market conditions and to position the DX group for growth. The terms of the restructuring included:

- a £15 million cash injection from the shareholders;
- an extension of repayment dates on the existing senior debt facilities and a new set of financial covenants;
- the acquisition of the group's outstanding mezzanine debt facilities by its shareholders and the cessation of cash interest payments on this debt; and
- the conversion of the existing preference shares and accrued dividends thereon into deferred ordinary shares.

The financial restructuring resulted in a significantly strengthened balance sheet at 19 July 2010:

- a £65.4 million (27.0%) reduction in gross third party borrowings;
- a reduction in the ratio of net third party debt to EBITDA; and
- a net reduction of £150.2 million (47.0%) in shareholder related loans.

Analysis of net third party debt	2011 £m	2010 £m
At 30 June:		
Cash at bank	32.8	13.8
Gross third party borrowings	(176.7)	(247.1)
Net third party debt	**(143.9)**	**(233.3)**
Debt/EBITDA ratio	**5.00 x**	**8.36 x**

This extract provides good disclosure of the company's financial restructuring and subsequent impact on net debt and key ratios.

Tomkins – 31 December 2010

Borrowings

As at December 31, 2010, the Group's borrowings principally consisted of two term loans under the Senior Secured Credit Facilities and the Second Lien Notes that were drawn down to finance the acquisition of Tomkins.

The Group's borrowings as at December 31, 2010 may be analyzed as follows:

$ million	Carrying amount		Principal amount	
	Successor	Predecessor	Successor	Predecessor
	As at December 31, 2010	As at January 2, 2010	As at December 31, 2010	As at January 2, 2010
Bank overdrafts	7.1	4.8	7.1	4.8
Bank and other loans:				
– Secured				
Term Loan A	271.2	–	296.0	–
Term Loan B	1,540.9	–	1,677.3	–
Second Lien Notes	1,098.3	–	1,150.0	–
Other bank loans	–	0.9	–	0.9
	2,910.4	0.9	3,123.3	0.9
– Unsecured				
Bank loans	–	1.2	–	1.2
2011 Notes	172.2	256.5	165.5	241.9
2015 Notes	27.1	439.6	26.5	403.1
Loan notes	44.9	0.3	45.1	1.1
	244.2	697.6	237.1	647.3
	3,161.7	703.3	3,367.5	653.0

A reconciliation of the carrying amount to the principal amount of the Group's borrowings is presented in note 30 to the consolidated financial statements.

Borrowing covenants

The Group is subject to covenants, representations and warranties in respect of the Senior Secured Credit Facilities including two financial covenants as defined in the credit agreement that were tested for the first time for the period ended December 31, 2010. Firstly, the ratio of 'consolidated total debt' to 'consolidated EBITDA' (the 'total leverage ratio') must not exceed 6.1 times (for the covenant test period ended December 31, 2010, the ratio was 4.23 times). Secondly, the ratio of 'consolidated EBITDA' to 'consolidated net interest' (the 'interest coverage ratio') must not be less than 1.8 times (for the covenant test period ended December 31, 2010, the ratio was 5.48 times).

This extract provides good disclosure of an analysis of debt into its components along with related covenants.

Associated British Ports – 31 December 2010

Table 11

Net borrowings	Maturity	2010 £m	2009 £m	Change from 2009
Senior bank debt	2013	**546.4**	560 0	-2 4%
Finance leases		**0.9**	1 3	-30 8%
Accrued interest – bank loans and overdrafts		**0.4**	0 4	-
Net cash		**(20.7)**	(41 5)	+50 1%
Net borrowings		**527.0**	520 2	+1 3%

The group's borrowings are managed through a centralised treasury function, which closely monitors and manages the group's compliance with financial covenants and risks in relation to liquidity, interest rates and counterparties Borrowings comprised £546 4m (2009 £560 0m) of borrowings outstanding under the group's £560m senior credit facility, £0 9m (2009 £1 3m) of obligations under finance leases and £0 4m (2009· £0.4m) of balances associated with interest accruals.

The group can access committed undrawn borrowings of £342 5m under its senior credit facility (2009 £350 0m) These undrawn facilities can be utilised to fund working capital and capital expenditure

This extract provides good disclosure of the linkage between debt analysis and financial risk and liquidity management.

4. Financial review – financial risks

Requirement

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

To cover the financial review requirement the analysis has been split into two parts. The first looks at information on the position of the entity at year end (see page 10). This second section looks at the financial risks identified.

Basic compliance

The review of financial position requirements should include the following:

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

Good practice

Attributes of good practice include:

- More detailed discussion in the financial statements of the overall risk management objectives and policies.
- Discussion focused on the key financial risks identified (see page 22 for principal risks), for example, liquidity/cash flow, credit, interest rate, and how the risk management policies aim to address these risks.
- Quantitative information is included to support the discussion on risks.
- Disclosure of the likelihood and impact of these risks and clear linkage to how they are managed and monitored.

Pets at Home – 31 March 2011

Market risk

Foreign exchange risk

The Pets at Home Group sources a significant level of purchases in US dollars and monitors its foreign currency requirements through short, medium and long term cash forecasting. The value of purchases in US dollars has increased significantly over the last three years and the risk management policy has changed in line with this increased risk.

At 31 March 2011, the Pets at Home Group's policy is to hedge between 75% to 90% of the forecasted foreign exchange transactions on a rolling 9 month basis, using foreign currency bank accounts and forward foreign exchange contracts. The transactions are deemed to be 'highly probable' and are based on historical knowledge and forecasted purchase and sales projections.

Market risk *(continued)*

Cash flow and fair value interest rate risk

The Pets at Home Group's interest rate risk arises from long-term borrowings. As at the 31 March 2011 the group has a drawn down senior facility totalling £342m and an undrawn revolving credit facility of £26.6m, which expires on 21 March 2016. The Pets at Home Group's borrowings incur interest at varying rates between 3% to 5% based on LIBOR which exposes the group to cash flow interest rate risk.

The Pets at Home Group also has a Subordinated loan which is repayable on 21 March 2016 of £143m, which incurs interest based on LIBOR plus a cash margin of 4.75% payable monthly and a capital margin of 6%, which capitalises monthly and is repayable with the loan.

This extract provides good analysis of the key financial risks facing the group.

Viridian Group – 31 March 2010

Interest rate risk

The borrowings of the Group are denominated in Sterling and Euro and bear a mixture of fixed and floating interest rates. Interest rate exposure is also managed through the use of derivative financial instruments. The estimated fair value of the Group's derivative financial instruments is disclosed in note 27 to the accounts.

At 31 March	2010 £m	2009 £m
Loans and other borrowings fixed/floating analysis:		
Fixed rate debt[1]	**(1,413.1)**	(1,414.3)
Variable rate debt	**(649.6)**	(708.7)
	(2,062.7)	(2,123.0)

[1]*fixed through interest rate hedges and the Eurobond*

Under the terms of the senior and junior bank facilities the Group is required to hedge a minimum of 65% of its debt against interest rate fluctuations.

Foreign currency risk

VP&E and Powerteam Electrical Services receive income and incur expenditure in Euro. VP&E is also exposed to currency movements in respect of its gas purchases denominated in Sterling. The Group's policy is to identify foreign exchange exposures with a value equivalent to or greater than £0.5m with the percentage level of hedging dependent on the specific project. Exchange rate exposures are identified, monitored and hedged through the use of financial instruments (mainly forward currency contracts and swap arrangements). The estimated fair value of the Group's derivative financial instruments is disclosed in note 27 to the accounts.

NIE Energy Supply is exposed to currency movements in respect of its Euro-denominated CfDs with ESB Power Generation. These exposures are hedged in accordance with a policy agreed with NIAUR.

Euro-denominated assets on the Group's balance sheet are broadly matched by Euro borrowings.

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

Thames Water – 31 March 2011

Financial risk management

The Company has an Executive Team ("the Executive"), which receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken.

The operation of the Treasury function is governed by policies and procedures, which set out guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. Treasury policy and procedures are incorporated within the financial control procedures of the Company.

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk, liquidity risk, interest rate risk and exchange rate risk.

Derivative financial instruments, including cross currency swaps, interest rate swaps and forward currency contracts are employed to manage the interest rate and currency risk arising from the primary financial instruments used to finance the Company's activities. Matching of assets and liabilities in foreign currencies is also applied wherever practicable. The Company actively maintains a broad portfolio of debt, diversified by source and maturity and designed to ensure the Company has sufficient available funds for operations.

The Company is exposed to commodity price risk, especially energy price risk, as a result of its operations. The Company aims to manage its risk by fixing contract prices where possible.

This extract provides good disclosure of the overall risk management objectives and policies.

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 19).

Basic compliance

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

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

Good practice

Attributes of good practice include:

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

Care UK – 30 September 2010

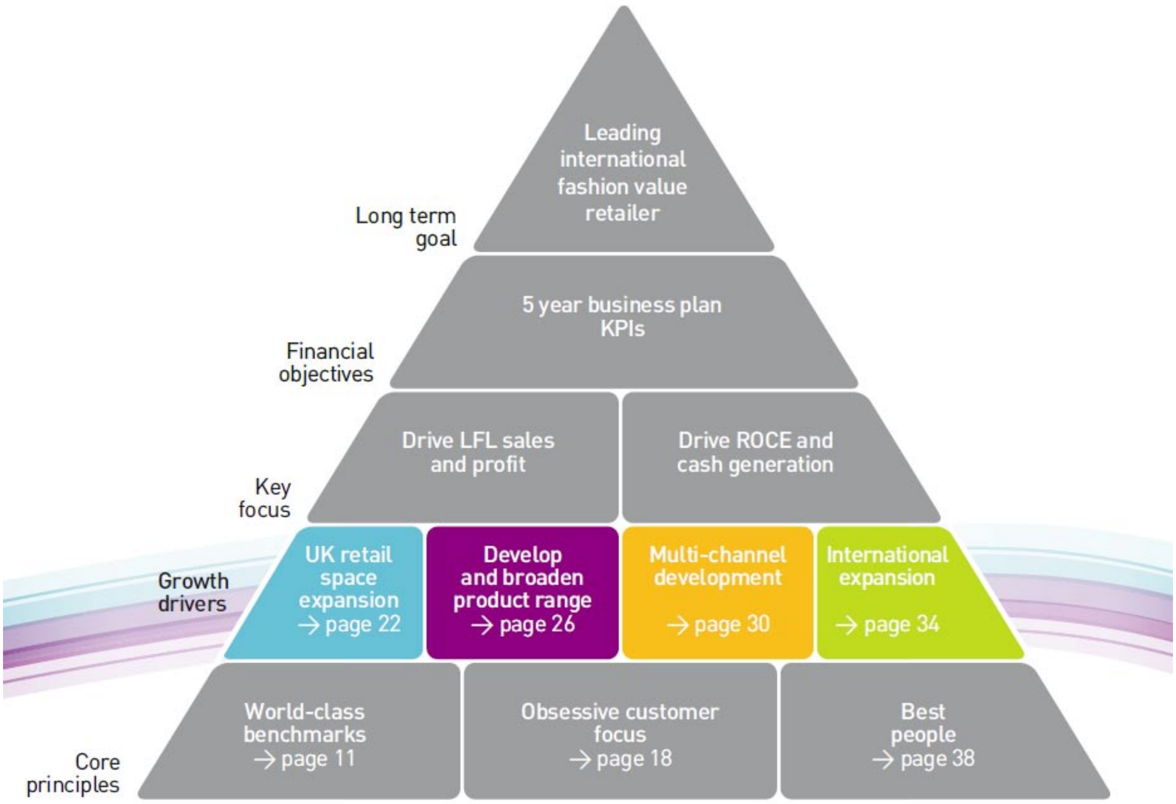
Strategy

Care UK's strategy is to be the leading provider of outsourced health and social care services to the public in the United Kingdom, by delivering high quality services cost efficiently. The key elements of Care UK's strategy are:

- **Continue to leverage its leading market positions.** Care UK intends to continue to leverage its leading market positions in both the health and social care markets, and the spread of its operations to target the most attractive outsourcing opportunities available to it. Care UK also intends to take advantage of the extensive expertise and experience it has gained as the largest independent provider of outsourced health care to the NHS, as measured by revenue, to pursue increased outsourcing opportunities in health care, where currently less than 3 per cent. of health care services are outsourced to private providers, according to estimates from L.E.K. Consulting.
- **Continue to deliver profitable growth.** Care UK intends to continue to deliver profitable growth, principally through expanding its care services dedicated to more intensive high dependency conditions, such as dementia and related conditions, where Care UK generates higher margins, and pursuing increased outsourcing opportunities, particularly in health care.
- **Continue to deliver industry leading service quality and patient satisfaction.** Care UK intends to continue to deliver industry leading service quality and patient satisfaction. Care UK believes that the recognised quality of its services is a key advantage in a market where consumer expectations of quality are increasing and regulatory standards are becoming more stringent.

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

New Look – 27 March 2010



This extract provides good, readily comprehensible, disclosure of the strategic priorities which are cross referenced to other parts of the annual report where more information is provided.

Tomkins – 31 December 2010

Business Strategies

Leverage the Gates Brand

We will continue to leverage our Gates brand and footprint, which is globally recognized by our customers as the highest quality power transmission belt brand and a leader in the fluid power market. We aim to enhance Gates' strong reputation for superior quality, reliability and customer service by growing our service and distribution capabilities in the global industrial OEM and replacement end market and automotive aftermarket. We will also continue to invest in: (i) product development, such as our polyaramid-reinforced belts for motorcycles, carbon cord polychain belts, molded fabric belts used in high torque engines, belt boxes within wind turbines, ocean wave power generation systems and oil and gas applications and (ii) service capabilities, such as installing, monitoring, refurbishing and advising on system design for hydraulic applications in the oil and gas, marine and mining end market segments.

Further Enhance Margins and Free Cash Flow Generation

We will continue to develop product offerings across our businesses that contain proprietary technology and leverage our strong brands resulting in an ability to offer premium products and generate attractive margins. In response to a difficult economic climate, we have also reduced our fixed cost base. In 2008 and 2009, we substantially completed all of our comprehensive restructuring initiatives (projects Eagle and Cheetah), closing over 30 facilities and reducing headcount under these initiatives by 7,800. We anticipate reaching the full run-rate savings of $150 million during 2011. Our continual performance improvement initiatives within our plants is expected to enhance our margins further. We also believe our available manufacturing capacity and existing geographical plant footprint is sufficient to support significant increases in volume, which will result in positive operating leverage as the economy recovers. Additionally, many of our more capital-intensive operations, including several of our low-margin, more commodity-oriented automotive OEM businesses, have been divested over the past few years as part of a full-scale management initiative to focus on higher margin, lower capital intensity businesses.

This extract provides good disclosure of the key actions necessary to deliver the strategy and an indication of the timeframe over which performance will be assessed.

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 16). This second section looks at the discussion around the market environment of the entity.

Basic compliance

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

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

Good practice

Attributes of good practice include:

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

Pets at Home – 31 March 2011

Market overview

The UK Petcare market has continued to grow despite the difficult economic conditions we have seen over the past year, and has been estimated to be worth approximately £3.3 billion in 2010 by Euromonitor, a growth of 4% on 2009, which suggests that pet owners are trying not to compromise when it comes to spending on their pets. This growth has been mainly driven by increased spend on premium foods and cat and dog treats. Whilst food spend has increased, the impact on accessory spend of consumers having less disposable income has seen this aspect of the market show limited growth in 2010. This is expected to continue into 2011.

Despite the continued economic uncertainty, the petcare market is forecasted to grow steadily until 2015 when it is estimated by Euromonitor to be worth approximately £3.5 billion.

Based on Euromonitor data we believe Pets at Home market share grew from approximately 15% in March 2010 to 16% in March 2011.

Pet food accounts for the majority of the market, with Euromonitor estimating sales in 2010 of £2.6 billion, a growth of 3.9% on 2009.

There are a number of areas which we consider to be key to drive market growth in the UK:

- The petcare market is expected to continue to grow as the majority of UK pet owners consider their pet to be part of the family and treat their pet with as much care as they would a child. Dog toys are the most popular accessory and the presence of children in the household is considered to be one of the most influential factors when it comes to buying pet accessories, as well as the type of pet.

This extract provides good insights into the macro-economic growth drivers shaping the market environment.

Care UK – 30 September 2010

Industry Background

Care UK believes that its health and social care services benefit from attractive and long term industry dynamics, in particular:

- **Sizeable market and growing public spending.** At c£140 billion, the United Kingdom has the third largest total health care market in Europe. Within this total, the social care market is valued at c£40 billion, according to Laing & Buisson. The UK Government's total spending on health services through the NHS as a percentage of GDP has more than doubled over the last decade, but total health spending as a percentage of GDP still remains behind comparable European countries such as France and Germany. Both the health and social care markets are predominantly publicly funded, with 87 per cent. of the total health and social care market publicly funded, according to the World Health Organisation. In the year ended 30 September 2010, over 94 per cent. of Care UK's revenue was derived from publicly funded entities.
- **Growing demand for social care and health care services.** Growth in demand for health and social care services has been partly driven by the demographic trend of an ageing population. Growth in demand for the types of services that Care UK provides is also driven by the fact that an increasing proportion of the population is living longer but spending more years suffering from high dependency health conditions, such as dementia and other related conditions. In addition to the demographic trends, increasing consumer expectations for enhanced care and the availability of more and costlier treatment techniques have driven the growth in demand for health and social care services. Care UK expects that these trends will continue to drive the growth in demand for health and social care services, with the 85+ age population set to grow by one third over the next 10 years, according to the University of Newcastle's Institute for Ageing and Health.

This extract provides good disclosure of the industry growth dynamics with quantitative information.

New Look – 27 March 2010

OUR MARKETS

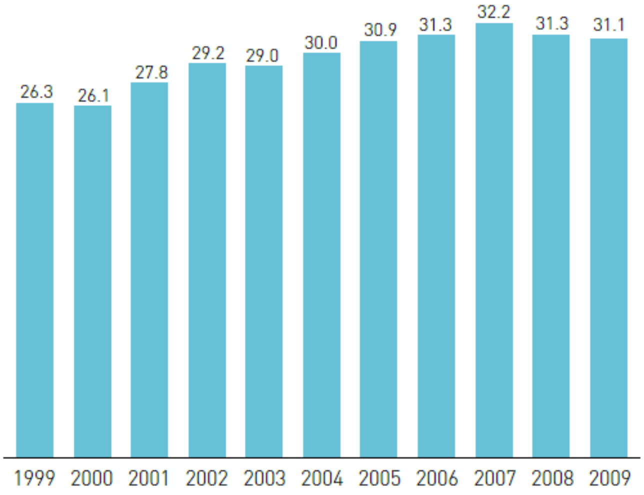
WELL POSITIONED

New Look is a market leader in the fast growing value segment of the UK clothing and accessories market.

We offer fashion excitement, value and newness to a core target audience of fashion-conscious 16 to 45 year old women, as well as to men and children. The Group's product ranges comprise Womenswear, Accessories and Footwear, plus expanding ranges in Menswear and Childrenswear.

Womenswear (including Footwear and Accessories) accounted for 87.9% of the Group's revenue. The Generation range, which is categorised as part of New Look's Womenswear product

Estimated UK clothing and footwear market by value
£bn



Source: Kantar Worldpanel Total Market (calendar years ended).

This extract is a good example of where the overall market is quantified, and starts to position the market opportunity.

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.

Annington Homes – 31 March 2011

Principal Risks and Uncertainties

Area of Potential Uncertainty	Risk/Opportunity	Strategy
Fluctuating property values and rental levels.	The property market has a history of experiencing periods of rising values followed by a slowdown in growth rates and even falling values. The Homes Subgroup is a long-term investor in the residential property market and as such can be expected to experience periods of both increasing and falling values as well as periods of inactivity. Both capital and rental values are of significant importance to the valuation of the Homes Subgroup's interest in the MQE.	The Board reviews the capital values and rental levels achieved, through its activities, and consider any changes that have occurred to the expected levels alongside prevailing market conditions. Where deviations are noted, these will be incorporated into future appraisals to ensure realistic and rational forecasting which forms the basis for all business decisions.
Fluctuating levels in the number of properties released by SoSD.	The SoSD has absolute discretion regarding the location and timing of property releases. This can have an impact on the level of resources required to process transactions and also on the expected income and expenditure to be incurred. Historically, there has been no consistency to the release profile and with only six months' notice required before properties are handed back, it clearly has an impact on workflow in the Homes Subgroup.	The Board recognises this and has maintained a policy of keeping internal manpower resources at low levels. All principal activities are outsourced to third parties, which can provide the necessary skills in the right mix and location. This enables the Homes Subgroup to flex outsourcing to meet its operational needs according to stock levels and the prevailing market conditions.

This extract provides good explanation of the strategy for management of each risk.

Associated British Ports – 31 December 2010

4. Risks and uncertainties

The successful execution of the group's strategy and the attainment of its objectives are contingent upon the effective management of risks and uncertainties that could affect its business activities. The group's risk management activities are undertaken by a risk management working group that is responsible for formalising its risk objectives and policies, the identification of the major risks it faces and the implementation of risk management processes. The risk management working group reports its findings to the audit committee The group has in place embedded risk management processes, which aim to address the significance of any potential social, environmental and ethical issues that could have an impact on the group's short and long-term objectives These processes also enable the board to receive information on all significant risks and facilitate the formulation of effective responses on a timely basis Some of the group's more significant risks, together with details on its monitoring procedures and performance indicators, are discussed below

Economic outlook

The UK's ports represent the primary gateway for the country's international trade flows and given this our business cannot be expected to be immune from the impacts of changes in global economic activity levels Although our volumes have recovered well during 2010, the economic outlook continues to remain uncertain and could impact the group's ability to attain its future financial targets It should also be noted that whilst the wider group continues to trade comfortably within its financial covenant limits, significant future reductions in the group's trading performance and the wider economic climate could adversely impact the group's current and future financing arrangements In mitigation of the above risks the group has the benefit of a strong and supportive shareholder group, has many long-term contracts with a broad mix of customers and continues to maintain a strong focus on cost control, working capital and capital expenditure

This extract provides good explanation of the management strategy for mitigating risks.

Thames Water – 31 March 2011

Principal risks and uncertainties

Risk overview

The Company's Risk Management process is integrated within the business, and is designed both to identify emerging risks and to minimise the adverse impact of emerging and existing risks. Each business area is responsible for managing its risks, and maintains a risk register, which is reviewed regularly. Significant risks are escalated and reviewed by the Executive.

The Company is exposed to a number of potential risks and uncertainties that could have a material impact on its long-term performance. These include:

- **Delivery of Thames Tunnel** – As an innovative solution to the challenge of reducing sewage discharges into the Thames, the design and construction of the Thames Tunnel presents a number of major technical and logistical challenges. These include the need to identify and secure a number of construction sites in central London, to obtain the planning consents needed from London boroughs and to manage the inevitable disruption. As well as the many stakeholder issues, a key challenge is to finance the project, which has a different scale and risk profile to other Company activities. A number of possible funding and delivery models are being considered between the Company, Ofwat and the Department for Environment, Food and Rural Affairs ("Defra"), including delivery by a specialist project company appointed under the Flood and Water Management Act 2010.

This extract provides good explanation of the overall risk management process.

8. Key performance indicators - financial

Requirement

The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include analysis using financial key performance indicators.

"Key performance indicators" means factors by reference to which the development, performance or position of the company's business can be measured effectively.

Basic compliance

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

Good practice

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

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

Tomkins – 31 December 2010

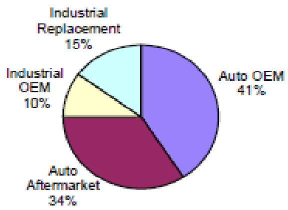
Power Transmission

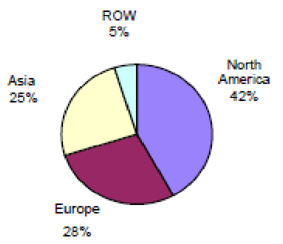
KEY METRICS	SALES BY END MARKET	SALES BY GEOGRAPHY

Fiscal 2010 Sales: $2,136.7 million

Fiscal 2010 Adjusted EBITDA Margin: 20%

% of Ongoing Group Sales: 44%

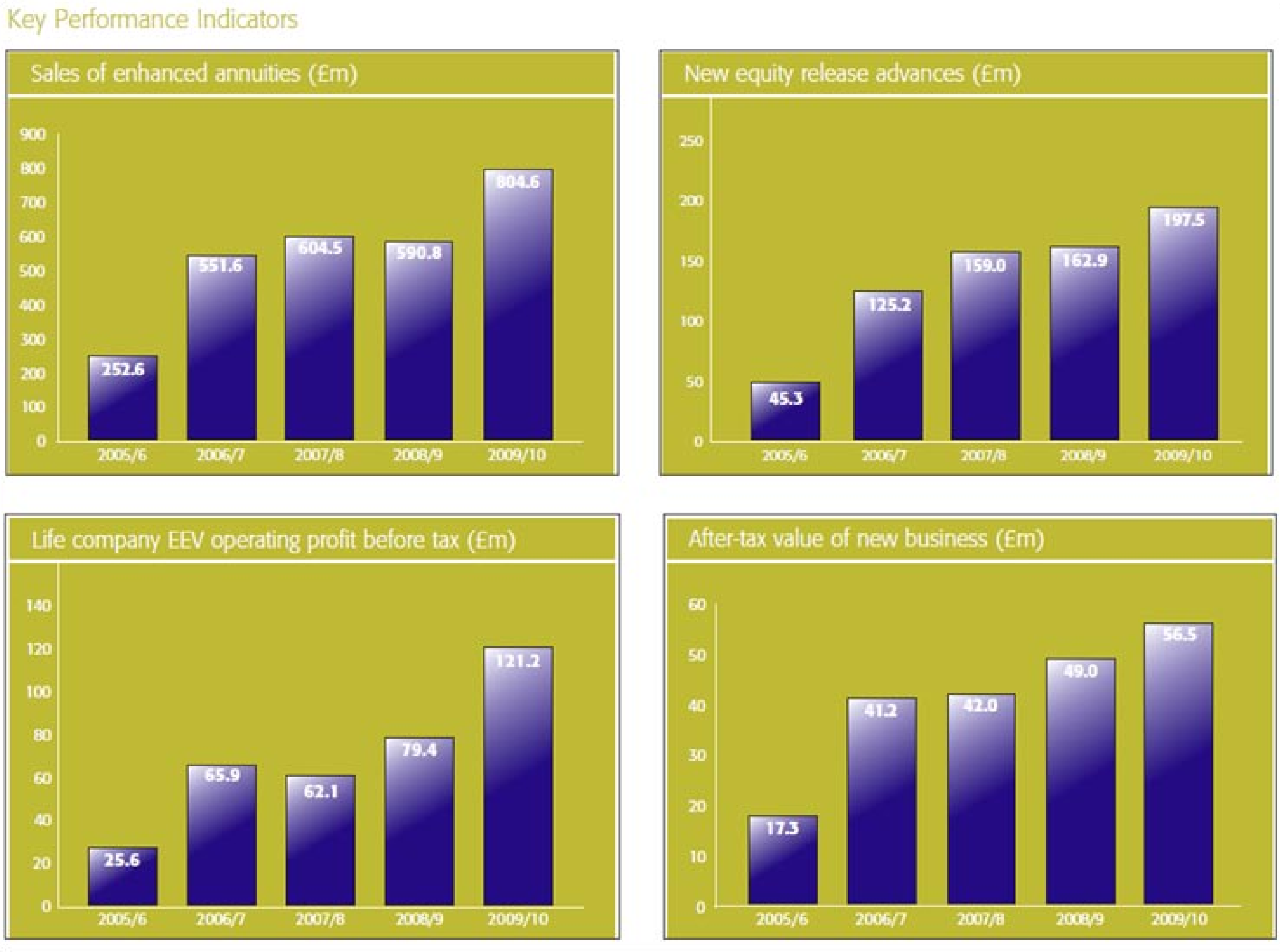




We are the world's largest manufacturer of power transmission belts used in industrial equipment and automotive applications. Our Power Transmission products are sold under the Gates brand and include highly-engineered rubber and polyurethane accessory drives and synchronous belts, idler pulleys and tensioners. We are globally integrated with operations in 21 countries and maintain research, development and engineering capabilities worldwide. The largest component of our Power Transmission sales is to leading distributors for use in the industrial replacement end market and automotive aftermarket, which are higher margin businesses. The industrial replacement end market covers a broad range of industries, which have an ongoing need for replacement parts. The automotive aftermarket provides us with a stable source of revenue. We supply aftermarket belts and related components for substantially all light vehicles in North America and Europe. We also sell Power Transmission products directly to industrial and automotive OEMs. For Fiscal 2010, 63% of Power Transmission's automotive OEM sales were to customers located outside of North America, primarily in continental Europe and Asia, including Renault, PSA/Peugeot, Mercedes, Hyundai and Chery. The end market segments for our industrial products are broad and primarily cover applications such as general industrial, agricultural equipment and motorcycles. We also have a nascent presence in elevators, white goods and wind turbines. The industrial replacement end market and automotive aftermarket collectively represented 49% of Power Transmission's Fiscal 2010 sales, while 41% of Fiscal 2010 sales were to the automotive OEM end market. The remaining 10% of Fiscal 2010 sales were generated from the industrial OEM end market.

This extract provides good explanation of the financial key performance indicators by businesses and products.

Just Retirement – 30 June 2010



This extract provides a good pictorial representation of the financial KPIs with key trends.

Domestic & General – 31 March 2011

Group Key Performance Indicators

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

2011 performance against these KPIs is:

	Year ended 31 March 2011	Year ended 31 March 2010
Financial KPIs		
Sales growth – ongoing operations	**16.6%**	17.2%
Revenue growth - ongoing operations*	**16.8%**	16.4%
Operating profit growth before significant items - ongoing operations	**25.7%**	28.0%
Investment return - interest	**1.7%**	1.2%
Growth in profit before tax before significant items and finance costs	**26.1%**	5.0%
Warranty operating profit margin*	**11.0%**	10.2%
Deferred income	**£540.2m**	£439.4m

This extract provides good disclosure of the financial KPIs with comparative numbers.

9. Key performance indicators – non-financial

Requirement

The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include, where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

"Key performance indicators" means factors by reference to which the development, performance or position of the company's business can be measured effectively.

Basic compliance

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

For instance many companies state that their employees, customers or suppliers are important to the ongoing success of their business. In these circumstances there would be a reasonable expectation by the reader to see employee, customer or supplier-based KPIs as a means to demonstrate performance. This is not always the case.

The relative importance of certain KPIs will differ depending on the company's industry. For example, you might expect more customer, employee-based KPIs for a retailer and more environmental KPIs for a company in the extractive industry.

Good practice

Attributes of good practice include:

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

Enterprise – 31 December 2010

The KPIs which the Board examines on a monthly basis are as follows:

	2010 £m	2009 £m
Financial KPIs - Group		
Operating cash flow	**49**	52
Net Debt and shareholder investment	**761**	737
Operating Profit*	**61**	77
Non-financial KPIs - Health & Safety	**No.**	No.
Notifiable accidents	**220**	143
Incidents per £m revenue	**0.25**	0.17

The non-financial KPIs shown here demonstrate the importance of health and safety to the Group. The Board has developed further its successful "TargetZero" safety awareness campaign, which was first launched in 2003, to encourage and support employees to avoid the unsafe acts and conditions that may give rise ultimately to accidents and incidents. Achieving zero RIDDOR reportable accidents/incidents per annum is our goal and staff and management are incentivised to achieve year-on-year improvements in their health and safety performance to enable us to achieve this goal.

The extract provides good disclosure of the non-financial KPIs and why they have been included.

Gatwick Airport – 31 March 2011

KEY PERFORMANCE INDICATORS

The following are the key performance indicators ("KPI's") that the Company's Executive Management Board and Board of Directors use to monitor the performance of the Company. They are detailed throughout the Directors' report:

- passengers per air transport movement;
- regulatory asset base ("RAB");
- net indebtedness to total RAB ("Senior RAR");
- interest cover ratio ("Senior ICR");
- overall service quality regime ("SQR") and security queuing;
- overall Quality of Service Monitor ("QSM");
- net retail income per passenger;
- net car parking income per passenger;
- income per passenger;
- EBITDA pre-exceptional items;
- loss time injury ("LTI") rates; and
- absenteeism per employee.

This extract provides disclosure of the non-financial KPIs used by the Board for monitoring performance.

Thames Water – 31 March 2011

Key performance measures

The table below shows the Company's performance against its key performance measures, which with two exceptions all measures were achieved.

Key performance measures		Target	2011 Actual	Target achieved
Customer Services levels				
Inadequate pressure (DG2)	Properties	34	14	✓
Interruptions to supply (DG3)	Points	0.35	0.58	✗
Billing queries (DG6)	%	99.9	99.9	✓
Complaint handling (DG7)	%	99.6	99.6	✓
Meter reading (DG8)	%	99.7	99.7	✓
Abandoned rate (DG9)	%	7.5	5.1	✓
Security of Supply				
Security of supply score	Annual average	100	100	✓
Security of supply score	Critical period	99	100	✓
Leakage	Mld	674	665	✓
Pollution incidents				
Serious or significant pollution incidents	Number	0	10	✗

This extract provides good disclosure of the non-financial KPIs with quantitative information on targets and whether they have achieved the targets.

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

Requirement

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

Basic compliance

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

Good practice

Attributes of good practice include:

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

Alliance Boots – 31 March 2010

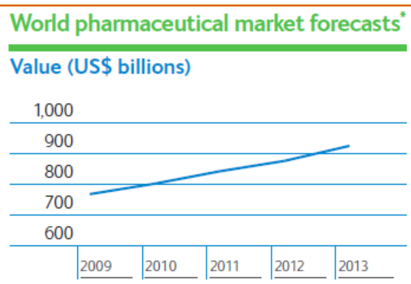
The key trends and market developments we expect to see over the coming years are as follows:

New and innovative prescription medicines will continue to be developed.
These include medicines which may require special handling (for example, temperature control) or administration to patients (for example, injections by nurses).

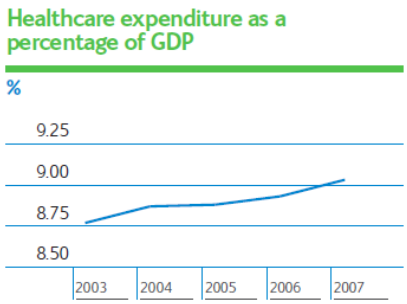
Continuing price cuts on established branded prescription medicines.
Governments benchmark prices in similar countries and look at the cost effectiveness of alternative branded medicines, cutting reimbursement prices when they identify price differentials or lower cost alternatives. Accordingly, we expect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

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

Deregulation of pharmacy ownership to happen over time in more European countries.
In the long term, we believe that cost pressures on governments are likely to lead to deregulation of pharmacy ownership in more European countries, to allow multiple ownership alongside wholesale. The timing of this remains highly uncertain and appears to be further in the future in many countries than was our historic view.



Source: IMS Market Prognosis 2008-2013 – Global
* Constant exchange rates based on average rates for quarter 4 2008 as recorded by IMS Health



Source: OECD Health

This extract provides disclosure of the key future trends and market developments impacting the group and uses external market and economic data.

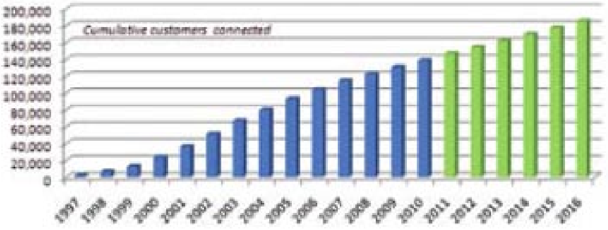
Kellen Group – 31 December 2010

MARKET OVERVIEW AND OUTLOOK

The Northern Ireland Housing Executive (NIHE), is the body responsible for all of Northern Ireland's public housing. Over the last 15 years PNG has been involved in helping to develop heating replacement programs in line with the development of the natural gas infrastructure. A high proportion of available NIHE properties have already been connected to natural gas and the number of new connections in this sector is planned to slow down over the forthcoming years.

Within the new build housing market, 2010 saw a continued slowdown in activity, both in terms of house sales as well as new housing schemes starting up. However PNG has seen a build-up of new schemes within the planning system, many of which have been re-worked to make them economic. Therefore based on its success at capturing virtually all new developments within its licence area to date, PNG is well positioned to provide natural gas to all new housing projects in Greater Belfast during 2011 and beyond, once the market conditions become more favourable.

In the owner occupied sector PNG, whilst having met all of its obligations regarding the provision of gas network, continues to expand. Further investment is planned throughout 2011 to extend the gas network in established private residential areas where a strong propensity for customers to convert can be demonstrated.



This extract provides disclosure of the outlook and market developments impacting the Group.

Tomkins – 31 December 2010

OUTLOOK

Our sales and earnings base is highly diversified by product, geography, end market and customer. We derive sales from nearly every developed country across the globe and are well-positioned in markets for our industrial and automotive components in most emerging markets.

Industrial & Automotive markets

Industrial and automotive markets, which accounted for 80% of sales in Fiscal 2010, are forecast to continue to grow in 2011. However, growth rates are expected to be lower in 2011 due to the strong performance of our end markets in 2010 and the absence in 2011 of the exceptional inventory restocking demand that we saw particularly in the first half of 2010. The following is a summary of our global outlook for I&A end markets in 2011:

- Industrial OE markets are forecast to grow between 10 to 15%.
- Industrial replacement markets are forecast to grow at the same pace as global industrial OE markets.
- Global automotive OE markets are measured by vehicle production and are forecast by IHS/CSM to grow by 5.4% in 2011 to 75.5 million units.
- Automotive aftermarkets, are forecast to grow between 3 to 4%, roughly at the same rate of growth as GDP in each of the respective markets.

This extract provides disclosure of the outlook in the key markets in which the Group operates.

11. Environmental matters

Requirement

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

Basic compliance

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

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

Good practice

Good practice would include;

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

Associated British Ports – 31 December 2010

Management of environmental matters

The group's UK port estates comprise over 12,000 acres of sea-bed and land The group's obligations in relation to environmental stewardship have the potential to be a significant risk In operating its business to meet the demands of the country's trade, the group has in place policies and procedures that are designed to ensure that its activities are conducted with due regard for their potential impact on the environment The group's environment management team has developed and implemented a management framework to ensure that environmental aspects relevant to our business are identified, assessed and managed appropriately Further details on the group's management of environmental matters will be detailed in its 2010 CR report

Table 13 below provides details of the group's progress during 2010 against its more significant environmental indicators

Table 13

	2010	**2009**	**Change from 2009**
CO_2 emissions (tonnes)*	**83,897**	**84,473	-0 7%
Electricity consumption (million kWh)	**77.6**	78 7	-1 4%
Water consumption (million litres)***	**1,417.4**	1,380 2	+2 7%

This extract provides a clear explanation of the specific environmental matters and the Group progress on the most significant environmental indicators.

Thames Water –31 March 2011

Energy efficiency and renewable energy

The Company is committed to reducing its contribution to the causes of climate change and its voluntary target is to achieve by 2015 a challenging 20% reduction in greenhouse gas ("GHG") emissions (compared to 1990 levels)[7] for scope 1 and scope 2 emissions[8].

The Company's total GHG emissions (Scope 1, 2 and 3) reported for 2011 were 780,436 tonnes (2010: 757,218 tonnes) of carbon emissions ("CO_2e"). The Company's approach to reporting GHG emissions is consistent with both the Department of Energy and Climate Change ("Decc") and Defra guidance and Ofwat reporting requirements. During the year, the Company's reported emissions increased due to the impact of the severe cold weather during the winter and demand from new assets, although emissions were reduced by the Company's energy efficiency and renewable energy programmes. In addition, an increase in the carbon intensity of grid electricity, rather than the expected reduction, also contributed to higher reported emissions. Despite these setbacks, the Company remains determined to meet its targets by 2015.

Last year the Company consumed 1,179 Gigawatt hours ("GWh") of electricity, of which 183GWh was renewable electricity generated at the Company's operational sites - around 16% of the Company's total electricity use. The Company produced 96GWh of heat energy which displaced the need to consume natural gas. This generation of renewable electricity and heat helped reduce the Company's overall GHG emissions.

This extract provides a clear discussion of the approach taken to address the environmental matters identified, supported by quantifiable evidence where applicable.

AWAS – 30 November 2010

Environmental Responsibility

AWAS is committed to environmental responsibility as an integral part of our overall business strategy. The company is proud to offer customers some of the most fuel efficient and cost effective aircraft available today. AWAS actively works with airlines to evaluate their current fleets and aircraft types, which often results in the placement of more modern, greener aircraft with a significantly reduced carbon footprint. This active strategy enhances AWAS' offering to customers from both an environmental and cost perspective.

AWAS engages in a number of on-going environmental responsibility initiatives:

Active Reduction of Fleet Age:

Aircraft manufacturers continue to improve fuel efficiency and to reduce emissions in their aircraft. The new aircraft which comprise our pipeline will consume up to 20%* less fuel than existing models. In 2010 AWAS again reduced the average age of its fleet to 7.8 years from 8.3 years (August 2010). This figure will continue to fall as new pipeline aircraft deliver from Airbus and Boeing and the divestment programme for older assets continues.

**Source: Boeing Commercial Airplanes Nov 09*

Enhancing Fleet Fuel Efficiency:

Whilst AWAS is looking to reduce the number of older aircraft in its fleet in order to increase average fuel efficiency, it is also possible to reduce fuel consumption on some existing assets through the retrofit of new technology. The addition of winglets to a 737NG aircraft can reduce fuel consumption by as much as 5%. As of the end of November 2010, AWAS had 21 of these advanced aircraft, of which seven were delivered with winglets direct from the manufacturer and 14 had winglets retrofitted. The resulting fuel savings realised by our customers total over 8 million gallons, which equates to over 85,000 tons of CO_2.

This extract provides a good discussion of the environmental responsibility initiatives undertaken by the group supported by quantifiable evidence where applicable.

12. Employees

Requirement

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

Basic compliance

The Companies Act requires, for all companies with greater than 250 employees, the disclosure of information on the company's policy in respect of the employment of disabled persons, of the health, safety and welfare at work of employees and of the involvement of employees in the management of the company. As a minimum, adequate compliance with the Companies Act will ensure basic level compliance with the Walker Guidelines.

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

Good practice

Attributes of good practice companies include:

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

Thames Water – 31 March 2011

Employees

This financial year has been challenging, with the largest ever five year capital investment programme commencing, continued change and transformation of the Company's business processes and the challenge of severe winter weather events. The Company's employees have continued to demonstrate high commitment and increased engagement levels throughout the year, supported by the its 'Passionate About People' strategy.

The strategy was refreshed under the Company's new HR Director and an increased focus on supporting the organisational change and transformation across the Company, alongside getting the best out of its people by giving them the right support and development. Implementation continues to engender a positive working environment, which focuses on performance, contribution and values diversity and inclusion.

Overall staff turnover in 2011 has been at a similar level to 2010.

The Company's sickness rate during the year was 2.75% (2010: 3.20%). The Company has an attendance management policy in place with the overall aim of reducing and managing sickness absence. In addition, there has been a focus on attendance management this year.

The Company is committed to the training and development of all of its employees who undertook 12,355 (2010: 4,387) formal training days in 2011. Over 7,000 days were spent on health and safety and contractor maintenance, nearly 2,000 on leadership training with a further 2,200 days with the Company's customer services and customer management teams.

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

Northgate Information – 30 April 2011

Resources
In order to meet customer needs and optimise efficiency Northgate utilises a variety of resources.

Employees
The Group has a very dedicated and loyal skilled workforce. Average length of service is four years.

Recruitment
During the period, 581 new employees were recruited into Northgate's UK operations, with a further 2,078 new hires joining elsewhere across the globe. In addition, approximately 639 contractors were also employed predominantly on customer-related projects providing a flexible resource pool.

Reward
Northgate's reward strategy aims to reinforce the link between employee and business performance. In addition to a competitive basic salary, total reward may include variable pay elements such as bonuses, commission, recognition awards and long-term incentive plans. Northgate also offers benefits and prerequisites appropriate to the local employment marketplace.

Communications
Northgate recognises that its people are an integral part of its success, and encourage and foster an environment that promotes effective two-way communication. The Group works to ensure employees understand the Company's vision and purpose, are clear on their responsibilities, have the right information to execute their role effectively and have the opportunity to give feedback and submit ideas to drive ongoing improvement.

There are a variety of ways that Northgate encourages two-way communication; including regular team meetings, manager cascades, e-bulletins, access to a Group intranet, senior leadership video/email broadcasts and feedback forums.

Employee Survey
The Group also conducts regular employee surveys through a professional employee opinion consultancy; to maintain a strong employee dialogue, assess levels of engagement and to drive continuous improvement.

Overall, our colleagues have shown a very good level of satisfaction working for Northgate.

The results also show that our people are loyal, motivated and willing to go the 'extra mile' to help drive the business forward. We have an excellent commitment to our customers, are proud to work here and strongly believe that we have a great future ahead of us.

Employee Relations
115 Northgate employees are covered by union recognition agreements (with either GMB or Unite) and all UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with Northgate's management on a quarterly basis to discuss issues of importance. The Group also has a number of works councils and employee groups in place across the globe to ensure effective communication takes place with all employees, in accordance with the European Works Directive.

Learning and Development
Northgate is committed to investing in its people and offers a wide range of internal training programmes, including Corporate Responsibility for employees through a variety of different methods including instructor-led training, e-learning programmes and webinars. The e-learning modules also provide an excellent method for the organisation to promote awareness in specific areas such as data security and diversity in the workplace.

All employees have an appraisal at least once a year, and have the opportunity to provide feedback as part of the performance management process. Individuals are also offered job-related technical training consistent with their personal development plans as part of the performance management process.

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

13. Social and community issues

Requirement

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

Basic compliance

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

Good practice

In our view, attributes of good practice include:

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

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

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

Alliance Boots – 31 March 2010

Target: To raise over £1 million for charity partners across our businesses
During the year we worked on a range of charitable initiatives in many countries. In the UK partners included BBC Children In Need, Breast Cancer Care and the Eve Appeal. In Italy we supported the National Association for the Fight against Neuroblastoma, a charity dedicated to combating paediatric cancers. In 2009/10 we donated £1.3 million to our charity partners. The overall value of our charitable giving programme, including employee time and products gifted, will be reported in our Corporate Social Responsibility Report when it is published in September 2010.

Target: To support public agencies and our healthcare suppliers along the supply chain in ensuring quality and in associated areas of education and public information
We continue to support the public agenda by producing literature and running campaigns to increase public awareness of a number of health issues, including swine flu and smoking cessation. In addition, the Boots Learning Store website, www.bootslearningstore.com, provides education support for children, teachers and parents, using the Sneezy Sneezalot cartoon character to give healthcare advice in a highly entertaining way.

This extract provides a good explanation of the actions taken to address the specific social and community issues, and goes wider than just charitable policy to focus on supply chain matters.

AWAS – 30 November 2010

Corporate Social Responsibility

Corporate Social Responsibility continues to be one of the core pillars of the AWAS ethos. In the 2010 financial year, AWAS increased its donations to charities to in excess of $240,000 and held its first global volunteering trip.

During 2010 AWAS completed the following fundraising activities:

ORBIS

ORBIS is a charity which is working to eliminate preventable blindness and restoring sight to rural villagers in the poorest regions of southern Ethiopia. In January 2010, the company hosted the AWAS 25th Anniversary Ball in aid of ORBIS. The event raised $126,000. The AWAS team also participated in the Orbis Plane Pull in association with Fed-Ex at Dublin Airport, which raised $3,000. And in November 2010, a group of employees travelled to Ethiopia to participate in the Great Ethiopian Run in aid of ORBIS.

Chontay Peru Volunteering Trip

In March 2010, 10 AWAS employees participated in a volunteering trip to Chontay, Peru following a series of fundraising events. Chontay is a poor village located 30km outside of Lima with an extremely inadequate infrastructure. There is limited irrigation and rudimentary sanitation, sporadic electricity and a lack of adequate medical services. The nearest medical post is an hour away and a proper hospital two hours. Following an earthquake in 2007 the school was deemed unfit for habitation and subsequently demolished. AWAS raised $6,500 for completion of the school. A clothes and toy collection was also held at the Dublin, Miami and Singapore AWAS offices with the items sent to Peru in advance of the volunteering trip, with assistance from Centurion airlines and Boeing. On the trip, AWAS employees renovated a playground, built a barbeque and designed a Chontay mural. In addition, the volunteers taught English at the school and educated the children about life outside Peru. The volunteers also supported the kindergarten building project in Chontay.

Childfund

AWAS continues to sponsor Childfund projects including a sanitation project in Guinea.

Support following the Haiti Earthquake & Irish Floods

AWAS has continued to support victims of local and global natural disasters. In late 2009, Ireland suffered from extensive flooding, forcing many people out of their homes, AWAS donated €5,000 to help assist those in need. The company also supported the Haiti Earthquake relief fund with a donation of $10,000.

This extract provides a good explanation of the group's charitable activities.

14. Essential contractual or other arrangements

Requirement

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

Basic compliance

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

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

Good practice

Attributes of good practice include:

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

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

London City Airport – 31 December 2010

Significant contractual and other relationships

The group has a number of important relationships with its customers, suppliers and bankers. These relationships are managed by key managers and directors of the individual businesses. The two primary areas of concentration of key relationships are;

a) Revenue - Scheduled aviation revenue is principally derived from the three major airline alliances in Europe, namely Sky Team (Air France-KLM), oneworld (British Airways) and Star Alliance (Lufthansa/Swiss).

b) Debt finance - The group has arranged its debt finance through a syndicate of banks to access the level of funding required for its

This extract provides clear identification of the parties with whom significant contracts or other arrangements exist and the nature of the arrangements and relevance to the business.

Eversholt Rail – 31 December 2010

Customers

ERG currently has long-term leases to supply rolling stock to 11 UK TOCs and two of the major FOCs. The proportions of capital rentals derived from each of the five largest sources is set out below:

Franchise	TOC	Percentage of capital rentals	Number of vehicles
South Eastern	LSER	31%	1,180
East Coast	DOR	14%	333
East Anglia	NXEA	13%	640
Scotrail	FScR	10%	428
First Capital Connect	FCC	8%	344

Suppliers

ERG has good relationships with all of its key suppliers. The supply base for new rolling stock, and for the maintenance of existing rolling stock, is limited but ERG is confident that its strong relationships will enable it to find alternative suppliers in the event that any supplier fails to perform.

Since privatisation ERG has selectively invested in new rolling stock, with investment peaking in 2004 when £356m was invested in new trains. ERG has remained active and is currently undertaking delivery of the new fleet of Class 380 units, with all the units expected to be in service during 2011.

Upcoming re-letting

The leases for ERG's fleets on the Greater Anglia Franchise (GAF) will end during 2011, these leases have already been extended and are expected to be further extended before being rolled into a new franchise commencing in 2012. ERG expects its fleets to remain utilised by the GAF franchise.

No other ERG passenger rolling stock lease is due to end during 2011. A small number of freight vehicles are currently off-lease and few more freight vehicles will come off-lease during the year. ERG expects to secure new leases for a majority of these assets during 2011.

This extract provides clear identification of the customers and suppliers with whom significant contracts or other arrangements exist and the relevance to the business

Appendix

Guidelines for enhanced disclosure by portfolio companies and private equity firms

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

1 Definition of a portfolio company to be covered by enhanced reporting guidelines (as amended by the GMG in March 2010)

A portfolio company is a UK company:

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

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

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

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

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

2 Content of enhanced disclosure by a portfolio company

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

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

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

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

"(5) In the case of a quoted company the business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include-

- The main trends and factors likely to affect the future development, performance and position of the company's business; and
- Information about –

  – Environmental matters (including the impact of the company's business on the environment),
  – The company's employees, and
  – Social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies; and

- Subject to subsection (11) (disclosure seriously prejudicial in opinion of the directors), information about persons with whom the company has contractual or other agreements which are essential to the business of the company.
- If the review does not contain information of each kind mentioned in paragraphs (b)(i), (ii) and (iii) and (c), it must state which of these kinds of information it does not contain."
- The financial review should cover risk management objectives and policies in the light of principal financial risks and uncertainties facing the company, including those relating to leverage, with links to appropriate detail in the footnotes to the balance sheet and cash flow section of the financial statements.
- To the extent that the guidelines at (b) and (c) above are met by existing market disclosures in respect of debt or equity issuance on public markets, this should be explained with the relevant material made accessible on the company's website; and where compliance with these guidelines, in particular in respect of any forward-looking statement, might involve conflict with other regulatory obligations, the reason for non-compliance should similarly be explained on the company website.

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

The audited report and accounts should be readily accessible on the company website;

The report and accounts should be made available no more than 6 months after the company year end;

A summary mid-year update giving a brief account of major developments in the company (but not requiring updated financial statements) to be placed on the website no more than 3 months after mid-year.

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

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

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